

ISMT LIMITED

Solutions You Can Trust



ISMT

**ANNUAL REPORT
2010-11**



You may never see our products,
But they touch your life everyday

Board of Directors

S C Gupta	–	Chairman
Salil Taneja	–	Chief Executive Officer
Rajiv Goel	–	Chief Financial Officer
Nirmal Chandra	–	President – (Project & Product Development)
B R Taneja	–	Director
A K Jain	–	Director
J P Sureka	–	Director
K K Rai	–	Director (from July 29, 2010)
Vinod Sethi	–	Director
V Gourishankar	–	Nominee of IDBI Bank Limited

Company Secretary

Jayan Nair

Auditors

M/s. P G Bhagwat	J K Shah & Co.
Chartered Accountants	Chartered Accountants

Cost Auditors

M/s. D.V. Joshi & Associates	M/s. Parkhi Limaye & Co.
Cost Accountants	Cost Accountants

Advocates & Solicitors

Amarchand & Mangaldas & Suresh A Shroff & Co.
J Sagar Associates
HSB Partners, Chennai

Bankers

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

Registered Office

Lunkad Towers, Viman Nagar, Pune - 411 014

Transfer Agent

Sharepro Services (India) Private Limited

Works

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

13th Annual General Meeting at Vivanta by Taj Blue Diamond, Pune 411001
on Friday, September 30, 2011 at 11.30 AM

PHYSICAL SUMMARY

(Tonnes Per Annum)

	TUBE SEGMENT						
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Capacity	465000	158000	158000	158000	158000	158000	158000
Production	167187	135782	145429	162276	161181	135635	110184
Capacity Utilisation (%)	38.5%	85.9%	92.0%	102.7%	102.0%	85.8%	69.7%
Sales	165662	132156	144242	159062	163315	132794	110526
Captive	19992	14652	16025	19150	17175	17068	11621
External of Which	145670	117504	128217	139912	146140	115726	98905
-Domestic	101499	92363	86422	101208	112833	82481	74878
-Exports	44171	25141	41795	38704	33307	33245	24027

* Seamless Tube Capacity Stands increased to 4,65,000 TPA w.e.f. May 08, 2010.

(Tonnes Per Annum)

	STEEL SEGMENT						
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Capacity	350000	250000	250000	250000	250000	250000	250000
Production	254070	231395	202392	237914	247351	234707	213303
Capacity Utilisation (%)	84.4%	92.6%	81.0%	95.2%	98.9%	93.9%	85.3%
Sales	256347	227866	201601	244684	245096	228078	214399
Captive	148990	133976	145394	157862	160985	131968	109091
External of Which	107357	93890	56207	86822	84111	96110	105308
-Domestic	107174	93390	55865	86320	83510	95263	102961
-Exports	183	500	342	502	601	847	2347

* Steel Capacity Stands increased to 350,000 TPA w.e.f. September 27, 2010.

FINANCIAL SUMMARY

(Rs in Crore)

	2010-11	2009 -10	2008-09	2007-08	2006-07	2005-06	2004-05
A) Profitability							
Gross Sales	2602	1914	2308	2051	2049	1807	1442
Net Sales & Other Income	1650	1205	1314	1210	1201	1085	910
Raw Material	737	501	644	570	536	497	475
Energy Cost	281	215	171	174	165	137	111
Other Direct Expenses	243	173	157	152	151	120	101
Personnel & Administrative Expenses	111	98	92	89	80	67	59
EBIDTA	278	218	251	226	269	264	164
Finance Cost	91	79	82	67	76	86	92
Depreciation & Amortization	86	56	56	55	60	51	44
Foreign Exchange (Gain)/ Loss	6	(9)	57	(22)	(5)	2	2
Tax	21	17	-	26	8	10	(7)
Net Profit	75	75	56	100	130	115	33
B) Balance Sheet							
Sources of Funds							
Net Worth	619	579	532	542	470	429	357
Term Borrowing	763	672	693	550	476	533	558
Working Capital Borrowings	112	109	100	120	141	140	158
Unsecured Loans	174	219	219	204	217	111	83
Deferred Tax Liability	75	42	15	-	-	-	-
Total	1743	1621	1559	1416	1304	1213	1156
Application of Funds							
Net Block & Capital Work In Process	1311	1187	1148	1021	810	823	858
Investments	50	36	26	19	-	-	-
FC Translation Reserve	-	5	40	-	-	-	-
Current Assets	1241	986	799	689	691	533	474
Current Liabilities	(860)	(595)	(457)	(327)	(257)	(242)	(273)
Net Current Assets	381	391	342	362	434	291	201
Deferred Tax Asset & Misc. Expenditure	1	2	3	13	60	99	97
Total	1743	1621	1559	1416	1304	1213	1156

KEY PARAMETERS

(Rs. in Crore)

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Operations :							
- Net Sales	1611.36	1185.13	1284.55	1179.71	1190.39	1061.05	892.25
Tube Sales	1078.50	777.46	980.27	826.53	871.98	693.97	510.42
Steel Sales	532.86	407.67	304.28	353.18	318.41	367.08	381.83
- Exports	328.46	175.58	354.10	246.58	225.47	210.56	152.14
- Imports	358.45	267.71	194.75	60.25	89.67	131.98	100.41
- Raw Material (% of Net Sales)	45.7%	42.3%	50.1%	48.3%	45.0%	45.4%	51.8%
- Energy Cost (% of Net Sales)	17.4%	18.1%	13.3%	14.7%	13.9%	12.9%	12.4%
Profitability :							
- EBIDTA margin	16.8%	18.1%	19.1%	18.6%	22.4%	24.3%	18.0%
- Net Profit Margin	4.6%	6.2%	4.3%	8.3%	10.8%	10.6%	3.6%
- Return on Net worth	12.2%	12.9%	10.6%	18.8%	28.2%	27.3%	9.4%
- Return on Capital Employed	14.1%	15.3%	12.5%	16.4%	18.5%	19.9%	15.9%
Finance :							
- Term Debt	763	672	693	550	476	533	558
- FC Debt (% of Term Debt)	57.1%	67.9%	65.4%	76.0%	50.8%	31.9%	13.3%
- Finance Charges (% of Net Sales)	5.6%	6.6%	6.4%	5.6%	6.4%	8.1%	10.3%
General :							
- Average Market Capitalization	766.08	635.51	466.90	1288.92	1154.48	888.24	164.97
- Share Price during the yr.- High (Rs)	70.00	64.90	68.10	140.00	124.90	112.45	41.90
- Low (Rs)	42.00	19.10	14.10	49.00	62.00	27.00	3.05
- Book Value (Rs. Per Share)	42.08	39.42	36.11	36.41	31.90	29.20	33.24
- Earning Per Share (Rs)	5.14	5.09	3.84	6.92	9.01	7.96	2.33
- Dividend Per Share (Rs)	1.25	1.00	1.00	1.00	0.50	-	-



CEO's Statement

The fiscal year that has just ended has been positive and encouraging for ISMT, a clear sign that we are on the right and intended path. Net sales increased by 36%, Tube sales increased by 24%, Steel sales increased by 31%, exports increased by 87%, and EBITDA increased by 28% as compared to the previous year.

Indeed, this is the inflection point that we were looking for a steep increase in sales after many years of level growth. As I mentioned last year, and I would like to reiterate now, this is the start of a transition from being a niche producer of specialized seamless tubes and alloy steels to becoming a global leader in these products; In other words, the unfolding of our 'Vision' to be the most sought after, efficient, profitable and respected producer globally of precision seamless tubes and alloy steels.

Undoubtedly, a key driver for this change has been the commissioning of the PQF Mill that is now shown some improved performance. We now have the largest tube making capacity in the country and we are leveraging this advantage to secure an unshakeable market position for ourselves in key sectors of the economy.

During the last year we have been making efforts towards bringing the PQF Mill on stream by reducing some of the issues that we have had with this Mill in terms of product quality and productivity, and creating a market for some of the

new products that can be produced by the PQF Mill.

During the current year our focus will be to reduce production costs. While sales volumes will no doubt increase as a result of the marketing efforts that have gone in during the preceding years, we will now seek to optimize the production processes in the PQF Mill and drive down the costs of our core products. We expect that these efforts will begin to bear fruit by way of increased operating margins during the current year. The combination of these elements will make our business model very robust and create a secure foundation for future growth.

In addition to the above, we have launched various other initiatives and business process changes to make our Company more responsive and agile. We have a very active marketing team that is constantly looking for new markets by geography as well as by product segments. We have tightened various business processes so that we can adjust prices very quickly in response to changes in input prices. We have also put in place an improved planning process that aims to reduce delivery lead times while simultaneously reducing inventory and WIP at all stages.

This year a specific focus area for the Company is on improving delivery timelines and on improving quality. Our management attention is now directed towards developing very strong embedded customer relationships with 'market leaders' in each of our

target markets and ensuring that they are completely satisfied. With the tremendous growth in certain sectors we believe that associating with such companies will create a firm basis for sustained future growth. We have already made some significant headway in this direction and will continue the development further.

As part of our firmly entrenched corporate philosophy we continue to be focused on new product development. Like in the previous years we are working on launching several new products, tubes as well as steel, for the Powergen, Mining and Automotive markets.

The overall market situation today is not very different as compared to this time last year. The key dynamic in the seamless tube market today is the overcapacity in China, the consequent price cutting by Chinese enterprises, and the anti-dumping duty on Chinese tubes in the European, U.S., and Canadian markets. This scenario is contrasted by the fact that as yet there is no anti-dumping duty imposed by the Indian Government.

Faced with mounting duties in the developed markets China is dumping seamless tubes in the remaining parts of the world including the Middle East, North Africa, South-East, and India with extreme aggression. Selling seamless tubes in these regions is extremely difficult. On the other hand, demand for Indian tubes has increased in countries like the U.S., and Europe, where anti-dumping duty has been levied on Chinese products.

Last year our application for anti-dumping duty had been turned down by the Indian Government on a technicality. We are now making a new application supported by fresh evidence of Chinese anti-dumping behavior, and we are hopeful of securing a positive response from our Government.

Regardless, as a means to hedge ourselves against these uncertainties in the market, we are vigorously focusing on increasing our exports to the U.S., Europe, and other regions where duty has been imposed on Chinese products. We are also increasing our market share in more sophisticated product segments where Chinese competition is more muted. Fortunately for us these specialized product segments, namely, construction, Powergen, and mining are all growing rapidly in India.

During current year our 40MW captive power-plant will come on stream. Combined with the other cost cutting activities that I mentioned earlier the power cost savings that will accrue from the operations of this plant will further strengthen the financial structure of our operations.

In summary, I believe we are taking all the necessary steps to create and secure a firm foundation for our Company. We are moving in the right direction and I look forward to our shared future with optimism.

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

Thank you



Salil Taneja

Pune, August 29, 2011

Directors' Report

To the Members of ISMT LIMITED

The Directors have pleasure in presenting their Annual Report and Audited Accounts for the year ended March 31, 2011

FINANCIAL HIGHLIGHTS (Rs. in Crore)

Particulars	Financial Year	
	2010-11	2009-10
Gross Sales	2601.92	1914.19
Profit before Finance Charges, Depreciation, Amortization & Tax (EBIDTA)	277.84	217.81
Cash Profit	162.99	132.91
Gross Profit	101.74	82.71
Profit Before Tax	96.02	91.23
Taxation	20.66	16.62
Net Profit	75.36	74.61
Add : Balance brought forward from previous year	54.83	47.30
Balance available for Appropriation	130.19	121.91
Appropriations		
Dividend	18.31	14.65
Tax on Dividend	2.97	2.43
General Reserve	50.00	50.00
Balance carried to Balance Sheet	58.91	54.83

Despite a 28% improvement in EBIDTA, the net profit was impacted by higher interest and depreciation of the expansion project.

DIVIDEND

The Board has recommended a higher Dividend of Rs 1.25 per Equity Share of Rs. 5/- each (25 % of face value) for the financial year ended March 31, 2011 and is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

OPERATIONS

While incremental capacity became available during the year leading to higher production at Baramati plant, the volumes at Ahmednagar plant were flat. Expansion of both, the size range and the product mix was targeted and achieved during the year.

MARKET

Consistent marketing efforts by your Company during last few years towards developing new customers especially in Export market has helped the Company to achieve strong Export led growth. Export during the year were higher by about 87%, while Domestic Tubes & Steel Sales increased by 24% & 31% respectively riding on strong growth in Auto, Bearing and Power Sector.

FINANCE

There were frequent increases in the bank rates on account of higher inflation. However by optimizing the foreign currency borrowings, where the libor rates continued to be low, the Company could limit the adverse impact and finance cost which came down from 6.6% to 5.6% of the sales. With over 30% of Export Sales in Euro denomination, the Company has started borrowing in Euro to create a natural hedge.

POWER PROJECT

The Company's 40 MW Captive Power Project at Chandrapur District is now close to commissioning. But for the frequent interruptions and impediments both internal and external, the project should have already been on stream. The Company has applied for domestic coal linkage.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr J P Sureka and Mr Salil Taneja retire by rotation and being eligible offer themselves for re-appointment.

AUDITORS

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

COST AUDITORS

The Central Government had directed an audit of the Cost Accounts maintained by the Company in respect of Steel and Tube businesses for the financial year commencing from 2010 -11. In terms of the said direction the Company has appointed M/s. D. V. Joshi & Associates and M/s. Parkhi Limaye & Co., Cost Accountants as Cost Auditors for conducting the cost audit for Tube & Steel divisions

Directors' Report (contd.)

respectively. The Central Government has approved appointment of the said Cost Auditors.

SUBSIDIARIES

While the operations of Structo attained break even during the year, in order to reduce cost and to attain long term viability & growth, it was decided to re-locate some of the upstream facilities to India. One of the Draw Benches has already been shifted to Ahmednagar Plant and the Second Draw Bench is planned for shifting during the current year to Baramati Plant.

As on date of this report, the Company has eight direct & indirect subsidiary companies. The Central Government has granted general exemption to all Companies from attaching the Annual Accounts of the subsidiary companies. The Annual Accounts of these subsidiary companies and other relevant information shall be made available for inspection at the Company's Registered Office.

In accordance with the Accounting Standard (AS 21), the audited consolidated financial statement of the Company forming part of this report is attached hereto.

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

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

RESEARCH & DEVELOPMENT

Your Company continued its efforts towards Research & Development activities during the year in key areas of Product, Process and inhouse tooling development.

Details of the R&D activities undertaken are enumerated in Annexure I to this report.

DISCLOSURE PARTICULARS

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

report. The Company has also initiated number of Energy reduction initiatives anticipating UNFCCC benefits under Green House Gas Commission reduction programme

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures ;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year March 31, 2011 and of the Profit of the Company for that period.
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express its sincere gratitude for the continued support and co-operation received by the Company from the Government of India, Government of Maharashtra, Reserve Bank of India, Stock Exchanges, other regulatory agencies and the shareholders. The Board would also like to acknowledge the continued support of its bankers, vendors, clients and investors. The Directors also wish to place on record their appreciation of all the employees for their dedication and team work.

For and on behalf of the Board of Directors

Pune
June 29, 2011

S C Gupta
Chairman

Management Discussion and Analysis

OVERVIEW

2010-11 marked an Historical year for ISMT Limited. The Company recorded Highest ever;

Net Sales	: Rs. 1611.36 Crore
Operating Profit (EBIDTA)	: Rs. 277.84 Crore
Tube Production	: 167,187 MT
Tube Exports	: 44,171 MT
Steel Production	: 254,070 MT
External Steel Sales	: 107,357 MT

With the commencement of commercial production of Seamless Tube Expansion Project at Baramati plant, ISMT now has the largest Seamless Tube manufacturing capacity of 465,000 tpa in India. Your Company is now ready to take advantage of the growing demand of Seamless Tubes both domestically and internationally across the core sectors of the Industry.

The Steel Capacity during the year was also increased from 250,000 tpa to 350,000 tpa. Our renewed focus on the Steel segment, and in particular, our strategy to increase steel sales while outsourcing commodity steel billets for in house Tube manufacturing resulted in an increase in external steel sales by 14% in volume terms.

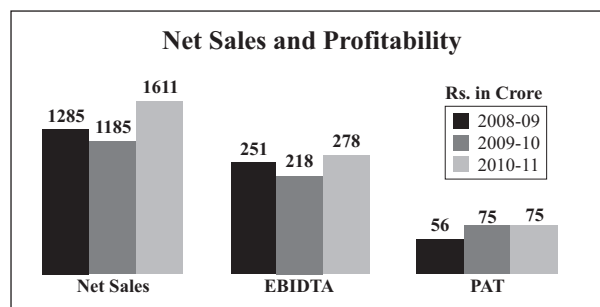
With gradual ramp up of new Expanded Capacities planned, no major fresh capital expenditure is anticipated in the immediate future.

The 40 MW Captive Power Plant Project undertaken to address the second biggest cost element of your company after Raw material i.e Energy Cost, is now nearing completion. The Project is expected to result in assured & continuous power availability apart from reduction in Energy cost.

Another remarkable achievement during the year was turnaround of Structo Hydraulics AB, Company's subsidiary in Sweden. While Europe crisis still persists, Structo has turned the corner within a short span of two

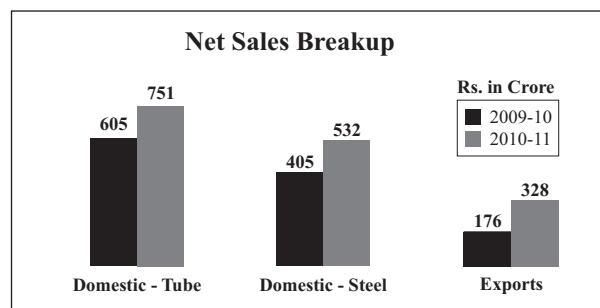
years, benefiting from aggressive cost rationalisation exercise undertaken.

Your Company ended the year with Net Sales of Rs. 1611.36 Crore while Net Profit & Earning Per Share stood at Rs. 75.36 Crore and Rs. 5.14 per share respectively.



Domestic Tube & Steel Sales grew by 24% & 31% respectively. Exports grew by over 87% on back of a lower base of last year.

	(Rs. Crore)		
	2010-11	2009-10	% Change
Net Sales	1611	1185	36%
Domestic			
-Tube	751	605	24%
-Steel	532	405	31%
Exports	328	176	87%



While Operating profit (EBIDTA) in absolute terms during the year was higher at Rs. 277.84 Crore, an increase by 28% over previous year, the Raw material price volatility continue to impact margins. The same, however is partially offset by holding higher raw material

Management Discussion and Analysis (contd.)

inventory.

On the operational front, the integration of the new Seamless Tube line with the existing line at Baramati remained the focus area. This process took longer time than estimated on account of quality related issues, with consequential adverse impact on the profit margins of the Company. Apart from streamlining the enhanced capacities, the focus during the year remained on adding new customers & sales intermediaries across major geographies and developing new products.

Absence of any decisive step by the Indian Government on imposing anti dumping duty on Chinese producers continue to impact domestic margins in some sectors.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Higher capital investment per tonne, use of high end technology & experienced manpower act as entry barriers for the Seamless tube industry when compared with other tube types. Historically the seamless tubes business has been a higher margin business compared with other types viz., welded or ERW pipes. Higher 'strength to weight' ratios and better machineability properties have provided an edge to seamless tube sales over other types.

Seamless tubes find application largely in the Oil and Gas Exploration Industry, Power, Automotive, Construction Equipment, Bearings, and other Mechanical applications.

With oil prices remaining high and the advancement of oil exploration technologies such as horizontal drilling, and hydraulic fracturing, larger volumes of oil and gas have become accessible. This in turn has boosted the demand for Seamless Tubes in the OCTG segment. In the domestic market, the ambitious growth projected in Power Sector is boosting demand for seamless tubes used in Boiler and Heat Exchanger applications.

As stated earlier, the seamless tube markets worldwide faces overcapacity and price-cutting by Chinese enterprises. Most of the developed countries have already

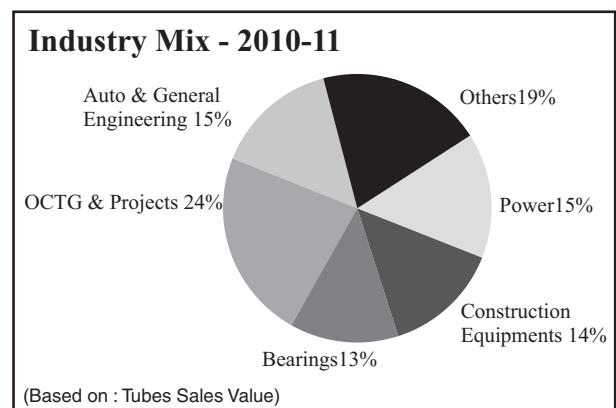
recognized the same and has levied anti dumping duty on Chinese seamless tubes. As a result China is now dumping seamless tubes in the remaining parts of the world including India and we continue to believe that it is the duty of the Indian Government to protect our industry from unfair competition.

MARKET

Your company is a diversified value added seamless tube supplier present in the following major sectors of seamless tube applications viz. Energy, Construction Equipment, Automotive, General Engineering, Bearings and Oil & Gas Exploration.

While all the Company's target markets independently grew during the year, the domestic growth was largely attributable to higher growth in Bearing, OCTG & Projects sector, the Exports growth was led by Construction Equipment, OCTG & Automotive Sector.

We have been focusing now on more value added products where competition from Chinese products is less severe and on developing new customers in countries where anti-dumping duty have been levied on Chinese product.



Export Sales during the year increased to Rs. 328 Crore. The U.S.A. & Europe continued to remain the dominant export revenue earners for the Company. USD & Euro denominated sales accounted for nearly 68% and 30% of total Export sales respectively.

Management Discussion and Analysis (contd.)

OPPORTUNITIES & THREATS

Opportunities

The availability of enhanced capacity, the capability to produce a wider size range, combined with lower costs of production (resulting from economies of scale) will result in an expansion of 'economically' addressable market available to the Company. This is a clear opportunity in the coming years.

The 40 MW Captive Power Project once operational will further strengthen Company's competitiveness.

Further, increasing usage of Seamless Tube in developed countries and replacement of seamless tube over other types, in the developing countries provide a long term sustained growth opportunity for the Industry. Usage of mechanical tubes is much higher in Europe due to development of various engineering industries. Asia will also likely witness such an increase in market penetration by seamless tubes.

Threats

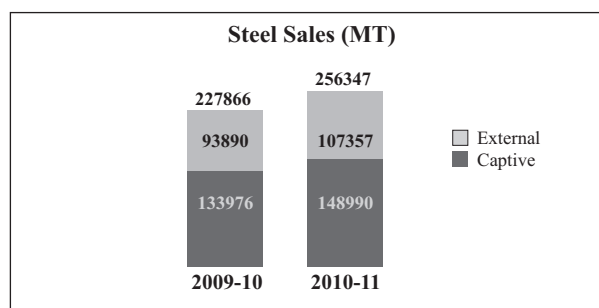
Predatory dumping by Chinese players poses the biggest threat to the Indian seamless tube industry. Your Company continues to actively lobby the Indian Government to take action to protect the domestic market from Chinese dumping. ISMT continues to believe that there is a very strong and just case for the levy of anti-dumping duty on Chinese seamless tubes coming into India. .

Volatility in commodity prices and availability linkage Coal for Company's Captive Power Project initiative, do pose threat on sustaining profitability margins of the Company.

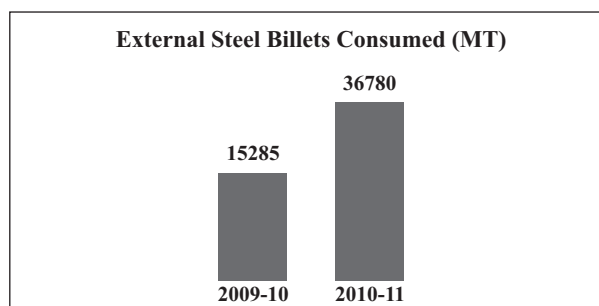
The elimination of export incentives such as DEPB, if not replaced by alternative export benefit schemes, or if not supplemented by other cost cutting measures by the Company, might erode margins in export related sales.

SEGMENT / PRODUCT INFORMATION

Your Company is engaged in manufacturing Seamless Tubes and Engineering Steels. Seamless Tube accounted for 67% of ISMT's total external sales value while Steel accounted for 33%. Of the total steel billets sold, 58% of the steel in quantity terms was used captively to make tubes while 42% was sold to the external market.



With increase in tube volumes, Company continued with its strategy to sell increasing volumes of value added steel billets to external market and outsourced commodity grade steel billets required for inhouse Tube manufacturing.



This also resulted into increase in Raw material cost as percentage to overall sales during the year to 46% from 42% for the previous year.

OUTLOOK

The overall outlook for the Company remains positive with new internal capacities now going on stream. Sales which had stagnated over the last few years, largely due to

Management Discussion and Analysis (contd.)

capacity constraints, grew steeply as compared to the previous years. ISMT's strategy is to fill up the capacity initially with commodity products and then gradually, over time, to shift the product mix in favour of specialized, higher value added products.

As we move ahead we expect economies of scale to kick in which would benefit us across the value chain right from bulk sourcing, to progressive reduction in unit consumption of energy, to productivity improvements, and increases in sales values per customer.

RISKS & CONCERNS

Your Company is exposed to general risks associated with volatility in commodity prices & foreign exchange rates, changes in taxation structures, increase in interest rates, natural/man-made disasters, and political risks.

Any change in laws & regulations, whether domestically or internationally could affect the business, financial condition or the new projects related initiatives undertaken by your Company.

INTERNAL CONTROL SYSTEMS

The Internal Control Systems, that ISMT has are adequately robust and are supported by an active Internal Audit Function. Further continuous improvements are done to improve on the same.

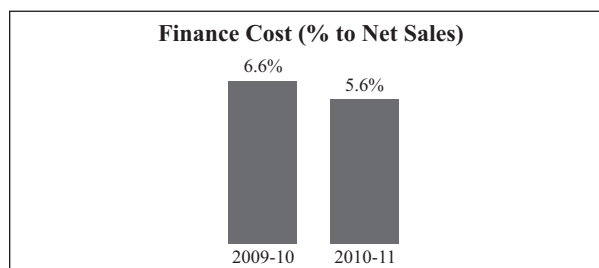
FINANCIAL PERFORMANCE

Some of the key financial parameters are as under:

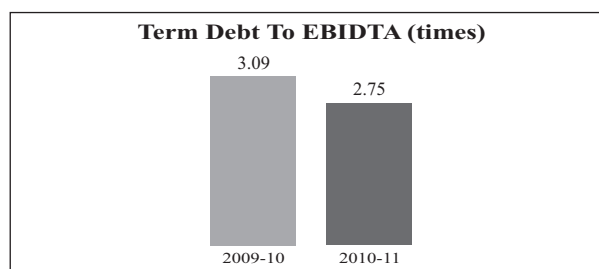
PARTICULARS	2010-11	2009-10	2008-09
Debt Equity Ratio	1.24	1.16	1.31
Term Debt to EBIDTA (times)	2.75	3.09	2.76
Working Capital Borrowings (% to Net Sales)	6.9%	9.2%	7.8%
Current Ratio	1.28	1.40	1.43

Finance Cost

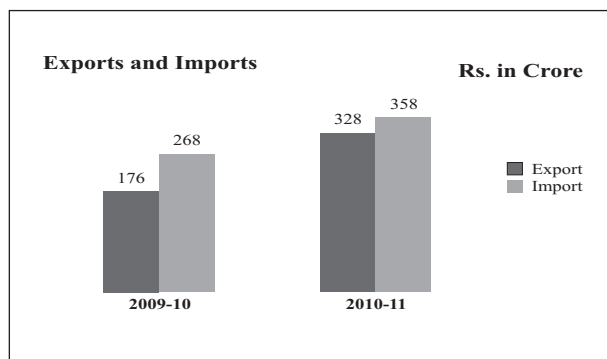
Finance Cost as percentage to sales stood at 5.6% against 6.6% for the previous year. However, the same in absolute terms increased to Rs. 91 Crore largely on account of higher interest rates and increase in Project related borrowings.



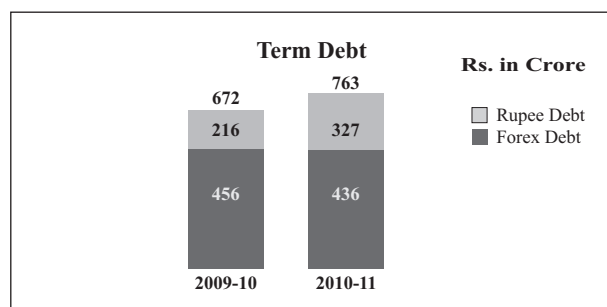
Term Debt to EBIDTA improved to 2.75 times against 3.09 times for corresponding period previous year.



Foreign currency term loans accounted for over 57% of the Company's outstanding term debt as on March 31, 2011 (as compared to 68% as on March 31, 2010). Exports increased by 87% during the year, while Imports increased by 34%, the trend will lead to a growing net Foreign exchange inflows.



Accordingly, in line with Company's strategy to create a natural hedge, Forex loans as percentage of total Term Loans is targeted to increase going forward.



During the year Company has accounted for Rs. 9.1 crores as incentive under the Mega Project Incentive Scheme of Government of Maharashtra.

Working Capital

The Company continued with its strategy to hold more raw material inventory as a partial hedge against price fluctuations to minimize impact of lag in passing on the same to end customers. Accordingly Raw Material inventory accounted for 30% of total inventory against 23% last year. We expect the working capital holding levels to continue to reduce as production from the new capacity is streamlined.

PARTICULARS	(Rs. in Crore)	
	2010-11	2009-10
Working Capital Borrowing	112	109
Inventory	449	351
Stock Turnover (times)	3.59	3.37
Debtor's	439	339
Debtor's Turnover (times)	3.67	3.50

Energy Cost

Energy costs accounted for 17% of revenues, the second largest cost element after raw material. Your Company has already undertaken a project for setting up a 40 MW Captive Power Plant at Chandrapur district in Maharashtra to address the increasing cost of power and to ensure uninterrupted power supply.

	2010-11	2009-10	% Change
Power consumption (KWH/Ton of Production)			
- Steel Division	761	751	1%
- Tube Division	548	585	(6%)

Avg. Electricity Rate per Unit

	2010-11	2009-10	% Change
(Rs. / KWH)	5.85	5.24	12%

Your Company is consistently focused on achieving higher energy efficiency across value chain and is simultaneously committed towards utilising environment friendly means in the process. Recognizing Company's efforts, the Clean Development Mechanism Project for Energy Efficiency improvement in Electric Arc Furnace at Jejuri Steel Plant got registered under Green House Gas Emission Reduction Programme of UNFCCC and was awarded 7348 CER's for the period between December 25, 2006 to March 31, 2008. Company remains committed towards further strengthening the efforts towards the same.

With stabilisation of new rotary hearth furnace and increased furnace utilisation levels at both Tube & Steel plants, the per ton consumption of fuel has progressively come down during the year.

Furnace oil Consumption

(K Ltrs/ Ton of Production)

	2010-11	2009-10	% Change
-Steel Division	37	41	(9%)
-Tube Division	95	97	(2%)
Avg. Furnace Oil rate			
Rs. per Liter	25.19	22.84	10 %

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

Overall, barring some disputes at Ahmednagar plant towards the fag end of the year, the industrial relations continued to remain peaceful throughout with satisfactory degree of co-operation between the management and the workers.

Your Company continued its support to the social initiative programme started jointly with Prithvi, an NGO to combat the HIV epidemic in India, particularly in the areas surrounding the ISMT plants.

EMPLOYEE RELATED INFORMATION

(As on March 31, 2011)

	Factory Locations	Others	Total
Managers	185	70	255
Officers & Staff	655	147	802
Workmen	1363	--	1363
Total	2203	217	2420

CAUTIONARY STATEMENT

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

Corporate Governance Report

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

The Board consists of 10 Directors of which 4 Directors are Independent as on March 31, 2011.

The composition of the Board of Directors, their attendance at Board Meetings held during the year and at the last Annual General Meeting, as also the number of other Directorships in other public companies and memberships in various committees across all public companies as on March 31, 2011 are as follows:

Name of the Director	Category	Financial Year 2010-11 Attendance at		As on Date		
		Board Meetings	Last AGM	No. of Directorships in other public companies	Member	Chairman
SC Gupta	Independent NED	5	Yes	12	9	1
BR Taneja	Promoter NED	3	No	1	-	-
Nirmal Chandra	ED	4	Yes	1	-	-
Rajiv Goel	ED	5	Yes	2	-	-
Salil Taneja	Promoter ED	5	Yes	2	-	-
AK Jain	Promoter NED	5	Yes	1	1	1
KK Rai	Independent NED	3	Yes	5	6	-
Vinod Sethi	Independent NED	4	Yes	10	7	-
JP Sureka	Promoter NED	5	Yes	3	2	-
V Gourishankar	Independent NED - IDBI Nominee	5	Yes	-	-	-

NED - Non-Executive Director

ED - Executive Director

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

Corporate Governance Report (contd.)

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

Sr. No.	Date of Meeting
1.	May 08, 2010
2.	July 29, 2010
3.	September 28, 2010
4.	November 15, 2010
5.	February 11, 2011

- The composition of the Board as on date is in conformity with the stipulations in Clause 49 of the Listing Agreement
- The Board has complete access to all the relevant information available within the Company.

APPOINTMENT / RE-APPOINTMENT OF DIRECTORS

In terms of the Articles of Association of the Company and the relevant provisions of the Companies Act, 1956, Mr J P Sureka and Mr Salil Taneja retire by rotation; at the ensuing Annual General Meeting and being eligible offer themselves for re - election.

Brief resume of the Directors proposed to be appointed/re-appointed is given in Notice convening the Annual General Meeting.

AUDIT COMMITTEE

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

Name of the Director	Chairman / Member	No. of Meetings Attended
Vinod Sethi	Chairman (Independent)	4
J P Sureka	Member	5
S C Gupta	Member (Independent)	5
K K Rai	Member (Independent)	3

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

Sr. No	Date of Meeting
1	May 08, 2010
2	July 29, 2010
3	September 28, 2010
4	November 15, 2010
5	February 11, 2011

Mr. Vinod Sethi, the Chairman of the Audit Committee was present at the last Annual General Meeting.

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

MANAGERIAL REMUNERATION**a. Remuneration Committee:**

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

Name of the Director	Chairman / Member	No. of Meetings Attended
K K Rai	Chairman	1
S C Gupta	Member	1
Vinod Sethi	Member	--

During the year under review, one meeting of Remuneration Committee was held on September 28, 2010.

The Remuneration Committee is empowered to fix, review and recommend the remuneration payable to the Whole-time Directors

b. Remuneration Policy

- Based on the recommendations of the Remuneration Committee, the remuneration of the Whole-time Directors is decided by the Board of Directors, which inter-alia is based on the criteria such as industry benchmarks, financial performance of the Company, performance of the Whole-time Directors, etc.

Corporate Governance Report (contd.)

- The Company pays remuneration by way of salary, perquisites, allowance and commission to its Whole-time Directors.
- No remuneration is paid to any Non-Executive Director except Mr. B R Taneja. The Company pays sitting fee of Rs. 20,000/- each for attending Board and Committee Meetings by Non-Executive Directors.
- There has been no change in the Remuneration Policy of the Company.

c. Remuneration to Directors:

A Statement on the remuneration paid to the Whole-time Directors & Mr B R Taneja and sitting fees paid to Non-Executive Directors during the year 2010-11 is given below:

Name of the Director	Salary & Perquisites (Rs)	Commission (Rs)	Sitting Fees (Rs)
Nirmal Chandra	4528800	2554880	NA
Rajiv Goel	5596784	2554880	NA
Salil Taneja	6119330	2554880	NA
A K Jain	NA	NA	180000
B R Taneja	3480000	NA	60000
J P Sureka	NA	NA	200000
S C Gupta	NA	NA	220000
V Gourishankar	NA	NA	100000
Vinod Sethi	NA	NA	240000
K K Rai	NA	NA	140000
TOTAL	19724914	7664640	1140000

Note: Salary and perquisites include other allowances, contribution to Provident Fund and Superannuation, Leave Travel Allowance, Medical Reimbursement and Accommodation provided.

SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

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

Name of the Director	Chairman / Member	No. of Meetings Attended
A K Jain	Chairman	4
Vinod Sethi	Member	4
Nirmal Chandra	Member	3

During the year under review four meetings were held as under:

Sr. No.	Date of Meeting
1.	May 08, 2010
2.	July 29, 2010
3.	November 15, 2010
4.	February 11, 2011

During the year under review all the complaints / grievances that were received from the shareholders / investors, have been attended to and satisfactorily resolved. No valid transfer / transmission of shares were pending as on March 31, 2011.

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

Nature of Complaint	No. of Complaints Received During the Year 2010-11	No. of Complaints Redressed During the Year 2010-11
Non receipt of Annual Report	-	-
Non receipt of shares after transfer	-	-
Non receipt of new physical shares certificates in exchange of old share certificates	5	4
Non receipt of demat credit	-	-
Non receipt of dividend/ Redemption/ Interest	33	33
Partly paid up shares	2	2
Total	40	39

The Company has paid listing fees for the financial year 2011 - 12 to the Stock Exchanges where the shares of the Company are listed.

COMPLIANCE OFFICER

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

CODE OF CONDUCT

The Board has laid down a code of conduct for all Board Members and Senior Management Personnel of the

Corporate Governance Report (contd.)

Company. The code of conduct is posted on the website of the Company (www.ismt.co.in).

OTHER DISCLOSURES

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

CEO/ CFO CERTIFICATION

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

MEANS OF COMMUNICATION

The Quarterly results are published in one English daily newspaper and one vernacular (Marathi) daily newspaper. The Quarterly results are also displayed on the Company website (www.ismt.co.in).

Presentations were made to Institutional Investors and to the Analysts during the period under review.

DESIGNATED EXCLUSIVE EMAIL ID OF THE COMPANY

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

GENERAL BODY MEETINGS

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

Year	Type	Date	Venue	Time	No. of Special Resolutions Passed
2009-10	AGM	15.11.10	Le Meridien RBM Road, Pune 411001	11:00 AM	--
2008-09	AGM	30.09.09	Le Meridien RBM Road, Pune 411001	11:00 AM	4
2007-08	AGM	29.09.08	Sun-N-Sand 262 Bund Garden Road, Pune 411001	11:00 AM	2

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

GENERAL SHAREHOLDERS INFORMATION

AGM Date and Time	September 30, 2011 at 11.30 am
Venue	Vivanta by Taj Blue Diamond, Pune 411001
Financial Year	April 01 to March 31
Date of Book Closure	September 23, 2011 to September 30, 2011
Dividend Payment date	Within 30 days from the date of declaration of dividend by the members at the AGM
Listed on Stock Exchange	BSE and NSE
Security Code (BSE)	532479
Security Code (NSE)	ISMTLTD
ISIN No. Allotted to equity shares	INE732F01019
Registered Office	Lunkad Towers, Viman Nagar, Pune 411 014
Address for Correspondence	Lunkad Towers, Viman Nagar, Pune 411 014
Plant Locations	Ahmednagar Baramati Jejuri Storfors, Sweden

STOCK MARKET DATA AND SHARE PRICE PERFORMANCE**BOMBAY STOCK EXCHANGE LIMITED:**

(Rs)

Month	Market price		BSE 500 INDEX	
	High	Low	High	Low
April 2010	59.00	51.20	7,140.21	6,863.81
May 2010	56.30	42.10	7,028.13	6,396.74
June 2010	49.45	44.60	7,119.58	6,634.30
July 2010	55.50	42.00	7,321.41	7,009.83
August 2010	58.90	42.00	7,514.63	7,227.39
September 2010	54.90	49.30	8,064.87	7,322.52
October 2010	54.10	50.00	8,344.12	7,950.12
November 2010	68.00	51.00	8,434.05	7,411.68
December 2010	70.00	53.30	7,975.22	7,421.12
January 2011	68.20	50.25	8,038.74	6,999.44
February 2011	54.85	45.60	7,222.02	6,647.92
March 2011	53.20	47.00	7,471.35	6,888.55

Corporate Governance Report (contd.)

NATIONAL STOCK EXCHANGE OF INDIA LIMITED : (Rs)

Month	ISMT Limited	
	High	Low
April 2010	58.85	51.85
May 2010	56.00	43.00
June 2010	48.95	44.55
July 2010	55.90	46.35
August 2010	59.60	48.60
September 2010	54.80	49.45
October 2010	54.30	50.00
November 2010	68.00	50.60
December 2010	70.45	53.50
January 2011	68.20	50.15
February 2011	58.10	46.05
March 2011	53.80	47.00

Source: BSE & NSE websites.

Dematerialisation of Shares

Nearly 85.39% of total Equity Capital is held in demat form with NSDL and CDSL as on March 31, 2011.

Share Transfer System

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

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

Distribution of Shareholding of the Company as on March 31, 2011

Shareholding of Nominal Value of Rs	No. of Share Holder(s)	% to Total	No. of Shares	% to Total
Upto 5,000	135523	97.21	21319648	14.55
5,001 10,000	1919	1.38	2887719	1.97
10,001 20,000	1021	0.73	2868332	1.96
20,001 30,000	425	0.31	2127630	1.45
30,001 40,000	111	0.08	784798	0.54
40,001 50,000	115	0.08	1086488	0.74
50,001 1,00,000	128	0.09	1832130	1.25
1,00,001 and above	165	0.12	113594638	77.54
Total	139407	100.00	146501383	100.00

REGISTRAR AND SHARE TRANSFER AGENT

Shareholders may contact Share Transfer Agent on the following address:

M/s Sharepro Services (India) Pvt Ltd
13, AB Samhita Wear Housing Complex
2nd Floor, Saki Naka Telephone Exchange Lane, Off.
Andheri Kurla Road, Saki Naka, Andheri East,
Mumbai - 400 072.
Tel.:- 91 - 022 - 67720300 / 400
Fax.- 022 - 28591568
e-mail:sharepro@shareproservices.com

M/s Sharepro Services (India) Pvt Ltd
3, Chintamani Apartments,
Lane No 13, Off V G Kale Path
824/D, Bhandarkar Road
Pune - 411004
Tel. +91-20-25662855
e-mail: sharepropune@vsnl.net

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

CORPORATE FILING AND DISSEMINATION SYSTEM:

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

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

The Company has no outstanding GDRs and nor the Company has issued any ADRs / Warrants or any Convertible instruments during the period under review.

For and on behalf of the Board of Directors

S C Gupta
Chairman

Pune, June 29, 2011

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

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

I confirm that the Company has in respect of financial year ended on March 31, 2011, received from the Senior

Management team of the Company and the Members of the Board, a declaration of compliance with Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team comprises of employees in the Vice President and above Cadre as on March 31, 2011.

For ISMT Limited

Pune
June 29, 2011

Salil Taneja
Chief Executive Officer

CEO/CFO CERTIFICATION TO THE BOARD (Under Clause 49 (V) of Listing Agreement)

To
The Board of Directors
ISMT Limited

We, Salil Taneja, Chief Executive Officer and Rajiv Goel, Chief Financial Officer of ISMT Limited, to the best of our knowledge and belief, certify that:

- (1) We have reviewed the financial statements and the cash flow statement for the year ended March 31, 2011 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (2) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (3) We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the

Company pertaining to the financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

- (4) We have indicated to the auditors and the Audit Committee:
 - (i) there are no significant changes in internal control over financial reporting during the financial year ended March 31, 2011;
 - (ii) all significant changes in accounting policies during the financial year ended March 31, 2011 and that the same have been disclosed in the notes to the financial statements; and
 - (iii) there are no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Pune
June 29, 2011

**CERTIFICATE FROM AUDITORS REGARDING
COMPLIANCE OF CONDITIONS OF
CORPORATE GOVERNANCE**

To the Members of
ISMT Limited

We have examined the compliance of conditions of Corporate Governance by ISMT Limited for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

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

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

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

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

For M/s PG Bhagwat
Firm Registration No. 101118W
Chartered Accountants

Sandeep Rao
Partner
Membership No 47235
Pune, June 29, 2011

For JK Shah & Co.
Firm Registration No. 109606W
Chartered Accountants

Sanjay Dhruva
Partner
Membership No 38480
Pune, June 29, 2011

Auditors' Report

To
THE MEMBERS OF ISMT LIMITED

1. We have audited the attached Balance Sheet of ISMT Limited as at March 31, 2011, 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 explanation given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comment in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
 - e) On the basis of written representation received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts, read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - ii) In the case of Profit and Loss account, of the Profit for the year ended on that date; and
 - iii) In the case of Cash Flow statement, of the cash flow for the year ended on that date.

For M/s P.G. BHAGWAT
Firm Registration No. 101118W
Chartered Accountants

For J.K. SHAH & CO.
Firm Registration No. 109606W
Chartered Accountants

Sandeep Rao
Partner
Membership No. 47235

Sanjay Dhruva
Partner
Membership No. 38480

Annexure to the Auditor's Report

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

- 1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) These fixed assets have been physically verified by the management at regular interval considering the size of the company and nature of asset. As informed to us, no material discrepancies have been noticed on such verification.
 - c) No disposal of a substantial part of fixed assets of the company has taken place during the year.
- 2) a) As explained to us, the inventories including majority of the goods lying with third parties have been physically verified by the management at reasonable intervals during the year.
 - b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventories and the discrepancies noticed on such physical verification between physical stock and the book records were not material and have been properly dealt with in the books of account.
- 3) As per the records of the company, it has not granted any loans secured / unsecured to companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
- 4) As per the records of the Company, it has not taken any loans secured / unsecured from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
- 5) In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weakness in internal control systems.
- 6) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion there were no contracts or arrangements whose particular are needed to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.

- 7) The company has not accepted / nor there are any outstanding Fixed Deposit from the public.
- 8) The Company has an internal audit department to carry out its internal audit function. In our opinion, the internal audit system is commensurate with the size of the Company and nature of its business.
- 9) We have broadly reviewed the books of account maintained by the Company, pursuant to the rules made by the Central Government for the maintenance of cost records, under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have generally been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 10) a) According to the records of the company, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at March 31, 2011 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, 2011 and it has not incurred cash loss during the year or in the immediately preceding financial year.
- 12) According to the information and explanation given to us, the company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- 13) According to the information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 14) In our opinion, the Company is not a Chit Fund or a Nidhi or Mutual benefit Fund / Society, Therefore, the provision of clause 4 (xiii) of the Companies (Auditor Report) Order, 2003 is not applicable to the Company.
- 15) The Company is not dealing in or trading in Shares, Securities, Debenture, or other investments and hence, provision of clause 4 (xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to the Company.
- 16) According to the information and explanations given to us, the Company has given guarantees for loans taken by others from banks. The terms and conditions whereof, in our opinion, based on the management representation, are not prima-facie prejudicial to the interest of the Company.
- 17) According to the information and explanation given to us, the term loans taken by the Company during the year have been utilised for the purpose for which the said loans were obtained.
- 18) According to the Cash Flow Statement and other records examined by us and on the basis of information and explanation given to us, on an overall basis, funds raised on Short Term basis have, prima facie, not been used during the year for Long Term investment.
- 19) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 20) The company did not have any outstanding debentures during the year.
- 21) The Company has not made any Public Issue during the year to raise money. Accordingly the provision of clause 4 (xx) of the Companies (Auditor Report) Order, 2003 is not applicable.
- 22) To the best 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
Firm Registration No. 101118W
Chartered Accountants

For J.K. SHAH & CO.
Firm Registration No. 109606W
Chartered Accountants

Sandeep Rao
Partner
Membership No. 47235
Pune, June 29, 2011

Sanjay Dhruva
Partner
Membership No. 38480

Annexure I

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

Rs. in Crore

Name of Statute	Nature of Dues	Amount Disputed	Forum Where Dispute is Pending
Central Sales Tax Act, 1956	Sales Tax	0.10 6.53	Tribunal Deputy Commissioner of Sales Tax (Appeals)
Maharashtra Sales Tax Act, 1959	Sales Tax Purchase Tax	0.02 0.48 5.65 0.01	Tribunal High Court Deputy Commissioner of Sales Tax (Appeals) Tribunal
Central Excise Act, 1944	Excise Duty	23.11 0.16 1.51 2.47 0.21 1.34	CEGAT High Court, Bombay Commissioner (Appeal) Commissioner (Adjud.) Joint Commissioner Asst. Commissioner
Income Tax Act, 1961	Income Tax	0.09	ITAT (Mumbai)

Balance Sheet as at March 31, 2011

Rs. in Crore

	Schedule	As at March 31, 2011	As at March 31, 2010
Sources of Funds			
Shareholders' Funds			
Share Capital	1	73.25	73.25
Reserves and Surplus	2	545.45	506.11
		618.70	579.36
Loan Funds			
Secured Loans	3	875.08	780.58
Unsecured Loans	4	174.38	218.94
		1,049.46	999.52
Deferred Tax Liability			
		75.22	41.69
		1,743.38	1,620.57
Application of Funds			
Fixed Assets			
Gross Block	5	1,527.65	1,059.67
Less : Depreciation		437.78	361.01
Net Block		1,089.87	698.66
Capital Work-in-Progress		221.42	488.61
		1,311.29	1,187.27
Investments			
	6	49.97	35.74
Foreign Currency Monetary Item Translation Difference Account			
	7	-	4.91
Current Assets, Loans and Advances			
i) Inventories		448.60	351.22
ii) Sundry Debtors		438.78	338.89
iii) Cash and Bank Balances		67.79	62.37
iv) Loans and Advances		286.30	233.26
		1,241.47	985.74
Less: Current Liabilities and Provisions			
i) Current Liabilities	9	831.16	564.58
ii) Provisions		29.26	30.32
		860.42	594.90
Net Current Assets			
		381.05	390.84
Miscellaneous Expenditure			
(To the extent not written off or adjusted)	10	1.07	1.81
		1,743.38	1,620.57
Significant Accounting Policies			
	20		
Notes to Accounts			
	21		

As per our report of even date

For **M/s P.G. Bhagwat**
Firm Registration No. 101118W
Chartered Accountants

For **J. K. Shah & Co.**
Firm Registration No. 109606W
Chartered Accountants

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, June 29, 2011

Pune, June 29, 2011

Profit And Loss Account for the Year Ended March 31, 2011

Rs. in Crore

Schedule	2010 - 11	2009 - 10
Income		
Gross Sales	2,601.92	1,914.19
Less : Inter Segment Transfers	709.10	544.14
Inter Division Transfers	150.39	97.97
	1,742.43	1,272.08
Excise Duty	131.07	86.95
Net Sales	1611.36	1185.13
Income from Operations and Other Income	38.56	19.54
	1,649.92	1,204.67
Expenditure		
Materials Consumed	874.36	612.67
Energy	280.98	214.71
Direct Manufacturing	56.93	34.96
Selling and Distribution	48.46	26.94
Personnel	94.69	81.53
Overheads	16.66	16.05
	1,372.08	986.86
Profit Before Finance Charges, Foreign Exchange (Gain)/Loss, Depreciation, Amortisation and Taxation	277.84	217.81
Finance Charges	90.56	78.66
Depreciation, Amortisation and Obsolescence	85.54	56.44
	176.10	135.10
Profit Before Foreign Exchange (Gain)/ Loss and Taxation	101.74	82.71
Less : Foreign Exchange (Gain)/Loss	5.72	(8.52)
Profit Before Taxation	96.02	91.23
Less : Provision for Taxation (Refer Note No. 15 of Schedule 21)	20.66	16.62
Profit After Taxation	75.36	74.61
Balance brought forward from Previous Year	54.83	47.30
Balance Available For Appropriations	130.19	121.91
Appropriations		
Proposed Dividend	18.31	14.65
Tax on proposed Dividend	2.97	2.43
General Reserve	50.00	50.00
Balance Carried To Balance Sheet	58.91	54.83
Earnings per share Rs. (Face Value of Rs. 5/- each) (Refer Note No. 27 of Schedule 21)	5.14	5.09
Significant Accounting Policies	20	
Notes to Accounts	21	

As per our report of even date

For M/s P.G. Bhagwat
Firm Registration No. 101118W
Chartered Accountants

For J. K. Shah & Co.
Firm Registration No. 109606W
Chartered Accountants

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, June 29, 2011

Pune, June 29, 2011

Cash Flow Statement for the Year Ended March 31, 2011

Rs. in Crore

	2010- 11	2009 - 10
i Cash Flow from Operating Activities :		
Net Profit before Taxation	96.02	91.23
Adjustments for :		
Depreciation, Amortisation and Obsolescence	85.54	56.44
Finance Charges	90.56	78.66
Interest Income	(5.34)	(4.95)
Exchange Fluctuation (Gain) / Loss	(4.87)	(0.95)
Expenses charged to Reserves	(1.81)	-
Income on assignment of liability	(8.04)	(5.46)
Loss/(Profit) on sale of Fixed Assets (Net)	0.01	(0.15)
Provision for Doubtful Debts	0.86	-
	156.91	123.59
Operating Cash Profit before Working Capital Changes	252.93	214.82
Adjustments for :		
Trade and Other Receivables	(132.68)	(97.98)
Inventories (Increase) / Decrease	(97.37)	(72.68)
Trade Payables	256.87	147.83
Taxes Paid	(27.44)	(6.83)
Net Cashflow from Operating Activities	252.31	185.16
ii Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(196.74)	(128.52)
Sale of Fixed Assets	0.50	0.87
Sale of Investment	-	0.01
Investment in Subsidiary Companies	(14.23)	(9.26)
Interest Received	6.12	6.40
Net Cash used in Investing Activities	(204.35)	(130.50)
iii Cash Flow from Financing Activities :		
Dividend Payments (including Tax thereon)	(16.50)	(16.52)
Proceeds from /(Repayment of) Borrowings	60.57	47.16
Finance Charges Paid	(89.95)	(80.30)
Net Cash from Financing Activities	(45.88)	(49.66)
Net Increase / (Decrease) in Cash and Cash Equivalents	2.08	5.00
Cash and Cash Equivalents at the beginning of the year (Refer Note No.1)	19.78	14.78
Cash and Cash Equivalents at the end of the year (Refer Note No.1)	21.86	19.78
Net Increase / (Decrease) in Cash & Cash Equivalents	2.08	5.00
Notes: 1 The cash and cash equivalents in the cash flow statement comprise of the following Balance Sheet amounts:	As at	As at
	March 31, 2011	March 31, 2010
(a) Cash on hand	0.08	0.05
(b) Current accounts with Banks	21.78	19.73
	21.86	19.78
2 Previous Year's figures have been restated, wherever necessary, to conform to Current Year's classification.		

As per our report of even date

 For M/s P.G. Bhagwat
 Firm Registration No. 101118W
 Chartered Accountants

 For J. K. Shah & Co.
 Firm Registration No. 109606W
 Chartered Accountants

 Sandeep Rao
 Partner
 M. No.47235

 Sanjay Dhruva
 Partner
 M.No. 38480

 Salil Taneja
 Chief Executive Officer

 Rajiv Goel
 Chief Financial Officer

 Jayan Nair
 Company Secretary
 Pune, June 29, 2011

Pune, June 29, 2011

Schedules forming part of the Balance Sheet

Rs. in Crore

	As at March 31, 2011	As at March 31, 2010
Schedule - 1		
Share Capital		
Authorised		
i) 17,50,00,000 (Previous Year 17,50,00,000) Equity Shares of Rs.5/- each	87.50	87.50
ii) Unclassified Shares	71.00	71.00
	<u>158.50</u>	<u>158.50</u>
Issued, Subscribed and Paid up:		
14,65,01,383 (Previous Year 14,65,01,383) Equity Shares of Rs 5/- each fully paid	<u>73.25</u>	<u>73.25</u>
Schedule – 2		
Reserves And Surplus		
i) Capital Reserve		
As per last Balance Sheet	6.94	1.65
Additions during the year	-	5.29
	<u>6.94</u>	6.94
ii) Capital Redemption Reserve	80.60	80.60
iii) Securities Premium	9.36	9.36
iv) Amalgamation Reserve	40.40	40.40
v) Reserve for Contingencies		
As per last Balance Sheet	3.72	3.72
Less : Debits related to Pre-Merger period	<u>1.81</u>	-
	1.91	3.72
vi) Restructuring Reserve		
As per last Balance Sheet	12.93	12.93
Less : Transfer to Profit and Loss Account (Refer Note No. 15 of Schedule 21)	<u>12.93</u>	-
	-	12.93
vii) General Reserve		
As per last Balance Sheet	297.33	257.15
Add : Transfer from Profit and Loss Account	50.00	50.00
Less : Transferred to Profit and Loss Account (Refer Note No. 15 of Schedule 21)	<u>-</u>	9.82
	347.33	297.33
viii) Balance in Profit and Loss Account	<u>58.91</u>	<u>54.83</u>
	<u>545.45</u>	<u>506.11</u>

Schedules forming part of the Balance Sheet (contd.)**Rs. in Crore**

	As at March 31, 2011	As at March 31, 2010
Schedule - 3		
Secured Loans		
(Interest accrued and due included under the appropriate heads)		
i) Term Loans from Banks		
a) Rupee Loans	327.31	215.92
b) Foreign Currency Loans	<u>435.84</u>	<u>456.16</u>
	763.15	672.08
ii) Working Capital Borrowings from Banks		
a) Rupee Loans	54.99	55.26
b) Foreign Currency Loans	<u>56.94</u>	<u>53.24</u>
	<u>111.93</u>	<u>108.50</u>
	<u>875.08</u>	<u>780.58</u>
Schedule - 4		
Unsecured Loans :		
i) Short Term Loan from Bank	-	25.00
ii) Others		
a) Foreign Currency Convertible Bonds (FCCB)*	89.30	90.28
b) Interest Free Incentive and sales Tax Loan	85.08	103.66
*(Refer Note No. 9 of Schedule 21)		
	<u>174.38</u>	<u>218.94</u>

Schedules forming part of the Balance Sheet (contd.)

Schedule 5 :										
Fixed Assets										
Rs. in Crore										
Description	Gross Block				Depreciation				Net Block	
	As at April 01, 2010	Additions	Deletions/ Sales	As at March 31, 2011	As on April 01, 2010	For the Year	Deletions/ Sales	As on March 31, 2011	As at March 31, 2011	As at March 31, 2010
Leasehold Land	7.03	-	-	7.03	0.49	0.08	-	0.57	6.46	6.54
Freehold Land	2.08	-	-	2.08	-	-	-	-	2.08	2.08
Buildings	82.45	28.59	-	111.04	17.25	3.49	-	20.74	90.30	65.20
Plant & Machinery	936.06	447.08	8.35	1,374.79	324.87	72.84	3.05	394.66	980.13	611.19
Furniture & Fixtures	3.71	0.13	-	3.84	1.57	0.42	-	1.99	1.85	2.14
Office Equipments	10.95	0.69	-	11.64	7.49	0.82	-	8.31	3.33	3.46
Vehicles	2.51	0.02	0.18	2.35	1.74	0.20	0.15	1.79	0.56	0.77
Intangible Assets										
Technical Know-how	4.13	-	-	4.13	2.56	0.83	-	3.39	0.74	1.57
Software Development	3.79	-	-	3.79	1.85	0.76	-	2.61	1.18	1.94
Assets Taken on Lease										
Plant & Machinery	6.96	-	-	6.96	3.19	0.53	-	3.72	3.24	3.77
Total	1,059.67	476.51	8.53	1,527.65	361.01	79.97	3.20	437.78	1,089.87	698.66
Previous Year	1,022.48	38.65	1.46	1,059.67	305.94	*55.80	0.73	361.01	698.66	716.54

Note : * Depreciation of Rs. Nil Crore (Previous year Rs. 0.23 Crore) has been capitalized.

Rs. in Crore

	As at March 31, 2011	As at March 31, 2010
Schedule – 6		
Investments		
Long Term (At Cost)		
(Unquoted and Trade)		
Shares in Subsidiaries		
i) ISMT Enterprises S.A., Luxembourg 8,06,757 (Previous year 6,06,757) Equity Shares of Euro 10 each fully paid.	48.43	35.70
ii) Tridem Port and Power Company Pvt. Ltd.		
a) 41,000 (Previous year 41,000) Equity shares of Rs. 10 each fully paid.	0.04	0.04
b) 1,50,000 (Previous year NIL) 6% Redeemable Non-Cumulative Preference Shares of Rs. 100 each fully paid	1.50	-
	<u>49.97</u>	<u>35.74</u>
Schedule – 7		
Foreign Currency Monetary Item Translation Difference Account (FCMITDA)		
Exchange Differences Relating to Long Term Monetary Items		
As per Last Balance Sheet	4.91	40.18
Less : Exchange Gain arising during the year	2.32	27.08
Less : Exchange Differences amortised during the year	2.59	8.19
(Refer Note No. 20 of Schedule 21)	<u>-</u>	<u>4.91</u>

Schedules forming part of the Balance Sheet (contd.)

Rs. in Crore

	As at March 31, 2011	As at March 31, 2010
Schedule – 8		
Current Assets, Loans and Advances		
I. Inventories		
(As taken, valued and certified by the Management)		
i) Raw Material	134.07	81.88
ii) Work-in-process	129.66	89.67
iii) Finished Goods	73.63	58.37
iv) Stores, Spares and Consumables	<u>111.24</u>	<u>121.30</u>
	448.60	351.22
II. Receivables		
(Net of bills discounted with Banks)		
Unsecured		
i) Outstanding for more than six months		
Considered Good	50.03	66.81
Considered Doubtful	<u>0.86</u>	<u>-</u>
	50.89	66.81
Less : Provision for Doubtful Debts	<u>0.86</u>	<u>-</u>
	50.03	66.81
ii) Others Considered Good	<u>388.75</u>	<u>272.08</u>
	438.78	338.89
III. Cash and Bank Balances		
i) Cash on hand	0.08	0.05
ii) Current Accounts with Scheduled Banks	18.22	10.74
iii) Money in transit	3.55	9.00
iv) Deposit with Scheduled Banks	<u>45.94</u>	<u>42.58</u>
(Refer Note No. 9 of Schedule 21)	67.79	62.37
IV. Loans and Advances		
(Unsecured, Considered Good)		
i) Advances recoverable in cash or in kind or for value to be received		
a) Sundry Deposits	17.52	17.67
b) Others*	118.50	107.32
ii) Balance with Customs, Excise, Sales Tax etc.	68.24	48.70
iii) Advance Income Tax (net of provisions)	3.95	-
iv) MAT Credit Receivable	<u>78.09</u>	<u>59.57</u>
	286.30	233.26
	<u>1,241.47</u>	<u>985.74</u>
*(Refer Note No. 4, 5 and 23 of Schedule 21)		

Schedules forming part of the Balance Sheet (contd.)

Rs. in Crore

	As at March 31, 2011	As at March 31, 2010
Schedule – 9		
Current Liabilities and Provisions		
I. Current Liabilities		
i) Acceptances		
a) Capital	73.18	30.54
b) Others	399.21	270.61
ii) Sundry Creditors		
a) Capital	28.90	15.83
b) Dues of Micro and Small Enterprises (Refer Note No. 18 of Schedule No. 21)	0.26	-
c) Others	139.85	106.38
iii) Provision for Expenses	15.57	16.32
iv) Advances from Customers	3.76	6.83
v) Investor Education and Protection Fund (Refer Note No. 14 of Schedule No. 21)	2.32	1.93
vi) Other Liabilities (Refer Note No. 8 of Schedule No. 21)	166.85	115.28
vii) Interest accrued but not due	1.26	0.86
	831.16	564.58
II. Provision		
i) Proposed Dividend	18.31	14.65
ii) Tax on Dividend	2.97	2.43
iii) Leave Encashment	4.68	3.21
iv) Gratuity and Superannuation	3.30	5.11
v) Income Tax (net of advance payment)	-	4.92
	29.26	30.32
	860.42	594.90
Schedule – 10		
Miscellaneous Expenditure		
i) Preliminary Expenses	0.09	0.21
ii) Loan Processing Fees	0.98	1.60
	1.07	1.81

Schedules forming part of the Profit And Loss Account

Rs. in Crore

	2010 - 11	2009 - 10
INCOME		
Schedule – 11		
Income From Operations and Other Income		
i) Income From Operations		
a) Export Incentives	15.28	8.14
b) Mega Project Incentives	9.11	-
	<u>24.39</u>	<u>8.14</u>
ii) Other Income		
a) Interest Received on Deposits and Others (Tax deducted at source Rs. 0.37 Crore Previous Year Rs. 0.83 Crore)	5.34	4.95
b) Miscellaneous Income (Refer Note No. 25 of Schedule 21)	8.83	6.45
	<u>14.17</u>	<u>11.40</u>
	<u><u>38.56</u></u>	<u><u>19.54</u></u>
EXPENDITURE		
Schedule – 12		
Materials Consumed		
i) Raw Material		
Opening Stock	81.88	61.63
Add: Purchases	844.47	548.10
Less: Closing Stock	134.07	81.88
	<u>792.28</u>	<u>527.85</u>
ii) (Increase)/Decrease in Stocks		
Closing Stock		
Work-in-process	129.66	89.67
Finished Goods	73.63	58.37
	<u>203.29</u>	<u>148.04</u>
Less : Opening Stock		
Work -in- process	89.67	77.10
Finished Goods	58.37	44.04
	<u>148.04</u>	<u>121.14</u>
	(55.25)	(26.90)
iii) Stores, Spares and Consumables	136.02	109.95
iv) Excise Duty on Opening & Closing Stock of Finished Goods	1.31	1.77
	<u>874.36</u>	<u>612.67</u>
Schedule – 13		
Energy		
i) Power	166.54	132.61
ii) Fuel	86.64	59.49
iii) Gases	27.80	22.61
	<u>280.98</u>	<u>214.71</u>
Schedule – 14		
Direct Manufacturing		
i) Processing Charges	16.11	13.88
ii) Other Direct Expenses	32.76	15.30
iii) Machine Lease Rentals	0.30	0.31
iv) Repairs and Maintenance – Plant & Machinery	7.76	5.47
	<u>56.93</u>	<u>34.96</u>

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

Rs. in Crore

	2010 - 11	2009 - 10
Schedule – 15		
Selling and Distribution		
i) Freight & Forwarding	40.96	19.16
ii) Commission on Sales	5.25	4.54
iii) Other Selling Expenses	2.25	3.24
	<u>48.46</u>	<u>26.94</u>
Schedule – 16		
Personnel		
i) Salaries, Wages, Bonus and Allowances (including rent paid of Rs.0.12 Crore, recovery of Rs. 0.02 Crore, (Previous Year Rs. 0.10 Crore, recovery of Rs. 0.02 Crore.)	77.97	67.33
ii) Contribution to Provident and other Funds	9.95	8.69
iii) Staff Welfare Expenses	6.77	5.51
	<u>94.69</u>	<u>81.53</u>
Schedule – 17		
Overheads		
i) Rent	1.17	1.09
ii) Travelling and Conveyance	4.34	4.49
iii) Communication	1.56	1.37
iv) Repairs and Maintenance – Others	0.83	1.21
v) Insurance	0.41	0.25
vi) Loss on Sale of Assets	0.01	0.50
vii) Miscellaneous Expenses (Refer Note No. 28 of Schedule No. 21)	8.34	7.14
	<u>16.66</u>	<u>16.05</u>
Schedule – 18		
Finance Charges		
i) Interest		
a) Term Loans	50.59	41.51
b) Working Capital and Others	24.90	26.46
	<u>75.49</u>	<u>67.97</u>
ii) Cash Discount	0.51	0.69
iii) Other Finance Charges	14.56	10.00
	<u>90.56</u>	<u>78.66</u>
Schedule – 19		
Depreciation, Amortisation and Obsolescence		
i) Depreciation	79.97	55.57
ii) Amortisation of Miscellaneous Expenditure	0.74	0.87
iii) Obsolescence of Asset	4.83	-
	<u>85.54</u>	<u>56.44</u>

Schedules Forming Part of the Balance Sheet And Profit And Loss Account

Schedule – 20

SIGNIFICANT ACCOUNTING POLICIES

1) General

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

2) Revenue Recognition

a) Sales

- i) Sales are recognized when the significant risks and rewards of ownership of goods have been passed to the buyer. 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.

b) Export Incentives

Export Incentives are recognized when right to receive credit as per prevalent scheme is established in respect of the exports made and when there is no significant uncertainty regarding realization of such claim.

3) Fixed Assets

- i) Fixed assets are stated at their original cost of acquisition including taxes, duties, freight, other incidental expenses related to acquisition and installation of the concerned assets and excludes refundable taxes and duties.
- ii) All incidental expenses incurred during project implementation, for the project as well as trial run expenses are treated as expenditure during construction and are capitalized.

4) Depreciation

- i) Leasehold land - Cost of leasehold land is amortised over lease period.
- ii) Depreciation on Building and Plant & Machinery is provided on straight line method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956.

- iii) Depreciation on Furniture & Fixtures, Office Equipment and vehicle is provided on written down value method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956.

5) Intangibles

Intangible assets are stated at costs less accumulated amortisation.

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

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 amortized over the useful life of the Asset and the Finance Component is recognized in the Profit and Loss Account.

ii) Operating Lease

Lease rentals in respect of operating lease are charged to profit and loss account as per the terms of the lease agreement.

7) Inventories

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

ii) Valuation

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

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

SIGNIFICANT ACCOUNTING POLICIES (contd.)**8) Employee Benefits****(i) Defined Contribution Plan**

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

(ii) Defined Benefit Plan

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

9) Research & Development

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

10) Long Term Investments

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

11) Foreign Currency transactions

- i) All transactions in foreign currency are recorded by applying the exchange rate prevailing at the time of the transaction.
- ii) Monetary foreign currency assets and liabilities (monetary items) are reported at the exchange rate prevailing on the balance sheet date. Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2011 on 11th May, 2011, which amended Accounting Standard 11 on The Effects of Changes in Foreign Exchange Rates, exchange differences relating to long term monetary items are dealt with in the following manner:
 - a) Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to the acquisition of capital asset are add to / deducted from the cost of the asset.

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

- iii) All other exchange differences are dealt with in the profit and loss account.
- iv) In respect of forward exchange contracts, the difference between the forward rate and the spot rate is recognised as income or expense over the contract period. Gains or losses on cancellation or renewal of forward exchange contracts are recognized as income or expenses.
- v) Non-monetary items such as investments are carried at historical cost using the exchange rate on the date of transaction.

12) Miscellaneous Expenditure

- i) Preliminary expenses in the nature of public issue expenses and expenses in respect of increase in authorized capital are amortized over a period of ten years.
- ii) Loan processing fees are amortised over the Loan period.

13) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalized 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 its intended use. All other borrowing costs are charged to revenue.

14) Income Tax

- i) Tax expenses comprise of current and deferred tax.
- ii) Provision for current income tax is made on the basis of relevant provisions of the Income Tax Act, 1961 as applicable to the financial year.
- iii) Deferred tax on timing differences is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is virtual certainty with convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- iv) Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period.

SIGNIFICANT ACCOUNTING POLICIES (contd.)**15) Government Incentives**

Mega Project Incentives are recognised in the Profit and Loss Account in accordance with the provisions of the Package Scheme of Incentives 2007 and the eligibility certificate issued by the Government of Maharashtra.

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 recognized to the extent carrying amount exceeds recoverable amount.

17) Contingent Liabilities

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

Schedule Forming Part of the Balance Sheet And Profit And Loss Account

Schedule : 21

NOTES ON ACCOUNTS

Rs. in Crore

	As on March 31, 2011	As on March 31, 2010
1) Contingent Liabilities not provided for in respect of		
i) Claims against the Company not acknowledged as debt		
a) Sales Tax	12.16	-
b) Income Tax-disputed by the Company	0.29	-
c) Excise Duty	31.29	23.03
d) Quality Claims by the Customers (Subsidiary Company)	-	4.59
e) Others	7.51	4.71
ii) Bills Discounted on behalf of the third party	43.64	63.27
iii) Corporate Guarantees	28.47	26.77

2) Estimated amounts of contracts remaining to be executed on Capital Accounts Rs. 47.34 Crore (net of advances) (Previous Year Rs. 141.42 Crore).

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

	Rs. in Crore	
	2010-11	2009 - 10
i) Sales	(2.35)	1.90
ii) Purchases	5.50	13.41
iii) Finance Charges / Others (Shown Separately in Profit and Loss Account)	(5.72)	8.52

4) Loans and Advances include interest free advances given by the Company in earlier years to Employees Welfare Funds aggregating to Rs. 3.25 Crore (Previous Year 3.90 Crore) for the benefit of designated employees pursuant to the proviso (b) to Section 77 (2) of the Companies Act, 1956.

5) Loans and Advances include loans to officers of the Company Rs. 19,825/- (Previous Year Rs. 24,925/-), (Maximum amount outstanding during the year Rs. 24,925/-, Previous Year Rs. 30,025/-).

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

7) As per the Accounting Standard 17, the company has two segment viz "Seamless Tube and Steel".

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

ii) Segment assets and segment liabilities represent assets and liabilities in respective segments. Investments, tax related assets and other assets and liabilities which cannot be allocated to a segment on a reasonable basis have been included under "Un-allocable Assets / Liabilities".

Notes on Accounts (contd.)

Rs. in Crore

Particulars	2010 - 11				2009 - 10			
	Tube Segment	Steel Segment	Unallocable	Total	Tube Segment	Steel Segment	Unallocable	Total
a) Segment Revenue								
Total External Sales	1,153.87	588.55		1,742.42	829.63	442.45		1,272.08
Add : Inter Segment Transfers	39.08	670.02		709.10	29.81	514.33		544.14
Inter Division Transfers	150.39	-		150.39	97.97	-		97.97
	1,343.34	1,258.57		2,601.91	957.41	956.78		1,914.19
Less : Excise Duty	93.06	109.56		202.62	62.29	71.74		134.03
	1,250.28	1,149.01		2,399.29	895.12	885.04		1,780.16
Less : Inter Segment Transfers (net)	35.43	616.15		651.58	27.36	477.37		504.73
Inter Division Transfers (net)	136.35	-		136.35	90.30	-		90.30
Net Sales	1,078.50	532.86		1,611.36	777.46	407.67		1,185.13
b) Segment Result Before Finance Charges, Amortisation, Foreign Exchange (Gain)/Loss and Taxation	104.72	*87.02	6.13	197.87	76.70	*79.60	5.94	162.24
Less: Finance Charges				90.56				78.66
Amortisation/Obsolescence				5.57				0.87
Foreign Exchange (Gain)/Loss				5.72				(8.52)
Profit Before Taxation				96.02				91.23
Less : Taxation				20.66				16.62
Profit After Taxation				75.36				74.61
c) Other Information								
Total Segment Assets	1,540.99	603.93	407.84	2,552.76	1,389.99	547.06	235.96	2,173.01
Total Segment Liabilities	315.21	516.39	28.82	860.42	197.85	370.60	26.45	594.90
Total Cost Incurred for Acquiring Segment Assets	59.33	2.96	138.49	200.78	38.13	5.49	51.05	94.67
Segment Depreciation	53.53	26.44	-	79.97	29.59	25.98	-	55.57
d) Total Unallocable Assets								
Investments				49.97				35.74
FCMITDA				-				4.91
Deferred Tax Asset				-				-
Miscellaneous expenditure				1.07				1.81
				51.04				42.46
e) Total Unallocable Liabilities								
Secured Loans				875.08				780.58
Unsecured Loans				174.38				218.94
Deferred Tax Liability				75.22				41.69
				1,124.68				1,041.21

*Includes profit on steel captively consumed by Tube Segment.

- 8) Other Liabilities include buyer's credit of Rs. 155.56 Crore (Previous Year Rs. 107.93 Crore).
- 9) The Company had issued zero percent Foreign Currency Convertible Bonds (FCCB) aggregating to US \$ 20 Million as detailed hereunder, to finance inter-alia capital expenditure, repayment of foreign currency loan and acquisitions.

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

Each Bond in Series A and Series B would be convertible into one Equity Share of Rs. 5/- each fully paid any time until redemption i.e. after five years and one day from the date of allotment subject to terms and conditions of the Subscription. Unless previously redeemed or converted or purchased and cancelled as herein provided, the Company will redeem the Series A Bond and the Series B Bond along with the premium calculated at the rate of six months LIBOR plus 2% p.a. of their principal amount (the "Redemption Amount") at the end of five years and one day from the date of issue and allotment of the said Series A Bonds and Series B Bonds i.e. on December 01, 2011.

Out of the proceeds of the FCCB, the Company has utilised Rs. 76.91 Crore towards the object of the issue and the balance Rs.12.01 Crore are lying in the Fixed Deposit Accounts with Bankers, including interest and exchange difference.

Notes on Accounts (contd.)

	Rs. in Crore	
	2010 - 11	2009 - 10
10) Break-up of Managerial Remuneration included under Personnel Cost.		
i) Salaries	0.88	0.75
ii) Contribution to Provident Fund and Superannuation Fund	0.20	0.17
iii) Other Perquisites	0.89	0.88
iv) Commission on profits	0.77	0.73
	<u>2.74</u>	<u>2.53</u>

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

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

	Rs. in Crore	
Profit Before Taxation as per Profit and Loss Account	96.02	91.23
Add : Depreciation provided in accounts	79.97	55.57
Remuneration paid as Director's	2.74	2.53
Profit on Assets sold as per Section 350 of Co's Act	0.01	0.01
Loss (net) on Assets sold / obsolescence as per Profit and Loss Account	4.83	0.50
Provision for Doubtful debts	0.86	-
	<u>184.43</u>	<u>149.84</u>
Less : Depreciation in accordance with Section 350 of the Companies Act, 1956	75.43	51.19
Profit on Assets sold as per books	0.01	0.64
Loss (net) on Assets sold / obsolescence as per Section 350 of the Companies Act, 1956	4.99	0.50
Amount charged to Reserves	1.81	-
Profit as per Section 349 of the Companies Act, 1956	<u>102.19</u>	<u>97.51</u>
Maximum permissible remuneration to the Whole-time Directors under Section 198 of the Companies Act, 1956 @ 10% of the profits computed above	10.22	9.75
Commission provided as per terms of agreement	0.77	0.73

11) Expenditure incurred during construction period, which have been capitalized during the year.

Particulars	Rs. in Crore	
	2010-11	2009-10
i) Expenditure incurred during trial runs net of sales realization.		
Raw Material Consumed	0.62	10.55
Power Charges	0.08	1.16
Other Direct Expenses	0.28	4.45
	<u>0.98</u>	<u>16.16</u>
ii) Expenditure incurred during construction period :		
Personnel Cost	2.64	2.43
Overheads	0.89	4.23
Interest	8.45	13.33
	<u>11.98</u>	<u>19.99</u>

12) Security and other particulars of Secured Loans

- (i) a) Term Loans of Rs. 112.16 Crore are stipulated to be secured by a first charge ranking pari passu on the Company's immovable properties and movable fixed assets both present and future with other term lenders, excluding term loan lenders where exclusive charge on moveable fixed assets as mentioned in clause (d) has been stipulated and assets of

Notes on Accounts (contd.)

Captive Power project of the Company located at Chandrapur district as mentioned in clause (f). These loans are further stipulated to be secured by a second charge ranking pari passu by way of hypothecation with other term lenders on the current assets of the Company on which the first pari passu charge is stipulated to be created in favour of the Consortium Banks as mentioned in clause (c) below.

- b) Term Loans of Rs. 344.85 Crore are stipulated to be secured by a first charge ranking pari passu on the Company's immovable properties and movable fixed assets both present and future with other term lenders, excluding term loans where exclusive charge on moveable fixed assets as mentioned in clause (d) has been stipulated and assets of Captive Power project of the company located at Chandrapur district as mentioned in clause (f) below.
 - c) Working Capital borrowings from the Consortium Banks are stipulated to be secured by a first charge ranking pari passu by hypothecation in respect of the current assets of the Company and are further stipulated to be secured by a second pari passu charge on the Company's immovable properties and all the movable fixed assets both present and future.
 - d) Foreign Currency Term Loans of Rs. 195.40 Crore are stipulated to be secured by an exclusive charge on the equipment financed. Out of the above, term loan of Rs. 87.57 Crore is further stipulated to be secured with the land appurtenant thereto.
 - e) Foreign Currency Term loan of Rs. 40.73 Crore is stipulated to be secured by first charge on the entire fixed assets ranking pari passu with other term lenders, excluding term loan lenders where exclusive charge on fixed assets as mentioned in clause (d) and (f) has been stipulated.
 - f) Term Loans of Rs. 69.99 Crore are stipulated to be secured by first charge ranking pari passu on the Company's immovable properties and movable fixed assets relating to Captive Power project of the Company located at Chandrapur district.
- (ii) Term Loan installments falling due within one year is Rs. 179.96 Crore (Previous Year Rs. 146.51 Crore).

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

a) Particulars in Respect of Goods Manufactured

Class of Goods	Unit	Installed Capacity*	Production Quantity
i) Seamless Hollows & Tubes	Tonnes	4,65,000 (1,58,000)	1,67,187** (1,35,782)
ii) Components & Spares, Plugs & Dies Rolls & Mandrels	Nos.	10,000 (10,000)	50,720*** (42,605)
iii) Cold Rolled Rings	Nos.	80,00,000 (80,00,000)	40,21,080 (38,90,965)
iv) Steel Bars	Tonnes	3,50,000 (2,50,000)	2,54,070 (2,31,395)

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

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

** Captive consumption for the year 598 Tonnes (Previous Year 1000 Tonnes).

*** For Captive consumption within division.

b) Stock & Turnover of Goods Manufactured by the Company		Rs. in Crore		Rs. in Crore	
I) Tube Segment	Tonnes	2010 - 11	Tonnes	2009 - 10	
1) Seamless Hollows and Tubes					
i) Sales (Excluding Excise Duty)	165,662	1244.17	132,156	882.77	
Less : Inter Segment Transfers - Scarp	-	35.43	-	27.36	
Inter Division Transfers	19,992	150.39	14,652	97.97	
Net Sales	145,670	1,058.35	117,504	757.44	
ii) Opening Stock	7,070	42.20	4,444	30.07	
iii) Closing Stock	7,997	55.82	7,070	42.20	
2) Cold Rolled Rings	Nos.		Nos.		
i) Sales (Excluding Excise Duty)	38,56,777	20.15	39,05,724	20.02	
ii) Opening Stock	2,93,427	0.62	3,08,186	1.26	
iii) Closing Stock	4,57,730	1.35	2,93,427	0.62	

Notes on Accounts (contd.)

		Rs. in Crore		Rs. in Crore
II) Steel Segment	Tonnes	2010-11	Tonnes	2009- 10
Steel Bars				
i) Sales (Excluding Excise Duty)	2,56,347	1,149.01	227,866	885.04
Less : Inter Segment	1,48,990	616.15	133,976	477.37
Net Sales	<u>1,07,357</u>	<u>532.86</u>	<u>93,890</u>	<u>407.67</u>
ii) Opening Stock	12,342	44.69	8,813	40.88
iii) Closing stock	10,065	42.92	12,342	44.69
c) CIF Value of Imports				
i) Capital Goods		8.19		16.92
ii) Stores Spares & Consumables		49.20		41.93
iii) Raw Materials		357.11		227.04
d) Raw Materials Consumed	Tonnes	2010 - 11	Tonnes	2009 - 10
I) Tube Segment				
Steel Bars	1,85,621	729.06	1,49,121	522.81
Less : Inter Segment Transfers included in above	1,48,841	615.40	1,33,836	476.85
	<u>36,780</u>	<u>113.66</u>	<u>15,285</u>	<u>45.96</u>
II) Steel Segment				
i) Pig & Sponge Iron, DRI and Steel Scrap	2,91,902	614.31	2,61,867	435.66
ii) Ferro Alloys	12,052	99.74	7,377	73.59
	<u>3,03,954</u>	<u>714.05</u>	<u>2,69,244</u>	<u>509.25</u>
Less : Inter Segment Transfers included in above	20,525	35.43	14,877	27.36
	<u>2,83,429</u>	<u>678.62</u>	<u>2,54,367</u>	<u>481.89</u>
Total Raw Material Consumed		<u>792.28</u>		<u>527.85</u>
e) I) Particulars in respect of consumption of Raw Materials				
Particulars	Rs. in Crore	%	Rs. in Crore	%
Indigenous	480.20	60.61	287.20	54.41
Imported	312.08	39.39	240.65	45.59
	<u>792.28</u>	<u>100.00</u>	<u>527.85</u>	<u>100.00</u>
II) Particulars in respect of consumption of Stores and Spares, Consumables				
Particulars	Rs. in Crore	%	Rs. in Crore	%
Indigenous	89.65	65.91	82.89	75.39
Imported	46.37	34.09	27.06	24.61
	<u>136.02</u>	<u>100.00</u>	<u>109.95</u>	<u>100.00</u>
f) I) Earnings in Foreign Currency		Rs. in Crore		Rs. in Crore
		2010 - 11		2009 - 10
i) FOB Value of Exports		304.95		166.04
ii) Freight on Exports		23.51		9.54
II) Expenditure in Foreign Currency				
i) Interest		24.94		28.12
ii) Commission on Export Sales		3.44		2.12
iii) Travelling		0.58		0.66
iv) Professional Consultation Fees		0.80		0.24
v) Quality Claims		13.38		2.40
vi) Others		3.91		2.81
14) Investor Education and Protection Fund				
shall be credited by the following amounts, when due.				
i) Unclaimed Matured Debentures		0.25		0.45
ii) Unpaid Dividend		2.07		1.48

Notes on Accounts (contd.)

	Rs. in Crore	Rs. in Crore
	2010 - 11	2009 - 10
15) Provision for Taxation		
i) a) Provision for Income Tax / Wealth Tax	18.57	14.76
b) Add : Deferred Tax Debit / (Credit)	33.54	26.39
Less : Transferred from General Reserve (Refer clause (iv) below)	-	9.82
Less : Withdrawal from Restructuring Reserve (Refer clause (iii) below)	<u>12.93</u>	<u>-</u>
	20.61	16.57
c) Less : MAT Credit for Current Year	18.52	14.71
	<u>20.66</u>	<u>16.62</u>
ii) Provision of Income Tax is made based on the provisions of Section 115 JB of the Income Tax Act, 1961.		
iii) The company, based on legal advice, has transferred the balance in the Restructuring Reserve of Rs. 12.93 Crore towards diminution in value of deferred tax asset of erstwhile The Indian Seamless Metal Tubes Ltd. to Profit and Loss Account, in terms of the Scheme of Arrangement having Appointed Date as April 01, 2004 between the erstwhile The Indian Seamless Metal Tubes Ltd. and the company.		
iv) The Company (earlier Jejuri Steels & Alloys Ltd., before amalgamation of Indian Seamless Steels and Alloys Limited with it) had created "Deferred Tax Asset" in respect of unabsorbed losses, allowances, etc., of Indian Seamless Steels & Alloys Ltd., by corresponding credit to "General Reserve" in the first year after amalgamation and reflected in its first Balance Sheet as on September 30, 2001, thereafter, pursuant to the amalgamation and in terms of the Scheme as well as relevant Accounting Standard, the assets and liabilities vested in the Company were accounted on "Purchase Method". Upon the review of the said "Deferred Tax Asset" on the balance sheet date, in terms of the applicable Accounting Standards or otherwise, the amount as required is charged on reversal of the said amount of Deferred Tax Asset, which necessitates equivalent write-down of the said General Reserve. The Deferred Tax charge arising as aforesaid has been disclosed in the Profit and Loss Account and the corresponding withdrawal from the said General Reserve has also been disclosed in the Profit and Loss Account.		

16) Remittance in foreign currency on account of dividend to non-resident Shareholders.

	Number of Shareholders	Number of Equity Shares Held	Gross Amount of dividend Rs. in Crore
i) Final Dividend for 2009 - 10	2386	922725	0.09

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

	2010-11		2009-10	
	Foreign Currency in Million	Rs. in Crore	Foreign Currency in Million	Rs. in Crore
i) Secured Loans				
a) US Dollars	98.08	437.91	104.22	470.72
b) Euros	8.50	53.75	-	-
ii) Unsecured Loans				
US Dollars	20.00	89.30	20.00	90.28
iii) Receivables				
a) US Dollars	14.95	66.92	5.23	23.66
b) Euros	8.13	51.41	9.62	65.77
c) Sterling Pounds	0.001	0.001	0.08	0.53
d) Australian Dollar	0.41	1.86	0.09	0.39
iv) Deposits with Banks				
US Dollars	2.69	12.01	2.66	12.02
v) Interest Receivable				
US Dollars	0.02	0.08	0.02	0.08
vi) Payables				
a) US Dollars	42.56	189.81	35.33	159.47
b) Euros	1.80	11.40	1.11	6.71
vii) Interest Payable				
a) US Dollars	0.27	1.22	0.20	0.90
b) Euros	0.01	0.03	-	-

Notes on Accounts (contd.)**18) Dues of Micro and Small Enterprises**

The Information as required to be disclosed under Schedule VI of the Companies Act, 1956 w.r.t. Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (Act) is as given below, has been determined to the extent such parties have been identified on the basis of information available with the Company.

Particulars	Rs. in Crore	
	As on March 31, 2011	As on March 31, 2010
i) Principle amount remaining unpaid as on 31st March	0.26	Nil
ii) Interest due thereon as on 31st March	0.05	Nil
iii) Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to the supplier beyond the appointed day during the year.	Nil	Nil
iv) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act.	0.01	Nil
v) Interest accrued and remaining unpaid as at 31st March.	0.06	Nil
vi) Further interest remaining due on payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the Act.	0.07	Nil

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

	Rs. in Crore	
	2010-11	2009-10
Not later than one year	2.82	2.82
Later than one year and not later than five years	10.97	11.09
Later than five years	2.40	5.10

ii) Assets taken on finance lease : - The period of lease is 10 years. The agreements provide for renewal of the lease at the end of the lease period. The details of Minimum Lease Payments (MLP) and their Present Values (PV) arrived by discounting the MLPs at the appropriate discounting rate are as under :-

Asset Classification	Rs. in Crore			
	Not later than 1 year	Later than 1 year But not later than 5 years	Later than 5 years	Total
Plant & Machinery				
MLP	0.02	0.10	-	0.12
(Previous Year)	0.02	0.10	0.02	0.14
PV	0.01	0.04	-	0.05
(Previous Year)	0.01	0.04	0.01	0.06

20) The Company had adopted Accounting Standard-11 "The effects of changes in Foreign Exchange Rates", read with notification issued by the Ministry Of Corporate Affairs dated March 31, 2009 and exercised the option to recognize exchange difference on long term monetary items related to Fixed Assets to the cost of Fixed Assets and the other long term monetary items to "Foreign Currency Monetary Item Translation Difference Account" from April 01, 2007. Accordingly the Company has accounted exchange differences as under :

- Exchange difference related to acquisition of Capital Assets has been adjusted to respective Fixed Asset cost Rs 0.49 Crore (Gain) (Previous year Rs. 27.33 Crore Gain).
- Exchange difference amortised during the year Rs. 2.59 Crore (Loss) (Previous Year Rs. 8.19 Crore, Loss) from "Foreign Currency Monetary Item Translation Difference Account" and charged to Profit and Loss Account and balance in the "Foreign Currency Monetary Item Translation Difference Account" as on March 31, 2011 is Rs. Nil.
- Had this change not been effected, the profit for the year would be higher by Rs. 5.40 Crore (Previous Year Rs. 62.61 Crore), Fixed Assets would have been lower by Rs. 22.33 Crore (Previous Year Rs. 22.82 Crore) and consequently the Reserves and Surplus would have been lower by Rs. 21.30 Crore (Previous Year Rs. 27.72 Crore).

Notes on Accounts (contd.)

21) (i) Related party Disclosure as required by Accounting Standard - 18 is as under :-

- | | |
|-----------------------------|--|
| a) Key Management Personnel | i) Mr. Salil Taneja - Chief Executive Officer
ii) Mr. B.R. Taneja - Non Executive Director
iii) Mr. Rajiv Goel - Chief Financial Officer
iv) Mr. Nirmal Chandra - President (Project & Product Development) |
| b) Subsidiary Companies | i) ISMT Enterprises SA, Luxembourg
ii) Structo Hydraulics AB, Sweden
iii) ISMT Europe AB, Sweden
iv) Structo (UK) Limited, U.K.
v) Structo Hydraulics India Limited
vi) Tridem Port and Power Company Pvt. Ltd.
vii) Nagapattinam Energy Pvt. Ltd.
viii) PT ISMT Resources, Indonesia |
| c) Associate Companies | i) Indian Seamless Enterprises limited
ii) Indian Seamless Incorporated, USA.
iii) Taneja Aerospace and Aviation limited |
| d) Details of Transaction | i) Key Management Personnel
Remuneration Paid for the year Rs. 2.74 Crore (Previous Year Rs. 2.53 Crore)
ii) Subsidiary and Associate Companies |

Rs. in Crore

Details of Transaction	Subsidiary Companies		Associate Companies	
	2010-11	2009-10	2010-11	2009-10
Sale of Finished Goods	98.73	43.02	20.89	6.97
Purchases	4.08	1.44	0.48	-
Commission on Sales	2.87	1.69	-	-
Lease Rent Paid	-	-	2.70	2.73
Quality Claims	9.48	2.40	-	-
Rent Paid	0.01	-	-	-
Inter Corporate Deposits (Net)	-	-	9.32	2.07
Interest Received	-	-	1.78	1.02
Investments	14.23	9.26	-	-
Dividend Paid	-	-	5.52	5.51
Loans and Advances Given	27.65	19.99	-	-
Outstanding as at Balance Sheet date :				
Receivables	49.88	70.65	12.68	14.02
Loans and Advances	45.77	19.42	1.84	1.56
Inter-Corporate Deposits Given	-	-	11.25	6.93

- ii) Companies under same Management as per Section 370 (1B) of the Companies Act, 1956.
 Receivables include due from Indian Seamless Incorporated, USA 6.32 2.38

22) The Accounting Standard - 15 (Revised 2005) on " Employee Benefits " has been adopted by the Company effective from April 01, 2007.

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

a) Defined Contribution Plan:

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

	Rs. in Crore	
	2010-11	2009-10
Employer's Contribution to Provident Fund & Family Pension Fund	3.84	3.47
Employer's Contribution to Superannuation Fund	2.14	1.90

Notes on Accounts (contd.)

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

b) Defined Benefit Plan :

	Rs. in Crore	
	2010-11	2009-10
a) Changes in present value of Defined Benefit obligations :		
Present value of obligation as at April 01, 2010	13.09	10.62
Current Service Cost	1.30	0.93
Interest Cost	0.99	0.75
Actuarial (gain)/loss	3.49	2.09
Benefits paid	(1.54)	(1.30)
Present Value of Obligation as at March 31, 2011	<u>17.33</u>	<u>13.09</u>
b) Changes in present value of Plan Assets		
Fair value of plan Assets as at April 01, 2010	8.67	5.14
Expected return on plan Assets	0.93	0.54
Actuarial gain/(loss)	1.17	0.02
Employer Contribution	4.00	2.97
Fair value of plan Assets as at March 31, 2011	<u>14.77</u>	<u>8.67</u>
c) Actual Return on Plan Asset:		
Expected return on plan Assets	0.93	0.54
Actuarial gain/(loss) on plan Assets	1.17	0.02
Actual return on plan Assets	<u>2.10</u>	<u>0.56</u>

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

	Gratuity (Funded)	Leave Encashment (Non funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
	2010-11		2009-10	
Fair value of Plan Assets as at March 31, 2011	14.77	-	8.67	-
Present value of obligation as at March 31, 2011	<u>17.33</u>	<u>4.68</u>	<u>13.09</u>	<u>3.21</u>
Net Liability	<u>2.56</u>	<u>4.68</u>	<u>4.42</u>	<u>3.21</u>

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

Current Service Cost	1.30	0.51	0.93	0.36
Interest Cost	0.99	0.22	0.75	0.17
Expected return on Plan Assets	(0.93)	-	(0.54)	-
Actuarial (gain)/loss	<u>2.32</u>	<u>1.72</u>	<u>2.07</u>	<u>1.22</u>
Expense Recognised in the Profit and Loss Account	<u>3.68</u>	<u>2.45</u>	<u>3.21</u>	<u>1.75</u>

f) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at March 31, 2011.

	2010-11	2009-10
i) Government of India Securities	8.06%	14.36%
ii) Corporate Bonds	9.68%	16.58%
iii) Special Deposit Scheme	7.52%	12.81%
iv) Insurer Managed Funds	65.53%	40.56%
v) Others	9.21%	15.69%
Total	<u>100.00%</u>	<u>100.00%</u>

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

Particulars	Gratuity (Funded)	Leave Encashment (Non Funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
	2010 - 11		2009 - 10	
Discount Rate	8.00%	8.00%	8.00%	8.00%
Expected Rate of Return on Plan Assets	8.75%	-	8.75%	-
Salary Escalation Rate	7.00%	7.00%	5.00%	5.00%

Notes on Accounts (contd.)

Rs. in Crore

23) Particulars in respect of Loans and Advances in the nature of loans.

Name of the Company	Outstanding Balance as at		Maximum outstanding during the year	
	March 31, 2011	March 31, 2010	2010 - 11	2009 - 10
Loans and Advances in the nature of Loans				
i) Subsidiary				
a) Tridem Port And Power Company Pvt. Ltd.	45.77	18.12	47.97	28.04
b) Nagapattinam Energy Pvt. Ltd.	-	1.30	4.21	1.30
	<u>45.77</u>	<u>19.42</u>	<u>52.18</u>	<u>29.34</u>
ii) Associate				
a) Taneja Aerospace and Aviation Limited	11.25	6.93	17.07	15.38
b) Indian Seamless Enterprises Ltd.	-	-	5.00	-
24) a) Investment by Indian Seamless Enterprises Ltd (Loanee) in the Equity Shares of the Company	No. of Shares	55,209,769	Previous Year	(55,194,704)
b) Investment by Tridem Port and Power Company Pvt. Ltd. (Loanee) in the Equity Shares of Subsidiary Companies				
i) Nagapattinam Energy Pvt. Ltd.	No. of Shares	10,000	Previous Year	(10,000)
ii) PT ISMT Resources, Indonesia	No. of Shares	999	Previous Year	(Nil)

25) Miscellaneous income include

i) Profit on Sale of Assets		2010 - 11	2009 - 10
ii) Income on assignment of liability		0.01	0.64
		8.04	5.46

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

	As at March 31, 2011	As at March 31, 2010
i) Deferred Tax Assets		
a) Unabsorbed Tax Depreciation	49.56	48.07
b) Deduction eligible in future period in respect of expenses already debited to Profit and Loss Account	3.04	2.96
	<u>52.60</u>	<u>51.03</u>
ii) Deferred Tax Liabilities		
a) Depreciation	127.47	92.16
b) Expenditure Deferred	0.35	0.56
	<u>127.82</u>	<u>92.72</u>
iii) Net Deferred Asset/ (Liability)	<u>(75.22)</u>	<u>(41.69)</u>

27) Earnings per Share

i) Profit After Tax	75.36	74.61
ii) Net profit for the year attributable to Equity Share Holders	75.36	74.61
iii) Weighted Average number of Equity Shares	14,65,01,383	14,65,01,383
iv) Earnings per share (Rs.) (Basic and Diluted)	5.14	5.09

28) Miscellaneous Expenses include

i) Rates & Taxes	0.25	0.20
ii) Repairs & Maintenance Building	0.78	0.79
iii) Directors' Sitting Fees	0.11	0.07
iv) Equipment Lease Rent	0.44	0.31
v) Auditors Remuneration		
a) Statutory Audit Fees	0.17	0.17
b) Taxation Matters	0.03	0.05
c) Out of Pocket Expenses	0.02	0.02
vi) Provision for Doubtful Debts	0.86	-

29) Previous Year figures have been regrouped and reclassified wherever necessary to conform to the Current Year classification.

As per our report of even date

For M/s P.G. Bhagwat Firm Registration No. 101118W Chartered Accountants
 For J. K. Shah & Co. Firm Registration No. 109606W Chartered Accountants

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, June 29, 2011

Pune, June 29, 2011

Balance Sheet Abstract

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

I. Registration Details

Registration No.	2 5 - 1 6 4 1 7	State Code	1 1
Balance Sheet	3 1 - 0 3 - 2 0 1 1		
Date	Date	Month	Year

II. Capital Raised during the year

Public Issue	N I L	Rights Issue	N I L
Bonus Issue	N I L	Private Issue	N I L

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

Total Liabilities	2 6 0 3 8 0 6 2	Total Assets	2 6 0 3 8 0 6 2
Sources of Funds			
Paid-up Capital	7 3 2 5 0 7	Reserves & Surplus	5 4 5 4 5 0 4
Secured Loans	8 7 5 0 7 8 4	Unsecured Loans	1 7 4 3 8 1 7
		Deferred Tax Liability	7 5 2 2 0 9

Application of Funds

Net Fixed Assets	1 3 1 1 2 9 0 2	Investment	4 9 9 7 0 0
FCMITDA	N I L		
Net Current Assets	3 8 1 0 4 9 0	Misc. Expenditure	1 0 7 2 9

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

Turnover #	1 6 4 9 9 2 6 4	Total Expenditure	1 5 5 3 9 0 9 9
Profit Before Tax	9 6 0 1 6 5	Profit After Tax	7 5 3 5 8 9
Earning Per Share in Rs. # including other income	5 . 1 4	Dividend Rate %	2 5 . 0 0

V. Generic Names of Three Principal Products of Company

7 2 1 4	H O T	R O L L E D	B A R S	A N D	R O D S
	O F	N O N	A L L O Y	S T E E L	
7 2 2 4 7	C A S T	R O U N D S	/	H O T	R O L L E D
7 2 2 8	B A R S	&	R O D S	O F	A L L O Y
7 3 0 4	S E A M L E S S	T U B E S	&	H O L L O W S	

As per our report of even date

For **M/s P.G. Bhagwat**
Firm Registration No. 101118W
Chartered Accountants

For **J. K. Shah & Co.**
Firm Registration No. 109606W
Chartered Accountants

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, June 29, 2011

Pune, June 29, 2011

Disclosure of information relating to Subsidiary Companies in terms of Section 212 of the Companies Act, 1956.

Rs. in Crore

Particulars	ISMT Enterprises SA, Luxembourg	Structo Hydraulics AB, Sweden	Structo (UK) Limited	ISMT Europe AB, Sweden	Structo Hydraulics (India) Ltd.	Tridem Port and Power Co Pvt Ltd	Nagapattinam Energy Pvt. Ltd.,	PT ISMT Resources, Indonesia
Capital	51.01	14.77	0.001	0.07	0.05	1.58	0.01	4.56
Reserves	(7.11)	(21.72)	0.06	(6.43)	(0.02)	-	-	(0.12)
Total Assets	16.65	129.23	0.18	16.15	0.03	71.10	30.37	4.88
Total Liabilities	0.18	143.34	0.13	22.50	0.001	73.97	30.36	0.44
Investments other than in Subsidiary Companies	-	-	-	-	-	-	-	-
Turnover & Other Income	0.02	167.48	1.03	43.84	-	-	-	0.003
Profit / (Loss) before taxation	(0.10)	1.09	0.001	0.40	(0.003)	-	-	(0.11)
Provision for taxation	(0.09)	(0.01)	(0.00)	-	-	-	-	-
Profit / (Loss) after taxation	(0.19)	1.08	0.00	0.40	(0.003)	-	-	(0.11)
Proposed Dividend	-	-	-	-	*	-	-	-

Notes:

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

Particulars	For Assets and Liabilities at Closing Exchange Rate	For Profit and Loss items at Average Rate
EURO to INR	Rs. 62.988/EURO	Rs. 61.891/EURO
SEK to INR	Rs. 7.035/SEK	Rs. 6.638/SEK
GBP to INR	Rs.71.282/GBP	Rs. 69.769/GBP
Rupiah to INR	Rs.0.00510/Rupiah	Rs.0.00502/Rupiah

Auditors Report on Consolidated Financial Statements

To,

The Board of Directors of ISMT Limited

1. We have audited the attached consolidated balance sheet of ISMT Limited and its subsidiaries (together referred to as "the Group", as described in Note No. 1(C) of Schedule 19) as at March 31, 2011 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 268.59 Crore as at March 31, 2011, total revenue of Rs. 212.38 Crore and net cash flow of Rs. 2.33 Crore for the year ended March 31, 2011. These financial statements and other financial information have been audited by other auditors / compiled and approved by the management whose reports have been furnished to us, and our opinion is based solely on the report of other auditors and information provided by the management.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard - 21, "Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2011.
 - (b) in the case of the consolidated profit and loss account, of the profit of the Group for the year ended on that date;
 - (c) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For and on behalf of

For M/s P.G BHAGWAT
Firm Registration No. 101118 W
Chartered Accountants

For J.K SHAH & CO.
Firm Registration No. 109606 W
Chartered Accountants

Sandeep Rao
Partner
Membership No. 47235

Sanjay Dhruva
Partner
Membership No. 38480

Pune, June 29, 2011

Pune, June 29, 2011

Consolidated Balance Sheet as at March 31, 2011

Rs. in Crore

	Schedule	As at March 31, 2011	As at March 31, 2010
Sources of Funds			
Shareholders' Fund			
Share Capital	1	73.25	73.25
Reserves and Surplus	2	525.99	489.55
		599.24	562.80
Minority Interest		0.13	6.35
Loan Funds			
Secured Loans	3	932.89	815.01
Unsecured Loans	4	174.38	218.94
		1,107.27	1,033.95
Deferred Tax Liability		68.35	35.59
		1,774.99	1,638.69
Application of Funds			
Fixed Assets			
Gross Block	5	1,713.00	1,247.25
Less : Depreciation		551.82	481.62
Net Block		1,161.18	765.63
Capital Work-in-Progress		247.97	511.35
		1,409.15	1,276.98
Goodwill on consolidation		31.23	23.98
Foreign Currency Monetary Item Translation Difference Account	6	-	4.91
Current Assets , Loans and Advances			
i) Inventories		485.96	389.78
ii) Sundry Debtors		396.70	272.83
iii) Cash and Bank Balances		71.46	63.70
iv) Loans and Advances		291.98	236.53
		1,246.10	962.84
Less: Current Liabilities and Provisions			
i) Current Liabilities	8	880.09	598.78
ii) Provisions		32.47	33.05
		912.56	631.83
Net Current Assets		333.54	331.01
Miscellaneous Expenditure	9	1.07	1.81
(To the extent not written off or adjusted)		1,774.99	1,638.69
Significant Accounting Policies	19		
Notes on Accounts	20		

As per our report of even date

For M/s P.G. Bhagwat
Firm Registration No. 101118W
Chartered Accountants

For J. K. Shah & Co.
Firm Registration No. 109606W
Chartered Accountants

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, June 29, 2011

Pune, June 29, 2011

Consolidated Profit And Loss Account for the year ended March 31, 2011

Rs. in Crore

	Schedule	2010 - 11	2009 - 10
Income			
Gross Sales		2,798.50	2,024.39
Less : Inter Segment Transfers		709.10	544.14
Inter Division Transfers		150.39	97.97
Sales to Subsidiary / Parent Company		105.52	46.27
Excise Duty		131.07	86.95
Net Sales		1,702.42	1249.06
Income from Operations and Other Income	10	49.62	26.81
		1,752.04	1,275.87
Expenditure			
Materials Consumed	11	913.07	657.50
Energy	12	287.74	220.12
Direct Manufacturing	13	57.85	43.27
Selling and Distribution	14	50.80	28.52
Personnel	15	123.52	116.15
Overheads	16	30.36	19.48
		1,463.34	1,085.04
Profit before Finance Charges, Exchange (Gain)/		288.70	190.83
Loss. Depreciation, Amortisation and Taxation			
Finance Charges	17	94.44	81.11
Depreciation and Amortisation	18	93.35	62.05
		187.79	143.16
Profit before Foreign Exchange (Gain)/Loss and Taxation		100.91	47.67
Less : Foreign Exchange (Gain) / Loss		2.03	(8.56)
Profit before Taxation		98.88	56.23
Less : Provision for Taxation		20.75	7.74
(Refer Note No. 8 of Schedule 20)			
Profit after Taxation		78.13	48.49
Less: Share of Minority interest		0.02	(6.80)
Profit After Minority interest		78.11	55.29
Balance brought forward from Previous Year		35.05	41.37
Add : Pre-acquisition Loss adjusted against cost of investment		6.30	5.47
Add : Transfer from Revaluation Reserve		1.26	-
Balance available for appropriations		120.72	102.13
Appropriations			
Proposed Dividend		18.31	14.65
Tax on proposed Dividend		2.97	2.43
General Reserve		50.00	50.00
Balance carried to Balance Sheet		49.44	35.05
Earnings per share Rs. (Face Value of Rs. 5/- each)		5.33	3.77
(Refer Note No. 11 of Schedule 20)			
Significant Accounting Policies	19		
Notes on Accounts	20		

As per our report of even date

For **M/s P.G. Bhagwat**
Firm Registration No. 101118W
Chartered Accountants

For **J. K. Shah & Co.**
Firm Registration No. 109606W
Chartered Accountants

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, June 29, 2011

Pune, June 29, 2011

Consolidated Cash Flow Statement for the year ended March 31, 2011

Rs. in Crore

	2010 - 11	2009 - 10
i Cash Flow from Operating Activities :		
Net Profit before Taxation	98.88	56.23
Adjustments for :		
Depreciation , Amortisation and Obsolescence	93.35	62.05
Finance Charges	94.44	81.11
Interest Income	(5.34)	(5.01)
Exchange Fluctuation (Gain) / Loss	(4.88)	(0.95)
Expenses Charged to Reserves	(1.81)	-
Income on Pre-payment of liability	(8.04)	(5.46)
Loss/(Profit) on sale of Fixed Assets (Net)	0.01	(0.14)
Provision for Doubtful Debts	0.86	-
Foreign Currency Translation Reserve	(13.15)	(2.66)
	<u>155.44</u>	<u>128.94</u>
Operating Cash Profit before Working Capital Changes	254.32	185.17
Adjustments for :		
Trade and Other Receivables	(158.37)	(66.92)
Inventories (Increase) / Decrease	(96.19)	(28.15)
Trade Payables	278.89	138.53
Taxes Paid	(27.27)	(7.30)
Net Cashflow from Operating Activities	251.38	221.33
ii Cash Flow from Investing Activities :		
Purchased of Fixed Assets	(207.61)	(121.64)
Sale of Fixed Assets	1.36	1.19
Sale of Investment	-	0.01
Interest Received	6.13	6.46
Net Cash used in Investing Activities	(200.12)	(113.98)
iii Cash Flow from Financing Activities :		
Acquisition of Minority Interest	(6.63)	-
Dividend Payments (including Tax thereon)	(16.50)	(16.52)
Proceeds from /(Repayment of) Borrowings	70.10	(3.30)
Finance Charges Paid	(93.82)	(82.75)
Net Cash from Financing Activities	(46.85)	(102.57)
Net Increase / (Decrease) in Cash and Cash Equivalents	4.41	4.78
Cash and Cash Equivalents at the beginning of the year (Refer Note No.1)	21.11	16.05
Add : Cash and Cash Equivalents on acquisition of Subsidiaries	-	0.28
	<u>21.11</u>	<u>16.33</u>
Cash and Cash Equivalents at the end of the year (Refer Note No.1)	25.52	21.11
Net Increase / (Decrease) in Cash and Cash Equivalents	4.41	4.78
Notes: 1 The cash and cash equivalents in the cash flow statement comprise of the following Balance Sheet amounts:	As at	As at
	March 31, 2011	March 31, 2010
(a) Cash on hand	0.08	0.05
(b) Current Accounts with Banks	25.44	21.06
	<u>25.52</u>	<u>21.11</u>

As per our report of even date

For M/s P.G. Bhagwat

Firm Registration No. 101118W

Chartered Accountants

For J. K. Shah & Co.

Firm Registration No. 109606W

Chartered Accountants

Sandeep Rao

Partner

M. No.47235

Sanjay Dhruva

Partner

M.No. 38480

Salil Taneja

Chief Executive Officer

Rajiv Goel

Chief Financial Officer

Jayan Nair

Company Secretary

Pune, June 29, 2011

Pune, June 29, 2011

Schedules forming part of the Consolidated Balance Sheet

Rs. in Crore

	As at March 31, 2011	As at March 31, 2010
Schedule - 1		
Share Capital		
Authorised		
i) 17,50,00,000 (Previous Year 17,50,00,000) Equity Shares of Rs.5/- each	87.50	87.50
ii) Unclassified Shares	71.00	71.00
	<u>158.50</u>	<u>158.50</u>
Issued, Subscribed and Paid up:		
i) 14,65,01,383 (Previous Year 14,65,01,383) Equity Shares of Rs 5/- each fully paid	<u>73.25</u>	<u>73.25</u>
Schedule – 2		
Reserves And Surplus		
i) Capital Reserve	6.94	1.65
Add: Additions during the year	-	<u>5.29</u>
	6.94	6.94
ii) Revaluation Reserve	6.80	6.05
iii) Capital Redemption Reserve	80.60	80.60
iv) Securities Premium	9.36	9.36
v) Amalgamation Reserve	40.40	40.40
vi) Reserve for Contingencies		
As per last Balance Sheet	3.72	3.72
Less : Debits related to Pre- Merger period	<u>1.81</u>	-
	1.91	3.72
vii) Restructuring Reserve		
As per last Balance Sheet	12.93	12.93
Less : Debits related to Pre- Merger period	<u>12.93</u>	-
	-	12.93
viii) General Reserve		
As per last Balance Sheet	297.33	257.15
Add : Transfer from Profit and Loss Account	50.00	50.00
Less : Transferred to Profit and Loss Account	-	<u>9.82</u>
	347.33	297.33
ix) Foreign Currency Translation Reserve	(16.79)	(2.83)
x) Balance in Profit and Loss Account	49.44	35.05
	<u>525.99</u>	<u>489.55</u>

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

Rs. in Crore

	As at March 31, 2011		As at March 31, 2010	
Schedule – 3				
Secured Loans				
i) Term Loans from Banks				
a) Rupee Loans	327.31		215.92	
b) Foreign Currency Loans	456.52		477.16	
		783.83		693.08
ii) Working Capital Borrowings from Banks				
a) Rupee Loans	54.99		55.26	
b) Foreign Currency Loans	94.07	149.06	66.67	121.93
		932.89		815.01
Schedule – 4				
Unsecured Loans				
i) Short Term Loan from Bank				
		-		25.00
ii) Others				
a) Foreign Currency Convertible Bonds (FCCB)		89.30		90.28
b) Interest Free Incentive and Sales Tax Loan		85.08		103.66
		174.38		218.94

Schedule 5
Fixed Assets

Rs. in Crore

Description	Gross Block				Depreciation				Net Block	
	As at April 01, 2010	Additions/ Transfers	Deletions/ Sales	As at March 31, 2011	As on April 01, 2010	For the Year	Deletions/ Sales/ Adjustments	As on March 31, 2011	As at March 31, 2011	As at March 31, 2010
Leasehold Land	7.03	-	-	7.03	0.49	0.08	-	0.57	6.46	6.54
Freehold Land	2.08	1.23	-	3.31	-	-	-	-	3.31	2.08
Buildings	104.25	35.51	2.99	136.77	21.85	4.38	1.49	24.74	112.03	82.40
Plant & Machinery	1,066.74	451.90	20.75	1,497.89	413.37	76.81	14.58	475.60	1,022.29	653.37
Furniture & Fixtures	4.17	0.13	-	4.30	1.69	0.49	-	2.18	2.12	2.48
Office Equipments	11.80	0.70	-	12.50	7.77	0.97	-	8.74	3.76	4.03
Vehicles	2.51	0.11	0.18	2.44	1.73	0.21	0.15	1.79	0.65	0.78
Intangible Assets										
Goodwill	33.79	-	-	33.79	27.12	1.34	-	28.46	5.33	6.67
Technical Know-how	4.13	-	-	4.13	2.56	0.83	-	3.39	0.74	1.57
Software Development	3.79	0.09	-	3.88	1.85	0.77	-	2.62	1.26	1.94
Assets Taken On Lease										
Plant & Machinery	6.96	-	-	6.96	3.19	0.54	-	3.73	3.23	3.77
TOTAL	1,247.25	489.67	23.92	1,713.00	481.62	*86.42	16.22	551.82	1,161.18	765.63
Previous Year	1,193.69	55.87	2.31	1,247.25	421.43	61.46	1.27	481.62	765.63	771.68

Note: * Depreciation of Rs 0.15 Crore (Previous Year Rs. 0.28 crore) has been Capitalised.

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

Rs. in Crore

	As at March 31, 2011	As at March 31, 2010
Schedule – 6		
Foreign Currency Monetary Item Translation		
Difference Account (FCMITDA)		
Exchange Differences Relating to Long Term Monetary Items		
As per Last Balance Sheet	4.91	40.18
Less : Exchange Gain arising during the year	2.32	27.08
Less : Exchange Differences amortised during the year	2.59	8.19
(Refer Note No. 3 of Schedule 20)	<u>-</u>	<u>4.91</u>
Schedule – 7		
Current Assets, Loans and Advances		
I. Inventories		
(As taken, valued and certified by the Management)		
i) Raw Material	142.30	96.13
ii) Work-in-process	141.71	101.45
iii) Finished Goods	90.71	70.90
iv) Stores, Spares and consumables	111.24	121.30
	<u>485.96</u>	<u>389.78</u>
II. Receivables		
(Net of bills discounted with Banks)		
Unsecured, considered good		
i) Outstanding for more than six months		
Considered Good	34.73	23.87
Considered Doubtful	0.86	-
	<u>35.59</u>	<u>23.87</u>
Less: Provision for Doubtful Debts	0.86	-
	<u>34.73</u>	<u>23.87</u>
ii) Others Considered Good	361.97	248.96
	<u>396.70</u>	<u>272.83</u>
III. Cash and Bank Balances		
i) Cash on hand	0.08	0.05
ii) Current Accounts with Scheduled Banks	21.73	11.84
iii) Current Accounts with Non Schedule Bank		
The Royal Bank of Scotland	0.16	0.14
(Maximum balance during the year Rs. 2.11 Crore, Previous Year Rs. 2.35 Crore).		
iv) Money in transit	3.55	9.09
v) Deposit with Scheduled Banks	45.94	42.58
	<u>71.46</u>	<u>63.70</u>

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

Rs. in Crore

	As at March 31, 2010	As at March 31, 2009
IV. Loans and Advances		
(Unsecured, considered good)		
i) Advances recoverable in cash or in kind or for value to be received		
a) Sundry Deposits	17.86	18.01
b) Others	121.34	109.09
ii) Balance with Customs, Excise , Sales Tax etc.	70.06	49.86
iii) Advance Income Tax (net of provisions)	4.63	-
iv) MAT Credit Receivable	78.09	59.57
	<u>291.98</u>	<u>236.53</u>
	<u>1,246.10</u>	<u>962.84</u>
Schedule – 8		
Current Liabilities and Provisions		
I. Current Liabilities		
i) Acceptances		
a) Capital	73.18	30.54
b) Others	399.21	270.61
ii) Sundry Creditors		
a) Capital	35.01	18.95
b) Dues of Micro and Small Enterprises	0.26	-
c) Others	144.54	113.30
iii) Provision for Expenses	17.07	16.45
iv) Advances from Customers	3.81	7.00
v) Investor Education and Protection Fund	2.32	1.93
vi) Other Liabilities	203.43	139.14
(Refer Note No. 16 of Schedule 20)		
vii) Interest accrued but not due	1.26	0.86
	<u>880.09</u>	<u>598.78</u>
II. Provisions		
i) Proposed Dividend	18.31	14.65
ii) Tax on Dividend	2.97	2.43
iii) Leave Encashment	7.48	6.33
iv) Gratuity and Superannuation	3.71	5.66
v) Income Tax (net of advance payment)	-	3.98
	<u>32.47</u>	<u>33.05</u>
	<u>912.56</u>	<u>631.83</u>
Schedule- 9		
Miscellaneous Expenditure		
i) Preliminary Expenses	0.09	0.21
ii) Loan Processing Fees	0.98	1.60
	<u>1.07</u>	<u>1.81</u>

Schedules forming part of the Consolidated Profit And Loss Account

Rs. in Crore

	2010 - 11	2009 - 10
INCOME		
Schedule – 10		
Income From Operations and Other Income		
i) Income From Operations		
a) Export Incentives	15.28	8.14
b) Mega Project Incentives	9.11	-
	<u>24.39</u>	<u>8.14</u>
ii) Other Income		
a) Interest Received	5.34	5.01
(Tax deducted at source Rs. 0.37 Crore Previous Year Rs. 0.83 Crore)		
b) Miscellaneous Income	19.89	13.66
(Refer Note No. 17 of Schedule 20)		
	<u>25.23</u>	<u>18.67</u>
	<u>49.62</u>	<u>26.81</u>
EXPENDITURE		
Schedule – 11		
Materials Consumed		
i) Raw Material		
Opening Stock	96.13	105.10
Add: Purchases	878.27	546.21
Less: Closing Stock	142.30	96.13
	<u>832.10</u>	<u>555.18</u>
ii) (Increase)/Decrease in Stocks		
Closing Stock		
Work-in-process	141.71	101.45
Finished Goods	90.71	70.90
	<u>232.42</u>	<u>172.35</u>
Less : Opening Stock		
Work -in- process	101.45	80.20
Finished Goods	70.90	80.56
	<u>172.35</u>	<u>160.76</u>
	(60.07)	(11.59)
iii) Stores,Spares and Consumables	139.73	112.14
iv) Excise Duty on Opening & Closing Stock of Finished Goods	1.31	1.77
	<u>913.07</u>	<u>657.50</u>
Schedule – 12		
Energy		
i) Power	169.98	135.60
ii) Fuel	86.64	59.49
iii) Gases	31.12	25.03
	<u>287.74</u>	<u>220.12</u>
Schedule – 13		
Direct Manufacturing		
i) Processing Charges	17.77	14.67
ii) Other Direct Expenses	28.95	20.35
iii) Machine Lease Rentals	1.75	2.01
iv) Repairs and Maintenance – Plant & Machinery	9.38	6.24
	<u>57.85</u>	<u>43.27</u>

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

Rs. in Crore

	2010 - 11	2009 - 10
Schedule – 14		
Selling And Distribution		
i) Freight & Forwarding	45.48	21.97
ii) Commission on Sales	3.02	3.23
iii) Other Selling Expenses	2.30	3.32
	<u>50.80</u>	<u>28.52</u>
Schedule – 15		
Personnel		
i) Salaries, Wages, Bonus and Allowances (including rent paid of Rs. 0.12 Crore, recovery of Rs. 0.02 Crore, (Previous Year Rs. 0.10 Crore, recovery of Rs. 0.02 Crore.)	102.35	96.12
ii) Contribution to Provident and other Funds	13.82	13.89
iii) Staff Welfare Expenses	7.35	6.14
	<u>123.52</u>	<u>116.15</u>
Schedule – 16		
Overheads		
i) Rent	1.45	1.28
ii) Travelling and Conveyance	5.28	5.77
iii) Communication Expenses	1.81	1.69
iv) Repairs and Maintenance – Others	0.96	1.24
v) Insurance	1.34	0.96
vi) Loss on Sale of Assets	0.01	0.50
vii) Miscellaneous Expenses (Refer Note No. 18 of Schedule 20)	19.51	8.04
	<u>30.36</u>	<u>19.48</u>
Schedule – 17		
Finance Charges		
i) Interest		
a) Term Loans	52.04	42.27
b) Working Capital and Others	27.19	28.09
	<u>79.23</u>	<u>70.36</u>
ii) Cash Discount	0.65	0.75
iii) Other Finance Charges	14.56	10.00
	<u>94.44</u>	<u>81.11</u>
Schedule – 18		
Depreciation, Amortisation and Obsolescence		
i) Depreciation of the year	86.27	61.18
ii) Amortisation of Miscellaneous Expenditure	0.74	0.87
iii) Obsolescence of Assets	6.34	-
	<u>93.35</u>	<u>62.05</u>

Schedules Forming Part of the Consolidated Balance Sheet And Profit And Loss Account For The Year Ended March 31, 2011

Schedule : 19

SIGNIFICANT ACCOUNTING POLICIES:

1) BASIS OF CONSOLIDATION

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

A) Basis of Accounting

- i. The Financial Statements of the subsidiary companies used in consolidation are drawn upto the same reporting date as of the Company i.e. year ended March 31, 2011.
- ii. The Financial Statements of the Group have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and as notified under the Companies (Accounting Standards) Rules, 2006 and other generally accepted accounting principles in India.

B) Principles of Consolidation

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

- i) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- ii) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average exchange rate prevailing during the year. All assets and liabilities are converted at closing exchange rates prevailing at the end of the year. All resulting exchange differences arising on consolidation is accumulated in foreign currency translation reserve until the disposal of net investment.
- iii) The excess of cost to the Company of its investments in the subsidiary companies over its share of equity of the subsidiary companies, at the date on which the investments in the subsidiary companies are made, is recognised as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.
- iv) Minority interest in the net income of consolidated subsidiaries for the reporting period has been identified and adjusted against the income of the group in order to arrive at net income attributable to the group. Minority interest in the net assets of the consolidated subsidiaries have been identified and presented in the consolidated Balance sheet separately from liabilities and the equity of parent.
- v) The Consolidated Financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements except otherwise stated elsewhere in this schedule.

C) The consolidated Financial Statements present the consolidated accounts of ISMT Ltd with its subsidiaries and indirect

subsidiary companies.

Sr. No.	Name of Company	Country of Incorporation
i)	* ISMT Enterprises SA	Luxembourg
ii)	*@ Tridem Port and Power Company Pvt. Ltd.	India
iii)	* Structo Hydraulic AB	Sweden
iv)	* Structo Hydraulic India Limited	India
v)	* ISMT Europe AB	Sweden
vi)	* Structo (UK) Limited	UK
vii)	*@ Nagapattinam Energy Pvt. Ltd.	India
viii)	*@ PT ISMT Resources	Indonesia

@ Compiled by the Management as on March 31, 2011

* Audited by other Auditors

a) Ownership interest in all the Subsidiary Companies is 100% except in case of ISMT Enterprises SA Luxembourg is 99.62% and Tridem Port And Power Co. Pvt. Ltd. is 51.06%

b) Reporting dates of all Subsidiary Companies is March 31, 2011 except for Tridem Port and Power Company Pvt. Ltd. is September 30, 2010, Nagapattinam Energy Pvt. Ltd & PT ISMT Resources is December 31, 2010.

OTHER ACCOUNTING POLICIES:

1) Revenue Recognition

a) Sales

- i) Sales are recognized when the significant risks and rewards of ownership of goods have been passed to the buyer. 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.

b) Export Incentives

Export Incentives are recognized when right to receive credit as per prevalent scheme is established in respect of the exports made and when there is no significant uncertainty regarding realization of such claim.

2) Fixed Assets

- i) Fixed assets are stated at their original cost of acquisition including taxes, duties, freight, other incidental expenses related to acquisition and installation of the concerned assets and excludes refundable taxes and duties.
- ii) All incidental expenses incurred during project implementation, for the project as well as trial run expenses are treated as expenditure during construction and are capitalized.

3) Depreciation

Parent Company

- i) Leasehold land - Cost of leasehold land is amortised over lease period.
- ii) Depreciation on Building and Plant & Machinery is provided on straight line method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956.
- iii) Depreciation on Furniture & Fixtures, Office Equipment and vehicle is provided on written down value method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956.

SIGNIFICANT ACCOUNTING POLICIES (contd.)**Subsidiary Companies****Structo Hydraulics AB :**

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

The following depreciation periods are applied :

Tangible Assets : -

Buildings	45 years
Computer Hardware and Software	3-5 years
Plant & Machinery and Equipment	3-15 years

Structo (UK) Limited:

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

Computer Equipment and Furniture - 33% on reducing balance.

ISMT Europe AB :

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

Tangible Assets : -

Computer Hardware and Software	5 years
Equipment	5 years

Tridem Port and Power Company Pvt Ltd., & Nagapattinam Energy Pvt. Ltd.

Depreciation on Furniture & Fixtures, Office Equipment and Vehicle is provided on written down value method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956.

4) Intangibles**Parent Company**

Intangible assets are stated at costs less accumulated amortisation.

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

Subsidiary Company**Structo Hydraulics AB :**

Goodwill is amortised over a period of 10 years.

Tridem Port and Power Company Pvt. Ltd.

Software are amortised over a period of 5 years.

5) 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 to profit and loss account as per the terms of the lease agreement.

6) Inventories**Parent Company**

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

ii) Valuation

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

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

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

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

Subsidiary Company**Structo Hydraulic AB and ISMT Europe AB**

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

7) Employee Benefits :-**Parent Company****i) Defined Contribution Plan**

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

ii) Defined Benefit Plan

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

Subsidiary Companies**Structo Hydraulic AB and ISMT Europe AB**

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

8) Research & Development

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

9) Long Term Investments

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

10) Foreign Currency transactions**Parent Company / Tridem Port and Power Company Pvt. Ltd / Nagapattinam Energy Pvt. Ltd., / Structo Hydraulics India Limited.**

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

ii) Monetary foreign currency assets and liabilities (monetary items) are reported at the exchange rate prevailing on the balance sheet date. Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2011 on 11th May 2011, which amended Accounting Standard 11 on The Effects of Changes in Foreign Exchange Rates, exchange differences relating to long term monetary items are dealt with in the following manner :

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

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

March, 2011.

- iii) All other exchange differences are dealt with in the profit and loss account.
- iv) In respect of forward exchange contracts, the difference between the forward rate and the spot rate is recognised as income or expense over the contract period. Gains or losses on cancellation or renewal of forward exchange contracts are recognised as income or expenses.
- v) Non-monetary items such as investments are carried at historical cost using the exchange rate on the date of transaction.

Other Subsidiary Companies

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

11) Miscellaneous Expenditure

- i) Preliminary expenses in the nature of public issue expenses and expenses in respect of increase in authorised capital are amortised over a period of ten years.
- ii) Loan processing fees are amortised over the Loan period.

12) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

13) Income Tax

Parent Company / Tridem Port and Power Company Pvt. Ltd / Nagapattinam Energy Pvt. Ltd., / Structo Hydraulics India Limited.

- i) Tax expenses comprise of current and deferred tax.
- ii) Provision for current income tax is made on the basis of relevant provisions of the Income Tax Act, 1961 as applicable

to the financial year.

- iii) Deferred tax on timing differences is measured based on the tax rates and the tax loss enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is virtual certainty with convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.
- iv) Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period.

Other Subsidiary Companies

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

14) Government Incentives

Mega Project Incentives are recognised in the Profit and Loss Account in accordance with the provisions of the Package Scheme of Incentives 2007 and the Eligibility certificate issued by the Government of Maharashtra.

15) 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.

16) Contingent Liabilities

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

Schedule forming part of the Consolidated Balance Sheet And Profit And Loss Account

Schedule : 20

NOTES ON ACCOUNTS

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

1) Contingent Liabilities not provided for in respect of

Rs. in Crore

Parent Company	As on March 31, 2011	As on March 31, 2010
i) Claims against the Company not acknowledged as debt		
a) Sales Tax	12.16	-
b) Income Tax-disputed by the Company	0.29	-
c) Excise Duty	31.29	23.03
d) Quality Claims by customers (subsidiary Company)	-	4.59
e) Others	7.51	4.71
ii) Bills Discounted on behalf of the third party	43.64	63.27
iii) Corporate Guarantees	28.47	26.77
Subsidiary Company		
i) Bills Discounted on behalf of the third party	33.49	29.53

Notes on Accounts (contd.)

- 2) Estimated amounts of contracts remaining to be executed on Capital Accounts :

Parent Company :	47.34	141.42
Subsidiary Companies :	4.46	2.62

- 3) The Parent Company has adopted Accounting Standard-11 "The effects of changes in Foreign Exchange Rates", read with notification issued by the Ministry Of Corporate Affairs dated March 31, 2009 and exercised the option to recognize exchange difference on long term monetary items related to Fixed Assets to the cost of Fixed Assets and the other long term monetary items to "Foreign Currency Monetary Item Translation Difference Account" from April 01, 2007. Accordingly the Company has accounted exchange differences as under :

- i) Exchange difference related to acquisition of Capital Assets has been adjusted to respective Fixed Asset cost Rs 0.49 Crore (Gain) (Previous year Rs. 27.33 Crore Gain).
- ii) Exchange difference Amortised during the year Rs. 2.59 crore (Loss) (Previous Year Rs. 8.19 Crore, Loss) from "Foreign Currency Monetary Item Translation Difference Account" and charged to Profit and Loss Account and balance in the "Foreign Currency Monetary Item Translation Difference Account" as on March 31, 2011 is Rs. NIL.
- iii) Had this change not been effected, the profit for the year would have been higher by Rs. 5.40 Crore , Fixed Assets would have been lower by Rs.22.33 Crore and consequently the Reserves and Surplus would have been lower by Rs.21.30 Crore.

- 4) Considering the uncertainty related to realisation, the following items are not considered to accrue till they are settled / sanctioned / received as the case may be : a) Insurance claims b) Interest on receivables c) Electricity Refund (Regulatory Liability Charges).

5) Security and other particulars of Secured Loans**Parent Company**

- i) a) Term Loans of Rs. 112.16 Crore are stipulated to be secured by a first charge ranking pari passu on the Company's immovable properties and movable fixed assets both present and future with other term lenders, excluding term loan lenders where exclusive charge on moveable fixed assets as mentioned in clause (d) has been stipulated and assets of Captive Power project of the Company located at Chandrapur district as mentioned in clause (f). These loans are further stipulated to be secured by a second charge ranking pari passu by way of hypothecation with other term lenders on the current assets of the Company on which the first pari passu charge is stipulated to be created in favor of the Consortium Banks as mentioned in clause (c) below.
- b) Term Loans of Rs. 344.85 Crore are stipulated to be secured by a first charge ranking pari passu on the Company's immovable properties and movable fixed assets both present and future with other term lenders, excluding term loans where exclusive charge on moveable fixed assets as mentioned in clause (d) has been stipulated and assets of Captive Power project of the company located at Chandrapur district as mentioned in clause (f) below.
- c) Working Capital borrowings from the Consortium Banks are stipulated to be secured by a first charge ranking pari passu by hypothecation in respect of the current assets of the company and are further stipulated to be secured by a second pari passu charge on the Company's immovable properties and all the movable fixed assets both present and future.
- d) Foreign Currency Term Loans of Rs. 195.40 Crore are stipulated to be secured by an exclusive charge on the equipment financed. Out of the above, term loan of Rs. 87.57 Crore is further stipulated to be secured with the land appurtenant thereto.
- e) Foreign Currency Term loan of Rs. 40.73 Crore is stipulated to be secured by first charge on the entire fixed assets ranking pari passu with other term lenders, excluding term loan lenders where exclusive charge on fixed assets as mentioned in clause (d) and (f) has been stipulated.
- f) Term Loans of Rs. 69.99 Crore are stipulated to be secured by first charge ranking pari passu on the Company's immovable properties and movable fixed assets relating to Captive Power project of the Company located at Chandrapur district.

- (ii) Term Loan installments falling due within one year is Rs. 179.96 Crore (Previous Year Rs. 146.51 Crore).

Subsidiary Companies

Term Loans of Rs. 20.68 Crore are secured by mortgage of Company's immovable Properties and Working capital loan of Rs. 37.13 Crore is mortgaged against fixed and current assets of the company excluding immovable property.

The Parent Company has provided a stand by letter of credit of USD 5.00 million from its consortium bank for availing finance by its Subsidiary Companies, Structo Hydraulics AB, Sweden.

Term loan installments falling due within one year is Rs. 4.22 Crore (Previous Year Rs. 3.72 Crore).

- 6) As per the Accounting Standards - 17, the Company has two Segments viz, Seamless Tube and Steel. Structo group is considered as Seamless Tube segment and Tridem group is considered under unallocable as business activities are not commenced.

Notes on Accounts (contd.)

Rs. in Crore

Particulars	2010 - 11				2009 - 10			
	Tube Segment	Steel Segment	Unallocable	Total	Tube Segment	Steel Segment	Unallocable	Total
I) Segment Revenue								
Total External Sales	1,244.94	588.55		1,833.49	893.56	442.45		1,336.01
Add: Inter Segment Transfers	39.08	670.02		709.10	29.81	514.33		544.14
Inter Division Transfers	150.39	-		150.39	97.97	-		97.97
Subsidiary / Parent Company	105.52	-		105.52	46.27	-		46.27
	1,539.93	1,258.57		2,798.50	1,067.61	956.78		2,024.39
Less: Excise Duty	93.07	109.56		202.63	62.29	71.74		134.03
	1,446.86	1,149.01		2,595.87	1,005.32	885.04		1,890.36
Less: Inter Seg. Tran. (net)	35.43	616.15		651.58	27.36	477.37		504.73
Inter Div. Tran. (net)	136.35	-		136.35	90.30	-		90.30
Sale to Subsidiary Company	105.52	-		105.52	46.27	-		46.27
Net Sales	1,169.56	532.86		1,702.42	841.39	407.67		1,249.06
II) Segment Result Before Finance Charges, Amortisation, Foreign Exchange (Gain)/Loss & Taxation								
Exceptional items & Taxes	109.28	*87.02	6.13	202.43	44.11	*79.60	5.94	129.65
Less: Finance Charges				94.44				81.11
Amortisation/ Obsolescence				7.08				0.87
Foreign Exchange(Gain)/Loss				2.03				(8.56)
Profit Before Taxation				98.88				56.23
Less: Taxation				20.75				7.74
Profit After Taxation				78.13				48.49
Less: Share of Minority Interest				0.02				(6.80)
Profit after Minority Interest				78.11				55.29
III) Other Information								
Total Segment Assets	1,612.41	603.93	438.91	2,655.25	1,438.43	547.06	254.33	2,239.82
Total Segment Liabilities	321.60	516.39	74.57	912.56	216.49	370.60	44.74	631.83
Total cost incurred for Acquiring Segment Assets	67.13	2.96	148.12	218.21	121.18	5.49	63.44	190.11
Segment Depreciation	59.83	26.44	-	86.27	35.20	25.98	-	61.18
IV) Total Unallocable Assets								
Goodwill on Consolidation				31.23				23.98
FCMITDA				-				4.91
Miscellaneous Expenditure				1.07				1.81
				32.30				30.70
V) Total Unallocable Liabilities								
Secured Loans				932.89				815.01
Unsecured Loans				174.38				218.94
Deferred Tax Liability				68.35				35.59
				1,175.62				1,069.54

* Includes profit on steel captively consumed by Tube Segment.

7) Expenditure incurred during construction period, which have been capitalized during the year.

Particulars	Rs. in Crore	
	2010 - 11	2009 - 10
i) Expenditure incurred during trial runs net of sales realization.		
Raw Material Consumed	0.62	10.55
Power Charges	0.08	1.16
Other Direct Expenses	0.28	4.45
	<u>0.98</u>	<u>16.16</u>
ii) Expenditure incurred during construction period.		
Personnel Cost	3.93	3.99
Overheads	8.90	13.81
Interest	8.45	13.33
Depreciation	0.15	0.05
	<u>21.43</u>	<u>31.18</u>

Notes on Accounts (contd.)

	Rs. in Crore		
	2010-11		2009-10
8) Provision for Taxation			
i) a) Provision for Income Tax and Wealth Tax	18.66		14.83
b) Add : Deferred Tax - Debit / (Credit)	33.54	17.44	
(Includes exchange difference of Rs. 0.78 Crore, Previous Year Rs. 2.86 Crore.)			
Less : Transferred from General Reserve (Refer clause (iii) below)	-	9.82	
Less : Withdrawal from restructuring Reserve (Refer clause (ii) below)	<u>12.93</u>	<u>-</u>	
	20.61		7.62
c) Less : MAT Credit for Current Year	18.52		14.71
	<u>20.75</u>		<u>7.74</u>

ii) The Company, based on legal advice, has transferred the balance in the Restructuring Reserve of Rs. 12.93 Crore towards diminution in value of deferred tax asset (of erstwhile The Indian Seamless Metal Tubes Ltd.) to Profit and Loss Account. The said transfer in terms of the Scheme of Arrangement having Appointed Date as April 01, 2004 between the erstwhile The Indian Seamless Metal Tubes Ltd. And the company.

iii) The Company (earlier Jejuri Steels & Alloys Ltd., before amalgamation of Indian Seamless Steels and Alloys Limited with it) had created "Deferred Tax Asset" in respect of unabsorbed losses, allowances, etc., of Indian Seamless Steels & Alloys Ltd., by corresponding credit to "General Reserve", in the first year after amalgamation and reflected in its first Balance Sheet as on September 30, 2001, thereafter, pursuant to the amalgamation and in terms of the Scheme as well as relevant Accounting Standard, the assets and liabilities vested in the Company were accounted on "Purchase Method". Upon the review of the said "Deferred Tax Asset" on the balance sheet date, in terms of the applicable Accounting Standards or otherwise, the amount as required is charged on reversal of the said amount of Deferred Tax Asset, which necessitates equivalent write-down of the said General Reserve. The Deferred Tax charge arising as aforesaid has been disclosed in the Profit and Loss Account and the corresponding withdrawal from the said General Reserve has also been disclosed in the Profit and Loss Account.

9) i) Assets taken on operating lease :-

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

	Rs. in Crore	
	2010-11	2009-10
Parent Company		
Not later than one year	2.82	2.82
Later than one year and not later than five years	10.97	11.09
Later than five years	2.40	5.10
Subsidiary Companies		
Not later than one year	2.74	2.71
Later than one year and not later than five years	6.69	7.17
Later than five years	3.00	2.98

ii) Assets taken on finance lease :- The period of lease is 10 years. The agreements provide for renewal of the lease at the end of the lease period. The details of Minimum Lease Payments (MLP) and their Present Values (PV) arrived by discounting the MLPs at the appropriate discounting rate are as under :-

	Rs. in Crore			
Asset Classification	Not later than 1 year	Later than 1 year But not later than 5 years	Later than 5 years	Total
Plant & Machinery				
MLP	0.02	0.10	-	0.12
	(0.02)	(0.10)	(0.02)	(0.14)
PV	0.01	0.04	-	0.05
	(0.01)	(0.04)	(0.01)	(0.06)

(figures in bracket are for previous year)

Notes on Accounts (contd.)

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

	2010 - 11		2009 - 10	
	Foreign Currency in Million	Rs. in Crore	Foreign Currency in Million	Rs. in Crore
Parent Company				
i) Secured Loans				
a) US Dollars	98.08	437.91	104.22	470.72
b) Euros	8.50	53.75	-	-
ii) Unsecured Loans				
US Dollars	20.00	89.30	20.00	90.28
iii) Receivables				
a) US Dollars	14.95	66.92	5.23	23.66
b) Euros	8.13	51.41	9.62	65.77
c) Sterling Pounds	0.001	0.001	0.08	0.53
d) Australian Dollar	0.41	1.86	0.09	0.39
iv) Deposits with Banks				
US Dollars	2.69	12.01	2.66	12.02
v) Interest Receivable				
US Dollars	0.02	0.08	0.02	0.08
vi) Payables				
a) US Dollars	42.56	189.81	35.33	159.47
b) Euros	1.80	11.40	1.11	6.71
vii) Interest Payable				
US Dollars	0.27	1.22	0.20	0.90
c) Euros	0.01	0.03	-	-
Subsidiary Companies				
viii) Receivables				
a) US Dollars	-	-	0.48	2.31
b) Euros	6.16	38.12	4.57	29.29
c) Sterling Pounds	0.02	0.13	0.28	2.01
ix) Payables				
a) US Dollars	0.002	0.01	0.52	2.48
b) Euros	9.61	59.48	10.78	69.10
c) Sterling Pounds	0.01	0.07	0.14	0.95

11) Earnings per Share

	Rs. in Crore	
	2010-11	2009-10
i) Profit After Tax	78.11	55.29
ii) Net profit for the year attributable to Equity Share Holders	78.11	55.29
iii) Weighted Average number of Equity Shares	14,65,01,383	14,65,01,383
iv) Earnings per share (Rs.) (Basic and Diluted)	5.33	3.77

Notes on Accounts (contd.)

12) i) Related party Disclosure as required by Accounting Standard 18 is as under :-

- a) Key Management Personnel
- i) Mr. Salil Taneja - Chief Executive Officer
 - ii) Mr. B.R. Taneja - Non Executive Director
 - iii) Mr. Rajiv Goel - Chief Financial Officer
 - iv) Mr. Nirmal Chandra - President (Projects & Product Development)
 - v) Mr. Kishore Bharambe - Managing Director (Structo Hydraulics AB, Sweden)
 - vi) Mr. Peter Corby - Managing Director (Structo (UK) Limited)
- b) Associate Companies
- i) Indian Seamless Enterprises Ltd
 - ii) Indian Seamless Incorporated, USA.
 - iii) Taneja Aerospace and Aviation Ltd.,
- c) Details of Transaction
- i) Key Management Personnel
Remuneration Paid for the year Rs. 3.49 Crore (Previous Year Rs. 4.61 Crore)
 - ii) Associate Companies

Rs. in Crore

Details of Transaction	Associate Companies	
	2010-11	2009-10
Sale of Finished Goods	20.89	6.97
Purchase	0.48	-
Lease Rent Paid	2.70	2.73
Inter Corporate Deposits (Net)	9.32	2.07
Interest Received	1.78	1.02
Dividend Paid	5.52	5.51
Outstanding as at Balance Sheet date		
Receivables	12.68	14.02
Loans and Advances	1.84	1.56
Inter-Corporate Deposits Given	11.25	6.93

ii) Companies under same Management as per Section 370 (1B) of the Companies Act, 1956.

Receivables include due from Indian Seamless Incorporated, USA **6.32** 2.38

13) Employee Benefits

Parent Company

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

i) Defined Contribution Plan :

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

	Rs. in Crore	
	2010-11	2009-10
Employer's Contribution to Provident Fund & Family Pension Fund	3.84	3.47
Employer's Contribution to Superannuation Fund	2.14	1.90

In respect of Provident fund trust set up by the Company, there is no deficit of interest shortfall as on the date of Balance Sheet. With regards to future obligation arising due to interest shortfall (i.e. government interest to be paid on the Provident Fund Scheme exceeding rate of interest earned on investment), pending issuance of the Guidance Note from Actuarial Society of India, the actuarial liability

Notes on Accounts (contd.)

against the same cannot be reliably measured and quantified.

ii) Defined Benefit Plan :

	Rs. in Crore		Gratuity (Funded)	
	2010-11		2009-10	
a) Changes in present value of Defined Benefit obligations :				
Present value of obligation as at April 1, 2010	13.09		10.62	
Current Service Cost	1.30		0.93	
Interest Cost	0.99		0.75	
Actuarial (gain)/loss	3.49		2.09	
Benefits paid	(1.54)		(1.30)	
Present value of obligation as at March 31, 2011	17.33		13.09	
b) Changes in fair value of Defined Benefit obligations :				
Fair value of plan Assets as at April 1, 2010	8.67		5.14	
Expected return on plan Assets	0.93		0.54	
Actuarial gain/(loss)	1.17		0.02	
Employer Contribution	4.00		2.97	
Fair value of plan Assets as at March 31, 2011	14.77		8.67	
c) Actual Return on Plan Assets :				
Expected return on plan Assets	0.93		0.54	
Actuarial gain/(loss) on plan Assets	1.17		0.02	
Actual return on plan Assets	2.10		0.56	
d) Amounts recognized in the Balance Sheet in respect of :				
	Gratuity (Funded)	Leave Encashment (Non funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
	2010-11		2009-10	
Fair value of Plan Assets as at March 31, 2011	14.77	-	8.67	-
Present value of obligation as at March 31, 2011	17.33	4.68	13.09	3.21
Net Liability	2.56	4.68	4.42	3.21
e) Expenses recognised in the Profit & Loss Account (under the head "Personnel Cost"- Refer Schedule No. 15).				
Current Service Cost	1.30	0.51	0.93	0.36
Interest Cost	0.99	0.22	0.75	0.17
Expected return on Plan Assets	(0.93)	-	(0.54)	-
Actuarial (gain)/loss	2.32	1.72	2.07	1.22
Expense Recognised in the Profit and Loss Account	3.68	2.45	3.21	1.75
f) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at March 31, 2011.				
			2010-11	2009-10
i) Government of India Securities			8.06%	14.36%
ii) Corporate Bonds			9.68%	16.58%
iii) Special Deposit Scheme			7.52%	12.81%
iv) Insurer Managed Funds			65.53%	40.56%
v) Others			9.21%	15.69%
Total :			100.00%	100.00%

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

Particulars	Gratuity (Funded)	Leave Encashment (Non Funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
Discount Rate	8.00%	8.00%	8.00%	8.00%
Expected Rate of Return on Plan Assets	8.75%	-	8.75%	-
Salary Escalation Rate	7.00%	7.00%	5.00%	5.00%

Notes on Accounts (contd.)
Subsidiary Companies

Defined Contribution Plan :

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

	Rs. in Crore	
	2010-11	2009-10
Social Security contribution	7.86	10.87

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

	Rs. in Crore	
	As at March 31, 2011	As at March 31, 2010
i) Deferred Tax Assets		
a) Accumulated Tax Losses	6.87	6.10
b) Unabsorbed Tax Depreciation	49.56	48.07
c) Deduction eligible in future period in respect of expenses already debited to Profit & Loss A/c	3.04	2.96
	<u>59.47</u>	<u>57.13</u>
ii) a) Depreciation	127.47	92.16
b) Expenditure Deferred	0.35	0.56
	<u>127.82</u>	<u>92.72</u>
iii) Net Deferred Tax Asset/ (Liability)	<u>(68.35)</u>	<u>(35.59)</u>

15) Gross Block of fixed assets include Rs. 11.05 Crore (Previous Year Rs. 10.96 Crore) on account of revaluation of Buildings by subsidiary company, Structo Hydraulics AB.
16) Other Liabilities include buyer's credit of Rs. 155.56 Crore (Previous Year Rs 107.93 Crore).
17) Miscellaneous Income include

i) Profit on Sale of Assets	0.52	0.64
ii) Income on Assignment of Liability	8.04	5.46

18) Miscellaneous Expenses include

i) Rates & Taxes	0.30	0.35
ii) Repairs & Maintenance – Building	0.78	0.79
iii) Directors Sitting Fees	0.11	0.07
iv) Equipment Lease Rent	0.44	0.31
v) Auditors Remuneration		
a) Statutory Audit Fees	0.34	0.37
b) Taxation Matters	0.03	0.05
c) Other Services	0.01	0.12
d) Out of Pocket Expenses	0.02	0.02
	<u>0.40</u>	<u>0.56</u>
vi) Provision for Doubtful Debts	0.86	-

19) Previous Year figures have been regrouped and reclassified wherever necessary to conform to the Current Years classification.

As per our report of even date

 For **M/s P.G. Bhagwat**
 Firm Registration No. 101118W
 Chartered Accountants

 For **J. K. Shah & Co.**
 Firm Registration No. 109606W
 Chartered Accountants

Sandeep Rao
 Partner
 M. No.47235

Sanjay Dhruva
 Partner
 M.No. 38480

Salil Taneja
 Chief Executive Officer

Rajiv Goel
 Chief Financial Officer

Jayan Nair
 Company Secretary
 Pune, June 29, 2011

Pune, June 29, 2011

You may never see our faces,
But we contribute to your world everyday





ISMT LIMITED
Solutions You Can Trust

Registered Office:

ISMT Limited
Lunkad Towers, Viman Nagar, Pune - 411 014
Tel: +91 20 414 341 00 / 01
Fax: +91 20 266 307 79

www.ismt.com

NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of the Members of ISMT Limited will be held on Friday September 30, 2011 at 11:30 AM at the Vivanta by Taj Blue Diamond Pune 411001 to transact the following business.

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011, the Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr J P Sureka who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr Salil Taneja who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT J K Shah & Co., Chartered Accountants and M/s P G Bhagwat, Chartered Accountants, be and are hereby appointed as Joint Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

Special Business:

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

"RESOLVED THAT in supersession to the earlier Resolutions passed, consent of the Company be and is hereby accorded under Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company ("the Board", which term shall include any committee which the Board may constitute to exercise its powers including the powers conferred under this Resolution) for Mortgaging, Hypothecating, Charging and Pledging and / or creating a Floating Charge and / or also to create liens, charges and all other encumbrances of whatsoever nature, on all or any of the Company's assets and properties whether immovable, movable,

current assets or stock-in-trade and the whole or substantially the whole of all or any of the undertakings of the Company, wheresoever situate, both present and future, in such form and in such manner as the Board may think fit and proper, in favour of any Financial Institutions / Banks / Bodies Corporate/ other agencies / Trustees for the holders of the Debentures / Bonds / other instruments / and / or person or persons for securing any financial facilities up to an aggregate amount not exceeding Rs. 3,000 Crore (Rupees Three Thousand Crore only) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment, or on redemption, costs, charges, expenses and all other monies payable by the Company to the aforesaid parties or any of them under the agreements / arrangements entered into / to be entered in to by the Company in respect of the said Loans, Debentures, Bonds or other instruments as the case may be.

RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise with the aforesaid parties or any of them, the documents for creating the Mortgages / Hypothecations / Charges / Pledges and accepting or making any alterations, changes, variations to or in terms and conditions, to do all such acts deeds matters and thing and to execute all such further and other documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

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

"RESOLVED THAT in supersession to the earlier Resolutions passed, pursuant to the provisions of Section 293 (1) (d) and other applicable provisions of the Companies Act, 1956 ("the Act"), and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board", which term shall include any committee which the Board may constitute to exercise its powers including the powers conferred under this Resolution) to borrow any sum(s) of monies, from time to time, where the monies to be borrowed, together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed, at any time, the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose), provided that the total amount so borrowed shall not at any time exceed Rs. 3000 Crore

Notes (contd.)

(Rupees Three Thousand Crore only) and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such moneys borrowed/ to be borrowed, from time to time, as to interest, repayment, security or otherwise howsoever as it may deem fit, as also to execute all such deeds and documents as may be necessary, usual or expedient for this purpose

RESOLVED FURTHER THAT the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to this Resolution".

Registered office: By Order of the Board of Directors
Lunkad Towers, **Jayan Nair**
Viman Nagar, EVP & Company Secretary
Pune - 411014
August 10, 2011

NOTES:

1. The information required to be provided under the Listing Agreement entered with the Stock Exchanges, regarding the Directors who are proposed to be appointed / re-appointed and the relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under item No. 6 & 7 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM / HER AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, 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.
3. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
4. The Register of Members and Share Transfer Book of the Company will remain closed from Friday, September 23, 2011 to Friday, September 30, 2011 (both days inclusive).
5. The Members can avail facility of ECS, mandate / nomination in terms of the legal provisions in this regard. The necessary form can be downloaded from the Company's website "www.ismt.co.in".
6. **In terms of the Circular No 17/2011 issued by the Central Government, Ministry of Corporate Affairs now the companies are allowed to serve the Notice / Documents to the Members by electronic mode. Members are requested to registered / change there e-mail address with the respective DP Agent if shares are held in Demat form or with the R & T Agent of the Company if the shares are held in physical form which will help the Company to serve Members the Notices / Documents by e-mail.**
7. **The Members who have not encashed their dividend warrants for the year 2006-07, 2007-08, 2008-09 & 2009-10 are requested to forward the same to the Company or its Registrar & Transfer Agent for revalidation. In this connection attention of the members is invited to the provisions of Section 205C of the Companies Act, 1956, that any dividend remain unpaid / unclaimed for a period of seven years from the date it became due for payment will be transferred to the credit of "Investor Education and Protection Fund" (IEPF) as and when due for such transfer. In this connection we have to inform you that no claim shall lie against the said Fund or the Company in respect of the amount transferred to the said Fund.**

Members are further requested to;

- Intimate changes, if any, in their registered address / bank mandate and email address to the Registrar & Transfer Agent for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
- Quote Ledger folio number / DP ID / Client ID in all the correspondence with the Company or its R & T Agent.
- Intimate about consolidation of folios to the Registrar & Transfer Agent, if your shareholding is under multiple folios
- **Members may kindly note that as per the SEBI / Stock Exchanges guidelines the shares of the Company are traded compulsorily in Demat form. As per the guideline issued by SEBI there are no Demat Account opening charges. In view of this Members are requested to convert their physical Shares in to Demat form.**
- Bring their copies of the Annual Report and the Attendance Slips at the Annual General Meeting

Notes (contd.)

- **Shareholders holding old share certificate(s) of erstwhile Indian Seamless Steels & Alloys Limited (ISSAL) in physical form are requested to surrender the same to the Registrar & Transfer Agent for exchange with new share certificate(s) of ISMT Limited.**
- The Company has designated an exclusive e-mail id viz. "secretarial@ismt.co.in" to enable Investors to register their complains, if any.

Registered office: By Order of the Board of Directors

Lunkad Towers,
Viman Nagar,
Pune - 411014
August 10, 2011

Jayan Nair
EVP & Company Secretary

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

Item No. 6 & 7

At the Annual General Meeting held on November 27,

2007 the Board of Directors was authorised for creation of charge and to mortgage both movable and immovable properties, all assets of the Company, both present and future and the whole of the undertaking, to secure financial liabilities to the extent of Rs. 2,000 Crore pursuant to Section 293 (1) (a) of the Companies Act, 1956. Similarly in the said meeting, the consent of the Members was obtained for authorizing the Board of Directors to borrow money upto Rs. 2,000 Crore pursuant to Section 293 (1) (d) of the Companies Act, 1956.

In view of the Company's growth potential and requirement of additional Working Capital it is proposed to increase the said limits under Section 293(1)(a) and 293(1)(d) upto Rs. 3,000 Crore.

The resolutions being proposed in view of the provisions contained in Sections 293 (1) (a) and 293 (1) (d) of the Companies Act 1956 and recommends the resolution.

None of the Directors of the Company is concerned or interested in this resolution.

DETAILED PROFILE OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT GIVEN AS UNDER:		
	JPSureka	Salil Taneja
Age	70	44
Qualification	B Com	B Sc (Engg), MBA (Fin.), Ohio, Yale, USA
Date of Appointment	November 29, 2005	October 01, 2004
Category	Non Executive- Promoter Director	Promoter Director
Experience and Expertise in specific functional Area	He is an industrialist with business interests in Steel, Chemicals, Financial Services and Tea Plantations.	Associated with Taneja Aerospace & Aviation Ltd. (TAAL), Bangalore. While instrumental in bringing up the aviation business for the past several years, He is also been involved in other group activities.
Relationship with other Directors of the Company	No	Son of Mr. B R Taneja
Shareholding of Directors	120380	234040
Directorship held in other Public Limited Companies	Taneja Aerospace and Aviation Limited. Shentracon Chemicals Limited Prismo (India) Limited	Taneja Aerospace and Aviation Limited Structro Hydraulics India Limited
Memberships / Chairmanship of Committees of Indian Public Limited Companies	Member - Audit Committee of Taneja Aerospace and Aviation Limited. Chairman - Remuneration Committee of Taneja Aerospace and Aviation Limited. Member - Shareholders / Investors Grievance Committee of Taneja Aerospace and Aviation Limited.	Nil

ISMT LIMITED

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

PROXY

I/We.....of.....in the State of.....being a member / members of ISMT Limited hereby appoint.....of..... or failing him/her.....of.....or failing him / her.....as my / our proxy to attend and vote for me / us and on my / our behalf, at the 13 th Annual General Meeting of the Company to be held on Friday, September 30, 2011 at Vivanta by Taj Blue Diamond, Pune - 411001 at 11.30 AM and at any adjournment thereof. In witness thereof I/We put my / our hand this.....day of,2011.

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

No. of Shares held

Date

Please
affix
15 Ps.
Revenue
Stamp

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

ISMT LIMITED

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

ATTENDANCE SLIP

13th Annual General Meeting

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

Mr./Mrs./Miss

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

I hereby record my/our presence at the 13th Annual General Meeting of the Company held on

Friday, September 30, 2011 at Vivanta by Taj Blue Diamond, Pune - 411001 at 11.30 AM

.....
Member's/ Proxy's Signature

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 the Board of Directors) Rules, 1988 and forming part of the Director's Report for the year ended on March 31, 2011.

I Conservation of Energy

a. Energy conservation measures taken:

- 1 Adopted Water emulsion systems which helped in reducing the droplet size of the fuel, thus leading to reduction in Fuel Consumption.
- 2 Change of fuel type and system at Tundish Pre-heaters at Steel division.
- 3 Installation of Underground Tube transfer conveyor systems for inhouse material movement, reducing use of heavy cranes and hence Energy.
- 4 Extended the use of Capacitor & Variable frequency drives at other areas resulting into improvement in Power factor.

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

1. Use of Magnetic Induction technology for street lighting system at Jejuri to be extended to other areas.
2. Installation of Water Chiller plants on Waste heat recovery under progress.

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

	Current Year 2010-11	Previous Year 2009-10
Power & Fuel Consumption		
1. Electricity		
a) Purchased Units	284886	253044
Total amount (Rs. In Crore)	166.54	132.61
Rate/KWH (Rs.)	5.85	5.24
b) Own generation		
i) Through Diesel Generator Units (KWH)	38234	35821

Units per litre of oil/gas	1.66	1.69
Cost per unit (Rs)	24.62	21.16

ii) Through steam turbine/generator Unit

Unit per litre of oil/gas	NA	NA
Cost per unit (Rs)	NA	NA

2 Coal

Quantity	NA	NA
Total Cost (Rs)	NA	NA
Average Cost (Rs)	NA	NA

3 Furnace Oil

Quantity (K. Ltr)	25303	22601
Total Cost (Rs in Crore)	63.72	51.62
Average Cost (Rs per K. Ltr)	25185	22839

4 Others: LDO/LSHS

Quantity (K. Ltr)	6184	2274
Total Cost (Rs in Crore)	22.91	7.87
Average Cost (Rs per K. Ltr)	37051	34639

Consumption per Unit of Production

	2010-11	
	Tube	Steel
Production (MT)	167187 (135782)	254070 (231395)
Electricity (KWH)	548(585)	761(751)
Furnace Oil (Ltr)	95(97)	37(41)
Coal (MT)	NA(NA)	NA(NA)
Others: LDO/LSHS (Ltr)	34(14)	2(2)

Figures in the brackets are for 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

- 1 Successfully developed some of the Special Tools & Die Steels for Creep Resistant applications.
- 2 Improvised on indigenously developed mandrel Bars and rolls.
- 3 Made significant progress in developing stainless Steel grades of Steel for Engineering, Boiler & OCTG applications.
- 4 Developed Convective furnaces for improved stress relieving and tempering applications.

2. Future plan of action

- 1 To Further improvise on the Tooling designs and tooling materials for longer life and better quality.
- 2 Rust Protective Oil and its application methodology being developed for better effectiveness and lesser consumption.
- 3 Packing material being developed at Tube division for quality and cost effectiveness.

3. Expenditure on R & D

(Rs. in Crore)

	2010-11	2009-10
i) Capital	7.45	3.44
ii) Recurring	3.31	2.62
iii) Total	10.66	6.06
iv) Total R & D as a % of Turnover	0.65%	0.51%

B] Technology Absorption, Adaption and Innovation: Developments as mentioned in A1 above have become functional. This has helped develop in-house manpower skills and improve productivity.

C] Imported Technology: The installation of high end technology at Tube Rolling & Finishing sections requires adequate training which is given to employees on an ongoing basis. Continuous efforts

are on to indigenously develop key toolings and spares either in house or through development of local vendors to facilitate smoother and cost efficient operations.

II 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:

Company has been actively pursuing for key product certifications which acts as a prerequisite for entering into Exports market and accordingly has succeeded in getting most of them including Certification for Boiler tubes from respective authorities across targeted geographies. Active participation in Global Trade fairs and frequent customer meets are arranged to boost marketing efforts.

- b) The information on foreign exchange earnings and outgo is contained in note no. 13f of Schedule 21 under notes to Accounts. Unlike the proceeding couple of years, during the year imports were higher than Exports, which resulted into net Outgo of Foreign Exchange.

For and on behalf of the Board of Directors

Pune, June 29, 2011

S C Gupta
Chairman

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 ON MARCH 31, 2011.

Employed throughout the year

Sr. No.	Name of the Employee	Designation/ Nature of Duties	Age (years)	Qualifications	Experience (Years)	Date of Commencement of Employment	Remuneration Rs.	Last Employment held
1	N Chandra	President (Projects & Product Development)	62	B. Sc. (Mech) Engg.	41	January 01, 2003	7083680	The Indian Seamless Metal Tubes Ltd
2	R Goel	Chief Financial Officer	58	B Com (Hons), FCA & FCS	33	May 01, 1999	8151664	The Indian Seamless Metal Tubes Ltd
3	S Taneja	Chief Executive Officer	44	B Sc (Engg), MBA (Fin.), Ohio, Yale, USA	21	October 01, 2004	8674210	The Indian Seamless Metal Tubes Ltd.

- Notes:**
- 1 Nature of employment is contractual for all the above employees.
 - 2 Remuneration includes salary and allowance (contribution to Provident Fund & Superannuation), House Rent allowance, Leave Travel allowance, medical reimbursement and other allowances payable as per Rules of the Company.

For and on behalf of the Board of Directors

S C Gupta
Chairman

Pune, June 29, 2011

ISMT LIMITED

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

August 29, 2011

Dear Shareholder

The Ministry of Corporate Affairs, Government of India has taken a "Green Initiative" by allowing paperless compliances by Companies through electronic mode and has issued recent Circular nos. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 for the same. Companies can now send various notices and other documents, including Annual Report, to its shareholders through electronic mode to the registered e-mail ID of shareholders.

Your Company supports this initiative and accordingly, it is proposed to send documents including Annual Report to the shareholders in electronic form to the e-mail ID registered with the Company.

For supporting this initiative

1. **If you hold shares in electronic form**, please intimate / update your email ID to your Depository Participant (DP). The same will be deemed to be your registered email ID for serving notices / documents, including those covered under Section 219 of the Companies Act, 1956.
2. **If you hold the share in physical form**, please intimate your email ID in the following format to the Company's Registrar & Share Transfer Agent (RTA) at the Sharepro Services (India) Pvt Ltd. 3 Chintamani Apartments, Lane No. 13, Off V G Kale Path, 824/D Bhandarkar Road, Pune - 411 004, Tel No. 020-25662855 / 65002887.

Folio no (in case of physical shares)	
Name of the first shareholder	
No of shares held	
Email ID of first holder	
Address if changed	
Signature of first holder	

The request letter should be signed by the first / sole holder as per the specimen signature recorded with RTA and should mention your correct folio number. Alternatively, you may send a scanned copy of your above request letter on ismt@shareproservices.com or secretarial@ismt.co.in

If you do not register your email ID, a physical copy of the Annual Report and other documents will be sent to you free of cost, as per current practice.

The Annual Report and other communications sent electronically would also be made available on the Company's website: www.ismt.co.in.

We urge you to support this 'Green Initiative' and opt for electronic mode of communication by advising your email ID to your DP / Sharepro Services (India) Pvt. Ltd.

We look forward to your support.

Thanking you

Yours faithfully
For ISMT Limited

Jayan Nair
EVP & Company Secretary