

**FORM B**

(Covering letter of the Annual Audit Report to be filed with the Stock Exchanges)

[Pursuant to Clause 31(a) of Listing Agreement]

1.	Name of the Company	ISMT Limited
2.	Annual Financial Statements for the year ended	March 31, 2014
3.	Type of Audit Observation	Qualified Opinion and Matter of Emphasis
4.	Frequency of observation	<p>a) <b>Pertaining to Standalone Financial Statements :</b></p> <p><b><u>Qualified Opinion:</u></b></p> <p>Qualifications mentioned in Para 1 to 3 under Basis for Qualified Opinion of the Audit Report, appeared for the first time during the year.</p> <p><b><u>Matter of Emphasis :</u></b></p> <p>Observation mentioned regarding Approval of Central Govt. for managerial remuneration appeared in Audit report for second time</p> <p>b) <b>Pertaining to Consolidated Financial Statements :</b></p> <p><b><u>Qualified Opinion:</u></b></p> <p>Qualifications mentioned in Para 1 and 2 under Basis for Qualified Opinion of the Audit Report, appeared for the first time during the year.</p> <p><b><u>Matter of Emphasis :</u></b></p> <p>Observation mentioned regarding Approval of Central Govt. for managerial remuneration appeared in Audit report for second time</p>

5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report	For management response refer to:  Para 1, refer Note No.1.13(i). Para 2, refer Note No.3.20. Para 3, refer Note No.3.2(ii). Para 2, refer Note No.3.21.
6.	Additional comments from the Board / Audit Committee chair	Nil

**For ISMT Limited**



**Salil Taneja**  
Chief Executive Officer  
Pune : May,28, 2014



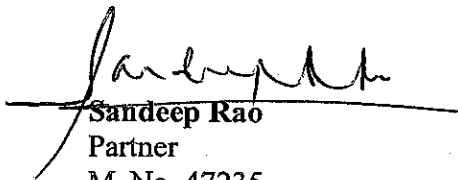
**Rajiv Goel**  
Chief Financial Officer



**K.K. Rai**  
Audit Committee Chairman

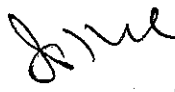
**Auditors of the Company :**

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

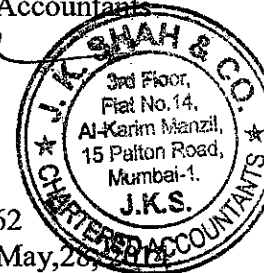


**Sandeep Rao**  
Partner  
M. No. 47235  
Pune : May,28, 2014

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



**J.K. Shah**  
Partner  
M. No. 3662  
Mumbai : May,28,



# **ANNUAL REPORT 2013-14**

# History

*1977-1980*

ISMT began life as 'The Indian Seamless Metal Tubes Limited'. Incorporated on 29th July 1977 as a public limited company, raised Rs. 45 lacs through Initial Public Offering and commenced production of Seamless Tubes in the year 1980 with an installed capacity of 15,000 MTPA.

*1985*

Seamless Tube manufacturing capacity increased to 30,000 MTPA.

*1992*

Seamless Tube manufacturing capacity further increased to 50,000 MTPA.

Promoted 'Indian Seamless Steels and Alloys Ltd.' (ISSAL) to produce Alloy Steel giving the Company better control over product quality as well as deliveries.

Successfully completed Public Issue of ISSAL which was hugely oversubscribed.

*1993-1994*

Rights issue of Rs. 28 Crore in the year 1993 followed by rights issue of Rs. 58 Crore.

Seamless Tubes & Technologies (India) Ltd, a group Company amalgamated with the Company.

'Indian Seamless Steels and Alloys Ltd.' (ISSAL) commenced commercial production of Steel Rounds.

*1998*

Steel manufacturing capacity at ISSAL increased to 190,000 MTPA.

*1999*

Merged into Kalyani Seamless Tubes Ltd., (KSTL), a competing Seamless Tube manufacturer with 90,000 MTPA capacity. The combined entity, which retained the name The Indian Seamless Metal Tubes Ltd., not only had a larger capacity (1,58,000 MTPA) but also a much wider size range (from 6 mm to 273 mm).

*2004-2005*

Steel manufacturing capacity at ISSAL increased from 190,000 MTPA to 250,000 MTPA.

'The Indian Seamless Metal Tubes Ltd.' and 'Indian Seamless Steels and Alloys Ltd.' merged to form 'ISMT Limited'.

Exports cross Rs. 100 Crore mark.

*2006 - 2007*

Raised USD 20 Million through Foreign Currency Convertible Bonds issue.

Acquired Structo Hydraulics AB (based in Storfors, Sweden), Europe's leading supplier of tubes and engineering products for the hydraulic cylinder industry.

*2010*

ISMT added a PQF Mill, increasing its tube making capacity to 465,000 MTPA.

Simultaneously, Steel making capacity was increased from 250,000 MTPA to 350,000 MTPA.

*2011*

Exports cross Rs. 500 Crore mark.

Redeemed Foreign currency convertible Bonds (FCCB's) amounting to USD 20 Million along with redemption premium.

*2012*

Commissioned 40 MW Captive Power Plant located at Chandrapur district (Maharashtra).

## COMPANY INFORMATION

### Board of Directors

<b>S C Gupta</b>	-	<i>Chairman</i>
<b>Salil Taneja</b>	-	<i>Chief Executive Officer</i>
<b>Rajiv Goel</b>	-	<i>Chief Financial Officer</i>
<b>O P Kakkar</b>	-	<i>Director</i>
<b>K K Rai</b>	-	<i>Director</i>
<b>Vinod Sethi</b>	-	<i>Director (up to February 11, 2014)</i>
<b>J P Sureka</b>	-	<i>Director</i>
<b>B R Taneja</b>	-	<i>Director</i>
<b>Suresh Khatanhar</b>	-	<i>Nominee Director of IDBI Bank Limited</i>

### Company Secretary

Nilesh Jain

### Auditors

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

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

### Cost Auditors

M/s. Dhananjay V. Joshi & Associates, *Cost Accountants*

M/s. Parkhi Limaye & Co., *Cost Accountants*

### Advocates & Solicitors

J Sagar Associates

Federal & Rashmikant, Mumbai

### Registered Office

Lunkad Towers, Viman Nagar, Pune – 411014

**Website:** [www.ismt.co.in](http://www.ismt.co.in)

**Email ID:** [secretarial@ismt.co.in](mailto:secretarial@ismt.co.in)

### Works

Tube - MIDC Industrial Area, **Ahmednagar** - 414111

MIDC Industrial Area, **Baramati** – 413133

Structo Hydraulics AB, Storfors, **Sweden**

Steel - Jejuri – Morgaon Road, **Jejuri** - 412303

Power - Village Kurla, Warora, **Chandrapur** – 422910

### 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 AG

Indian Overseas Bank

State Bank of India

### Registrar & Share Transfer Agent

Sharepro Services (India) Private Limited

**PHYSICAL SUMMARY**

(Tonnes Per Annum)

<b>A. TUBE DIVISION</b>										
<b>Particulars</b>	<b>2013-14</b>	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Capacity	<b>465000</b>	465000	465000	465000	158000	158000	158000	158000	158000	158000
Production	<b>147180</b>	138571	185976	167187	135782	145429	162276	161181	135635	110184
Sales	<b>145052</b>	141980	183194	165662	132156	144242	159062	163315	132794	110526
Captive	<b>5007</b>	13539	21553	19992	14652	16025	19150	17175	17068	11621
External	<b>140045</b>	128441	161641	145670	117504	128217	139912	146140	115726	98905
of which:										
- Domestic	<b>107783</b>	83695	104355	101499	92363	86422	101208	112833	82481	74878
- Exports	<b>32262</b>	44745	57286	44171	25141	41795	38704	33307	33245	24027

(Tonnes Per Annum)

<b>B. STEEL DIVISION</b>										
<b>Particulars</b>	<b>2013-14</b>	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Capacity	<b>350000</b>	350000	350000	350000	250000	250000	250000	250000	250000	250000
Production	<b>244888</b>	216319	268638	254070	231395	202392	237914	247351	234707	213303
Sales	<b>246410</b>	214796	267296	256347	227866	201601	244684	245096	228078	214399
Captive	<b>165222</b>	137255	157913	148990	133976	145394	157862	160985	131968	109091
External	<b>81189</b>	77541	109383	107357	93890	56207	86822	84111	96110	105308
of which :										
- Domestic	<b>80995</b>	77497	108975	107174	93390	55865	86320	83510	95263	102961
- Exports	<b>194</b>	44	408	183	500	342	502	601	847	2347

**KEY PARAMETERS**

Rs. in Crore

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
<b>Operations :</b>										
Gross Sales	<b>2563</b>	2513	2981	2553	1914	2308	2051	2049	1807	1442
Net Sales	<b>1495</b>	1511	1879	1602	1185	1285	1180	1190	1061	892
- Tube Sales	<b>1072</b>	1098	1302	1071	777	980	827	872	694	510
- Steel Sales	<b>424</b>	413	578	532	408	304	353	318	367	382
- Exports	<b>291</b>	412	501	328	176	354	247	225	211	152
- Imports	<b>566</b>	492	551	364	268	195	60	90	132	100
- Exports (% of Total Tube Sales)	<b>27.1%</b>	37.5%	38.5%	30.7%	22.6%	36.1%	29.8%	25.9%	30.3%	29.8%
Raw Material (% of Net Sales)	<b>50.0%</b>	49.9%	51.1%	46.3%	42.3%	50.1%	48.3%	45.0%	45.4%	51.8%
Energy Cost ( % of Net Sales)	<b>21.3%</b>	19.6%	18.3%	18.1%	18.1%	13.3%	14.7%	13.9%	12.9%	12.4%
<b>Profitability :</b>										
EBIDTA	<b>103</b>	179	265	275	218	251	226	269	264	164
- EBIDTA margin	<b>6.5%</b>	11.1%	13.5%	16.5%	18.1%	19.1%	18.6%	22.4%	24.3%	18.0%
Net Profit / (Loss)	<b>(170)</b>	(100)	29	75	75	56	100	130	115	33
- Net Profit / (Loss) Margin	<b>(10.8%)</b>	(6.2%)	1.5%	4.5%	6.2%	4.3%	8.3%	10.8%	10.6%	3.6%
Net worth	<b>304</b>	490	582	618	578	529	533	461	422	350
<b>Finance :</b>										
Long Term Borrowings	<b>981</b>	878	972	853	762	795	630	563	533	558
- FC Debt (% of Long Term Borrowings)	<b>63.8%</b>	85.2%	78.1%	61.6%	79.7%	78.2%	88.7%	58.4%	31.9%	13.3%
Finance Charges ( % of Net Sales)	<b>12.3%</b>	10.1%	6.4%	5.7%	6.6%	6.4%	5.6%	6.4%	8.1%	10.3%
<b>General :</b>										
Average Market Capitalization	<b>151</b>	317	500	766	636	467	1289	1154	888	165
Share Price during the year - High (Rs.)	<b>15.30</b>	30.70	60.40	70.00	64.90	68.10	140.00	124.90	112.45	41.90
- Low (Rs.)	<b>8.55</b>	9.21	22.25	42.00	19.10	14.10	49.00	62.00	27.00	3.05
Book Value (Rs. Per Share)	<b>20.78</b>	33.43	39.72	42.16	39.42	36.11	36.41	31.90	29.20	33.24
Earning Per Share (Rs.)	<b>(11.62)</b>	(6.81)	1.95	5.14	5.09	3.84	6.92	9.01	7.96	2.33
Dividend – Rs. Per Share	<b>0.00</b>	0.00	0.75	1.25	1.00	1.00	1.00	0.50	0.00	0.00



## CEO's Statement

The year 2013 to 2014 has been a year fraught with challenges on all fronts. Yet, while these challenges have certainly taken their toll on the overall revenues as well as the profitability of the Company, we have simultaneously been able to tackle the key challenges head-on and prepared ourselves for better prospects.

During the course of the year market demand for our products fell secularly across all the sectors and geographies that we serve. The domestic market witnessed a severe contraction in demand from the bearing, construction, powergen, and automotive sectors. In the engineering sectors this demand contraction was due to the market

slowdown while in the commodity seamless tube markets it was due to the drastic increase in imports at economically unviable prices. Concurrently, there was a reduction in demand from the U.S. markets resulting from the Anti-dumping investigation launched by the U.S. Commerce Department. The European markets continued to be extremely fragile through the year and in spite of focused efforts we could push only marginal additional volumes into this market. As a result, we saw pressure on volumes as well as realizations. Together these two factors had a severe impact on our revenues as well as our profitability.



Having said the above, we now see considerably better prospects ahead of us. As this Annual Report goes to the press we have been able, after more than two years of effort, to secure the levy of a Safeguard Duty of 20% on the import of seamless tubes into India as a result of which we expect a substantial improvement in sales volumes and margins. In combination, we expect a major boost to the top-line as well as the bottom-line of the Company.

We have also made progress in our discussions with the Maharashtra State Electricity Distribution Company Limited to resolve the impasse with respect to the Energy Banking Agreement that we signed with them and the monies that are owed to us on this account. We expect to conclude this matter soon.

During the course of the year we have taken numerous steps to streamline the operations of the Company so that we are able to function with minimal inventory across all workstations

and with tight control on process costs.

As we speak, we are witnessing a revival in demand particularly on the domestic front. With the positivism that has been created by the change of government we are seeing incremental growth across virtually all sectors. If this growth continues, as we hope it will, the steps that we have taken should see us emerge in a strong competitive position.

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

Thank you,



**Salil Taneja**

Pune, August 19, 2014

**Directors' Report**

To the Members of ISMT Limited

The Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended March 31, 2014.

**FINANCIAL HIGHLIGHTS**

Rs. in Crore

Particulars	Financial Year	
	2013-14	2012-13
Gross Sales	<b>2563.10</b>	2513.02
Profit / (Loss) before Finance Charges, Depreciation, Amortization & Tax (EBIDTA)	<b>102.91</b>	179.36
Cash Profit / (Loss)	<b>(102.56)</b>	(45.00)
Gross Profit / (Loss)	<b>(80.62)</b>	26.69
Profit / (Loss) Before Tax	<b>(204.65)</b>	(140.63)
Taxation	<b>(34.36)</b>	(40.92)
Net Profit / (Loss)	<b>(170.29)</b>	(99.71)
Add: Balance brought forward from Previous Year	<b>(74.98)</b>	24.73
Balance available for Appropriation	<b>(245.27)</b>	(74.98)
Appropriations	<b>NIL</b>	NIL
<b>Balance carried to Balance Sheet</b>	<b>(245.27)</b>	(74.98)

**DIVIDEND**

Your Directors are unable to recommend a dividend for the year ended on March 31, 2014, in absence of adequate profits.

**OPERATIONS**

All the Plants viz., the two Tube Plants at Ahmednagar and Baramati, the Steel Plant at Jejuri and the Captive Power Plant at Chandrapur operated at poor utilization levels leading to higher production cost. However, the focus on internal cost cutting, both fixed and variable and minimizing working capital could partially mitigate the same.

**MARKET**

The recessionary international environment, a weak domestic market and large imports put tremendous pressure on domestic market. Exports were also drastically affected as a result of slump in US Sales.

**FINANCE**

While the Company raised long term loans of Rs. 235 Crore during the year, it did not result in the desired improvement given the continuing losses arising from the external factors as above. These losses have led to further erosion in net working capital

and the Company is evaluating various options for meeting its requirements.

Due to increased borrowings and higher interest rates, the finance cost shot up by more than 20%.

**CAPTIVE POWER**

The operation of Captive Power Plant was adversely affected on account of lower production in Tube and Steel Plants. The Company's persistent efforts in obtaining the coal linkage to improve the viability are continuing and its petition with MERC to get the Banking Agreement is still awaiting decision.

**SAFEGUARD DUTY**

There has been considerable delay in implementation of Safeguard Duty despite the initiation of Safeguard investigation in April 2013. The Safeguards authority has now recommended Safeguard Duty of 25% subject to the approval of the Safeguards Board. In the absence of this protection, the domestic industry continued to suffer from increasing imports in a declining market.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. J.P. Sureka retires by rotation and being eligible, offers himself, for re-appointment.

Mr. Vinod Sethi, Independent Director resigned from the Board on February 11, 2014. The Board placed on record its sincere appreciation and gratitude for his guidance and contribution to the Company.

In compliance with the provisions of Section 149 read with Schedule IV of the Companies Act, 2013, the appointment of Mr. S. C. Gupta and Mr. K.K. Rai as Independent Director(s) is being placed before the Members in the forthcoming Annual General Meeting for their approval.

**AUDITORS**

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

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Rules framed thereunder, it is proposed to appoint M/s. P. G. Bhagwat and J. K. Shah & Co., as Joint Statutory Auditors of the Company from the conclusion of the forthcoming AGM for a period of three years until the conclusion of the AGM for the year ending March 31, 2017 subject to ratification of their appointment at every Annual General Meeting.

## Directors' Report (contd.)

In respect of the Qualified Opinion and Emphasis of Matter by the Auditors on the Standalone and Consolidated Financial Statement, it has been explained in the Notes forming part of said Financial Statements which are self-explanatory and therefore do not call for any further comments.

### COST AUDITORS

The Central Government had approved appointment of the following Cost Auditors for Financial Year 2013-14:

- (i) M/s. Dhananjay V. Joshi & Associates and
- (ii) M/s Parkhi Limaye & Co.

The Cost Audit Report for the year 2012-13 was due on September 30, 2013 and was filed with the Ministry of Corporate Affairs on September 27, 2013.

### SUBSIDIARIES

As on date of this report, the Company has eleven direct and indirect subsidiary companies. The Central Government has granted general exemption to the holding Companies from attaching the Annual Accounts of their 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 & ANALYSIS

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

### RESEARCH & DEVELOPMENT

As part of the Company's overall strategy, throughout the year the Company remained focused on developing value added products for all its market segments including Energy, OCTG, Bearing, Auto and Mining Sectors. R & D activities also focused on process cost reductions. Details of the R & D activities undertaken are enumerated in Annexure I to this Report.

### PARTICULARS OF DISCLOSURE

The particulars in respect of energy conservation, technology absorption and foreign exchange earnings & outgo etc. as required under Section 217(1)(e) of the Companies Act, 1956 are given in Annexure I to this report. The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 forming part of this Report are given in Annexure II to this Report.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors make the following statement:

- 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, 2014 and of the Loss 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  
May 28, 2014

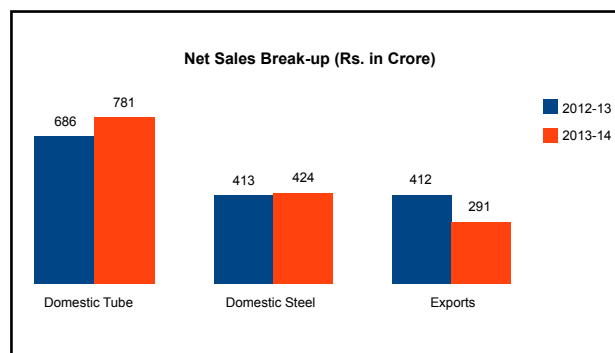
**S C Gupta**  
Chairman

## Management Discussion and Analysis

The year under review was an extremely trying one with most of the ISMT customer industries witnessing slowdown. The lack of clarity on policy issues in some of the key economic sectors and the resultant uncertainty have severely impacted the investment cycle in the economy and hence the demand for seamless tubes. Continued dumping of seamless tubes in the already weak domestic demand scenario, persistent weak global demand, sustained high inflation, tight monetary policies with the consequent high interest rates coupled with rupee depreciation of over 20%, all led to an extremely challenging environment and a net loss of Rs. 170.29 Crore.

### Company Performance :

▲ Total Revenue	:	Rs. 1576.72 Crore
▲ EBDITA	:	Rs. 102.91 Crore
▲ Profit/ (Loss) after Tax	:	Rs. (170.29) Crore



Given that the Company's seamless tube capacity is highly underutilized, the focus during the year was to increase volumes. External tube and steel volumes increased by over 9% and 5% respectively over Previous Year. The growth in domestic sector was more pronounced with Seamless tube volumes increasing by over 29%, which, given the depressed market and cheap imports could only be achieved at significantly lower margins.

Export sales during the year was lower by 29% at Rs. 291 Crore against Rs. 412 Crore last year, driven by the initiation of anti dumping investigation on OCTG imports into US and accounted for about 27% of the Company's total Tube Sales.

The U.S.A. & Europe continued to remain the dominant export revenue earners for the Company.

Rs. in Crore

Particulars	2013-14	2012-13	% Change
Net Sales	1495	1511	(1%)
Domestic			
- Tube	781	686	14%
- Steel	424	413	3%
Exports	291	412	(29%)

The ongoing dispute with MSEDCL on denial of Power Banking continued to severely impact the flexibility in Operations at Tube and

steel manufacturing plants of the Company. In a scenario of weak product demand, synchronizing the 40 MW Captive Power Plant with manufacturing plants whose power consumption pattern is highly varying, the denial of power banking is posing serious challenges to the Company. The Company hence has not sought the Open Access for wheeling of power from its Captive Power Plant with effect from April 01, 2014. During the year, about 63% of Company's power requirement was met through the Captive route.

During the year, the Company has received payment of Rs. 134.05 Crore in relation to an Arbitration case initiated by the Company against one of its equipment suppliers.

EBIDTA during the year stood at Rs. 102.91 Crore against Rs. 179.36 Crore Previous Year.

The prolonged slowdown in the Eurozone economy continued to negatively impact Company's Overseas subsidiary Structo Hydraulics AB in Sweden. Drastic reduction of man power coupled with other cost saving initiatives has however ensured that the Company can attain cash break even at a fraction of the production achieved by it in the past.

## INDUSTRY STRUCTURE AND DEVELOPMENTS

### Seamless Tubes Industry

Seamless Tube is a capital intensive industry and deploys high end technology. While the industry competes with other types of pipes and tubes in certain applications, it clearly is a preferred choice when it comes to better surface finish, machine-ability, strength to weight ratio and longer life. Seamless Tubes find applications in Oil and Gas exploration industry, Power Sector, Automotive, Construction Equipment, Bearing, Material handling equipments, Structural Components and host of other Mechanical applications. With the fast growing horizontal drilling and hydraulic fracturing technology being deployed for recovery of Shale gas, the use of seamless tubes is also set to increase.

The domestic boiler and mining sectors which looked promising for the seamless tubes industry, few years back, failed to pick up due to policy paralysis in the sector and the investment cycle almost came to a standstill. This along with the slowdown in the core Seamless Tube consuming sectors both in the domestic and international markets along with rampant dumping by global players has rendered the domestic Seamless Tube manufacturers extremely vulnerable. While Indian seamless tube sector accounts for less than 5% of the world seamless tube market, ample scope exists for growth of the sector once the core sectors of the economy start reviving and the problem of dumping is addressed. Indian seamless tubes industry is also competitive in the global arena with about 30% of seamless tube production in the country is being directly or indirectly exported.

### Safeguard Duty

With the sluggish global economy and the levy of dumping duty on seamless tubes by most of the developed nations on Chinese imports, India remains one of the few tube producing countries where the seamless tubes imports are still permitted. Nearly about 60% of domestic demand is currently met through imports, which has severely impacted the domestic industry. In response to the safeguard duty petition on imports of Seamless tubes, Directorate

## Management Discussion and Analysis (contd.)

General of Safeguards, Customs & Excise has wide notification dated March 11, 2014 recommended levy of safeguard duty for a period of two and half years to Safeguards Board for its final approval.

### Steel Industry

ISMT is predominantly engaged in the manufacturing of specialty alloy and bearing Steel. The end user segments are largely Bearing, Automotive, Engineering and Forging Customers apart from some customers requiring steel for specialized application. The fortunes of the specialty and alloy steel products is closely linked to automotive and auto component industry. Unlike last year, the raw material prices have remained relatively stable during the year, however the forex volatility has impacted the prices of imported raw material in the short term.

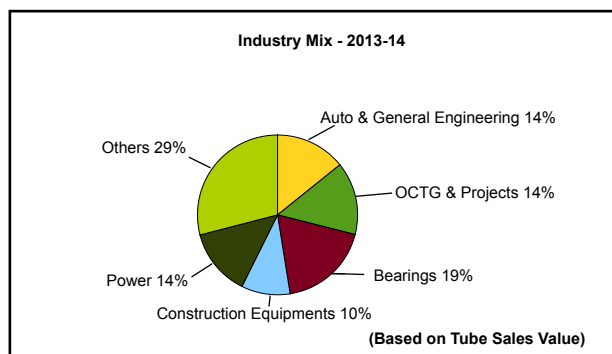
ISMT has integrated Steel Plant which uses the Electric arc furnace technology to produce Steel.

### MARKET :

ISMT is a diversified value added Seamless Tube supplier catering to following major industries :

- a. Oil and gas : As casings & Tubings during oil/gas exploration.
- b. Power : In Boilers & Heat Exchangers
- c. Construction Equipment : In mining and earthmoving equipments
- d. Automotive & General Engineering : Applications in two wheeler to four wheeler as front forks, axel, steeling columns, air bag system etc.
- e. Bearings : Inner and outer races of Bearings
- f. Others : In greenfield projects for fluid transportation, construction of stadiums and airports, gas cylinders, crane booms etc.

A division of company's Ahmednagar plant is engaged into manufacturing of value added products such as semi-finished bearing rings and components for auto and engineering sectors made out of seamless tubes. While the contribution to sales from this division is below 5%, it has a potential to contribute significantly to the overall profitability.



Your Company continues to be a leading supplier of value added Seamless Tubes to Bearing industry both in the domestic and international market where the share in total tube sales increased to 19% in current year from 17% in FY 2012-13 and 12% in FY 2011-12. Similarly sales to power sector witnessed a growth and accounted for 14% of total tube sales against 7% last year, albeit at lower realisations due to intense competition from imports. Sales to Oil & Gas exploration witnessed pressure both in domestic and international markets and witnessed a fall.

### OPPORTUNITIES & THREATS

#### Opportunities

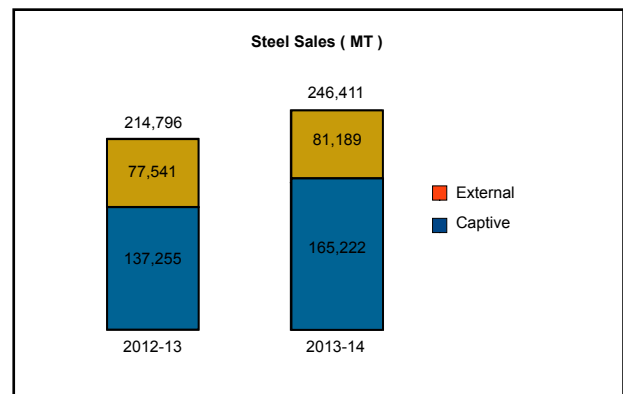
Having created the manufacturing capacities with capability to produce wide spectrum of Seamless Tubes and a large customer base across regions and across diversified consuming sectors, your Company is well poised to benefit from the upturn in demand as and when the same materialize.

#### Threats

The underutilised capacity due to lack of demand and increasing share of Imports in the domestic Seamless Tube market continue to pose the biggest threat to the Company. Denial of energy banking, pending coal allocation and absence of duty to curb rising imports pose serious threat.

### SEGMENT / PRODUCT INFORMATION

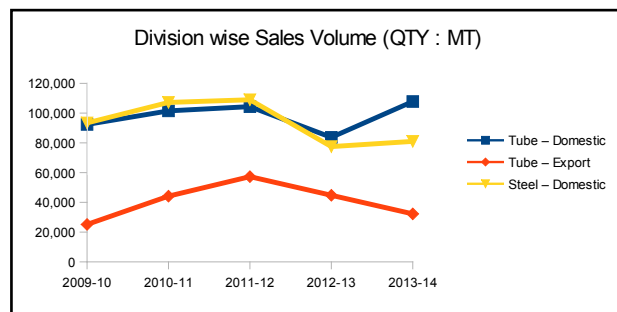
Your Company is engaged in manufacturing Seamless Tubes and Engineering Steels. Seamless Tube accounted for 72% of ISMT's total external sales value while Steel accounted for the balance 28%. Captive consumption of steel marginally increased to 67% against 64% last year on back of higher steel production.



Despite the weak macroeconomic environment proactive market development helped in expanding the domestic customer base for both Seamless tube and Steel business. Domestic sales volumes

## Management Discussion and Analysis (contd.)

increased by 29% & 5% for both Seamless Tube and Steel business respectively.



### OUTLOOK

With the new Government now in place, the business momentum is expected to pick up pace. Your Company is well poised to take advantage of economic upturn which has started showing early positive signs.

### RISKS & CONCERNS

Your Company is exposed to general risks associated with the changes in government policies, natural/man-made disasters, and political risks. The Company is exposed to changes in foreign exchange rates and commodity prices. Any change in laws & regulations, whether domestically or internationally could affect the business and financial condition of your Company.

The long term success of a company largely depends on effectively identifying and analyzing the risks involved. The Company has adequate risk management system towards identification and evaluation of potential risks and the same are evaluated and reviewed regularly by the management so as to minimize/ eliminate the adverse impact if any.

### INTERNAL CONTROL SYSTEMS

The diverse business needs in this highly dynamic market calls for a constant review of efficacy of the Company's internal control systems. The Company has adequate and effective internal control systems and processes for such a review to facilitate formulation and revision of policies and guidelines on an ongoing basis. The internal control mechanism is designed to provide reasonable assurance with regards to recording and providing reliable financial and operational information, safeguarding the assets, statutory compliance, executing transactions with proper requisite approvals and ensuring compliance with applicable laws and regulations. The Audit Committee of Directors reviews and directs corrective actions on a periodic basis.

### FINANCIAL PERFORMANCE

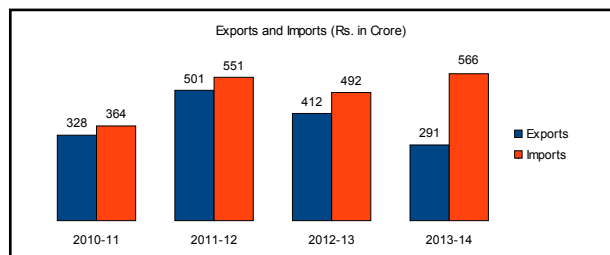
Some of the key financial parameters are as under :

#### Finance Cost

The Finance cost during the year increased by over 20% and stood at 12% of Net Sales. The prolonged period of economic slowdown, the unabated dumping of seamless tubes in the country and the resultant underutilized capacity coupled with the ongoing dispute on energy banking has resulted into higher leverage and hence increase in finance cost.

Particulars	2013-14	2012-13
Long Term Borrowings/ Shareholder's Fund	3.22	1.79

During the year, the Company consumed imported raw material amounting to about Rs. 566 Crore.



Exports are targeted to grow with further market penetration and revival of global economy. Going forward this shall lead to growing net Foreign Exchange inflows. The Company's forex exposure is managed both through a natural hedge and by contracting appropriate treasury products, with a view to balancing risks while optimizing borrowing costs. Appropriate hedging tools are used under the board approved risk management policy framework. The forex risk is reviewed periodically and managed in line with the objectives laid in the policy.

Foreign Currency Term Loans accounted for over 64% of the Company's outstanding term debt as on March 31, 2014 (as compared to 85% as on March 31, 2013).

During the year the Company was eligible for Rs. 14.01 Crore as incentive under the Mega Project Incentive Scheme of Government of Maharashtra against Rs. 10.70 Crore Previous Year. Under this Scheme the Company is eligible for a total incentive of upto Rs. 195 Crore by 2017.

#### Working Capital

The Inventory & debtors levels as on the Balance Sheet date has come down over corresponding period last year.

## Management Discussion and Analysis (contd.)

Rs. in Crore

Particulars	2013-14	2012-13
Inventory	472	508
Stock Turnover (times)	3.17	2.98
Debtor's	372	400
Debtor's Turnover (times)	4.02	3.78

In the current scenario whereby the Company's financials are stressed, the Company is making all possible efforts to keep the inventory and debtor's level at the minimum possible.

### Energy Cost

Energy Cost accounts for over 21% of the Company's net revenues at Rs. 320 Crore. Current financial year was the first full year of operations of the 40 MW Captive Power Plant. While the captive power requirement at manufacturing plant exceeds the power generated through the 40 MW CPP, denial of banking resulted into utilization of only 85% of the generated power for captive use.

Particulars	2013-14	2012-13	% change
Power consumption (KWH/ Ton of Production)			
- Steel Division	834	741	13%
- Tube Division	643	678	(5)%
<b>Avg. Electricity Rate per Unit from MSEDCL (Rs. / KWH)</b>	<b>10.57</b>	10.02	5%

The Company is consistently focused on achieving higher energy efficiency across value chain and is simultaneously committed towards utilising environment friendly means in the process.

Particulars	2013-14	2012-13	% Change
<b>Furnace oil Consumption (K Ltrs/ Ton of Production)</b>			
- Steel Division	30	33	(8)%
- Tube Division	81	83	(3)%
<b>Avg. Furnace Oil rate Rs. per Liter</b>	<b>42.75</b>	41.85	2%

Significant scope exists for reduction in power and Fuel consumption per unit of production once the capacity utilization at manufacturing plants improve.

### HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

The Industrial relations continued to remain peaceful throughout the year. The Personnel expenses grew by 7% during the year. The Company continues to believe that the culture of sharing knowledge within the employees and involving them to be part of the solution, enables the Company curtail costs and excel. In the current economic scenario, the focus was on aligning HR to support cost control and conserve cash, while ensuring organizational confidence and employee motivation, to enable the Company sail through the current challenges and prepare itself for the future opportunities.

### EMPLOYEE RELATED INFORMATION

As on March 31, 2014

Particulars	Factory Locations	Others	Total
Managers	226	77	303
Officers & Staff	688	98	786
Workmen	1316	0	1316
<b>Total</b>	<b>2230</b>	<b>175</b>	<b>2405</b>

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.

### CAUTIONARY STATEMENT

The statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand / supply and price conditions, in domestic and overseas markets in which the Company operates, changes in the government regulations, tax laws and other statutes and other incidental factors.

**Corporate Governance Report****COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

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

**BOARD OF DIRECTORS**

The Board consists of 8 Directors of which 4 Directors are Independent as on March 31, 2014.

The composition of the Board of Directors, their attendance at the 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, 2014 are as follows:

Name of the Director	Category	Financial Year 2013-14 Attendance at		Number of Directorships in other public companies*	Committee positions in other public companies**	
		Board Meetings	Last AGM		Member	Chairman
S C Gupta	Independent NED	6	Yes	8	8	-
Salil Taneja	Promoter ED	4	No	1	-	-
Rajiv Goel	ED	6	Yes	1	1	-
O P Kakkar	Independent NED	4	Yes	-	-	-
K K Rai	Independent NED	6	Yes	2	2	-
Vinod Sethi @	Independent NED	4	Yes	6	-	-
J P Sureka	Promoter NED	5	Yes	3	5	1
B R Taneja	Promoter NED	5	Yes	1	-	-
S Khatanhar	Independent NED (IDBI Bank Nominee)	3	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.

\*\* This includes only Audit and Shareholders'/ Investors' Grievance Committees.

@ Director upto February 11, 2014.



## Corporate Governance Report (contd.)

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

Sr. No	Date of Meeting
1	May 28, 2013
2	August 12, 2013
3	November 13, 2013
4	February 11, 2014
5	March 06, 2014
6	March 28, 2014

- The composition of the Board of the Company 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, 2013, Mr. J. P. Sureka, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re - appointment.

In compliance to relevant provisions of the Companies Act, 2013, the appointment Mr. S C Gupta and Mr. K K Rai as Independent Director(s) is being placed before the Members at the ensuing Annual General Meeting.

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

### AUDIT COMMITTEE

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

#### Composition, Meetings and Attendance during the year:

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

Name of Director	Chairman / Member	Number of Meetings Attended
Vinod Sethi@	Chairman (Independent)	5
S C Gupta	Member (Independent)	4
K K Rai	Member (Independent)	5
J P Sureka	Member	4

@ Director upto February 11, 2014.

During the year under review, Five Meetings of Audit Committee were held as under:

Sr. No.	Date of Meeting
1	May 28, 2013
2	August 12, 2013
3	September 27, 2013
4	November 13, 2013
5	February 11, 2014

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

Mr. K K Rai was appointed as Chairman of the Audit Committee in the Board meeting held on March 6, 2014.

### MANAGERIAL REMUNERATION

#### a. REMUNERATION COMMITTEE:

The Company has a Remuneration Committee of Directors.

The Remuneration Committee is empowered to fix, review and recommend the remuneration payable to the Whole-time Directors of the Company from time to time including the annual increase in their remuneration.

#### Composition, Meetings and Attendance during the year:

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

Name of Director	Chairman / Member	Number of Meetings Attended
K K Rai	Chairman upto March 5, 2014 and Member w.e.f. March 6, 2014	2
S C Gupta	Member upto March 5, 2014 and Chairman w.e.f. March 6, 2014	1
Vinod Sethi@	Member	1
J P Sureka#	Member	1

@ Director upto February 11, 2014.

# Appointed on March 6, 2014

During the year under review, Two meetings of Remuneration Committee were held as under :

Sr. No	Date of Meeting
1	September 27, 2013
2	March 28, 2014

The Company does not have any Employee Stock Option Scheme.

#### b. Remuneration Policy

- Based on the recommendations of the Remuneration Committee, the remuneration of the

**Corporate Governance Report (contd.)**

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

- The Company pays remuneration by way of salary, perquisites, allowance and commission to its Whole-time Directors.
- Based on the recommendations of the Remuneration Committee, the Board of Directors decides the payment of remuneration to the Non-Executive Directors. No remuneration is paid to any Non-Executive Director except Mr. B. R. Taneja and Mr. O. P. Kakkar.

The Company pays sitting fee of Rs. 20,000/- each for attending Board and Committee Meetings, to all the Non-Executive Directors subject to terms of remuneration, if any paid.

- 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 Mr. O. P. Kakkar and sitting fees paid to Non-Executive Directors, during the financial year 2013-14 is given below:

Name of the Director	Salary & Perquisites (Rs.)	Commission (Rs.)	Sitting Fees (Rs.)
S C Gupta	NA	-	280000
Salil Taneja	6518086	-	NA
Rajiv Goel	7432809	-	NA
O P Kakkar	3600000	-	NA
K K Rai	NA	-	340000
Vinod Sethi@	NA	-	280000
J P Sureka	NA	-	200000
B R Taneja	3390000	-	100000
S Khatanhar	NA	-	100000
<b>TOTAL</b>	<b>20940895</b>	<b>-</b>	<b>1300000</b>

@ Director upto February 11, 2014.

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

Service of the Whole-time Directors may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof. There is no separate provision for payment of severance fees.

The Company has received the approval of the Central Government for payment of remuneration to Mr. O P Kakkar, Non-Executive Director of the Company.

The Company has applied to the Central Government for the waiver of recovery of excess remuneration from Mr. Salil Taneja and Mr. Rajiv Goel, Whole-Time Directors of the Company, for Financial Year 2012-13 and for payment of remuneration to the said Whole-Time Directors in event of absence or inadequacy of profits, in Financial Year 2013-14.

Details of shares of the Company held by its Non-Executive Directors as on March 31, 2014 are given below:

Name of the Director	Number of shares
S C Gupta	Nil
O P Kakkar	85,204
K K Rai	Nil
J P Sureka	1,20,380
B R Taneja	90,793
Suresh Khatanhar	Nil

**SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE**

The Company has a Shareholders'/ Investors' Grievance Committee of Directors to look into the redressal of shareholder and investors' complaints like Transfer or Credit of Shares, non-receipt of Annual Reports / Dividends etc.

**Composition, Meetings and Attendance during the year:**

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

Name of Director	Chairman / Member	Number of Meetings Attended
K K Rai	Chairman	4
S C Gupta	Member	3
Vinod Sethi @	Member	4

@ Director upto February 11, 2014.

During the year under review, Four Meetings of Shareholders'/ Investors' Grievance Committee were held as under:

Sr. No.	Date of Meeting
1.	May 28, 2013
2.	August 12, 2013
3.	November 13, 2013
4.	February 11, 2014

## Corporate Governance Report (contd.)

### COMPLIANCE OFFICER

Mr. Nilesh Jain, Company Secretary is the Compliance Officer of the Company for ensuring compliance with the requirements of the Listing Agreement with the Stock Exchanges and under SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended from time to time.

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, 2014.

Details of investor complaints received and redressed during the Financial Year 2013-14 are as follows:

Number of complaints pending at the beginning of the year	Nil
Number of complaints received during the year	9
Number of complaints disposed off during the year	9
Number of complaints remaining unresolved at the end of the year	Nil

### CODE OF CONDUCT

The Board has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The Code of Conduct is posted on the website of the Company.

### CEO/ CFO CERTIFICATION

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

### GENERAL BODY MEETINGS

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

Year	Type	Date	Venue	Time	Number of Special Resolutions passed
2012-13	AGM	12.08.2013	Hyatt Regency, Weikfield IT Park, Pune -411014	11.00 AM	-
2011-12	AGM	27.09.2012	Hotel Le Meridien, Regal Hall, Pune – 411 001	11.00 AM	3
2010-11	AGM	30.09.2011	Vivanta by Taj Blue Diamond, Pune – 411 001	11.30 AM	2

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

### POSTAL BALLOT

None of the items to be transacted at the ensuing meeting is required to be passed by postal ballot.

### OTHER DISCLOSURES

- i) Details of related party transaction are furnished under Notes to Financial Statement.
- ii) There were no instances of material non-compliances and no strictures or penalties imposed on the Company either by SEBI, Stock Exchanges or any statutory authorities on any matter related to capital markets during the last three years.
- iii) Mr. B R. Taneja, Director is father of Mr. Salil Taneja, CEO. Except as mentioned above, none of the other Directors have any relation inter-se.
- iv) The Company has complied with all the mandatory requirements and adopted part of the non-mandatory requirements.

### MEANS OF COMMUNICATION

The quarterly results are normally published in one English daily newspaper and one vernacular (Marathi) daily newspaper. The quarterly results are also displayed on the Company's website.

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 E-mail ID "secretarial@ismt.co.in" exclusively for investor servicing.

### GENERAL SHAREHOLDER INFORMATION

AGM Date and Time	September 26, 2014 at 10:00 AM
Venue	Hyatt Regency Pune, Weikfield IT Park, Pune Nagar Road, Pune -411014.
Financial Year	April 01 to March 31
Date of Book Closure	From September 22, 2014 to September 26, 2014 (both days inclusive)
Dividend Payment date	Not applicable
Listed on Stock Exchange	BSE and NSE
Security Code (BSE)	532479
Security Code (NSE)	ISMTLTD
ISIN Number allotted to equity shares	INE732F01019
Registered Office	Lunkad Towers, Viman Nagar, Pune 411 014

**Corporate Governance Report (contd.)**

The Company has paid listing fees for the Financial Year 2014-15 to the Stock Exchanges where the shares of the Company are listed.

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

(Rs.)

Month	Market price		BSE 500 INDEX	
	High	Low	High	Low
April 2013	11.54	9.27	7413.56	6872.16
May 2013	13.65	9.45	7748.63	7374.61
June 2013	12.20	9.10	7465.12	6868.43
July 2013	10.32	8.75	7444.46	6888.21
August 2013	9.64	8.55	7060.53	6301.27
September 2013	12.92	8.76	7413.62	6539.15
October 2013	11.18	9.86	7667.42	6978.73
November 2013	13.65	10.30	7737.66	7348.20
December 2013	11.99	9.65	7862.72	7558.21
January 2014	15.30	10.50	7902.67	7401.20
February 2014	12.75	9.75	7714.56	7320.93
March 2014	12.45	10.05	8315.58	7648.69

**NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE):**

(Rs.)

Month	High	Low
April 2013	11.50	9.25
May 2013	13.80	9.50
June 2013	12.70	9.10
July 2013	10.00	8.75
August 2013	9.60	8.55
September 2013	12.90	8.80
October 2013	11.25	9.70
November 2013	13.25	10.20
December 2013	12.25	9.65
January 2014	13.85	10.55
February 2014	12.80	9.75
March 2014	12.50	10.05

Source: BSE & NSE websites.

**REGISTRAR AND SHARE TRANSFER AGENT**

Shareholders may contact Registrar and Share Transfer Agent at the following addresses:

<p><b>Sharepro Services (India) Pvt. Ltd.</b>            13, AB Samhita Warehousing Complex            2nd Floor, Saki Naka Telephone Exchange Lane,            Off. Andheri Kurla Road, Saki Naka,            Andheri East, Mumbai - 400 072.            Tel.:- +91 - 22 - 67720300 / 400            Fax.- 022 – 28591568            e-mail:sharepro@shareproservices.com</p>
<p><b>Sharepro Services (India) Pvt. Ltd.</b>            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</p>

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.

**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.

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 Reconciliation of Share Capital 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, 2014**

Shareholding of Nominal Value of Rs.	No. of Share Holder(s)	% to Total %	No. of Shares	% to Total
Upto 5,000	127747	96.79	20379535	13.91
5,001 10,000	2032	1.54	3086641	2.11
10,001 20,000	1106	0.84	3175437	2.17
20,001 30,000	447	0.34	2229770	1.52
30,001 40,000	159	0.12	1116171	0.77
40,001 50,000	118	0.09	1102029	0.75
50,001 1,00,000	195	0.15	2757666	1.88
1,00,001 And above	170	0.13	112654134	76.89
<b>Total</b>	<b>131974</b>	<b>100.00</b>	<b>146501383</b>	<b>100.00</b>

## Corporate Governance Report (contd.)

### DEMATERIALISATION OF SHARES AND LIQUIDITY

86.78% of total Equity Capital is held in demat form with NSDL and CDSL as on March 31, 2014.

### OUTSTANDING GDRS/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY:

The Company has no outstanding GDRs and the Company has not issued any ADRs / Warrants or any convertible instruments during the period under review.

### CORPORATE FILING AND DISSEMINATION SYSTEM:

The financial and other information filed by the Company, from time to time is also available on the Corporate Filing and Dissemination System maintained by BSE and NSE and can be accessed on the URL - [www.corpfilings.co.in](http://www.corpfilings.co.in).

The quarterly compliance report on corporate governance as prescribed under Clause 49 of the Listing Agreement and the shareholding pattern of the Company as prescribed under Clause 35 of the Listing Agreement executed with the Stock Exchanges are also filed through NSE Electronic Application Processing (NEAP) System.

### UNCLAIMED / OUTSTANDING DIVIDEND ON EQUITY SHARES:

To facilitate investors who have not claimed the dividend amount for earlier years on the Equity Shares from the Company, details

of the unclaimed amount are being displayed on the Ministry of Corporate Affairs (MCA) website :[www.iepf.gov.in](http://www.iepf.gov.in)

Investors are requested to browse the said site to find out the outstanding amount, if any, and claim the same from the Company, before transfer to the Investor Education and Protection Fund as per the provisions of the Companies Act, 2013.

### PLANT LOCATIONS

The Company has manufacturing facilities at:

1. MIDC Industrial Area, Ahmednagar - 414111
2. MIDC Industrial Area, Baramati - 413133
3. Jejuri Morgaon Road, Jejuri – 412303
4. Structo Hydraulics AB, Storfors, Sweden
5. Village Kurla, Warora, Chandrapur – 422910

### ADDRESS FOR CORRESPONDENCE

Lunkad Towers, Viman Nagar, Pune 411 014

For and on behalf of the Board of Directors

**S C Gupta**  
Chairman

Pune, May 28, 2014

### 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, 2014, 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, 2014.

For ISMT Limited

Pune, May 28, 2014

**Salil Taneja**  
Chief Executive Officer

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

To  
The Board of Directors  
ISM T Limited

We, Salil Taneja, Chief Executive Officer and Rajiv Goel, Chief Financial Officer of ISM T 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, 2014 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, 2014;
  - (ii) All significant changes in accounting policies during the financial year ended March 31, 2014 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  
Pune, May 28, 2014

**Rajiv Goel**  
Chief Financial Officer

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

To  
The Members of  
ISM T Limited

We have examined the compliance of conditions of Corporate Governance by ISM T Limited for the year ended on March 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchange(s).

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

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

On the basis of information and explanation given to us and as per the records maintained in the Company, we state that no

investor grievances are pending for a period exceeding one month against the Company.

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

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

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

**Sandeep Rao**  
Partner  
Membership No. 47235  
Pune, May 28, 2014

**J.K. Shah**  
Partner  
Membership No. 3662  
Mumbai, May 28, 2014

## Independent Auditors' Report

### To the members of ISMT Limited

#### Report on the Financial Statements

We have audited the accompanying Financial Statements of ISMT Limited, which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Basis for Qualified Opinion

- 1] The Company has outstanding MAT Credit entitlement of Rs.91.44 Crore as on March 31, 2014, which in the opinion of the management, based on the projected future taxable profits, will be utilized within the stipulated time period prescribed as per the provisions of Income Tax Act, 1961. Considering the uncertainties around the assumptions used for projections of future taxable profits and its consequential effect on utilization of MAT Credit entitlement, we are unable to comment on the recoverability of Mat Credit entitlement outstanding as at March 31, 2014 and its consequential impact on the Statement of Profit and Loss for the year ended March 31, 2014 and on the Reserves of the Company as on that date. Refer Note No. 3.21 forming part the financial statements.
- 2] The Company, through its subsidiary, has invested Rs. 48.43 Crore in Structo Hydraulics AB Sweden (SHAB). Net receivable to the Company from SHAB against supplies made is Rs 53.85 Crore and guarantee given by the Company in respect of loans availed by SHAB is Rs. 18.03 Crore. The Company has been incurring cash losses and the net worth of the Company is also eroded. In the opinion of the management the investment is strategic and long term and the debtors are collectible and no provisioning is required against the same. We are unable to comment on the same and ascertain its impact, if any, on the financial statements in respect of the above matters. Refer Note No. 3.20 forming part the financial statements.

- 3] The Company has recognized claim made of Rs. 20.03 Crore (Cumulative up to March 31, 2014 Rs. 49.97 Crore) against Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) for non-implementation of Energy Banking Agreement. The realization of this claim is contingent and dependent upon the outcome of the decision of the petition filed with Maharashtra Electricity Regulatory Commission, Mumbai (MERC). In our opinion the recognition of above claim, being contingent asset in nature, is not in conformity with AS-29, Provisions, Contingent liabilities and Contingent assets. Recognition of the above claim has resulted in understatement of loss for the year by Rs. 20.03 Crore and overstatement of Reserves by Rs. 49.97 Crore. Refer Note Number 3.2(ii) forming part the financial statements.

#### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis For Qualified Opinion Paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### Emphasis of matter

Without qualifying our opinion, we draw attention to the following matter referred to in the notes forming part of the financial statements:

Note No 1.24 regarding remuneration paid to Executive Directors for the year amounting to Rs. 1.40 Crore (Cumulative Rs. 3.12 Crore) is subject to approval of Central Government.

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. Except for the effects of the matter described in the Basis For Qualified Opinion Paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

#### For M/S P. G. BHAGWAT

Firm's Registration Number 101118W  
Chartered Accountants

#### Sandeep Rao

Partner  
Membership Number 47235  
Pune: May 28, 2014

#### For J. K. SHAH & CO

Firm's Registration Number 109606W  
Chartered Accountants

#### J. K. Shah

Partner  
Membership Number 3662  
Mumbai: May 28, 2014

**Annexure to the Auditor's Report**

(As referred to in paragraph 1 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. a) 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.  
b) 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.
4. 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.
5. 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.
6. The Company has not accepted / nor there are any outstanding Fixed Deposit from the public.
7. 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.
8. 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 view to determine whether they are accurate or complete.
9. a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, 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, 2014 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.
10. The accumulated losses of the Company do not exceed 50% of its Net Worth. The Company has incurred cash loss during the year as well as in the immediately preceding financial year.
11. According to the information and explanation given to us, the Company has defaulted in repayment of dues to banks. Details of defaults are mentioned in Annexure- II .
12. 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.
13. In our opinion, the Company is not a Chit Fund or a Nidhi or Mutual benefit Fund / Society.
14. 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.
15. According to the information and explanations given to us, the Company has given guarantees on behalf of its subsidiaries for loans taken by them 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.
16. 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.
17. In our opinion and according to information and explanation given to us and on overall examination of the Balance Sheet of the Company as at March 31, 2014, we report that Short Term funds of Rs. 137.65 Crore have been used for Long Term Investment.
18. 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.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not made any Public Issue during the year to raise money.
21. To the best our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit that causes the financial statement to be materially misstated.

**For M/S P. G. BHAGWAT**

Firm's Registration Number 101118W  
Chartered Accountants

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

Firm's Registration Number 109606W  
Chartered Accountants

**Sandeep Rao**

Partner  
Membership Number 47235  
Pune: May 28, 2014

**J. K. Shah**

Partner  
Membership Number 3662  
Mumbai: May 28, 2014



**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	0.09	Tribunal
		6.53	Dy. DCST (Appeals)
		0.01	High Court, Bombay
Maharashtra Sales Tax Act, 1959	Sales Tax	0.02	Tribunal
		0.40	High Court, Bombay
		5.65	Dy. DCST (Appeals)
	Purchase Tax	0.01	Tribunal
Turnover Tax, penalty and interest	0.08	High Court, Bombay	
Central Excise Act, 1944	Excise Duty	22.74	CEGAT
		0.40	High Court, Bombay
		0.04	Commissioner (Appeals)
		12.70	Commissioner
		0.12	Joint Commissioner
		0.87	Asst. Commissioner
		0.49	Add. Commissioner
Income Tax Act, 1961	Income Tax	0.20	ITAT Mumbai

**Annexure - II**

a. Delay in repayment of installments including interest during the year :

Rs. in Crore

No. of Days	Amount
00 - 30 Days	31.80
31 - 60 Days	09.88
61 - Less than 90 Days	35.92

b. Installments including interest outstanding as at March 31, 2014 of Rs. 48.10 Crore :

Rs. in Crore

No. of Days	Amount
00 - 30 Days	25.37
31 - 60 Days	22.73

Out of the above Rs. 29.25 Crore has been paid subsequent to Balance Sheet date.

**BALANCE SHEET AS AT MARCH 31, 2014**

Rs. In Crore

Particulars	Note No.	As at March 31, 2014	As at March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1.1	73.25	73.25
Reserves and Surplus	1.2	231.24	416.57
		<u>304.49</u>	<u>489.82</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	1.3	738.64	731.87
Deferred Tax Liabilities (Net)	1.4	-	34.36
Long Term Provisions	1.5	6.33	6.02
		<u>744.97</u>	<u>772.25</u>
<b>CURRENT LIABILITIES</b>			
Short Term Borrowings	1.6	464.13	321.84
Trade Payables	1.7	590.42	639.96
Other Current Liabilities	1.8	639.04	588.40
Short Term Provisions	1.9	1.47	1.79
		<u>1,695.06</u>	<u>1,551.99</u>
		<u><u>2,744.52</u></u>	<u><u>2,814.06</u></u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets	1.10		
Tangible Assets		1,314.54	1,356.02
Intangible Assets		-	0.17
Capital Work-in-Progress		25.27	31.52
		<u>1,339.81</u>	<u>1,387.71</u>
Non-Current Investments	1.11	52.75	52.75
Long Term Loans and Advances	1.12	10.71	12.07
Other Non Current Assets	1.13	92.57	92.87
		<u>156.03</u>	<u>157.69</u>
<b>CURRENT ASSETS</b>			
Inventories	1.14	472.13	507.85
Trade Receivables	1.15	371.69	400.06
Cash and Bank Balances	1.16	128.99	74.37
Short Term Loans and Advances	1.17	130.25	157.69
Other Current Assets	1.18	145.62	128.69
		<u>1,248.68</u>	<u>1,268.66</u>
		<u><u>2,744.52</u></u>	<u><u>2,814.06</u></u>
<b>Significant Accounting Policies</b>	2		
<b>Notes to Accounts</b>	3		

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  
Pune, May 28, 2014

**J. K. Shah**  
Partner  
M. No.3662  
Mumbai, May 28, 2014

**Salil Taneja**  
Chief Executive Officer

**Rajiv Goel**  
Chief Financial Officer

**Nilesh Jain**  
Company Secretary  
Pune, May 28, 2014

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014**

Rs. In Crore

Particulars	Note No.	2013-14	2012-13
<b>INCOME</b>			
<b>REVENUE FROM OPERATIONS</b>			
<b>Sale of Products</b>	<b>1.19</b>	<b>2,563.10</b>	2,513.02
Less : Inter Segment Transfers		<b>880.27</b>	745.29
Inter Division Transfers		<b>39.97</b>	112.38
		<b>1,642.86</b>	1,655.35
Less: Excise Duty		<b>147.47</b>	143.94
Net Sales		<b>1,495.39</b>	1,511.41
Other Operating Revenue	<b>1.20</b>	<b>68.71</b>	83.42
Less: Excise Duty		<b>2.99</b>	3.04
		<b>65.72</b>	80.38
<b>REVENUE FROM OPERATIONS (NET)</b>		<b>1,561.11</b>	1,591.79
Other Income	<b>1.21</b>	<b>15.61</b>	20.66
<b>TOTAL REVENUE</b>		<b>1,576.72</b>	1,612.45
<b>EXPENSES</b>			
Cost of Materials Consumed	<b>1.22</b>	<b>761.46</b>	773.44
Purchases of Traded Goods		<b>1.78</b>	8.21
Changes in Inventories of Finished Goods and Work-in-Progress	<b>1.23</b>	<b>(16.13)</b>	(27.18)
Employee Benefits Expense	<b>1.24</b>	<b>123.75</b>	115.79
Finance Costs	<b>1.25</b>	<b>183.53</b>	152.66
Depreciation, Amortisation and Obsolescence	<b>1.26</b>	<b>102.09</b>	95.64
Other Expenses	<b>1.27</b>	<b>602.95</b>	562.83
<b>Exceptional Item</b>			
i) Foreign Exchange Loss		<b>67.52</b>	63.85
ii) Others		<b>(45.58)</b>	7.84
( Refer Note No 3.3 of Notes to Accounts )			
<b>TOTAL EXPENSES</b>		<b>1,781.37</b>	1,753.08
<b>PROFIT / ( LOSS) BEFORE TAX</b>		<b>(204.65)</b>	(140.63)
<b>TAX EXPENSES</b>			
Previous Year Tax		<b>(0.25)</b>	-
MAT Credit - Previous Year		<b>0.25</b>	(0.05)
Deferred Tax - Current Year		<b>(34.36)</b>	(40.87)
<b>PROFIT / ( LOSS) FOR THE YEAR</b>		<b>(170.29)</b>	(99.71)
Earning per Equity Share (Face Value of Rs. 5/- each) ( Refer Note No 3.18 of Notes to Accounts )		<b>(11.62)</b>	(6.81)
<b>Significant Accounting Policies</b>	<b>2</b>		
<b>Notes to Accounts</b>	<b>3</b>		

As per our report of even date

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

**Sandeep Rao**  
Partner  
M. No.47235  
Pune, May 28, 2014

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

**J. K. Shah**  
Partner  
M. No.3662  
Mumbai, May 28, 2014

**Salil Taneja**  
Chief Executive Officer

**Rajiv Goel**  
Chief Financial Officer

**Nilesh Jain**  
Company Secretary  
Pune, May 28, 2014

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014**

Rs. In Crore

Particulars	2013-14	2012-13
<b>i) CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit / ( Loss ) Before Tax	(204.65)	(140.63)
Adjustments for :		
Depreciation , Amortisation and Obsolescence	103.31	95.64
Finance Costs	183.52	152.66
Interest Income	(10.92)	(15.00)
Foreign Exchange Loss	17.07	29.53
Income on Assignment of Liability	(4.35)	(5.60)
Loss/(Profit) on Sale of Fixed Assets (Net)	0.01	-
Provision for Doubtful Debts	5.71	6.36
Provision for Wealth Tax	0.05	0.05
	<u>294.40</u>	<u>263.64</u>
<b>Operating Cash Profit before Working Capital Changes</b>	<b>89.75</b>	<b>123.01</b>
Adjustments for :		
Trade and Other Receivables	32.54	(30.71)
Inventories (Increase) / Decrease	35.72	(16.22)
Trade Payables and Other Liabilities	(50.20)	57.56
	<u>18.06</u>	<u>10.63</u>
Taxes Paid	(1.89)	(2.43)
<b>Net Cash flow from Operating Activities</b>	<b>105.92</b>	<b>131.21</b>
<b>ii) CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	(56.08)	(73.48)
Sale of Fixed Assets	0.03	-
Investment in Subsidiary Companies ( Net)	-	(2.78)
Interest Received	11.37	17.69
<b>Net Cash used in Investing Activities</b>	<b>(44.68)</b>	<b>(58.57)</b>
<b>iii) CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Dividend Payments (including Tax thereon)	(0.01)	(12.31)
Proceeds from /(Repayment of) Borrowings	150.36	64.60
Interest Paid	(174.09)	(154.40)
<b>Net Cash from Financing Activities</b>	<b>(23.74)</b>	<b>(102.11)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>37.50</b>	<b>(29.47)</b>
Cash and Cash Equivalents at the beginning of the year (Refer Note No.1.16)	7.88	37.35
Cash and Cash Equivalents at the end of the year (Refer Note No.1.16 )	45.38	7.88
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>37.50</b>	<b>(29.47)</b>

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  
Pune, May 28, 2014

**J. K. Shah**  
Partner  
M. No.3662  
Mumbai, May 28, 2014

**Salil Taneja**  
Chief Executive Officer

**Rajiv Goel**  
Chief Financial Officer

**Nilesh Jain**  
Company Secretary  
Pune, May 28, 2014

## Notes to Financial Statement for the year ended March 31, 2014

### NOTE NO. 1.1 SHARE CAPITAL

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Authorised</b>		
i) 17,50,00,000 (Previous Year 17,50,00,000) Equity Shares of Rs.5/- each	<b>87.50</b>	87.50
ii) Unclassified Shares	<u>71.00</u>	<u>71.00</u>
	<u><b>158.50</b></u>	<u>158.50</u>
<b>Issued, Subscribed and Paid up:</b>		
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>
	<u><b>73.25</b></u>	<u>73.25</u>

The Company has only one class of issued shares having par value of Rs. 5 /- each. Holder of Equity Shares is entitled to one vote per share.

The reconciliation of number of shares outstanding and the amount of share capital is set-out below.

Particulars	As at March 31, 2014		As at March 31, 2013	
	Equity Shares Number	Rs. in Crore	Equity Shares Number	Rs. in Crore
Shares outstanding at the beginning of the year	<b>14,65,01,383</b>	<b>73.25</b>	14,65,01,383	73.25
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	<b>14,65,01,383</b>	<b>73.25</b>	14,65,01,383	73.25

The details of shareholders holding more than 5% shares.

Name of Shareholders	As at March 31, 2014		As at March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Indian Seamless Enterprises Limited	<b>55,533,788</b>	<b>37.90%</b>	55,533,788	37.90%
Vishkul Leather Garments Private Limited.	<b>14,282,179</b>	<b>9.75%</b>	14,102,179	9.63%
HDFC Trustee Company Limited - HDFC- Equity Fund	-	-	7,938,894	5.42%
Jiten Kirtanlal Shah	<b>7,555,305</b>	<b>5.16%</b>	-	-

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.2 RESERVES AND SURPLUS**

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
i) Capital Reserve	6.94	6.94
ii) Capital Redemption Reserve	80.60	80.60
iii) Amalgamation Reserve		
Opening Balance	26.96	33.68
Less : Withdrawal of Depreciation	6.72	6.72
(Refer Note No 3.14 of Notes to Accounts )	<u>20.24</u>	26.96
iv) Reserve for Contingencies	1.91	1.91
v) General Reserve	397.33	397.33
vi) Hedge Reserve Account		
Opening Balance	(15.44)	(31.09)
Addition during the year	(20.73)	(15.44)
Less : Transferred to Statement of Profit and Loss	15.44	31.09
( Refer Note No. 3.11 of Notes to Accounts )	<u>(20.73)</u>	(15.44)
vii) Foreign Currency Monetary Item Translation Difference Account		
Opening Balance	(6.75)	(5.02)
Addition during the year	(4.66)	(2.70)
Less : Transferred to Statement of Profit and Loss	1.63	0.97
( Refer Note No. 3.11 of Notes to Accounts )	<u>(9.78)</u>	(6.75)
viii) Surplus		
Opening Balance	(74.98)	24.73
Add : Profit / ( Loss ) for the year	(170.29)	(99.71)
Closing Balance	<u>(245.27)</u>	(74.98)
	<u><u>231.24</u></u>	<u><u>416.57</u></u>

## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

### NOTE NO. 1.3 LONG TERM BORROWINGS

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>SECURED LOANS :</b>		
<b>i) Term Loans from Banks</b>		
a) Rupee Loans	285.17	63.32
b) Foreign Currency Loans	426.55	609.10
	<u>711.72</u>	<u>672.42</u>
<b>ii) Long Term maturities of finance lease obligations</b>	0.02	0.03
<b>UNSECURED LOANS :</b>		
<b>i) Term Loan from Bank</b>	-	15.00
<b>ii) Interest Free Incentive and Sales Tax Loan</b>	26.90	44.42
	<u>738.64</u>	<u>731.87</u>

#### Security

- i) Term Loans of Rs. 347.48 Crore (including current maturities of Rs. 38.20 Crore)(Previous Year Rs 130.30 Crore including current maturities of Rs. 27.83 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 movable fixed assets as mentioned in clause (iii) has been stipulated and assets of Captive Power Project of the Company located at Chandrapur district as mentioned in clause (v). 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 covered in favour of consortium of banks as mentioned in Note No. 1.6.
- ii) Term Loans of Rs. 270.91 Crore ( including current maturities of Rs.105.50 Crore ) (Previous Year Rs. 316.15 Crore including current maturities of Rs. 89.75 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 lenders where exclusive charge on movable fixed assets as mentioned in clause (iii) has been stipulated and assets of Captive Power Project of the Company located at Chandrapur district as mentioned in clause (v).
- iii) Term Loans of Rs. 206.13 Crore ( including current maturities of Rs. 114.71 Crore ) (Previous Year Rs. 248.95 Crore including current maturities of Rs.64.63 Crore) are stipulated to be secured by exclusive charge on the equipment finance. Out of above, term loan of Rs.80.09 Crore is further stipulated to be secured with the land appurtenant thereto
- iv) Term Loans of Rs. Nil (including current maturities of Rs. Nil ) (Previous Year Rs. 11.15 Crore including current maturities of Rs. 11.15 Crore) are stipulated to be secured by first charge on the entire fixed assets ranking pari passu with other term lenders excluding term loans lenders where exclusive charge on movable fixed assets as mentioned in clause (iii) and (v) has been stipulated
- v) Term Loans of Rs. 136.92 Crore (including current maturities of Rs. 29.79 Crore ) (Previous Year Rs. 136.71 Crore including current maturities of Rs. 17.12 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 Projects of the Company located in Chandrapur district.
- vi) Term Loan of Rs. 38.48 Crore ( including current maturities of Rs. Nil ) ( Previous Year Rs. 39.64 Crore including current maturities of Rs. Nil ) is secured by first charge ranking pari passu by hypothecation in respect of current assets of the Company present and future and are further secured by a second pari passu charge on the Company's immovable properties and all movable fixed assets both present and future as referred in Note No.(i) above.
- vii) Finance Lease Obligation is secured by Hypothecation of Assets taken under Finance Lease.
- viii) Maturity Schedule

Rs. In Crore

Particulars	1-2 year	2-3 year	3-4 year	Beyond 4 years
a) Term Loans-from Banks (Secured Loan)	180.54	155.30	155.44	220.44
b) Sales Tax Loan	2.79	4.75	5.06	14.30

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.4 DEFERRED TAX LIABILITIES (Net)**

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>i) Deferred Tax Liabilities</b>		
a) Depreciation	151.74	149.19
b) Expenditure Deferred	-	0.04
	<u>151.74</u>	<u>149.23</u>
<b>ii) Deferred Tax Assets</b>		
a) Accumulated Tax Lossess*	16.82	15.43
b) Unabsorbed Tax Depreciation	127.86	94.50
c) Deduction eligible in future period in respect of expenses already debited to the Statement of Profit and Loss	7.06	4.94
	<u>151.74</u>	<u>114.87</u>
<b>Deferred Tax Liabilities (Net)</b>	<u>-</u>	<u>34.36</u>

\* Deferred Tax Asset in respect of carried forwards losses are claimed to the extent of Deferred Tax Liability under prudence.

**NOTE NO. 1.5 LONG TERM PROVISIONS**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Provision for Employee Benefits</b>		
Leave Encashment	6.33	6.02
	<u>6.33</u>	<u>6.02</u>

**NOTE NO. 1.6 SHORT TERM BORROWINGS**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>SECURED</b>		
<b>Loans Repayable on Demand</b>		
Working Capital Borrowings From Banks		
i) Rupee Loans	414.13	191.82
ii) Foreign Currency Loans	-	80.02
<b>UNSECURED</b>		
Working Capital Borrowings From Bank		
Rupee Loan	50.00	50.00
	<u>464.13</u>	<u>321.84</u>

**Security**

Working Capital Borrowings from Consortium Banks is secured by first charge ranking pari passu by hypothecation in respect of current assets of the Company present and future and are further secured by a second pari passu charge on the Company's immovable properties and all movable fixed assets both present and future as referred in Note No. 1.3 (i).



## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

### NOTE NO. 1.7 TRADE PAYABLES

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Acceptances</b>	<b>391.29</b>	449.31
<b>Other Trade Payables</b>		
i) Micro, Small and Medium Enterprises ( Refer Note No. 3.9 of Notes to Accounts )	<b>0.21</b>	0.28
ii) Others	<b>198.92</b>	190.37
	<b><u>590.42</u></b>	<u>639.96</u>

### NOTE NO. 1.8 OTHER CURRENT LIABILITES

Particulars	As at March 31, 2014	As at March 31, 2013
<b>CURRENT MATURITIES OF LONG TERM DEBT</b>		
<b>Secured</b>		
i) Rupee Loans	<b>50.16</b>	31.72
ii) Foreign Currency Loans	<b>238.04</b>	178.76
	<b>@ 288.20</b>	210.48
<b>Current Maturities of Finance Lease Obligations</b> ( Refer Note No. 1.3 (vii) )	<b>0.02</b>	0.02
<b>Unsecured</b>		
i) Interest Free Sales Tax Loan	<b>0.53</b>	0.34
ii) Term Loan From Bank	<b>20.00</b>	20.00
	<b>20.53</b>	20.34
Interest accrued but not due on borrowings	<b>1.49</b>	2.34
Interest accrued and due on borrowings	<b>* 11.51</b>	1.22
Unclaimed dividends #	<b>3.25</b>	3.26
<b>Other Payables</b>		
i) Acceptances- Capital	<b>0.92</b>	3.55
ii) Other Payables – Capital	<b>8.74</b>	39.15
iii) Advances From Customers	<b>34.13</b>	18.33
iv) Provision for Expenses	<b>18.03</b>	17.40
v) Other Liabilities ##	<b>252.22</b>	272.31
	<b><u>639.04</u></b>	<u>588.40</u>

@ \* Includes overdue Interest and Instalments of Rs. 48.10 Crore, Since paid Rs. 29.25 Crore ( Previous Year Rs. NIL ).

No. of Days	Principal @	Interest *
<b>00 - 30 Days</b>	<b>17.17</b>	<b>8.20</b>
<b>31 - 60 Days</b>	<b>19.42</b>	<b>3.31</b>
<b>Total</b>	<b>36.59</b>	<b>11.51</b>

# The amounts of unclaimed dividends will be transferred to Investor Education and Protection Fund when due.

## Other Liabilities includes Buyer's Credit - Others Rs. 212.09 Crore and Buyers Credit-Capital Rs. 22.97 Crore (Previous Year Buyers Credit-Others Rs 253.50 Crore and Buyers Credit- Capital Rs. 4.15 Crore).

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)**
**NOTE NO. 1.9 SHORT TERM PROVISIONS**
**Rs. In Crore**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Provision for Employee Benefits</b>		
i) Gratuity	0.13	0.63
ii) Leave Encashment	0.24	0.15
iii) Superannuation	1.10	1.01
	<u>1.47</u>	<u>1.79</u>

**NOTE NO. 1.10 FIXED ASSETS**

Particulars	Original Cost				Depreciation and Amortisation				Net Book Value	
	As at April 1, 2013	Additions	Disposals	As at March 31, 2014	As at April 1, 2013	Charge for the year	On Disposals	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
<b><u>Tangible Assets</u></b>										
Land-Freehold	9.15	0.04	-	9.19	-	-	-	-	9.19	9.15
Land-Leasehold	7.03	-	-	7.03	0.73	0.08	-	0.81	6.22	6.30
Buildings	130.09	0.19	-	130.28	28.56	4.24	-	32.80	97.48	101.53
Plant and Machinery	1,798.58	68.00	4.78	1,861.80	566.74	101.48	2.37	665.85	1,195.95	1,231.84
Furniture and Fixtures	4.97	0.03	-	5.00	2.69	0.42	-	3.11	1.89	2.28
Office Equipment	12.24	0.06	0.05	12.25	9.76	0.52	0.04	10.24	2.01	2.48
Vehicles	1.93	-	0.29	1.64	1.67	0.06	0.26	1.47	0.17	0.26
<b><u>Assets Under Lease</u></b>										
Plant and Machinery	6.96	-	-	6.96	4.78	0.55	-	5.33	1.63	2.18
<b>Total A</b>	1,970.95	68.32	5.12	2,034.15	614.93	107.35	2.67	719.61	1,314.54	1,356.02
<b><u>Intangible Assets</u></b>										
Technical Know-How	4.13	-	-	4.13	4.13	-	-	4.13	-	-
Computer Software	3.79	-	-	3.79	3.62	0.17	-	3.79	-	0.17
<b>Total B</b>	7.92	-	-	7.92	7.75	0.17	-	7.92	-	0.17
<b>Total A+B</b>	1,978.87	68.32	5.12	2,042.07	622.68	107.52	2.67	727.53	1,314.54	1,356.19
Previous Year	1,655.16	324.64	0.93	1,978.87	521.54	101.49	0.35	622.68	1,356.19	1,133.62

- i) Additions to Plant and Machinery include Exchange Difference of Rs. 50.36 Crore (Previous Year Rs. 33.20 Crore) and Interest of Rs. 0.41 Crore ( Previous Year Rs. 36.25 Crore).
- ii) Depreciation for the year Rs. 1.21 Crore ( Previous Year Rs. Nil ) is adjusted against exceptional item.

## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

### NOTE NO. 1.11 NON CURRENT INVESTMENTS

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Long Term Investments – At Cost</b>		
Trade (unquoted)		
<b>Investment in Equity Instruments of Subsidiaries</b>		
i) ISMT Enterprises S.A., Luxembourg 8,06,757 (Previous Year 8,06,757 ) Equity Shares of Euro 10 each fully paid	48.43	48.43
ii) Tridem Port and Power Company Private Limited 25,41,000 (Previous Year 25,41,000 ) Equity Shares of Rs 10 each fully paid	2.54	2.54
iii) Indian Seamless Inc. U.S.A. 3,17,900 (Previous Year 3,17,900 ) Equity Shares of USD 1 each fully paid	1.78	1.78
	<u>52.75</u>	<u>52.75</u>
Aggregate amount of unquoted investments	<u>52.75</u>	<u>52.75</u>

### NOTE NO. 1.12 LONG TERM LOANS AND ADVANCE (UNSECURED, CONSIDERED GOOD)

Particulars	As at March 31, 2014	As at March 31, 2013
i) Capital Advances	4.64	5.05
ii) Security Deposits	4.11	5.06
iii) Employee Welfare Fund	1.96	1.96
	<u>10.71</u>	<u>12.07</u>

Employee Welfare Fund represents interest free advance given by the Company in earlier years for the benefit of designated employees pursuant to the proviso (b) to Section 77 (2) of the Companies Act, 1956.

### NOTE NO. 1.13 OTHER NON-CURRENT ASSETS

Particulars	As at March 31, 2014	As at March 31, 2013
i) MAT Credit Receivable	91.44	91.69
ii) Refunds Due From Government Authorities	1.13	1.13
iii) Trade Receivables Outstanding for a period exceeding six months Considered Doubtful	13.63	7.92
Less: Provision for Doubtful Debts	<u>13.63</u>	<u>7.92</u>
	-	-
iv) Expenses to the extent not written off or adjusted		
a) Preliminary Expenses	-	0.02
b) Loan Processing Fee	-	0.03
	<u>92.57</u>	<u>92.87</u>

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.14 INVENTORIES (As taken, valued and certified by the management)****(Valued at cost or net realisable value whichever is lower)****Rs. In Crore**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
i) Raw Materials	71.13	103.28
ii) Work-in-Progress	172.64	178.41
iii) Finished Goods	103.92	91.33
iv) Stores, Spares and Consumables	124.44	134.83
	<u>472.13</u>	<u>507.85</u>

**NOTE NO. 1.15 TRADE RECEIVABLES****(Net of bills discounted with Banks )**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>Unsecured</b>		
i) Outstanding for a period exceeding six months Considered Good	68.22	72.58
ii) Others Considered Good	303.47	327.48
	<u>371.69</u>	<u>400.06</u>

**NOTE NO. 1.16 CASH AND BANK BALANCES**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>Cash and Cash Equivalents</b>		
i) Balances with Banks	45.30	7.82
ii) Cash on Hand	0.08	0.06
	<u>45.38</u>	<u>7.88</u>
<b>Other Bank Balances</b>		
Deposits with Banks	83.61	66.49
	<u>128.99</u>	<u>74.37</u>
<b>Balances with Banks include:</b>		
i) Unclaimed Dividend	3.25	3.26
ii) Unclaimed Interest on Debentures	0.24	0.24
<b>Deposits with Banks include:</b>		
i) Margin Money Deposits against Guarantees / Letter of Credit / with less than 12 months maturity	35.40	24.29
ii) Margin Money Deposits against Guarantees / Letter of Credit / with more than 12 months maturity	1.59	1.71

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.17 SHORT TERM LOANS AND ADVANCES  
(UNSECURED, CONSIDERED GOOD)****Rs. In Crore**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>Loans and Advances to Related Parties</b>		
i) Subsidiary Company	<b>101.14</b>	96.49
ii) Associate Company ( Refer Note No. 3.12 of Notes to Accounts )	<b>6.55</b>	10.50
<b>Others</b>		
i) Security Deposits	<b>6.78</b>	6.70
ii) Advances recoverable in Cash or in Kind	<b>15.78</b>	44.00
	<b><u>130.25</u></b>	<u>157.69</u>

**NOTE NO. 1.18 OTHER CURRENT ASSETS**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>Balances with Government Authorities</b>		
i) Balance with Custom, Excise and Sales Tax	<b>21.75</b>	17.66
ii) Export Incentives and Other Statutory Refunds	<b>103.69</b>	87.47
iii) Taxes paid (net of provisions)	<b>7.45</b>	5.36
<b>Others</b>	<b>12.68</b>	18.12
<b>Expenses to the extent not written off or adjusted</b>		
i) Preliminary Expenses	<b>0.02</b>	0.02
ii) Loan Processing Fee	<b>0.03</b>	0.06
	<b><u>145.62</u></b>	<u>128.69</u>

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.19 REVENUE FROM OPERATIONS (GROSS)**

Rs. In Crore

Particulars	2013-14	2012-13
i) Tube #	1,204.94	1,297.88
ii) Steel	1,358.16	1,215.14
Gross Sales	<u>2,563.10</u>	<u>2,513.02</u>

# includes traded goods sold of Rs. 1.97 Crore ( Previous Year Rs. 8.16 Crore ) .

**NOTE NO. 1.20 OTHER OPERATING REVENUE (GROSS)**

Particulars	2013-14	2012-13
<b>Other Operating Revenues</b>		
i) Sale of Scrap ( Gross)	93.52	70.89
Less : Inter Segment Transfers	<u>59.31</u>	<u>40.58</u>
	34.21	30.31
ii) Sale of Power	156.50	153.91
Less : Inter Segment Transfers	<u>146.84</u>	<u>127.65</u>
	9.66	26.26
iii) Export Incentives	10.45	16.15
iv) Electricity Refund	0.12	-
v) Commission received	0.25	-
vi) Mega Project Incentives	<u>14.02</u>	<u>10.70</u>
	<u>68.71</u>	<u>83.42</u>

**NOTE NO. 1.21 OTHER INCOME**

Particulars	2013-14	2012-13
i) Interest Income #	10.92	15.00
ii) Miscellaneous Income	4.69	5.66
(Refer Note No. 3.17 of Notes to Accounts )	<u>15.61</u>	<u>20.66</u>

# includes interest from Banks Rs. 8.09 Crore ( Previous Year Rs.10.03 Crore ) .

## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

### NOTE NO. 1.22 COST OF RAW MATERIAL CONSUMED

Rs. In Crore

Particulars	2013-14	2012-13
Opening Stock	103.28	120.99
Add : Purchases made during the year	729.31	755.73
	<u>832.59</u>	<u>876.72</u>
Less : Closing Stock	71.13	103.28
Total Raw Material Consumed*	<u>761.46</u>	<u>773.44</u>

### DETAILS OF RAW MATERIAL CONSUMED

Particulars	2013-14	2012-13
<b>Tube Segment</b>		
Steel	797.27	754.87
Less : Inter Segment Transfers included in above	780.42	664.14
Net Consumption*	<u>16.85</u>	<u>90.73</u>
<b>Steel Segment</b>		
i) Pig Iron, DRI and Scrap	714.46	641.18
ii) Ferro Alloys	82.94	77.65
	<u>797.40</u>	<u>718.83</u>
Less : Inter Segment Transfer	52.79	36.12
Net Consumption	<u>744.61</u>	<u>682.71</u>
<b>Total Raw Material Consumed</b>	<u>761.46</u>	<u>773.44</u>

\*Net of adjustment against exceptional item of Rs. 13.57 Crore. (Refer Note No. 3.3 of Notes to Accounts )

### NOTE NO. 1.23 CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

Particulars	2013-14	2012-13
<b>Closing Stock</b>		
i) Finished Goods	103.92	91.33
ii) Work-in-Progress	172.64	178.41
	<u>276.56</u>	<u>269.74</u>
<b>Opening Stock</b>		
i) Finished Goods	91.33	94.57
ii) Work-in-Progress	178.41	147.99
	<u>269.74</u>	<u>242.56</u>
<b>(Increase)/Decrease in Inventories</b>		
i) Finished Goods	(12.59)	3.24
ii) Work-in-Progress	5.77	(30.42)
	<u>(6.82)</u>	<u>(27.18)</u>
Adjusted against exceptional item (Refer Note No. 3.3 of Notes to Accounts )	<u>(9.31)</u>	-
	<u>(16.13)</u>	<u>(27.18)</u>

### PRODUCTWISE DETAILS OF CLOSING WORK-IN-PROGRESS

Particulars	2013-14	2012-13
i) Tube	133.43	140.81
ii) Steel	39.21	37.60
	<u>172.64</u>	<u>178.41</u>

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.24 EMPLOYEE BENEFITS EXPENSE**

Rs. In Crore

Particulars	2013-14	2012-13
i) Salaries, Wages, Bonus and Allowances # *	105.89	97.66
ii) Contributions to Provident Fund & Other Funds	10.17	10.53
iii) Staff Welfare Expenses	7.69	7.60
*Net of adjustment against exceptional item of Rs. 0.26 Crore. (Refer Note No. 3.3 of Notes to Accounts)	<u>123.75</u>	<u>115.79</u>

# Salaries, Wages, Bonus and Allowances include remuneration paid to Non Executive Director amounting to Rs. Nil ( Previous Year Rs. 0.12 Crore ) and to Executive Directors amounting to Rs. 1.40 Crore and cumulative Rs. 3.12 Crore, which is in excess of limit specified under Schedule XIII to the Companies Act, 1956, is subject to approval of Central Government.

**NOTE NO. 1.25 FINANCE COSTS**

Particulars	2013-14	2012-13
I) Interest Expenses		
a) Term Loans	72.23	63.99
b) Working Capital and Others	<u>89.76</u>	<u>72.08</u>
	161.99	136.07
ii) Cash Discount	1.14	0.40
iii) Other Finance Costs	20.40	16.19
	<u>183.53</u>	<u>152.66</u>

**NOTE NO. 1.26 DEPRECIATION, AMORTISATION AND OBSOLESCENCE**

Particulars	2013-14	2012-13
i) Depreciation for the year	106.31	101.49
Less: Withdrawal from Amalgamation Reserve	6.72	6.72
( Refer Note No. 3.14 of Notes to Accounts )	<u>99.59</u>	<u>94.77</u>
ii) Amortisation of Miscellaneous Expenditure	0.08	0.30
iii) Loss on Obsolescence of Assets	2.42	0.57
	<u>102.09</u>	<u>95.64</u>



**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.27 OTHER EXPENSES****Rs. In Crore**

<b>Particulars</b>	<b>2013-14</b>	<b>2012-13</b>
i) Materials		
a) Stores and Spares	<b>62.61</b>	53.59
b) Consumables	<b>88.68</b>	72.85
	<b>151.29</b>	126.44
ii) Energy		
a) Power Charges	<b>82.01</b>	38.68
b) Fuel	<b>97.86</b>	97.84
c) Gases	<b>15.54</b>	33.87
d) Coal- Indigenous	<b>123.79</b>	125.22
	<b>319.20</b>	295.61
iii) Direct Manufacturing		
a) Processing Charges	<b>13.87</b>	19.01
b) Other Direct Expenses	<b>38.80</b>	38.68
c) Repairs & Maintenance to Plant and Machinery	<b>6.74</b>	6.18
d) Repairs to Factory Building	<b>0.58</b>	0.34
e) Machine Rentals	<b>0.29</b>	0.29
	<b>60.28</b>	64.50
iv) Selling & Distribution		
a) Freight Charges	<b>38.69</b>	39.90
b) Commission on Sales	<b>4.91</b>	6.05
c) Selling and Other Expenses	<b>1.99</b>	2.21
	<b>45.59</b>	48.16
v) Excise Duty on Stock of Finished Goods	<b>(0.02)</b>	0.85
vi) Administrative Expenses		
a) Rent	<b>1.34</b>	1.25
b) Rates and Taxes	<b>0.67</b>	0.56
c) Travelling	<b>7.13</b>	6.86
d) Communication	<b>1.55</b>	1.71
e) Repairs & Maintenance -Others	<b>0.74</b>	1.02
f) Insurance	<b>1.31</b>	1.08
g) Equipment Lease Rentals	<b>0.76</b>	0.69
h) Loss on Sale of Assets	<b>0.01</b>	0.01
i) Miscellaneous Expenses	<b>13.10</b>	14.09
( Refer Note No. 3.19 of Notes to Accounts )	<b>26.61</b>	27.27
	<b>602.95</b>	562.83
(Refer Note No. 3.3 of Notes to Accounts regarding adjustment against exceptional item.)		

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 2 : SIGNIFICANT ACCOUNTING POLICIES****2.1 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.

**2.2 Revenue Recognition****i) Sales**

- a) 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.
- b) Inter Division Transfer represents transfer of finished / semi-finished products within the Segment for further processing and sale.

**ii) 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.

**2.3 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.

**2.4 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.

**2.5 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.

**2.6 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 Statement of Profit and Loss.

**ii) Operating Lease**

Lease rentals in respect of operating lease are charged to the Statement of Profit and Loss as per the terms of the lease agreement.

**2.7 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, Spares and Coal 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.

**2.8 Employee Benefits****i) Defined Contribution Plan**

The Company makes defined contribution to Provident Fund and Superannuation Schemes, which are recognized in the Statement of Profit and Loss 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 Profit and Loss 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

## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

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.

### 2.9 Research & Development

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

### 2.10 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.

### 2.11 Foreign Currency Transactions

- i) All transactions in foreign currency are recorded by applying the exchange rate prevailing at the time of the transaction.
- ii) The Company designates borrowing in foreign currency other than those utilized for capital expenditure and identified Long Term Loans as hedge instrument to hedge its foreign currency risk of its firm commitment and highly probable or forecasted revenue transaction to be accounted as cash flow hedge. The unrealized exchange gains or losses on transactions related to foreign currency borrowing which qualify as effective hedge are recognized in the Hedging Reserve Account.
- iii) 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) (Second Amendments) Rules, 2011 on December 29, 2011, which amended Accounting Standard 11 on The Effects of Changes in Foreign Exchange Rates, the 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) Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to identified Long Term Loans, are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized to the Statement of Profit and Loss over balance life of the long term monetary item, however the period of amortization does not extend beyond March 31, 2020.
- iv) All other exchange differences are dealt with in the Statement of Profit and Loss.
- v) In respect of forward exchange contracts, the difference between the forward rate and the spot rate is recognized income or expense over the contract period. Gains or losses on cancellation or renewal of forward exchange contracts are recognized as income or expenses.

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

### 2.12 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.

### 2.13 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.

### 2.14 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.

### 2.15 Government Incentives

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

### 2.16 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.

### 2.17 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.

## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

### NOTE NO. 3 NOTES TO ACCOUNTS

#### 3.1 CONTINGENT LIABILITIES AND COMMITMENTS (To the extent not provided for) Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>i) Contingent Liabilities</b>		
a) Claims against the Company not acknowledged as debt		
Sales Tax	12.16	12.17
Income Tax disputed by the Company	2.88	0.20
Excise and Customs Duty	32.08	40.98
Others	10.54	9.42
b) Corporate Guarantees	33.06	27.20
c) Bills discounted on behalf of third party	64.62	74.70
<b>ii) Commitments</b>		
Capital Commitments		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)	6.44	7.72

- 3.2** i) 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 except specific claims stated separately b) Interest on receivables c) Electricity Refund ( Additional Supply Charges ).
- ii) Upon petition filed by the Company regarding non implementation of Energy Banking Agreement (EBA) dated May 7, 2010, Maharashtra Electricity Regulatory Commission (MERC) had passed an interim order dated May 13, 2013 inter alia restoring the banking. This order was challenged by Maharashtra State Electricity Distribution Company Limited (MSEDCL) on grounds of jurisdiction before the Appellate Tribunal for Electricity after being turned down by High Court at Bombay, which the Tribunal had remanded back to MERC after setting aside the above order. MERC has now passed an order dated December 3, 2013, confirming that they have jurisdiction to stipulate banking, Based on Legal advice, the Company, pending final disposal of the petition, has continued to accrue Banking Credit as per EBA Rs. 20.03 Crore ( Previous Year Rs. 29.94 Crore ), cumulative Rs. 49.97 Crore, representing excess energy charges paid to MSEDCL on account of non availability of banking facility.

#### 3.3 Exceptional Item (Others) includes Rs. In Crore

Particulars	2013-14	2012-13
i) Excess Power Cost	14.60	-
ii) Legal and other related expenses incurred on International Arbitration	3.27	-
iii) Insurance Claim written off	2.45	-
iv) Payment received from equipment supplier (net) *	(65.90)	7.84
	<u>(45.58)</u>	<u>7.84</u>

\* During the year the Company has received payment of Rs. 134.05 Crore in relation to an Arbitration case initiated by the Company against one of its equipment suppliers. The Company has adjusted Rs. 34.01 Crore, being relevant excess costs incurred during the year and Rs. 34.14 Crore (Previous Year Rs. 7.84 Crore) on account of legal and other expenses incurred against the settlement amount. The net balance amount of Rs. 65.90 Crore is disclosed as a credit item under "Exceptional Items".

The excess costs incurred during the year of Rs. 34.01 Crore have been credited to respective expenses as follows: Rs. In Crore

Particulars	2013-14
i) Change in the Inventory of Finished Goods and Work in Progress	9.31
ii) Material Consumption	13.57
iii) Other Direct Expenses	7.22
iv) Energy	1.60
v) Depreciation	1.21
vi) Stores	0.62
vii) Employee Benefits Expense	0.26
viii) Processing Charges	0.22
	<u>34.01</u>

## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

**3.4** As per Accounting Standard 17, the Company has two segment viz “Seamless Tube and Steel”.

- 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.
- 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 “Unallocable Assets / Liabilities”.

### SEGMENT INFORMATION

Rs. In Crore

Particulars	As on March 31, 2014				As on March 31, 2013			
	Tube Segment	Steel Segment	Unallocable	Total	Tube Segment	Steel Segment	Unallocable	Total
<b>i) Segment Revenue</b>								
Total External Sales ( Gross )	1,164.97	477.89		1,642.86	1,185.51	469.84		1,655.35
Add : Inter Segment Transfers ( Gross )	-	880.27		880.27	-	745.29		745.29
: Inter Division Transfers ( Gross )	39.97	-		39.97	112.38	-		112.38
	<u>1,204.94</u>	<u>1,358.16</u>		<u>2,563.10</u>	<u>1,297.89</u>	<u>1,215.13</u>		<u>2,513.02</u>
Less : Excise Duty	97.52	153.63		251.15	99.75	137.18		236.93
	<u>1,107.42</u>	<u>1,204.53</u>		<u>2,311.95</u>	<u>1,198.14</u>	<u>1,077.95</u>		<u>2,276.09</u>
Less : Inter Segment Transfers (Net)	-	780.99		780.99	-	664.67		664.67
Inter Division Transfers (Net)	35.57	-		35.57	100.01	-		100.01
<b>Net Sales</b>	<u>1,071.85</u>	<u>423.54</u>		<u>1,495.39</u>	<u>1,098.13</u>	<u>413.28</u>		<u>1,511.41</u>
<b>ii) Segment Results</b>			#				#	
<b>Profit Before Finance Costs , Foreign Exchange Loss and Taxes</b>	(10.75)	(18.47)	32.54	3.32	16.21	17.78	50.60	84.59
Less : Finance Costs				183.53				152.66
: Amortisation and Obsolescence				2.50				0.87
: Foreign Exchange Loss				67.52				63.85
: Excess Power Consumption				14.60				-
: Others				(60.18)				7.84
<b>Profit / ( Loss ) Before Tax</b>				(204.65)				(140.63)
Less : Tax Expenses				(34.36)				(40.92)
<b>Profit / ( Loss ) After Tax</b>				(170.29)				(99.71)
<b>iii) Other Information</b>								
Total Segment Assets	1,591.71	420.81	-	2,012.52	1,645.42	498.40	-	2,143.82
Total Segment Liabilities	200.86	368.21	-	569.07	242.09	390.99	-	633.08
Total cost incurred for acquiring Segment Assets	34.16	5.64	17.16	56.96	43.97	5.32	12.97	62.26
Segment Depreciation	60.31	25.84	14.66	100.81	57.73	25.42	11.62	94.77
<b>Total Unallocable Assets</b>								
Investments				52.75				52.75
Other Assets				679.25				617.48
				<u>732.00</u>				<u>670.23</u>
<b>Total Unallocable Liabilities</b>								
Long Term Borrowings				738.64				731.87
Short Term Borrowings				464.13				321.84
Other Liabilities				668.19				603.08
Deferred Tax Liabilities ( Net )				-				34.36
				<u>1,870.96</u>				<u>1,691.15</u>

# Refer Note No. 3.2 (ii)

**3.5** Expenditure incurred during Trial Runs and Construction Period, which have been Capitalized during the year. Rs. In Crore

Particulars	2013-14	2012-13
<b>i) Expenditure incurred during trial runs net of sales realization.</b>		
a) Coal Consumed	-	18.50
b) Power Charges	-	1.33
c) Other Expenses	-	1.81
	<u>-</u>	<u>21.64</u>
<b>ii) Expenditure incurred during Construction period :</b>		
a) Employee Benefits Expense	0.82	1.66
b) Finance Costs	2.47	7.71
	<u>3.29</u>	<u>9.37</u>

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)**
**3.6**
**Rs. In Crore**

Particulars	2013-14		2012-13	
<b>i) CIF Value of Imports</b>				
a) Capital Goods	0.24		-	
b) Stores Spares & Consumables	60.17		50.27	
c) Raw Materials	410.27		455.48	
Particulars	Rs. In Crore	%	Rs. In Crore	%
<b>ii) Particulars in respect of Consumption of Raw Materials</b>				
a) Indigenous	266.17	34.95	335.54	43.38
b) Imported	495.29	65.05	437.90	56.62
	<u>761.46</u>	<u>100.00</u>	<u>773.44</u>	<u>100.00</u>
(Refer Note No. 3.3 of Notes to Accounts regarding adjustment of Rs. 13.57 Crore against exceptional item . )				
Particulars	Rs. In Crore	%	Rs. In Crore	%
<b>iii) Particulars in respect of Consumption of Stores and Spares, Consumables</b>				
a) Indigenous	80.43	53.36	71.89	56.86
b) Imported	70.86	46.64	54.55	43.14
	<u>151.29</u>	<u>100.00</u>	<u>126.44</u>	<u>100.00</u>
(Refer Note No. 3.3 of Notes to Accounts regarding adjustment of Rs. 0.62 Crore against exceptional item . )				
Particulars	2013-14		2012-13	
<b>iv) Earning in Foreign Currency</b>				
a) FOB Value of Exports	276.58		392.09	
b) Freight on Exports	14.24		19.98	
c) Receipt against Arbitration case	134.05		-	
Particulars	2013-14		2012-13	
<b>v) Expenditure in Foreign Currency</b>				
a) Interest	42.47		60.73	
b) Commission on Export Sales	3.91		5.16	
c) Travelling	0.62		0.65	
d) Professional Consultation Fees	33.20		4.78	
e) Quality Claims	8.79		3.48	
f) Others	1.85		1.41	

**3.7** Pending reconciliation / confirmations from Trade Receivables / Trade Payables, adjustments for differences, if any , would be made at the time of reconciliation or on receipt of confirmation. The management is of the opinion that the impact of such adjustments, if any, is not likely to be significant.

## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

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

Particulars	2013-14		2012-13	
	Foreign Currency in Million	Rs. in Crore	Foreign Currency in Million	Rs. in Crore
<b>i) Secured Loans</b>				
a) US Dollars	98.03	589.53	143.42	780.07
b) Euros	9.80	80.94	12.71	88.39
<b>ii) Receivables</b>				
a) US Dollars	12.02	76.69	15.44	86.84
b) Euros	10.73	88.65	11.42	79.44
c) Australian Dollar	0.03	0.15	0.17	0.95
d) GBP	0.01	0.12	-	-
<b>iii) Payables</b>				
a) US Dollar	46.32	278.41	79.12	430.35
b) Euros	0.32	2.61	0.42	2.90
c) SEK	-	-	25.06	21.07
<b>iv) Interest Payable</b>				
a) US Dollar	0.25	1.48	0.43	2.33
b) Euros	-	0.00	-	0.01

**3.9** Dues to Micro, Small and Medium 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 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.

**Rs. In Crore**

Particulars	2013-14	2012-13
i) Principle amount remaining unpaid as on March 31,	0.21	0.28
ii) Interest due thereon as on March 31,	0.15	0.11
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.	-	-
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.	-	-
v) Interest accrued and remaining unpaid as at March 31,	0.15	0.11
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.	0.15	0.11

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)**

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

**Rs. In Crore**

Particulars	2013-14	2012-13
Not later than one year	3.10	3.23
Later than one year and not later than five years	5.61	8.71
Later than five years	-	-

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	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Plant & Machinery				
MLP	0.02	0.03	-	0.05
(Previous Year)	0.02	0.05	-	0.07
PV	0.01	0.01	-	0.02
(Previous Year)	0.01	0.02	-	0.03

**3.11**

- i) The Company had adopted Accounting Standard-11 “The effects of changes in Foreign Exchange Rates”, read with notifications issued by the Ministry of Corporate Affairs dated March 31, 2009, May 11, 2011 and December 29, 2011 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 ( other than those covered under “ Cash Flow Hedge “) to “Foreign Currency Monetary Item Translation Difference Account”. Accordingly the Company has accounted exchange differences as under :
- a) Exchange difference related to acquisition of Capital Assets has been adjusted to respective Fixed Asset cost Rs 53.04 Crore Loss (Previous Year Rs.26.55 Crore Loss ).
  - b) Exchange difference loss amortised during the year Rs. 1.63 Crore (Previous Year Rs. 0.97 Crore ) from “Foreign Currency Monetary Item Translation Difference Account” and charged to the Statement of Profit and Loss and balance in the “Foreign Currency Monetary Item Translation Difference Account” as on March 31, 2014 is Rs. 9.78 Crore (Previous Year Rs. 6.75 Crore).
- ii) The Company has recognised exchange difference arising on translation of foreign currency borrowing by following an appropriate hedge accounting policy and applying principles set out in Accounting Standard ( AS ) 30- “Financial Instrument Recognition and Measurement”. The objective of adopting hedge accounting is to ensure that the gain or losses of the hedging instrument is recognised in the Statement of Profit and Loss in same period when the gain or loss of hedged items is recognised in the Statement of Profit and Loss. The Company w.e.f. April 1, 2011 has designated borrowing in foreign currency, other than those utilised for capital expenditures and identified Long Term Loans, as hedge instrument to hedge its foreign currency risk of its firm commitments and highly probable forecast transactions ( of revenue streams ) to be accounted as cash flow hedge. During the year ,the net unrealised exchange difference in foreign currency borrowing, foreign currency receivables and payables aggregating to Rs. 20.73 Crore(Previous Year Rs. 15.44 Crore) has been recognised in Hedge Reserve Account.
- iii) Had the Company not exercised the option under AS-11 as stated in para 3.11 (i) and not followed the accounting policy as stated in para 3.11 (ii) the Loss (net of tax) for the year would have been higher by Rs.35.25 Crore (Previous Year Rs.4.95 Crore), Gross Fixed Assets would have been lower by Rs.153.41 Crore (Previous Year Rs. 100.37 Crore) and consequently the Reserves and Surplus would have been lower by Rs.109.70 Crore (Previous Year Rs. 74.51 Crore).



## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

### 3.12 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. Rajiv Goel - Chief Financial Officer
  - iii) Mr. B. R. Taneja - Non-Executive Director
  - vi) Mr. O. P. Kakkar - Non-Executive Director
- b) Subsidiary Companies
- i) ISMT Enterprises SA, Luxembourg
  - ii) Structo Hydraulics AB, Sweden
  - iii) ISMT Europe AB, Sweden
  - iv) Structo (UK) Limited, United Kingdom
  - v) Tridem Port and Power Company Private Limited.
  - vi) Nagapattinam Energy Private Limited.
  - vii) Best Exim Private Limited. (w.e.f March 26, 2014)
  - viii) Success Power and Infracore Private Limited.(w.e.f March 26, 2014)
  - ix) Marshal Microware Infrastructure Development Company Private Limited.  
(w.e.f March 26, 2014)
  - x) PT ISMT Resources, Indonesia
  - xi) Indian Seamless Inc, USA.
- c) Associate Companies
- i) Indian Seamless Enterprises Limited
  - ii) Taneja Aerospace and Aviation Limited
  - iii) Structo Hydraulics India Private Limited
  - iv) Lighto Technologies Private Limited .
- d) Details of Transaction
- i) Key Management Personnel  
Remuneration paid for the year Rs. 2.09 Crore  
(Previous Year Rs.2.16 Crore)
  - ii) Subsidiary and Associate Companies

Rs. In Crore

Details of Transactions	Subsidiary Companies		Associate Companies	
	2013-14	2012-13	2013-14	2012-13
Sale of Finished Goods	135.13	126.29	9.45	22.77
Purchases	0.32	0.91	0.43	0.49
Commission on Sales	2.17	2.38	-	-
Lease Rent Paid	-	-	2.70	2.70
Quality claims / Reimbursement of Expenses	11.87	4.07	(0.24)	(0.25)
Rent Paid	0.01	0.01	-	-
Inter Corporate Deposits (Net)	-	-	(3.95)	2.80
Interest Received	-	-	1.14	2.25
Investments	-	4.28	-	-
Dividend Paid	-	-	-	4.17
Loans and Advances Given	4.64	22.28	-	-
Advance Received against sales	25.27	14.96	-	-
<b>Outstanding as at Balance Sheet date</b>				
Receivables	115.63	111.21	8.73	17.84
Payables	3.04	26.97	-	-
Loans and Advances Given	101.14	96.49	1.28	1.71
Advance Received	25.09	12.80	-	-
Inter-Corporate Deposits Given	-	-	6.55	10.50

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)**

- a. Sale of finished goods to Subsidiary Companies include sales to Indian Seamless Inc, USA Rs. 59.31 Crore ( Previous Year Rs. 60.06 Crore), Structo Hydraulics AB Rs. 33.57 Crore ( Previous Year Rs. 30.45 Crore) ,ISMT Europe AB Rs. 42.24 Crore (Previous Year Rs. 35.78 Crore) . Sales of finished goods to Associate Companies include sales to Indian Seamless Enterprises Limited Rs. 9.45 Crore ( Previous Year Rs. 17.40 Crore) and sales to Indian Seamless Inc, USA Rs.Nil ( Previous Year Rs. 5.37 Crore ) .
- b. Purchases from Subsidiary Companies include scrap purchases from Structo Hydraulics AB Rs. 0.32 Crore ( Previous Year Rs. 0.91 Crore) ) . Purchases from Associate Companies include spares from Taneja Aerospace and Aviation Limited Rs. 0.42 Crore ( Previous Year Rs.0.49 Crore)
- c. Commission on sales paid to Subsidiary Companies ISMT Europe AB, Rs. 0.96 Crore ( Previous Year Rs. 1.78 Crore) and Indian Seamless Inc, USA Rs. 1.21 Crore ( Previous Year Rs. 0.60 Crore).
- d. Lease rent paid to Associate Companies Taneja Aerospace and Aviation Limited Rs. 2.40 Crore ( Previous Year Rs. 2.40 Crore) and Indian Seamless Enterprises Limited Rs. 0.30 Crore ( Previous Year Rs. 0.30 Crore).
- e. Quality claims paid to Subsidiary Companies Structo Hydraulics AB Rs. 6.72 Crore ( Previous Year Rs. 0.42 Crore), ISMT Europe AB Rs. 0.95 Crore (Previous Year Rs.0.10 Crore), Indian Seamless Inc, USA Rs. 0.52 Crore ( Previous Year Rs. Nil) and reimbursement of expenses paid to Indian Seamless Inc, USA Rs. 3.68 Crore on account of overseas freight and other clearing charges (Previous Year Rs. 3.55 Crore) .
- f. Rent paid to Subsidiary Company Tridem Port and Power Company Private Limited Rs. 0.01 Crore ( Previous Year Rs. 0.01 Crore) .
- g. Inter corporate deposits given to Associate Companies Taneja Aerospace and Aviation Limited Rs. (3.95) Crore (Previous Year Rs. (2.90) Crore) and Indian Seamless Enterprises Limited Rs. Nil ( Previous Year Rs. 5.70 Crore) .
- h. Interest received from Associate Companies Taneja Aerospace and Aviation Limited Rs. 1.14 Crore ( Previous Year Rs. 2.02 Crore) and Indian Seamless Enterprises Limited Rs. Nil ( Previous Year Rs. 0.23 Crore).
- i. Investment in Subsidiary Companies Tridem Port and Power Company Private Limited Rs. Nil ( Previous Year Rs. 2.50 Crore) and Indian Seamless Inc, USA Rs. Nil (Previous Year Rs. 1.78 Crore).
- j. Dividend of 2012-13 is paid to Associate Company Indian Seamless Enterprises Limited Rs. Nil ( Previous Year Rs. 4.17 Crore).
- k. Advances given to Subsidiary Company Tridem Port and Power Company Private Limited Rs. 4.64 Crore ( Previous Year Rs. 22.28 Crore)
- l. Advance received from Subsidiary Company Structo Hydraulics AB towards sale of finished goods amounting to Rs. 10.88 Crore ( Previous Year Rs. 14.96 Crore), Indian Seamless Inc, USA Rs. 14.38 Crore ( Previous Year Rs. Nil.).

**3.13** 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 “Employee Benefits Expense” – Contribution to Provident and other Fund :

**Rs. In Crore**

Particulars	2013-14	2012-13
a) Employer’s Contribution to Provident Fund and Employee Pension Scheme	<b>5.28</b>	4.75
b) Employer’s Contribution to Superannuation Fund	<b>3.16</b>	2.94

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.

## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

Gratuity (Funded)  
Rs. In Crore

ii) Defined Benefit Plan		2013-14		2012-13	
a)	Changes in present value of Defined Benefit Obligations:				
	Present value of obligation as at beginning of the year	22.71		20.13	
	Current Service Cost	1.62		1.57	
	Interest Cost	1.81		1.64	
	Actuarial (gain)/loss	(0.17)		1.16	
	Benefits paid	(1.16)		(1.79)	
	Present Value of Obligation as at end of the year	24.81		22.71	
b)	Changes in fair value of Plan Assets:				
	Fair value of Plan Assets as at beginning of the year	22.08		17.39	
	Expected return on Plan Assets	1.99		1.66	
	Actuarial gain/(loss)	(0.77)		(0.21)	
	Employer Contribution	1.41		3.24	
	Benefits paid	(0.02)		-	
	Fair value of plan Assets as at end of the year	24.69		22.08	
c)	Actual Return on Plan Assets:				
	Expected return on Plan Assets	1.99		1.66	
	Actuarial gain/(loss) on Plan Assets	(0.77)		(0.21)	
	Actual return on Plan Assets	1.22		1.45	
Particulars	2013-14		2012-13		
	Gratuity (Funded)	Leave Encashment (Non Funded)	Gratuity (Funded)	Leave Encashment (Non Funded)	
d)	Amounts recognized in the Balance Sheet in respect of :				
	Fair Value of Plan Assets as at end of the year	24.69	-	22.08	-
	Present Value of Obligation as at end of the year	24.81	6.57	22.71	6.16
	Net Liability	0.13	6.57	0.63	6.16
e)	Expenses recognised in the Statement of Profit and Loss (under the head "Employee Benefits Expense"- Refer Note No. 1.25).				
	Current Service Cost	1.62	0.70	1.57	0.73
	Interest Cost	1.81	0.45	1.64	0.40
	Expected return on Plan Assets	(2.00)	-	(1.66)	-
	Actuarial (Gain)/ Loss	0.60	0.67	1.37	1.28
	Expense Recognised in the Statement of Profit and Loss	2.03	1.82	2.92	2.41
Particulars	2013-14		2012-13		
f)	Percentage of each category of Plan Assets to total Fair Value of Plan Assets as at end of the year				
	Government of India Securities	4.04%		4.59%	
	Corporate Bonds	3.64%		4.33%	
	Special Deposit Scheme	0.35%		0.39%	
	Insurer Managed Funds	88.61%		86.30%	
	Others	3.36%		4.39%	
	Total	100.00%		100.00%	

## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

Particulars	2013-14		2012-13	
	Gratuity (Funded)	Leave Encashment (Non Funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
g) Principal Actuarial Assumptions used as at the Balance Sheet date :				
Discount Rate	8.60%	8.20%	8.20%	8.20%
Expected Rate of Return on Plan Assets	8.75%	-	8.75%	-
Salary Escalation Rate	7.00%	7.00%	7.00%	7.00%

**3.14** The Company has been advised that the Amalgamation Reserve created upon recording of fair value of assets in terms of the Scheme of Arrangement sanctioned by the Hon'ble High Court, Bombay between The Indian Seamless Metal Tubes Limited and the Company is similar in nature to a Revaluation Reserve and therefore can be adjusted against the additional depreciation attributable to fair value adjustment. Accordingly during the year the Company has adjusted depreciation of Rs. 6.72 Crore for the year ended March 31, 2014 ( Previous Year Rs. 6.72 Crore ) against the Amalgamation Reserve.

### 3.15 Particulars in respect of Loans and Advances in the nature of loans.

Rs. In Crore

Name of the Company	Outstanding Balance as at		Maximum outstanding during the year	
	31-Mar-14	31-Mar-13	2013-2014	2012-2013
<b>Loans and Advances in the nature of Loans</b>				
<b>i) Subsidiary</b>				
Tridem Port and Power Company Private Limited.	101.14	96.49	107.64	96.65
<b>ii) Associate</b>				
a) Taneja Aerospace and Aviation Limited	6.55	10.50	8.70	22.50
b) Indian Seamless Enterprises Limited	-	-	-	4.00

<b>3.16</b> a) Investment by Indian Seamless Enterprises Limited in Equity Shares of the Company	No. of Shares	55,533,788	Previous Year	55,533,788
b) Investment by Tridem Port and Power Company Private Limited in Equity Shares of Subsidiary Companies				
i) Nagapattinam Energy Private Limited	No. of Shares	250,000	Previous Year	10,000
ii) PT ISMT Resources, Indonesia	No. of Shares	999	Previous Year	999

### 3.17 Miscellaneous Income includes

Rs. In Crore

Particulars	2013-14	2012-13
i) Profit on Sale of Assets	0.001	-
ii) Income on Assignment of Liability	4.35	5.60

### 3.18 Earnings per Share

Rs. In Crore

Particulars	2013-14	2012-13
i) Profit / ( Loss ) After Tax	(170.29)	(99.71)
ii) Net Profit / ( Loss ) for the year attributable to Equity Share Holders	(170.29)	(99.71)
iii) Weighted Average Number of Equity Shares	14,65,01,383	14,65,01,383
iv) Earnings Per Share (Rs.) (Basic and Diluted)	(11.62)	(6.81)

## Notes to Financial Statement for the year ended March 31, 2014 (Contd.)

### 3.19 Miscellaneous Expenses includes

Rs. In Crore

Particulars	2013-14	2012-13
i) Repairs & Maintenance – Other Buildings	0.03	0.03
ii) Directors Sitting Fees	0.13	0.11
iii) Auditors Remuneration		
a) Statutory Audit Fees	0.24	0.20
b) Taxation Matters	0.01	0.01
c) Out of Pocket Expenses	0.02	0.02
	0.27	0.23
iv) Provision for Doubtful Debts	5.71	6.36
v) Bad Debts	-	0.21

**3.20** The Company has invested Rs. 48.43 Crore in its subsidiary ISMT Enterprises, S. A. Luxembourg which in turns holds 100% investment in Structo Hydraulics AB, Sweden (SHAB). The Company has given a corporate guarantee of Rs. 18.03 Crore ( USD 3 Million ) for loan availed by SHAB. The net recoverable on account of supplies by the Company to SHAB is Rs. 53.85 Crore . While SHAB had cash losses and the net worth of SHAB is eroded. The management is of the opinion that the investment made in ISMT Enterprises group is strategic and as a forward integration in the value chain of core business of the Company and the diminution is temporary in nature, as such no provision for the same is considered necessary.

**3.21** In the opinion of the management, based on the projected future taxable profits, the outstanding MAT Credit entitlement as at March 31, 2014 of Rs. 91.44 Crore will be utilized within the stipulated time period prescribed as per the provisions of Income Tax Act, 1961. However in case of inadequate profit, difference will be charged to respective years Statement of Profit and Loss as per the provisions of Income Tax Act, 1961.

**3.22** 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  
Pune, May 28, 2014

**J. K. Shah**  
Partner  
M. No.3662  
Mumbai, May 28, 2014

**Salil Taneja**  
Chief Executive Officer

**Rajiv Goel**  
Chief Financial Officer

**Nilesh Jain**  
Company Secretary  
Pune, May 28, 2014

**Notes to Financial Statement for the year ended March 31, 2014 (Contd.)**
**Disclosure of information relating to subsidiary companies as required by the Central Government under section 212(8) of the Companies Act, 1956.**

Rs. In Crore

Particulars	ISMT Enterprises SA, Luxembourg	Structo Hydraulics AB, Sweden	Structo (UK) Limited, UK	ISMT Europe AB, Sweden	Indian Seamless Inc.	Tridem Port and Power Co Pvt. Ltd.	Nagapattinam Energy Pvt. Ltd.	PT ISMT Resources, Indonesia	Best Exim Pvt Ltd.#	Success Power & Infracproject Pvt.Ltd.#	Marshal Microwave Infrastructure Development Co. Pvt. Ltd.#
Capital	67.00	19.46	0.001	0.09	1.91	2.58	0.25	4.77	0.01	0.19	0.01
Reserves	(1.68)	(84.73)	(0.02)	(7.11)	(1.17)	(0.58)	(0.06)	(1.74)	(1.92)	(1.18)	(2.65)
Total Assets	20.96	114.49	0.001	16.40	55.89	105.29	52.39	3.05	0.50	5.25	4.10
Total Liabilities	0.06	184.56	0.02	23.42	55.14	107.75	52.41	0.02	2.42	6.23	6.74
Investments other than in Subsidiary Companies	-	-	-	-	-	-	-	-	-	-	-
Turnover & Other Income	-	63.01	-	45.84	64.52	-	-	-	-	-	-
Profit / (Loss) before taxation	(0.21)	(19.96)	(0.06)	0.19	0.03	(0.35)	(0.02)	(1.96)	(0.17)	(0.004)	(0.47)
Provision for taxation	(0.02)	(2.72)	-	-	0.001	-	-	0.002	-	-	-
Profit / (Loss) after taxation	(0.24)	(22.67)	(0.06)	0.19	0.03	(0.35)	(0.02)	(1.95)	(0.17)	(0.004)	(0.47)
Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-

# Subsidiary Companies of Nagapattinam Energy Pvt. Ltd. w.e.f March 26, 2014.

**Notes:**

- 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.
- 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 Daily Average Rate
EURO to INR	Rs. 82.72829/EURO	Rs. 76.1672/EURO
SEK to INR	Rs. 9.26600/SEK	Rs. 8.79331/SEK
GBP to INR	Rs. 100.13560/GBP	Rs. 91.33933/GBP
Rupiah to INR	Rs. 0.00534/Rupiah	Rs. 0.00546/Rupiah
USD to INR	Rs. 60.05935/USD	Rs. 57.17217/USD

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

### To the Board of Directors of ISMT Limited

We have audited the accompanying Consolidated Financial Statements of ISMT Limited ("the company") and its subsidiaries, (collectively referred to as the "Group") which comprise the Consolidated Balance Sheet as at March 31, 2014, and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the group in accordance with the accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

1] The Company has outstanding MAT Credit entitlement of Rs.91.44 Crore as on March 31, 2014, which in the opinion of the management, based on the projected future taxable profits, will be utilized within the stipulated time period prescribed as per the provisions of Income Tax Act, 1961. Considering the uncertainties around the assumptions used for projections of future taxable profits and its consequential effect on utilization of MAT Credit entitlement, we are unable to comment on the recoverability of Mat Credit entitlement outstanding as at March 31, 2014 and its consequential impact on the Statement of Profit and Loss for the year ended March 31, 2014 and on the Reserves of the company as on that date. Refer Note No. 3.17 forming part the financial statements.

2] The Company has recognized claim made of Rs. 20.03 Crore (Cumulative up to March 31, 2014 Rs. 49.97 Crore) against Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) for non-implementation of Energy Banking Agreement. The realization of this claim is contingent and dependent upon the outcome of the decision of the petition filed with Maharashtra Electricity Regulatory Commission, Mumbai (MERC). In our opinion the recognition of above claim, being contingent asset in nature, is not in conformity with AS-29, Provisions, Contingent liabilities and Contingent assets. Recognition of the above claim has resulted in understatement of loss for the year by Rs. 20.03 Crore and overstatement of Reserves by Rs. 49.97 Crore. Refer Note Number 3.2(ii) forming part the financial statements.

### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matter described in the basis for qualified opinion paragraph, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associate as noted below and the other financial information of the components, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at March 31, 2014;
- in the case of the Consolidated Statement of Profit and Loss, of the loss of the group for the year ended on that date; and
- in the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

### Emphasis of matter

Without qualifying our opinion, we draw attention to the following matters referred to in the notes forming part of the consolidated financial statements:

Note No. 1.24 regarding remuneration paid to Executive Directors for the year amounting to Rs. 1.40 Crore (Cumulative Rs. 3.12 Crore) is subject to approval of Central Government.

### Other Matter

We did not audit the financial statements of subsidiaries and associate, whose financial statements reflect total assets of Rs. 378.31 Crore as at March 31, 2014, total revenue of Rs. 173.37 Crore and net cash inflow amounting to Rs.17.48 Crore for the year ended March 31, 2014. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, or compiled and approved by the management and our opinion is based solely on the reports of the other auditors and information provided by the management.

**For M/S P. G. BHAGWAT**  
Firm's Registration Number 101118W  
Chartered Accountants

**For J. K. SHAH & CO**  
Firm's Registration Number 109606W  
Chartered Accountants

**Sandeep Rao**  
Partner  
Membership Number 47235  
Pune: May 28, 2014

**J. K. Shah**  
Partner  
Membership Number 3662  
Mumbai: May 28, 2014

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014**

Rs. In Crore

Particulars	Note No.	As at March 31, 2014	As at March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1.1	73.25	73.25
Reserves and Surplus	1.2	<u>143.93</u>	<u>357.64</u>
		<b>217.18</b>	430.89
<b>MINORITY INTEREST</b>		-	0.09
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	1.3	759.74	739.23
Deferred Tax Liabilities (Net)	1.4	3.10	34.74
Long Term Provisions	1.5	<u>8.34</u>	<u>8.35</u>
		<b>771.18</b>	782.32
<b>CURRENT LIABILITIES</b>			
Short Term Borrowings	1.6	540.22	400.41
Trade Payables	1.7	591.91	638.53
Other Current Liabilities	1.8	624.57	568.63
Short Term Provisions	1.9	<u>1.48</u>	<u>1.81</u>
		<b>1,758.18</b>	<u>1,609.38</u>
		<b>2,746.54</b>	<u>2,822.68</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets	1.10		
Tangible Assets		1,368.34	1,402.29
Intangible Assets		0.47	2.46
Capital Work-in-Progress		<u>90.69</u>	<u>99.41</u>
		<b>1,459.50</b>	1,504.16
<b>Goodwill on Consolidation</b>		37.65	31.90
Non-Current Investment	1.11	0.05	0.05
Long Term Loans and Advances	1.12	36.53	44.63
Other Non Current Assets	1.13	<u>92.65</u>	<u>92.97</u>
		<b>129.23</b>	137.65
<b>CURRENT ASSETS</b>			
Inventories	1.14	494.25	538.40
Trade Receivables	1.15	299.45	336.06
Cash and Bank Balances	1.16	147.81	75.70
Short Term Loans and Advances	1.17	30.17	64.62
Other Current Assets	1.18	<u>148.48</u>	<u>134.19</u>
		<b>1,120.16</b>	<u>1,148.97</u>
		<b>2,746.54</b>	<u>2,822.68</u>
<b>Significant Accounting Policies</b>	2		
<b>Notes to Accounts</b>	3		

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  
Pune, May 28, 2014

**J. K. Shah**  
Partner  
M. No.3662  
Mumbai, May 28, 2014

**Salil Taneja**  
Chief Executive Officer

**Rajiv Goel**  
Chief Financial Officer

**Nilesh Jain**  
Company Secretary  
Pune, May 28, 2014



**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014**

Rs. In Crore

Particulars	Note No.	2013-14	2012-13
<b>INCOME</b>			
<b>REVENUE FROM OPERATIONS</b>			
<b>Sale of Products</b>	<b>1.19</b>	<b>2,733.55</b>	2,666.13
Less : Inter Segment Transfers		<b>880.27</b>	745.29
Inter Division Transfers		<b>39.97</b>	112.38
Sales to Subsidiary / Parent Company		<b>136.28</b>	126.29
		<b>1,677.03</b>	1,682.17
Less: Excise Duty		<b>147.47</b>	143.94
Net Sales		<b>1,529.56</b>	1,538.23
Other Operating Revenue	<b>1.20</b>	<b>69.14</b>	85.04
Less: Excise Duty		<b>2.99</b>	3.04
		<b>66.15</b>	82.00
<b>REVENUE FROM OPERATIONS (NET)</b>		<b>1,595.71</b>	1,620.23
Other Income	<b>1.21</b>	<b>16.07</b>	24.67
<b>TOTAL REVENUE</b>		<b>1,611.78</b>	1,644.90
<b>EXPENSES:</b>			
Cost of Materials Consumed	<b>1.22</b>	<b>770.56</b>	782.02
Purchases of Traded Goods		1.78	8.21
Changes in Inventories of Finished Goods and Work-in-Progress	<b>1.23</b>	<b>(7.62)</b>	(32.40)
Employee Benefits Expenses	<b>1.24</b>	<b>144.22</b>	137.64
Finance Costs	<b>1.25</b>	<b>187.27</b>	157.63
Depreciation, Amortisation and Obsolescence	<b>1.26</b>	<b>108.73</b>	101.22
Other Expenses	<b>1.27</b>	<b>611.42</b>	578.11
<b>Exceptional Item</b>			
i) Foreign Exchange Loss		<b>66.82</b>	62.31
ii) Others		<b>(45.58)</b>	7.84
( Refer Note No 3.3 of Notes to Accounts )			
<b>TOTAL EXPENSES</b>		<b>1,837.60</b>	1,802.58
<b>PROFIT / ( LOSS ) BEFORE TAX</b>		<b>(225.82)</b>	(157.68)
<b>TAX EXPENSES</b>			
Current Tax		<b>0.02</b>	0.02
Previous Year Tax		<b>(0.25)</b>	-
MAT Credit - Previous Year		<b>0.25</b>	(0.05)
Deferred Tax - Current Year		<b>(31.63)</b>	(33.48)
Less : Share of Minority Interest		<b>(0.04)</b>	(0.09)
Less : Share of Associate ( Rs. 0.13 lac)		-	-
<b>PROFIT / ( LOSS ) FOR THE YEAR</b>		<b>(194.17)</b>	(124.08)
Earning per Equity Share (Face Value of Rs. 5/- each )		<b>(13.25)</b>	(8.47)
( Refer Note No 3.15 of Notes on Accounts )			
<b>Significant Accounting Policies</b>	<b>2</b>		
<b>Notes to Accounts</b>	<b>3</b>		

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  
Pune, May 28, 2014

**J. K. Shah**  
Partner  
M. No.3662  
Mumbai, May 28, 2014

**Salil Taneja**  
Chief Executive Officer

**Rajiv Goel**  
Chief Financial Officer

**Nilesh Jain**  
Company Secretary  
Pune, May 28, 2014

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

Rs. In Crore

Particulars	2013-14	2012-13
<b>i) CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit / ( Loss ) Before Taxation	(225.82)	(157.68)
Adjustments for :		
Depreciation, Amortisation and Obsolescence	108.73	101.22
Finance Costs	187.27	157.63
Interest Income	(10.93)	(15.05)
Foreign Exchange Loss	17.06	29.53
Income on Assignment of Liability	(4.35)	(5.60)
Loss/(Profit) on Sale of Fixed Assets (Net)	0.06	0.05
Provision for Doubtful Debts	5.71	6.36
Provision for Wealth Tax	0.10	0.14
Foreign Currency Translation Reserve	(7.79)	(3.98)
	<u>295.86</u>	<u>270.30</u>
<b>Operating Cash Profit before Working Capital Changes</b>	<b>70.04</b>	<b>112.62</b>
Adjustments for :		
Trade and Other Receivables	53.74	9.71
Inventories (Increase) / Decrease	44.16	(23.38)
Trade Payables and Other Liabilities	(59.31)	23.11
	<u>38.59</u>	<u>9.44</u>
Taxes Paid	(2.49)	(2.38)
<b>Net Cash Flow from Operating Activities</b>	<b>106.14</b>	<b>119.68</b>
<b>ii) CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	(34.46)	(89.08)
Sale of Fixed Assets	0.23	-
Interest Received	11.38	17.73
<b>Net Cash used in Investing Activities</b>	<b>(22.85)</b>	<b>(71.35)</b>
<b>iii) CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Acquisition of Subsidiary	(0.21)	(1.78)
Dividend Payments (including Tax thereon)	(0.01)	(12.31)
Proceeds from /(Repayment of) Borrowings	149.74	90.58
Interest Paid	(177.83)	(159.38)
<b>Net Cash from Financing Activities</b>	<b>(28.31)</b>	<b>(82.89)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>54.98</b>	<b>(34.56)</b>
Cash and Cash Equivalents at the beginning of the year (Refer Note No.1.16)	9.21	43.77
Cash and Cash Equivalents at the end of the year (Refer Note No.1.16)	64.19	9.21
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>54.98</b>	<b>(34.56)</b>

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  
Pune, May 28, 2014

**J. K. Shah**  
Partner  
M. No.3662  
Mumbai, May 28, 2014

**Salil Taneja**  
Chief Executive Officer

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Chief Financial Officer

**Nilesh Jain**  
Company Secretary  
Pune, May 28, 2014

## Notes to Consolidated Financial Statement for the year ended March 31, 2014

### NOTE NO. 1.1 SHARE CAPITAL

Rs. In Crore

Particulars	As at March 31, 2014		As at March 31, 2013	
	Equity Shares Number	Rs. in Crore	Equity Shares Number	Rs. in Crore
<b>Authorised</b>				
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>
<b>Issued, Subscribed and Paid up:</b>				
14,65,01,383 (Previous Year 14,65,01,383) Equity Shares of Rs 5/- each fully paid		73.25		73.25
		<u>73.25</u>		<u>73.25</u>

The Company has only one class of issued shares having par value of Rs. 5 /- each. Holder of Equity Shares is entitled to one vote per share.

The reconciliation of number of shares outstanding and the amount of share capital is set-out below.

Particulars	As at March 31, 2014		As at March 31, 2013	
	Equity Shares Number	Rs. in Crore	Equity Shares Number	Rs. in Crore
Shares outstanding at the beginning of the year	14,65,01,383	73.25	14,65,01,383	73.25
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	14,65,01,383	73.25	14,65,01,383	73.25

The details of shareholders holding more than 5% shares.

Name of Shareholders	As at March 31, 2014		As at March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Indian Seamless Enterprises Limited	55,533,788	37.90%	55,533,788	37.90%
Vishkul Leather Garments Private Limited	14,282,179	9.75%	14,102,179	9.63%
HDFC Trustee Company Limited - HDFC- Equity Fund	-	-	7,938,894	5.42%
Jiten Kirtanlal Shah	7,555,305	5.16%	-	-

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.2 RESERVES AND SURPLUS**

Rs. In Crore

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
i) Capital Reserve	<b>6.94</b>	6.94
ii) Revaluation Reserve		
Opening Balance	<b>6.00</b>	6.42
Addition during the year	<b>3.30</b>	-
Less : Transferred to Surplus	-	0.42
	<b>9.30</b>	6.00
iii) Capital Redemption Reserve	<b>80.60</b>	80.60
vi) Amalgamation Reserve		
Opening Balance	<b>26.96</b>	33.68
Less : Withdrawal of Depreciation (Refer Note No 3.12 of Notes to Accounts )	<b>6.72</b>	6.72
	<b>20.24</b>	26.96
vii) Reserve for Contingencies	<b>1.91</b>	1.91
viii) General Reserve	<b>397.33</b>	397.33
ix) Foreign Currency Translation Reserve	<b>(36.32)</b>	(28.52)
x) Hedge Reserve Account		
Opening Balance	<b>(15.44)</b>	(31.09)
Addition during the year	<b>(20.73)</b>	(15.44)
Less : Transferred to Statement of Profit and Loss ( Refer Note No. 3.9 of Notes to Accounts )	<b>15.44</b>	31.09
	<b>(20.73)</b>	(15.44)
xi) Foreign Currency Monetary Item Translation Difference Account		
Opening Balance	<b>(6.75)</b>	(5.02)
Addition during the year	<b>(4.66)</b>	(2.70)
Less : Transferred to Statement of Profit and Loss ( Refer Note No. 3.9 of Notes to Accounts )	<b>1.63</b>	0.97
	<b>(9.78)</b>	(6.75)
xi) Surplus		
Opening Balance	<b>(111.39)</b>	12.24
Add : Profit /( Loss) for the year	<b>(194.17)</b>	(124.08)
: Transferred from Revaluation Reserves	-	0.42
: Adjustment of losses pursuant to de-subsiary	-	0.03
Closing Balance	<b>(305.56)</b>	(111.39)
	<b>143.93</b>	357.64

## Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)

### NOTE NO. 1.3 LONG TERM BORROWINGS

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>SECURED LOANS :</b>		
<b>i) Term Loans from Banks</b>		
a) Rupee Loans	285.17	63.32
b) Foreign Currency Loans	447.65	616.46
	732.82	679.78
<b>ii) Long Term maturities of finance lease obligations</b>	0.02	0.03
<b>UNSECURED LOANS :</b>		
i) Term Loan from Bank	-	15.00
ii) Interest Free Incentive and Sales Tax Loan	26.90	44.42
	759.74	739.23

#### Security

##### Parent Company

- i) Term Loans of Rs. 347.48 Crore (including current maturities of Rs. 38.20 Crore) (Previous Year Rs 130.30 Crore including current maturities of Rs. 27.83 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 movable fixed assets as mentioned in clause (iii) has been stipulated and assets of Captive Power Project of the Company located at Chandrapur district as mentioned in clause (v). 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 covered in favour of consortium of banks as mentioned in Note No. 1.6.
- ii) Term Loans of Rs. 270.91 Crore ( including current maturities of Rs.105.50 Crore ) (Previous Year Rs. 316.15 Crore including current maturities of Rs. 89.75 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 lenders where exclusive charge on movable fixed assets as mentioned in clause (iii) has been stipulated and assets of Captive Power Project of the Company located at Chandrapur district as mentioned in clause (v).
- iii) Term Loans of Rs. 206.13 Crore ( including current maturities of Rs. 114.71 Crore ) (Previous Year Rs. 248.95 Crore including current maturities of Rs.64.63 Crore) are stipulated to be secured by exclusive charge on the equipment finance. Out of above, term loan of Rs.80.09 Crore is further stipulated to be secured with the land appurtenant thereto
- iv) Term Loans of Rs. Nil (including current maturities of Rs. Nil ) (Previous Year Rs. 11.15 Crore including current maturities of Rs. 11.15 Crore) are stipulated to be secured by first charge on the entire fixed assets ranking pari passu with other term lenders excluding term loans lenders where exclusive charge on movable fixed assets as mentioned in clause (iii) and (v) has been stipulated
- v) Term Loans of Rs. 136.92 Crore (including current maturities of Rs. 29.79 Crore ) (Previous Year Rs. 136.71 Crore including current maturities of Rs. 17.12 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 Projects of the Company located in Chandrapur district.
- vi) Term Loan of Rs. 38.48 Crore ( including current maturities of Rs. Nil ) ( Previous Year Rs. 39.64 Crore including current maturities of Rs. Nil ) is secured by first charge ranking pari passu by hypothecation in respect of current assets of the Company present and future and are further secured by a second pari passu charge on the Company's immovable properties and all movable fixed assets both present and future as referred in Note No.(i) above.

##### Subsidiary Companies

Term Loans of Rs. 22.03 Crore ( including current maturities of Rs. 0.93 Crore) (Previous Year Rs. 7.36 Crore including current maturities of Rs. 4.99 Crore) are secured by mortgage of Subsidiary Company's immovable Properties.

The Parent Company has provided a stand-by letter of credit of USD 3.00 million and USD 2.50 million from its consortium bank for availing finance by its Subsidiary Company, Structo Hydraulics AB, Sweden and Indian Seamless Inc. USA respectively and a Corporate Guarantee of USD 5.00 million to the Bankers by Structo Hydraulics AB, Sweden (SHAB) for availing buyers credit by SHAB.

- vii) Finance Lease Obligation is secured by Hypothecation of Assets taken under Finance Lease.
- viii) Maturity Schedule

Rs. In Crore

Particulars	1-2 year	2-3 year	3-4 year	Beyond 4 years
a) Term Loans-from Banks (Secured Loan)	195.55	161.39	155.44	220.44
b) Sales Tax Loan	2.79	4.75	5.06	14.30

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.4 DEFERRED TAX LIABILITIES (Net)**

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>i) Deferred Tax Liabilities</b>		
a) Depreciation	193.71	149.19
b) Expenditure Deferred	-	0.04
	<u>193.71</u>	<u>149.23</u>
<b>ii) Deferred Tax Assets</b>		
a) Accumulated Tax Losses*	55.69	15.05
b) Unabsorbed Tax Depreciation	127.86	94.50
c) Deduction eligible in future period in respect of expenses already debited to a Statement of Profit and Loss	7.06	4.94
	<u>190.61</u>	<u>114.49</u>
<b>Deferred Tax Liabilities (Net)</b>	<u><u>3.10</u></u>	<u><u>34.74</u></u>

\* Deferred Tax Asset in respect of carried forwards losses of Parent Company are claimed to the extent of Deferred Tax Liability under prudence.

**NOTE NO. 1.5 LONG TERM PROVISIONS**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Provision for Employee Benefits</b>		
Leave Encashment	8.34	8.35
	<u>8.34</u>	<u>8.35</u>

**NOTE NO. 1.6 SHORT TERM BORROWINGS**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>SECURED</b>		
<b>Loans Repayable on Demand</b>		
Working Capital Borrowings From Banks		
i) Rupee Loans	414.13	191.82
ii) Foreign Currency Loans	66.03	149.68
<b>UNSECURED</b>		
Working Capital Borrowings From Bank		
i) Rupee Loan	50.00	50.00
ii) Others	10.06	8.91
	<u>540.22</u>	<u>400.41</u>

**Security****Parent Company**

Working Capital Borrowings from Consortium of Banks are secured by first charge ranking pari passu by hypothecation in respect of current assets of the Company present and future and are further secured by a second pari passu charge on the Company's immovable properties and all movable fixed assets both present and future as referred in Note No. 1.3 (i).

**Subsidiary Companies**

Working Capital Loan is secured against fixed and current assets of the Subsidiary Company's excluding immovable property.

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.7 TRADE PAYABLES**

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Acceptances</b>	<b>391.29</b>	449.31
<b>Other Trade Payables</b>		
i) Micro, Small and Medium Enterprises	<b>0.21</b>	0.28
ii) Others	<b>200.41</b>	188.94
	<b><u>591.91</u></b>	<u>638.53</u>

**NOTE NO. 1.8 OTHER CURRENT LIABILITES**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>CURRENT MATURITIES OF LONG TERM DEBT</b>		
<b>Secured</b>		
i) Rupee Loans	<b>50.16</b>	31.72
ii) Foreign Currency Loans	<b>238.96</b>	183.75
	<b>@ 289.12</b>	215.47
<b>Current Maturities of Finance Lease Obligations</b>	<b>0.02</b>	0.02
( Refer Note No. 1.3 (vii) )		
<b>Unsecured</b>		
i) Interest Free Sales Tax Loan	<b>0.53</b>	0.34
ii) Term Loan From Bank	<b>20.00</b>	20.00
	<b>20.53</b>	20.34
Interest accrued but not due on borrowings	<b>1.49</b>	2.34
Interest accrued and due on borrowings	<b>* 11.51</b>	1.22
Unclaimed dividends #	<b>3.25</b>	3.26
<b>Other Payables</b>		
i) Acceptances- Capital	<b>0.92</b>	3.55
ii) Other Payables – Capital	<b>8.75</b>	17.16
iii) Advances From Customers	<b>9.04</b>	9.12
iv) Provision for Expenses	<b>23.82</b>	19.20
v) Other Liabilities ##	<b>256.12</b>	276.95
	<b><u>624.57</u></b>	<u>568.63</u>

@ \* Includes overdue Interest and Instalments of Rs. 48.10 Crore, Since paid Rs. 29.25 Crore ( Previous Year Rs. NIL ) .

No. of Days	Principal @	Interest *
<b>00 - 30 Days</b>	<b>17.17</b>	<b>8.20</b>
<b>31 - 60 Days</b>	<b>19.42</b>	<b>3.31</b>
<b>Total</b>	<b>36.59</b>	<b>11.51</b>

# The amounts of unclaimed dividends will be transferred to Investor Education and Protection Fund when due.

## Other Liabilities includes Buyer's Credit - Others Rs. 212.09 Crore and Buyers Credit-Capital Rs. 22.97 Crore (Previous Year Buyers Credit-Others Rs 253.50 Crore and Buyers Credit- Capital Rs. 4.15 Crore).

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)**
**NOTE NO. 1.9 SHORT TERM PROVISIONS**

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Provision for Employee Benefits</b>		
i) Gratuity	0.14	0.65
ii) Leave Encashment	0.24	0.15
iii) Superannuation	1.10	1.01
	<u>1.48</u>	<u>1.81</u>

**NOTE NO. 1.10 FIXED ASSETS**

Particulars	Original Cost				Depreciation and Amortisation				Net Book Value	
	As at April 1, 2013	Additions	Disposals	As at March 31, 2014	As at April 1, 2013	Charge for the year	On Disposals	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
<b><u>Tangible Assets</u></b>										
Land-Freehold	17.55	8.36	-	25.91	-	-	-	-	25.91	17.55
Land-Leasehold	7.03	-	-	7.03	0.73	0.08	-	0.81	6.22	6.30
Buildings	155.88	0.19	0.84	155.23	34.88	5.54	-	40.42	114.81	121.00
Plant and Machinery	1,871.70	72.26	4.79	1,939.17	622.02	104.09	2.37	723.74	1,215.43	1,249.68
Furniture and Fixtures	5.43	0.04	0.31	5.16	2.84	0.44	0.11	3.17	1.99	2.59
Office Equipment	12.92	0.06	0.24	12.74	10.23	0.57	0.18	10.62	2.12	2.69
Vehicles	2.01	-	0.29	1.72	1.70	0.06	0.26	1.50	0.22	0.31
<b><u>Assets Under Lease</u></b>										
Plant and Machinery	6.96	-	-	6.96	4.79	0.53	-	5.32	1.64	2.17
<b>Total A</b>	2,079.48	80.91	6.47	2,153.92	677.19	111.31	2.92	785.58	1,368.34	1,402.29
<b><u>Intangible Assets</u></b>										
Goodwill	33.79	-	-	33.79	31.55	1.78	-	33.33	0.46	2.24
Technical Know-How	4.13	-	-	4.13	4.13	-	-	4.13	-	-
Computer Software	3.89	-	-	3.89	3.67	0.21	-	3.88	0.01	0.22
<b>Total B</b>	41.81	-	-	41.81	39.35	1.99	-	41.34	0.47	2.46
<b>Total A+B</b>	2,121.29	80.91	6.47	2,195.73	716.54	113.30	2.92	826.92	1,368.81	1,404.75
Previous Year	1,797.49	325.06	1.26	2,121.29	610.12	107.06	0.64	716.54	1,404.75	1,187.37

- i) Additions to Plant and Machinery include Exchange Difference of Rs. 50.36 Crore (Previous Year Rs. 33.20 Crore) and Interest of Rs. 0.41 Crore (Previous Year Rs. 36.25 Crore).
- ii) Depreciation for the year Rs. 1.21 Crore (Previous Year Rs. Nil) is adjusted against exceptional item.



**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.11 NON CURRENT INVESTMENTS**

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Long Term Investments – At Cost</b>		
Trade (unquoted)		
<b>Investment in Equity Instruments of Associates</b>		
Structo Hydraulics India Private Limited	0.05	0.05
49,994 (Previous Year 49,994) Equity Shares of Rs. 10 each fully paid		
	<u>0.05</u>	<u>0.05</u>
Aggregate amount of unquoted investments	<u>0.05</u>	<u>0.05</u>

**NOTE NO. 1.12 LONG TERM LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)**

Particulars	As at March 31, 2014	As at March 31, 2013
i) Capital Advances	30.41	37.26
ii) Security Deposits	4.16	5.41
iii) Employee Welfare Fund	1.96	1.96
	<u>36.53</u>	<u>44.63</u>

Employee Welfare Fund represents interest free advance given by the Company in earlier years for the benefit of designated employees pursuant to the proviso (b) to Section 77 (2) of the Companies Act, 1956.

**NOTE NO. 1.13 OTHER NON-CURRENT ASSETS**

Particulars	As at March 31, 2014	As at March 31, 2013
i) MAT Credit Receivable	91.44	91.69
ii) Refunds Due From Government Authorities	1.13	1.13
iii) Trade Receivables		
Outstanding for a period exceeding six months		
Considered Doubtful	13.63	7.92
Less: Provision for Doubtful Debts	<u>13.63</u>	<u>7.92</u>
	-	-
iv) Expenses to the extent not written off or adjusted		
a) Preliminary Expenses	0.08	0.12
b) Loan Processing Fee	-	0.03
	<u>92.65</u>	<u>92.97</u>

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)**
**NOTE NO. 1.14 INVENTORIES (As taken, valued and certified by the management)**
**(Valued at cost or net realisable value whichever is lower)**
**Rs. In Crore**

Particulars	As at March 31, 2014	As at March 31, 2013
i) Raw Materials	83.37	115.44
ii) Work-in-Progress	174.76	180.23
iii) Finished Goods	111.67	107.89
iv) Stores, Spares and Consumables	124.45	134.84
	<u>494.25</u>	<u>538.40</u>

**NOTE NO. 1.15 TRADE RECEIVABLES**
**(Net of bills discounted with Banks )**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Unsecured</b>		
i) Outstanding for a period exceeding six months Considered Good	43.27	46.96
ii) Others Considered Good	256.18	289.10
	<u>299.45</u>	<u>336.06</u>

**NOTE NO. 1.16 CASH AND BANK BALANCES**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Cash and Cash Equivalents</b>		
i) Balances with Banks	63.63	9.14
ii) Money in Transit	0.49	-
iii) Cash on Hand	0.08	0.07
	<u>64.20</u>	<u>9.21</u>
<b>Other Bank Balances</b>		
Deposits with Banks	83.61	66.49
	<u>147.81</u>	<u>75.70</u>
<b>Balances with Banks include:</b>		
i) Unclaimed Dividend	3.25	3.26
ii) Unclaimed Interest on Debentures	0.24	0.24
<b>Deposits with Banks include:</b>		
i) Margin Money Deposits against Guarantees / Letter of Credit / with less than 12 months maturity	35.40	24.29
ii) Margin Money Deposits against Guarantees / Letter of Credit / with more than 12 months maturity	1.59	1.71

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.17 SHORT TERM LOANS AND ADVANCES  
(UNSECURED, CONSIDERED GOOD)**

Rs. In Crore

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Loans and Advances to Related Parties</b>		
Associate Company ( Refer Note No. 3.10 of Notes to Accounts )	6.55	10.50
<b>Others</b>		
i) Security Deposits	6.78	6.70
ii) Advances recoverable in Cash or in Kind	16.84	47.42
	<u>30.17</u>	<u>64.62</u>

**NOTE NO. 1.18 OTHER CURRENT ASSETS**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Balances with Government Authorities</b>		
i) Balance with Custom, Excise and Sales Tax	21.75	18.08
ii) Export Incentives and Other Statutory Refunds	103.69	87.47
iii) Taxes paid (net of provisions)	8.32	5.70
<b>Others</b>	14.65	22.84
<b>Expenses to the extent not written off or adjusted</b>		
i) Preliminary Expenses	0.04	0.04
ii) Loan Processing Fee	0.03	0.06
	<u>148.48</u>	<u>134.19</u>

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.19 REVENUE FROM OPERATIONS (GROSS)****SALE OF PRODUCTS**

Rs. In Crore

Particulars	2013-14	2012-13
i) Tube #	1,375.39	1450.99
ii) Steel	1,358.16	1,215.14
Gross Sales	<u>2,733.55</u>	<u>2,666.13</u>

# includes traded goods sold of Rs. 1.97 Crore ( Previous Year Rs. 8.16 Crore) .

**NOTE NO. 1.20 OTHER OPERATING REVENUE (GROSS)**

Particulars	2013-14	2012-13
Other Operating Revenues		
i) Sale of Scrap ( Gross)	93.95	72.51
Less : Inter Segment Transfers	<u>59.31</u>	<u>40.58</u>
	34.64	31.93
ii) Sale of Power	156.50	153.91
Less : Inter Segment Transfers	<u>146.84</u>	<u>127.65</u>
	9.66	26.26
iii) Export Incentives	10.45	16.15
iv) Electricity Refund (Refer Note No. 3.2 (ii) of Notes to Accounts)	0.12	-
v) Mega Project Incentives	14.02	10.70
vi) Commission received	0.25	-
	<u>69.14</u>	<u>85.04</u>

**NOTE NO. 1.21 OTHER INCOME**

Particulars	2013-14	2012-13
i) Interest Income #	10.93	15.04
ii) Miscellaneous Income (Refer Note No. 3.14 of Notes to Accounts )	<u>5.14</u>	<u>9.63</u>
	<u>16.07</u>	<u>24.67</u>

# includes interest from Banks Rs. 8.09 Crore ( Previous Year Rs.10.07 Crore ) .

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.22 COST OF RAW MATERIAL CONSUMED****Rs. In Crore**

Particulars	2013-14	2012-13
Opening Stock	115.44	131.22
Add : Purchases made during the year	<u>738.49</u>	<u>766.24</u>
	853.93	897.46
Less : Closing Stock	<u>83.37</u>	<u>115.44</u>
<b>Total Raw Material Consumed*</b>	<u><u>770.56</u></u>	<u><u>782.02</u></u>

**DETAILS OF RAW MATERIAL CONSUMED**

Particulars	2013-14	2012-13
<b>Tube Segment</b>		
Steel	806.37	763.45
Less : Inter Segment Transfers included in above	<u>780.42</u>	<u>664.14</u>
Net Consumption*	<u>25.95</u>	<u>99.31</u>
<b>Steel Segment</b>		
i) Pig Iron, DRI and Scrap	714.46	641.18
ii) Ferro Alloys	<u>82.94</u>	<u>77.65</u>
	797.40	718.83
Less : Inter Segment Transfer	<u>52.79</u>	<u>36.12</u>
Net Consumption	<u>744.61</u>	<u>682.71</u>
<b>Total Raw Material Consumed</b>	<u><u>770.56</u></u>	<u><u>782.02</u></u>

\*Net of adjustment against exceptional item of Rs. 13.57 Crore. (Refer Note No. 3.3 of Notes to Accounts )

**NOTE NO. 1.23 CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS**

Particulars	2013-14	2012-13
Closing Stock		
i) Finished Goods	111.67	107.89
ii) Work-in-Progress	<u>174.76</u>	<u>180.23</u>
	286.43	288.12
Opening Stock		
i) Finished Goods	107.89	103.48
ii) Work-in-Progress	<u>180.23</u>	<u>152.24</u>
	288.12	255.72
(Increase)/Decrease in Inventories		
i) Finished Goods	(3.78)	(4.41)
ii) Work-in-Progress	<u>5.47</u>	<u>(27.99)</u>
	1.69	(32.40)
Adjusted against exceptional item	<u>(9.31)</u>	-
(Refer Note No. 3.3 of Notes to Accounts )	<u><u>(7.62)</u></u>	<u><u>(32.40)</u></u>

**PRODUCTWISE DETAILS OF CLOSING WORK-IN-PROGRESS**

Particulars	2013-14	2012-13
i) Tube	135.55	142.63
ii) Steel	<u>39.21</u>	<u>37.60</u>
	<u><u>174.76</u></u>	<u><u>180.23</u></u>

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.24 EMPLOYEE BENEFITS EXPENSE**

Rs. In Crore

Particulars	2013-14	2012-13
i) Salaries, Wages, Bonus and Allowances # *	123.49	116.50
ii) Contributions to Provident Fund & Other Funds	12.71	13.15
iii) Staff Welfare Expenses	8.02	7.99
*Net of adjustment against exceptional item of Rs. 0.26 Crore. (Refer Note No. 3.3 of Notes to Accounts )	<u>144.22</u>	<u>137.64</u>

# Salaries, Wages, Bonus and Allowances include remuneration paid to Non Executive Director amounting to Rs. Nil ( Previous Year Rs. 0.12 Crore ) and to Executive Directors amounting to Rs. 1.40 Crore and cumulative Rs. 3.12 Crore, which is in excess of limit specified under Schedule XIII to the Companies Act, 1956, is subject to approval of Central Government.

**NOTE NO. 1.25 FINANCE COSTS**

Particulars	2013-14	2012-13
I) Interest Expenses		
a) Term Loans	72.23	63.99
b) Working Capital and Others	<u>93.21</u>	<u>76.95</u>
	165.44	140.94
ii) Cash Discount	1.14	0.40
iii) Other Finance Costs	20.69	16.29
	<u>187.27</u>	<u>157.63</u>

**NOTE NO. 1.26 DEPRECIATION, AMORTISATION AND OBSOLESCENCE**

Particulars	2013-14	2012-13
i) Depreciation for the year	112.09	107.06
Less: Withdrawal from Amalgamation Reserve	6.72	6.72
( Refer Note No. 3.14 of Notes to Accounts )	<u>105.37</u>	<u>100.34</u>
ii) Amortisation of Miscellaneous Expenditure	0.10	0.31
iii) Loss on Obsolescence of Assets	3.26	0.57
	<u>108.73</u>	<u>101.22</u>

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 1.27 OTHER EXPENSES****Rs. In Crore**

<b>Particulars</b>	<b>2013-14</b>	<b>2012-13</b>
i) Materials		
a) Stores and Spares	<b>64.49</b>	55.47
b) Consumables	<b>88.68</b>	72.85
	<b>153.17</b>	128.32
ii) Energy		
a) Power Charges	<b>82.88</b>	39.87
b) Fuel	<b>97.86</b>	97.84
c) Gases	<b>15.95</b>	34.40
d) Coal- Indigenous	<b>123.79</b>	125.22
	<b>320.48</b>	297.33
iii) Direct Manufacturing		
a) Processing Charges	<b>14.63</b>	20.11
b) Other Direct Expenses	<b>32.90</b>	38.48
c) Repairs & Maintenance to Plant and Machinery	<b>7.21</b>	6.73
d) Repairs to Factory Building	<b>0.58</b>	0.34
e) Machine Rentals	<b>0.68</b>	1.17
	<b>56.00</b>	66.83
iv) Selling & Distribution		
a) Freight Charges	<b>39.49</b>	41.49
b) Commission on Sales	<b>3.59</b>	4.37
c) Selling and Other Expenses	<b>2.46</b>	2.61
	<b>45.54</b>	48.47
v) Excise Duty on Stock of Finished Goods	<b>(0.02)</b>	0.85
vi) Administrative Expenses		
a) Rent	<b>1.66</b>	1.55
b) Rates and Taxes	<b>0.81</b>	1.11
c) Travelling	<b>7.64</b>	7.94
d) Communication	<b>1.80</b>	1.99
e) Repairs & Maintenance -Others	<b>0.95</b>	1.08
f) Insurance	<b>2.63</b>	2.02
g) Equipment Lease Rentals	<b>0.76</b>	0.69
h) Loss on Sale of Assets	<b>0.06</b>	0.05
i) Miscellaneous Expenses	<b>19.94</b>	19.88
( Refer Note No. 3.16 of Notes to Accounts )	<b>36.25</b>	36.31
	<b>611.42</b>	578.11
(Refer Note No. 3.3 of Notes to Accounts regarding adjustment against exceptional item. )		

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 2 : SIGNIFICANT ACCOUNTING POLICIES****BASIS OF CONSOLIDATION**

The Consolidated Financial Statements relate to ISMT Limited “the Company” and its subsidiaries. The Company and its subsidiaries constitute the Group.

**i) Basis of Accounting**

- a) The Financial Statements of the subsidiary companies used in consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2014.
- b) The Financial Statements of the Group have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and as notified under the Companies (Accounting Standards) Rules, 2006 and other generally accepted accounting principles in India.

**ii) Principles of Consolidation**

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 on “Consolidated Financial Statements” on the following principles:-

- a) The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- b) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average exchange rate prevailing during the year. All assets and liabilities are converted at closing exchange rates prevailing at the end of the year. All resulting exchange differences arising on consolidation are accumulated in foreign currency translation reserve until the disposal of net investment.
- c) The excess of cost to the Company of its investments in the subsidiary companies over its share of equity of the subsidiary companies, at the date on which the investments in the subsidiary companies are made, is recognised as ‘Goodwill’ being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognised as ‘Capital Reserve’ and shown under the head ‘Reserves and Surplus’, in the consolidated financial statements.
- d) Minority interest in the net income of consolidated subsidiaries for the reporting period has been identified and adjusted against the income of the group in order to arrive at net income attributable to the group. Minority interest in the net assets of the consolidated subsidiaries

have been identified and presented in the consolidated Balance Sheet separately from liabilities and the equity of parent.

- e) The Consolidated Financial Statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company’s separate financial statements except otherwise stated elsewhere in this schedule.
- f) Investment in Associate Company has been accounted under the equity method as per (AS 23) – “Accounting for Investments in Associates in consolidated Financial Statements”.
- g) The Company accounts for its share in change in net assets of the associate, post acquisition, after eliminating unrealized profits and losses resulting from transactions between the Company and its associate to the extent of its share, through its Statement of Profit and Loss to the extent such change is attributable to the associates Profit or Loss through its reserves for the balance, based on available information.
- h) The difference between the cost of investment in the associate and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.
- iii) The consolidated Financial Statements present the consolidated accounts of ISMT Limited with its subsidiaries including indirect subsidiary companies and Share of Profit/(Loss) of Associates.

Sr. No.	Name of the Company	Country of Incorporation
i)	* ISMT Enterprises SA	Luxembourg
ii)	* Tridem Port and Power Company Private Limited	India
iii)	* Structo Hydraulic AB	Sweden
iv)	* Structo Hydraulic India Private Limited – Associate Company	India
v)	* ISMT Europe AB	Sweden
vi)	* Structo (UK) Limited	UK
vii)	* Nagapattinam Energy Private Limited	India
viii)	* Best Exim Private Limited	India
ix)	* Marshal Microware Infrastructure Development Private Limited	India
x)	* Success Power And Infraprojects Private Limited	India
xii)	*@ PT ISMT Resources	Indonesia
xiii)	* Indian Seamless Inc.	USA

@Compiled by the Management as on March 31, 2014.

\* Audited by other Auditors.



## Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)

- a) Ownership interest in all the Subsidiary Companies is 100% except in case of ISMT Enterprises SA Luxembourg, it is 99.62% and Tridem Port and Power Company Private Limited, it is 98.48%.
- b) Reporting dates of all Subsidiary Companies and Associate Company is March 31, 2014 except for PT ISMT Resources, it is December 31, 2013.

### OTHER ACCOUNTING POLICIES:

#### 2.1 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.

#### 2.2 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.

#### 2.3 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.

##### 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 Private Limited and Nagapattinam Energy Private Limited:

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

#### 2.4 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 Private Limited

Software is amortised over a period of 5 years.

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****2.5 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 Statement of Profit and Loss.

## ii) Operating Lease

Lease rentals in respect of operating lease are charged to the Statement of Profit and Loss as per the terms of the lease agreement.

**2.6 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, Spares and Coal 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, ISMT Europe AB and Indian Seamless Inc.USA

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.

**2.7 Employee Benefits****Parent Company**i) **Defined Contribution Plan**

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

**2.8 Research & Development**

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

**2.9 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.

**2.10 Foreign Currency transactions****Parent Company**

- i) All transactions in foreign currency are recorded by applying the exchange rate prevailing at the time of the transaction.
- ii) The Company designates borrowing in foreign currency other than those utilized for capital expenditure and identified Long Term Loans as hedge instrument to hedge its foreign currency risk of its firm commitment

## Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)

and highly probable or forecasted revenue transaction to be accounted as cash flow hedge. The unrealized exchange gains or losses on transactions related to foreign currency borrowing which qualify as effective hedge are recognized in the Hedging Reserve Account.

iii) 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) (Second Amendments) Rules, 2011 on December 29, 2011, which amended Accounting Standard 11 on The Effects of Changes in Foreign Exchange Rates, the 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) Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to identified Long Term Loans, are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized to the Statement of Profit and Loss over balance life of the long term monetary item, however the period of amortization does not extend beyond March 31, 2020.

iv) All other exchange differences are dealt with in the Statement of Profit and Loss.

v) In respect of forward exchange contracts, the difference between the forward rate and the spot rate is recognized income or expense over the contract period. Gains or losses on cancellation or renewal of forward exchange contracts are recognized as income or expenses.

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

### Other Subsidiary Companies and Associate

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.

### 2.11 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.

### 2.12 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.

### 2.13 Income Tax

Parent Company / Tridem Port and Power Company Private Limited / Nagapattinam Energy Private Limited / 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 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.

### Other Subsidiary Companies

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

### 2.14 Government Incentives

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

### 2.15 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.

### 2.16 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.

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****NOTE NO. 3 NOTES TO 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.

**3.1 CONTINGENT LIABILITIES AND COMMITMENTS (To the extent not provided for) Rs. In Crore**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>i) Contingent Liabilities</b>		
<b>Parent Company</b>		
a) Claims against the Company not acknowledged as debt		
Sales Tax	12.16	12.17
Income Tax disputed by the Company	2.88	0.20
Excise Duty	32.08	40.98
Others	10.54	9.42
b) Corporate Guarantees	33.06	27.20
c) Bills discounted on behalf of third party	64.62	74.70
<b>Subsidiary Company</b>		
a) Bills discounted on behalf of third party	7.07	10.78
<b>ii) Commitments</b>		
<b>Capital Commitments</b>		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances)		
<b>Parent Company</b>	6.44	7.72
<b>Subsidiary Company</b>	-	4.45

- 3.2** i) 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 except specific claims stated separately b) Interest on receivables c) Electricity Refund ( Additional Supply Charges ).
- ii) Upon petition filed by the Company regarding non implementation of Energy Banking Agreement (EBA) dated May 7, 2010, Maharashtra Electricity Regulatory Commission (MERC) had passed an interim order dated May 13, 2013 inter alia restoring the banking. This order was challenged by Maharashtra State Electricity Distribution Company Limited (MSEDCL) on grounds of jurisdiction before the Appellate Tribunal for Electricity after being turned down by High Court at Bombay, which the Tribunal had remanded back to MERC after setting aside the above order. MERC has now passed an order dated December 3, 2013, confirming that they have jurisdiction to stipulate banking, Based on Legal advice, the Company, pending final disposal of the petition, has continued to accrue Banking Credit as per EBA Rs.20.03 Crore ( Previous Year Rs. 29.94 Crore ), cumulative Rs. 49.97 Crore, representing excess energy charges paid to MSEDCL on account of non availability of banking facility.

**3.3 Exceptional Item (Others) includes****Rs. In Crore**

Particulars	2013-14	2012-13
i) Excess Power Cost	14.60	-
ii) Legal and other related expenses incurred on International Arbitration	3.27	-
iii) Insurance Claim written off	2.45	-
iv) Payment received from equipment supplier (net) *	(65.90)	7.84
	<u>(45.58)</u>	<u>7.84</u>

\* During the year the Company has received payment of Rs. 134.05 Crore in relation to an Arbitration case initiated by the Company against one of its equipment suppliers. The Company has adjusted Rs. 34.01 Crore, being relevant excess costs incurred during the year and Rs. 34.14 Crore (Previous Year Rs. 7.84 Crore) on account of legal and other expenses incurred against the settlement amount. The net balance amount of Rs. 65.90 Crore is disclosed as a credit item under "Exceptional Items".

## Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)

The excess costs incurred during the year of Rs. 34.01 Crore have been credited to respective expenses as follows:

Rs. In Crore

Particulars	2013-14
i) Change in the Inventory of Finished Goods and Work in Progress	9.31
ii) Material Consumption	13.57
iii) Other Direct Expenses	7.22
iv) Energy	1.60
v) Depreciation	1.21
vi) Stores	0.62
vii) Employee Benefits Expense	0.26
viii) Processing Charges	0.22
	<u>34.01</u>

**3.4** As per Accounting Standard 17, the Company has two segment 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.

- 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.
- 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".

## SEGMENT INFORMATION

Rs. In Crore

Particulars	As on March 31, 2014				As on March 31, 2013			
	Tube Segment	Steel Segment	Unallocable	Total	Tube Segment	Steel Segment	Unallocable	Total
<b>i) Segment Revenue</b>								
Total External Sales ( Gross )	1,199.14	477.89		1,677.03	1,212.33	469.84		1,682.17
Add : Inter Segment Transfers ( Gross )	-	880.27		880.27	-	745.29		745.29
: Inter Division Transfers ( Gross )	39.97	-		39.97	112.38	-		112.38
: Subsidiary / Parent Company	136.28	-		136.28	126.29	-		126.29
	<u>1,375.39</u>	<u>1,358.16</u>		<u>2,733.55</u>	<u>1,451.00</u>	<u>1,215.13</u>		<u>2,666.13</u>
Less : Excise Duty	97.52	153.63		251.15	99.75	137.18		236.93
	<u>1,277.87</u>	<u>1,204.53</u>		<u>2,482.40</u>	<u>1,351.25</u>	<u>1,077.95</u>		<u>2,429.20</u>
Less : Inter Segment Transfers(net)	-	780.99		780.99	-	664.67		664.67
Inter Division Transfers (net)	35.57	-		35.57	100.01	-		100.01
Subsidiary / Parent Company	136.28	-		136.28	126.29	-		126.29
<b>Net Sales</b>	<u>1,106.02</u>	<u>423.54</u>		<u>1,529.56</u>	<u>1,124.95</u>	<u>413.28</u>		<u>1,538.23</u>
<b>ii) Segment Results</b>			#				#	
<b>Profit/( Loss) Before Finance Costs, Foreign Exchange Loss and Taxes</b>	(28.88)	(18.47)	32.54	(14.81)	2.59	17.78	50.60	70.97
Less : Finance Costs				187.27				157.63
Amortisation and Obsolescence				2.50				0.87
Foreign Exchange Loss				66.82				62.31
: Excess Power Consumption				14.60				-
: Others				(60.18)				7.84
<b>Profit / ( Loss ) Before Tax</b>				(225.82)				(157.68)
Less : Tax Expenses				(31.61)				(33.51)
<b>Profit / ( Loss ) After Tax</b>				(194.21)				(124.17)
Less : Share of Minority Interest				(0.04)				(0.09)
<b>Profit / ( Loss ) After Minority Interest</b>				(194.17)				(124.08)
<b>iii) Other Information</b>								
Total Segment Assets	1,608.77	420.81	-	2,029.58	1,674.85	498.40	-	2,173.25
Total Segment Liabilities	189.89	368.21	-	558.10	223.25	390.99	-	614.24
Total cost incurred for acquiring Segment Assets	45.59	5.64	17.16	68.39	47.66	5.32	12.97	65.95
Segment Depreciation	66.94	25.84	14.66	107.44	63.30	25.42	11.62	100.34
<b>Total Unallocable Assets</b>								
Goodwill on Consolidation				37.65				31.90
Other Assets				679.25				617.48
Investments				0.05				0.05
				<u>716.95</u>				<u>649.43</u>
<b>Total Unallocable Liabilities</b>								
Long Term Borrowings				759.74				739.23
Short Term Borrowings				540.22				400.41
Other Liabilities				668.19				603.08
Deferred Tax Liabilities ( Net )				3.10				34.74
				<u>1,971.25</u>				<u>1,777.46</u>

# Refer Note No. 3.2 (ii)

## Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)

### 3.5 Expenditure incurred during Trial Runs and Construction Period, which have been Capitalized during the year.

Particulars	Rs. In Crore	
	2013-14	2012-13
<b>i) Expenditure incurred during trial runs net of sales realization.</b>		
a) Raw Material Consumed	-	-
b) Coal Consumed	-	18.50
c) Power Charges	-	1.33
d) Other Expenses	-	1.81
	<u>-</u>	<u>21.64</u>
<b>ii) Expenditure incurred during Construction period :</b>		
a) Employee Benefits Expense	0.82	3.45
b) Other Expenses	-	0.71
c) Finance Costs	2.72	7.71
	<u>3.54</u>	<u>11.87</u>

**3.6** Pending reconciliation / confirmations from Debtors / Creditors, adjustments for differences, if any, would be made at the time of reconciliation or on receipt of confirmation. The management is of the opinion that the impact of such adjustments, if any, is not likely to be significant.

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

Particulars	2013-14		2012-13	
	Foreign Currency in Million	Rs. in Crore	Foreign Currency in Million	Rs. in Crore
<b>Parent Company</b>				
<b>i) Secured Loans</b>				
a) US Dollars	98.03	589.53	143.42	780.07
b) Euros	9.80	80.94	12.71	88.39
<b>ii) Receivables</b>				
a) US Dollars	12.02	76.69	15.44	86.84
b) Euros	10.73	88.65	11.42	79.44
c) Australian Dollar	0.03	0.15	0.17	0.95
d) GBP	0.01	0.12	-	-
<b>iii) Payables</b>				
a) US Dollar	46.32	278.41	79.12	430.35
b) Euros	0.32	2.61	0.42	2.90
c) SEK	-	-	25.06	21.07
<b>iv) Interest Payable</b>				
a) US Dollars	0.25	1.48	0.43	2.33
b) Euros	-	0.00	-	0.01
<b>Subsidiary Company</b>				
<b>i) Receivables</b>				
a) Sterling Pounds	-	-	-	0.04
b) SEK	17.26	16.00	3.11	2.49
<b>ii) Payables</b>				
a) US Dollar	-	-	-	0.02
b) Euros	-	-	4.18	33.69
c) Sterling Pounds	-	-	-	0.02
d) SEK	79.84	73.98	-	-

## Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)

### 3.8 i) Assets taken on operating lease :-

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

Rs. In Crore

Particulars	2013-14	2012-13
<b>Parent Company</b>		
a) Not later than one year	3.10	3.23
b) Later than one year and not later than five years	5.61	8.71
c) Later than five years	-	-
<b>Subsidiary Company</b>		
a) Not later than one year	1.44	1.90
b) Later than one year and not later than five years	3.81	3.92
c) Later than five years	0.02	0.54

- 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 and not later than 5 years	Later than 5 years	Total
<b>Plant &amp; Machinery</b>				
MLP	0.02	0.03	-	0.05
(Previous Year)	0.02	0.05	-	0.07
PV	0.01	0.01	-	0.02
(Previous Year)	0.01	0.02	-	0.03

### 3.9 Parent Company

- i) The Company had adopted Accounting Standard-11 "The effects of changes in Foreign Exchange Rates", read with notifications issued by the Ministry Of Corporate Affairs dated March 31, 2009, May 11, 2011 and December 29, 2011 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 ( other than those covered under " Cash Flow Hedge ") to "Foreign Currency Monetary Item Translation Difference Account". 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 53.04 Crore Loss (Previous Year Rs.26.55 Crore Loss ).
  - Exchange difference loss amortised during the year Rs. 1.63 Crore (Previous Year Rs. 0.97 Crore ) from "Foreign Currency Monetary Item Translation Difference Account" and charged to the Statement of Profit and Loss and balance in the "Foreign Currency Monetary Item Translation Difference Account" as on March 31, 2014 is Rs. 9.78 Crore (Previous Year Rs. 6.75 Crore).
- ii) The Company has recognised exchange difference arising on translation of foreign currency borrowing by following an appropriate hedge accounting policy and applying principles set out in Accounting Standard (AS) 30- "Financial Instrument Recognition and Measurement". The objective of adopting hedge accounting is to ensure that the gain or losses of the hedging instrument is recognised in the Statement of Profit and Loss in same period when the gain or loss of hedged items is recognised in the Statement of Profit and Loss. The Company w.e.f. April 1, 2011 has designated borrowing in foreign currency, other than those utilised for capital expenditures and identified Long Term Loans, as hedge instrument to hedge its foreign currency risk of its firm commitments and highly probable forecast transactions ( of revenue streams ) to be accounted as cash flow hedge. During the year ,the net unrealised exchange difference in foreign currency borrowing, foreign currency receivables and payables aggregating to Rs. 20.73 Crore(Previous Year Rs. 15.44 Crore) has been recognised in Hedge Reserve Account.
- iii) Had the Company not exercised the option under AS-11 as stated in para 3.11 (i) and not followed the accounting policy as stated in para 3.11 (ii), the Loss (net of tax) for the year would have been higher by Rs.35.25 Crore (Previous Year Rs.4.95 Crore), Gross Fixed Assets would have been lower by Rs.153.41 Crore (Previous Year Rs. 100.37 Crore) and consequently the Reserves and Surplus would have been lower by Rs.109.70 Crore (Previous Year Rs. 74.51 Crore).

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****3.10** i) Related party Disclosure as required by Accounting Standard 18 is as under :-

- a) Key Management Personnel
- i) Mr. Salil Taneja - Chief Executive Officer (ISMT Limited)
  - ii) Mr. Rajiv Goel - Chief Financial Officer (ISMT Limited)
  - iii) Mr. B. R. Taneja - Non-Executive Director (ISMT Limited)
  - iv) Mr. O. P. Kakkar - Non-Executive Director ( ISMT Limited)
  - v) Mr. Hemant Patil - Managing Director (Structo Hydraulics AB, Sweden) (upto January 27, 2014)
- b) Associate Companies
- i) Indian Seamless Enterprises Limited
  - ii) Taneja Aerospace and Aviation Limited
  - iii) Structo Hydraulics Inida Private Limited
  - iv) Lighto Technologies Private Limited .
- c) Details of Transaction
- i) Key Management Personnel  
Remuneration paid for the year Rs.2.43 Crore(Previous Year Rs.2.93 Crore)
  - ii) Associate Companies

**Rs. In Crore**

Details of Transactions	Associate Companies	
	2013-14	2012-13
Sale of Finished Goods	<b>9.45</b>	22.77
Purchases	<b>0.43</b>	0.49
Quality claims / Reimbursement of Expenses	<b>(0.24)</b>	0.25
Lease Rent Paid	<b>2.70</b>	2.70
Inter Corporate Deposits (Net)	<b>(3.95)</b>	2.80
Interest Received	<b>1.14</b>	2.25
Dividend Paid	-	4.17
<b>Outstanding as at Balance Sheet date</b>		
Receivables	<b>8.73</b>	17.84
Payables	-	0.22
Loans and Advances Given	<b>1.28</b>	1.93
Inter-Corporate Deposits Given	<b>6.55</b>	10.50

- a. Sale of finished goods include sales to Indian Seamless Enterprises Limited Rs 9.45 Crore ( Previous Year Rs. 17.40 Crore) and Indian Seamless Inc, USA Rs. Nil ( Previous Year Rs. 5.37 Crore)
- b. Purchases includes spares from Taneja Aerospace and Aviation Limited Rs. 0.42 Crore ( Previous Year Rs.0.49 Crore)
- c. Lease rent paid to Taneja Aerospace and Aviation Limited Rs. 2.40 Crore ( Previous Year Rs. 2.40 Crore) and Indian Seamless Enterprises Limited Rs. 0.30 Crore ( Previous Year Rs. 0.30 Crore).
- d. Inter Corporate Deposits given to Taneja Aerospace and Aviation Limited Rs.(3.95) Crore ( Previous Year Rs. (2.90) Crore) and Indian Seamless Enterprises Limited Rs. Nil ( Previous Year Rs. 5.70 Crore)
- e. Interest received from Taneja Aerospace and Aviation Limited Rs. 1.14 Crore ( Previous Year Rs. 2.02 Crore) and Indian Seamless Enterprises Limited Rs. Nil ( Previous Year Rs. 0.23 Crore).
- f. Dividend for the year 2012-13 is paid to Indian Seamless Enterprises Limited Rs. Nil ( Previous Year Rs. 4.17 Crore).

**3.11 Employee Benefits****Parent Company**

The Accounting Standard – 15 (Revised 2005) on “Employee Benefits “ has been adopted by the Company effective from April 1, 2007. During the year, Company has recognised the following amounts in the Financial Statements:

**i) Defined Contribution Plan:**

The Company has recognized the following amounts as an expense and included under the head “Employee Benefits Expense” – Contribution to Provident and other Fund :



**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****Rs. In Crore**

Particulars	2013-14	2012-13
Employer's Contribution to Provident Fund and Employee Pension Scheme	5.28	4.75
Employer's Contribution to Superannuation Fund	3.16	2.94

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.

**Gratuity (Funded)**  
**Rs. In Crore**

ii) Defined Benefit Plan:	2013-14	2012-13
a) Changes in present value of Defined Benefit Obligations:		
Present value of obligation as at beginning of the year	22.71	20.13
Current Service Cost	1.62	1.57
Interest Cost	1.81	1.64
Actuarial (gain)/loss	(0.17)	1.16
Benefits paid	(1.16)	(1.79)
Present Value of Obligation as at end of the year	24.81	22.71
b) Changes in fair value of Plan Assets:		
Fair value of Plan Assets as at beginning of the year	22.08	17.39
Expected return on Plan Assets	1.99	1.66
Actuarial gain/(loss)	(0.77)	(0.22)
Employer Contribution	1.41	3.24
Benefits paid	(0.02)	0.01
Fair value of Plan Assets as at end of the year	24.69	22.08
c) Actual Return on Plan Asset:		
Expected return on Plan Assets	1.99	1.66
Actuarial gain/(loss) on Plan Assets	(0.77)	(0.21)
Actual return on Plan Assets	1.22	1.45

Particulars	2013-14		2012-13	
	Gratuity (Funded)	Leave Encashment (Non Funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
d) Amounts recognized in the Balance Sheet in respect of:				
Fair Value of Plan Asset as at end of the year	24.69	-	22.08	-
Present Value of Obligation as at end of the year	24.81	6.57	22.71	5.56
Net Liability	0.13	6.57	0.63	5.56
e) Expenses recognised in the Statement of Profit and Loss (under the head "Employee Benefits Expense"- Refer Note No. 1.25).				
Current Service Cost	1.62	0.70	1.57	0.73
Interest Cost	1.82	0.45	1.63	0.40
Expected return on Plan Assets	(2.00)	-	(1.66)	-
Actuarial (gain)/loss	0.60	0.67	1.37	1.28
Expense Recognised in the Statement of Profit and Loss	2.03	1.82	2.91	2.41

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)**

Particulars	2013-14	2012-13
f) Percentage of each category of Plan Assets to total Fair Value of Plan Assets as at end of the year		
Government of India Securities	4.04%	4.95%
Corporate Bonds	3.64%	4.33%
Special Deposit Scheme	0.35%	39.00%
Insurer Managed Funds	88.61%	86.30%
Others	3.36%	4.39%
Total	100.00%	100.00%

Particulars	2013-14		2012-13	
	Gratuity (Funded)	Leave Encashment (Non Funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
g) Principal Actuarial Assumptions used as at the Balance Sheet date :				
Discount Rate	8.60%	8.20%	8.20%	8.20%
Expected Rate of Return on Plan Assets	8.75%	-	8.75%	-
Salary Escalation Rate	7.00%	7.00%	7.00%	7.00%

**Subsidiary Company**
**Defined Contribution Plan :**

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

Particulars	2013-14	2012-13
Social Security Contribution	5.28	6.01

**3.12** The Company has been advised that the Amalgamation Reserve created upon recording of fair value of assets in terms of the Scheme of Arrangement sanctioned by the Hon'ble High Court, Bombay between The Indian Seamless Metal Tubes Limited and the Company is similar in nature to a Revaluation Reserve and therefore can be adjusted against the additional depreciation attributable to fair value adjustment. Accordingly during the year the Company has adjusted depreciation of Rs. 6.72 Crore for the year ended March 31, 2014 ( Previous Year Rs. 6.72 Crore ) against the Amalgamation Reserve.

**3.13** Gross Block of fixed assets include Rs. 11.05 Crore (Previous Year Rs. 11.05 Crore) on account of revaluation of Building by subsidiary company, Structo Hydraulics AB.

**3.14 Miscellaneous Income includes**
**Rs. In Crore**

Particulars	2013-14	2012-13
i) Profit on Sale of Assets	0.001	-
ii) Income on Assignment of Liability	4.35	5.60

**3.15 Earnings per Share**
**Rs. In Crore**

Particulars	2013-14	2012-13
i) Profit / ( Loss ) After Tax	(194.17)	(124.08)
ii) Net Profit / ( Loss ) for the year attributable to Equity Share Holders	(194.17)	(124.08)
iii) Weighted Average Number of Equity Shares	14,65,01,383	14,65,01,383
iv) Earnings Per Share (Rs.) (Basic and Diluted)	(13.25)	(8.47)

**Notes to Consolidated Financial Statement for the year ended March 31, 2014 (Contd.)****3.16 Miscellaneous Expenses include****Rs. In Crore**

<b>Particulars</b>	<b>2013-14</b>	<b>2012-13</b>
i) Repairs and Maintenance – Building	<b>0.03</b>	0.03
ii) Directors Sitting Fees	<b>0.13</b>	0.11
iii) Auditors Remuneration		
a) Statutory Audit Fees	<b>0.42</b>	0.44
b) Taxation Matters	<b>0.01</b>	0.01
c) Out of Pocket Expenses	<b>0.02</b>	<u>0.05</u>
iv) Provision for Doubtful Debts	<b>5.71</b>	6.36
v) Bad Debts	-	0.21

**3.17** In the opinion of the management, based on the projected future taxable profits, the outstanding MAT Credit entitlement as at March 31, 2014 of Rs. 91.44 Crore will be utilized within the stipulated time period prescribed as per the provisions of Income Tax Act, 1961. However in case of inadequate profit, difference will be charged to respective years Statement of Profit and Loss as per the provisions of Income Tax Act, 1961.

**3.18** 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  
Pune, May 28, 2014

**J. K. Shah**  
Partner  
M. No.3662  
Mumbai, May 28, 2014

**Salil Taneja**  
Chief Executive Officer

**Rajiv Goel**  
Chief Financial Officer

**Nilesh Jain**  
Company Secretary  
Pune, May 28, 2014

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Web: www.ismt.co.in, CIN : L27109PN1999PLC016417

## NOTICE

NOTICE is hereby given that the 16th Annual General Meeting of the Members of ISMT Limited will be held on Friday, September 26, 2014 at Hyatt Regency Pune, Weikfield IT Park, Pune Nagar Road, Pune - 411014 at 10:00 A.M. to transact the following business.

### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2014, the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. J. P. Sureka (DIN: 00482176) who retires by rotation and being eligible offers himself for re-appointment.
3. 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** pursuant to the provisions of Section 139 and other applicable provisions, if any of the Companies Act, 2013 and the Rules made thereunder, J. K. Shah & Co., Chartered Accountants (Firm Registration No.109606W) and M/s P. G. Bhagwat, Chartered Accountants (Firm Registration No.101118W), be and are hereby appointed as Joint Statutory Auditors of the Company, to hold office for a period of 3 (three) consecutive years from the conclusion of this Annual General Meeting until the conclusion of 19th Annual General Meeting of the Company, subject to ratification of their appointment at every Annual General Meeting, on such remuneration as shall be fixed by the Board of Directors.”

### Special Business:

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:  
“**RESOLVED THAT** in accordance with the provisions of Sections 149, 152 and other applicable provisions, if any of the Companies Act, 2013 (‘the Act’) and the Rules made thereunder read with Schedule IV to the Act, Mr. S. C. Gupta (DIN:00025780), a Director of the Company who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an

Independent Director of the Company, to hold office for a period of 2 (two) consecutive years from this Annual General Meeting until the conclusion of 18th Annual General Meeting of the Company or September 25, 2016, whichever is earlier and that he shall not be liable to retire by rotation.”

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

“**RESOLVED THAT** in accordance with the provisions of Sections 149, 152 and other applicable provisions, if any of the Companies Act, 2013 (‘the Act’) and the Rules made thereunder read with Schedule IV to the Act (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. K. K. Rai (DIN:00629937), a Director of the Company who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company, to hold office for a period of 2(two)consecutive years from this Annual General Meeting until the conclusion of 18th Annual General Meeting of the Company or September 25, 2016, whichever is earlier and that he shall not be liable to retire by rotation.”

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

“**RESOLVED THAT** pursuant to the provisions of Sections 197 and 198 to the extent applicable and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to approval of the Central Government and in accordance with the provisions of the Listing Agreement executed with the Stock Exchanges, consent of the Company be and is hereby accorded to the payment of monthly remuneration and other perquisites as mentioned below to Mr. B. R. Taneja (DIN : 00328615), Non-Executive Director of the Company for a period of 3 (three) years with effect from April 1, 2014 to March 31, 2017:

- a) Salary: Rs. 1,00,000 per month
- b) Perquisites: As per Rules of the Company or otherwise agreed, in aggregate not exceeding Rs. 2,00,000 per month.

**RESOLVED FURTHER THAT** Mr. B. R. Taneja shall be entitled to sitting fees for attending Board and Committee meetings of the Company and to all travel, boarding and other expenses on official visits and participation in various forums in India and abroad for and on behalf of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, desirable or expedient to give 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 Special Resolution passed by the members at the Annual General Meeting of the Company held on September 30, 2011 and pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), 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 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 from the Company’s Bankers in the ordinary course of business) may exceed, at any time upto 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. 5000 Crore (Rupees Five 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”.

8. 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 Special Resolution passed by the members at the Annual General Meeting of the Company held on September 30, 2011 and pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the Members 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 create from time to time such mortgage, hypothecation, charges, liens, pledge, assignment, transfer and/or other securities in addition to the mortgages, hypothecation, charges, liens, pledge, assignment, transfer and/or other securities already created by the Company, on terms and conditions as the Board in its sole discretion may deem fit, on Company’s assets and properties, both present and future, whether immovable, movable, current assets or stock-in-trade including whole or substantially the whole of the Company’s undertaking(s) in favor of Financial Institution(s)/ Bank(s)/ Body Corporate(s)/ other Agencies/Trustees for the holders of the Debentures/Bonds, other instruments/ and/ or person or persons (hereinafter called “Lenders”) as may be agreed to by the Board for the purpose of securing any financial facilities / the repayment of any loans / financial assistance/ other borrowings, subject to maximum of Rs. 5000 Crore (Rupees Five 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 authorized to finalize the terms and conditions, agreements, deeds and documents for creating such mortgage, hypothecation, charges, liens, pledge, assignment, transfer and/or other securities and accept or make any alterations, changes, variations to or in terms and conditions and to do all such acts,

things and deeds as may be required to give effect to this resolution.”

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

“**RESOLVED THAT** pursuant to the provisions of Section 186 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof for the time being in force), 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) be and is hereby authorised to agree to at its discretion to make loan(s) and/or give any guarantee(s)/provide any security(ies) in connection with loan(s) made to and to make investments in shares, debentures and/or any other securities of other body corporates, whether Indian or overseas and/or in various schemes of Mutual Funds or such other funds, in their absolute discretion deem beneficial and in the interest of the Company in excess of 60% of the paid up Share Capital and Free Reserves and Securities Premium of the Company or 100% of Free Reserves and Securities Premium of the Company, whichever is more, as prescribed under Section 186 of the Companies Act, 2013 from time to time, in one or more tranches, up to maximum amount of Rs. 500 Crore (Rupees Five Hundred

Crore Only), notwithstanding that investments along with Company’s existing loans or guarantee / security or investments shall be in excess of the limits prescribed under Section 186 aforesaid or upto the limits so prescribed under Section 186, whichever is higher and that the Board is authorized to do all such acts, deeds, matters and things as may be necessary to give effect to this resolution, and to settle any question or doubt that may arise in this regard.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to take from time to time all decisions and steps in respect of the above loans, guarantees and investment including the timing, amount and other terms and conditions of such loans, guarantees and investment and varying the same through transfer, sale, disinvestment or otherwise either in part or in full as it may deem appropriate, and to do and perform all such acts, deeds, matters and things, as may be necessary or expedient in this regard and to exercise all the rights and powers which would vest in the Company in pursuance of such loans, guarantees and investment.”

Registered Office:  
Lunkad Towers  
Viman Nagar  
Pune - 411014

By Order of the Board of Directors

August 13, 2014

**Nilesh Jain**  
Company Secretary

## NOTES:

- The information required to be provided under the Listing Agreement entered with the Stock Exchanges, regarding the Directors who are proposed to be re-appointed/appointed and the relative Explanatory Statement and reasons for the proposed special business stated pursuant to Section 102 of the Companies Act, 2013 are annexed below.
- A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a member of the Company. A person can act as proxy on behalf of Members not exceeding fifty and holding in the aggregate not more than 10% of the total Equity Share Capital of

the Company. A Member holding more than 10% of the total Equity Share Capital of the Company may appoint a single person as proxy and in such a case, the said person shall not act as proxy for any other person or member. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

- 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 September 22, 2014 to September 26, 2014 (both days inclusive).
  5. The Members can avail facility of NECS (for receipt of dividend) / nomination in terms of the legal provisions in this regard. The necessary forms can be downloaded from the Company's website.
  6. **To support Green Initiative, the Members are requested to register their e-mail address and changes therein from time to time with the respective DP Agent if shares are held in Demat form or with the Registrar & Share Transfer Agent (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. Electronic copy of the Annual Report for Financial Year 2013-2014 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for Financial Year 2013-14 is being sent in the permitted mode.
  8. Electronic copy of the Notice of Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/ Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
  9. Even after registering for e-communication, members are entitled to receive such communication in physical form by post, free of cost, upon making a request for the same. For any communication, the shareholders may also send requests to the Company's investor email id: [secretarial@ismt.co.in](mailto:secretarial@ismt.co.in).  
  
Members may also note that the Notice of the Annual General Meeting and the Annual Report for Financial Year 2013-2014 will also be available on the Company's website for their download.
10. In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide the facility of voting through electronic means, as an alternate, to all its Members to enable them to cast their votes electronically instead of casting their vote at a Meeting. Please note that the voting through electronic means is optional for the Members. The business may be transacted through E-Voting Services provided by Central Depository Services Limited (CDSL).
  11. The Company has appointed Mr. Milind Kasodekar, a Practicing Company Secretary, Partner, MRM Associates, Pune to act as the Scrutinizer for conducting the electronic voting process in a fair and transparent manner.
  12. The procedure and instructions for voting through electronic means are, as follows:
    - (A) **In case of members receiving Notice of Annual General Meeting (AGM) through e-mail:**
      - (i) Log on to the e-voting website  
[www.evotingindia.com](http://www.evotingindia.com)
      - (ii) Click on "Shareholders" tab.
      - (iii) Now Enter your User ID
        - a. For CDSL: 16 digits beneficiary ID,
        - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
        - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
      - (iv) Next enter the Image Verification as displayed and Click on "Login".
      - (v) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
      - (vi) If you are a first time user follow the steps given below:



	<b>For Members holding shares in Demat Form and Physical Form</b>
Permanent Account Number (PAN)	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders).</p> <ul style="list-style-type: none"> <li>Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field.</li> <li>In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.</li> </ul>
Date of Birth (DOB)*	Enter the DOB as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details*	Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.

\* Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter **the number of shares held by you as on the cut off date in the Dividend Bank details field.**

- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on Electronic Voting Sequence Number (EVSN) of ISMT Limited.
- (xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvi) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvii) a) Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporates.
- b) They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- c) After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- d) The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- e) They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which

they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

**(B) In case of members receiving the physical copy of Notice of AGM:**

Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.

**(C) The voting period begins on Thursday, September 18, 2014 (10:00 am) and ends on Saturday, September 20, 2014 (6:00 pm). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date August 22, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.**

**(D) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).**

**(E) General Instructions:**

You are advised to cast your vote only through one mode (E-voting or through Show of Hands/ Poll at the AGM). In case you cast your votes through both the modes, votes cast through E-voting shall only be considered and votes cast at the meeting through Show of Hands / Poll would be rejected.

13. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.00 am to 5.00 pm) on all working days except Saturdays, up to and including the date of the Annual General Meeting of the Company.

14. **The Members who have not encashed their dividend warrants for the financial years 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 & 2011-12 are requested to forward the same to the Company or its R&T 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 remaining unpaid/unclaimed for a period of seven**

**years from the date it became due for payment will be transferred to "Investor Education and Protection Fund" (IEPF) established by the Central Government. Further, no claims shall lie against IEPF or the Company in respect of the amount so transferred.**

15. Members are further requested to:

- Intimate changes, if any, in their registered address / bank mandate and email address to the R&T 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 R&T Agent, if your shareholding is under multiple folios.
- **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 share certificate into Demat form.**
- Bring their copies of the Annual Report and the Attendance Slips at the Annual General Meeting.
- **Surrender to the R&T Agent, the old share certificate(s) of erstwhile Indian Seamless Steels & Alloys Limited (ISSAL), if still held by them in physical form, for exchange with new share certificate(s) of ISMT Limited.**
- Note that the Company has designated the e-mail id "[secretarial@ismt.co.in](mailto:secretarial@ismt.co.in)" exclusively for investor servicing.

Registered Office:  
Lunkad Towers  
Viman Nagar  
Pune - 411014

By Order of the Board of Directors

August 13, 2014

**Nilesh Jain**  
Company Secretary

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

### **Item Nos. 4 and 5 :**

At present the Board of Directors of the Company comprised Mr. S. C. Gupta and Mr. K. K. Rai as Independent Directors within the meaning of Section 2(47) read with Section 149(6) of the Companies Act, 2013 ('the Act').

As per provisions of Section 149 of the Act an Independent Director shall hold office for a term up to five consecutive years on the Board of a company and is not liable to retire by rotation.

The aforesaid Independent Directors meet the criteria of independence as provided under Section 149(6) of the Act and the rules made thereunder and Clause 49 of the Listing Agreement executed with the Stock Exchanges ("Listing Agreement"). None of the above Independent Directors are disqualified from being appointed as director in terms of Section 164 of the Act. All the above mentioned directors have given consent to act as such director. In the opinion of the Board, they fulfill the conditions specified in the Act for appointment as Independent Directors.

Accordingly, the Board of Directors at its meeting held on August 13, 2014, appointed them as Independent Directors of the Company pursuant to Section 149 read with Schedule IV of the Act on the following terms of appointment subject to approval of the shareholders at the ensuing Annual General Meeting :

Sr. No.	Name of Independent Director	Proposed Term (Years)	Period	
			From	To
1	Mr. S.C. Gupta	2	26.09.2014	25.09.2016*
2	Mr. K.K. Rai	2	26.09.2014	25.09.2016*

\*or until the conclusion of 18th Annual General Meeting of the Company, whichever is earlier.

In respect of the appointments of the aforesaid directors, a notice in writing in the prescribed manner as required by Section 160 of the Act and Rules made thereunder has been received by the Company, regarding candidature of the aforesaid directors for the office of the director.

The terms and conditions of appointment of Independent Directors will be open for inspection at the Registered Office

of the Company by any member during normal business hours.

The Board considers that their continued association would be of immense benefit to the Company and it is desirable to continue to avail their services as Independent Directors. Accordingly, the Board recommends the resolution set out in Item No. 4 and 5 of the Notice for the approval of the shareholders of the Company.

Brief resume of each of the above Independent Directors as stipulated in Clause 49 of the Listing Agreement are forming part of this Notice. This statement may also be regarded as disclosure under Clause 49 of the Listing Agreement.

Mr. S. C. Gupta and Mr. K. K. Rai are interested in the resolution set out respectively at item no. 4 and 5 of the Notice.

Except as mentioned above, none of the Directors, Key Managerial Personnel and their relatives are, in any way, concerned or interested financially or otherwise in the said resolutions.

### **Item No. 6:**

Mr. B. R. Taneja is the promoter and founder of ISMT Limited and other Group Companies. He is also a well-known technocrat in the field of seamless tube manufacturing with more than 5 decades of experience.

Mr. B. R. Taneja has been associated with the Company as its Chief Executive Officer, until March 30, 2009 and thereafter, as a Non-Executive Director. His knowledge and expertise has been invaluable to the Company and his presence on the Board of Directors ('the Board') has enabled the Company in maintaining continuity in strategic leadership and governance.

The Board had, in its Meeting held on March 30, 2009, approved the payment of monthly remuneration to Mr. B. R. Taneja for a period of 5 (Five) years commencing from April 1, 2009 to March 31, 2014. Pursuant to the extant provisions of the Companies Act, 1956, the Board had sought and received the approval of the shareholders and Central Government for the said arrangement until March 31, 2014.

The Board in its Meeting held on March 28, 2014 has approved the continued payment of the monthly remuneration to Mr. B. R. Taneja, for a further period of

3 (three) years commencing from April 1, 2014, on the basis of recommendations made by the Remuneration Committee of the Company and subject to the approval of the Members.

Pursuant to provisions of Section 197 of Companies Act, 2013, the Company has to seek the approval of its shareholders and the Central Government, if required, if the total remuneration payable to its Directors, including Managing Director and Whole-time Director and its Manager in respect of any financial year exceeds eleven percent of net profits of the Company computed for that financial year. Pursuant to said Section, except with the approval of the shareholders of the Company, the remuneration payable to Mr. B. R. Taneja cannot exceed 1% of the net profits of the Company.

In view of the inadequacy of profit, it is expected that the total remuneration payable to Mr. B. R. Taneja may exceed the aforesaid ceiling limits.

The previous approval of the shareholders is also sought by the Company pursuant to the Clause 49(I)(B) of the Listing Agreement.

The Board recommends the resolution to the Members to be passed as a Special Resolution.

Except Mr. B. R. Taneja and Mr. Salil Taneja, who are related to each other, none of the remaining Directors and Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise in the said resolution.

#### **Item Nos. 7 and 8:**

The Members of the Company at their Annual General Meeting held on September 30, 2011, had by means of Special Resolution(s), authorized the Board of Directors of the Company ('the Board') to create charge / mortgage / hypothecation of the properties of the Company for securing funds raised by the Company under Section 293(1)(a) of the Companies Act, 1956 and to borrow in excess of the aggregate of its paid up capital and free reserves under Section 293(1)(d) of the Companies Act, 1956.

The Ministry of Corporate Affairs has, vide its Circular No. 04/2014 dated March 25, 2014, clarified that the resolution passed under Section 293 of the Companies Act, 1956 prior to September 12, 2013 with reference to borrowings (subject to the limits prescribed) and / or creation of security on assets of the Company shall be regarded as sufficient compliance of

the requirements of Section 180 of the Companies Act, 2013 ('the Act') for a period of one year from the date of notification of Section 180 of the Act. Hence, the validity of earlier resolutions would expire on September 12, 2014 and thereafter approval from the Members would be required in due compliance with the provisions of Section 180 of the Act.

It is, therefore, necessary to obtain approval of the Members by means of Special Resolution to authorize the Board of Directors under Section 180(1)(c) of the Act to borrow money at any time or from time to time, together with the monies already borrowed by the Company, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business upto Rs. 5000 Crore (Rupees Five Thousand Crore Only) in excess of the aggregate of its paid up capital and free reserves, that is to say, reserves not set apart for any specific purpose.

The Company, may also need to create a charge over its assets, for securing borrowings, in favor of lenders and therefore it is necessary to obtain approval of the Members by means of Special Resolution to enable the Board of Directors of the Company under Section 180(1)(a) of the Act for creation of charge / mortgage / hypothecation to secure financial liabilities to the extent of Rs. 5000 Crore (Rupees Five Thousand Crore Only).

The Board recommends the resolutions set out in Item Nos. 7 and 8 of the Notice for the approval of the shareholders of the Company.

None of the Directors or Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the said resolutions.

#### **Item No. 9 :**

Under the provisions of Section 186 of the Companies Act 2013 ('the Act'), no Company shall make loan and/or give any guarantee/provide any security in connection with loan made to and to make investments in shares, debentures and/ or any other securities of other body corporates in excess of 60% of the paid up Share Capital and Free Reserves and Securities Premium of the Company or 100% of Free Reserves and Securities Premium of the Company whichever is more.

It is necessary to obtain approval of the shareholders by means of a Special Resolution, for authorizing the Board

to exercise aforesaid powers, from time to time, in one or more tranches, up to maximum limit of Rs. 500 Crore (Rupees Five Hundred Crore Only) notwithstanding that investments / loans / guarantee(s) / Security(ies) together with Company's existing investments / loans / guarantee(s)/ security(ies) shall be in excess of the limits prescribed under Section 186 of the Act or upto the limits so prescribed under Section 186 of the Act, whichever is higher.

The Board of Directors recommends the resolution to the Members to be passed as a Special Resolution.

None of the Directors or Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the said resolution.

Registered Office:  
Lunkad Towers  
Viman Nagar  
Pune - 411014

By Order of the Board of Directors

August 13, 2014

**Nilesh Jain**  
Company Secretary

**DETAILED PROFILE OF DIRECTORS SEEKING RE-APPOINTMENT / APPOINTMENT IS GIVEN AS UNDER:**

	<b>Mr. J. P. Sureka</b>	<b>Mr. S. C. Gupta</b>	<b>Mr. K. K. Rai</b>
Age	73 years	67 years	70 years
Qualification	B.Com	M.Com, CAIIB	BA & CAIIB
Date of Appointment	November 29, 2005	July 31, 2008	July 29, 2010
Category	Non – Executive (Promoter) Director	Non-Executive (Independent Director)	Non-Executive (Independent Director)
Experience and Expertise in specific functional Area	Mr. J.P. Sureka is an industrialist with business interests in steel, chemicals, financial services and tea plantations.	Mr. S. C. Gupta is a former Chairman and Managing Director of Punjab National Bank and of Indian Overseas Bank, having more than 40 years of banking and financial services experience to his credit.	Mr. K. K. Rai has vast experience in Banking, Financial Services and Risk Management for over four decades. He was holding top level positions in Vijaya Bank. He retired as Executive Director of Allahabad Bank.
Relationship with other Directors of the Company	None	None	None
Equity Shareholding of Directors as on March 31, 2014	120380	NIL	NIL
Directorship held in other Public Limited Companies	1) Taneja Aerospace and Aviation Ltd. 2) Shentracon Chemicals Ltd. 3) Prismo (India) Ltd.	1) Emmsons International Ltd. 2) Solar Industries India Ltd. 3) Brahmaputra Infrastructure Ltd. 4) Gujarat Foils Ltd. 5) SMC Global Securities Ltd. 6) Prudent arc Ltd. 7) Kohinoor Foods Ltd. 8) Kamanwala Housing Construction Ltd.	1) Techno Electric & Engineering Company Ltd. 2) VST Tillers Tractors Ltd.
Memberships / Chairmanship of Committees of Indian Public Limited Companies	Member of Audit Committee and Chairman of Shareholders/ Investors' Grievance Committee of Taneja Aerospace and Aviation Ltd.,  Member of Audit Committee & Shareholders/Investors' Grievance Committee of Shentracon Chemicals Ltd.,  Member of Audit Committee & Shareholders/Investors' Grievance Committee of Prismo (India) Ltd.	Member of Audit Committee of Emmsons International Ltd., Member of Audit Committee and Shareholders/Investors' Grievance Committee of Solar Industries India Ltd., Member of Audit Committee of Brahmaputra Infrastructure Ltd., Member of Audit Committee and Shareholders/Investors' Grievance Committee of Gujarat Foils Ltd., Member of Audit Committee of SMC Global Securities Ltd., Member of Audit Committee of Kamanwala Housing Construction Ltd.	Member of Audit Committee of Techno Electric & Engineering Company Ltd.,  Member of Audit Committee of VST Tillers Tractors Ltd.

## 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, 2014 :

### I. Conservation of Energy

#### a. Energy conservation measures taken:

- 1 Revamped billet heating furnace at Tube plant.
- 2 Cold sizing mill drive optimized.
- 3 Surface Treatment Plant insulation undertaken at Tube plant to reduce heat loss.

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

- 1 Installed recuperator for preheating furnace at Tube plant.
- 2 Separate lighting electromizer with automatic voltage controller installed at Tube plant.

#### 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

#### Power & Fuel Consumption

Sr. No.	Particulars	Current Year 2013-14	Previous Year 2012-13
1	Electricity		
	a) Purchased Units * (KWH in '000)	<b>109,318</b>	64,857
	Total amount (Rs. in Crore)	<b>115.56</b>	65.00
	Rate/KWH (Rs.)	<b>10.57</b>	10.02
	b) Own generation		
	i) Through Diesel		
	Generator Units (KWH)	<b>21,054</b>	26,432
	Units per litre of oil/gas	<b>2.05</b>	2.19
	Cost per unit (Rs./KWH)	<b>25.87</b>	24.87
	ii) Through Steam		
	Turbine/ Generator Unit		
	Unit (KWH in '000)	<b>189,573</b>	189,232
	Unit per litre of oil/gas	<b>NA</b>	NA
	Cost per unit (Rs./KWH)	<b>NA</b>	NA

\* On actual Payment Basis.

Sr. No.	Particulars	Current Year 2013-14	Previous Year 2012-13
2	Coal		
	Quantity (Tonnes)	<b>233,664</b>	210,076
	Total Cost (Rs. in Crore)	<b>123.79</b>	125.22
	Average Cost (Rs. /MT)	<b>5,298</b>	5,961
3	Furnace Oil		
	Quantity (K. Ltr)	<b>19,291</b>	18,628
	Total Cost (Rs. in Crore)	<b>82.47</b>	77.95
	Average Cost (Rs. per K. Ltr)	<b>42,749</b>	41,851
4	Others: LDO/LSHS/ Bio diesel		
	Quantity (K. Ltr)	<b>2,502</b>	3,489
	Total Cost (Rs. in Crore)	<b>15.39</b>	19.88
	Average Cost (Rs. per K. Ltr)	<b>61,503</b>	56,967

#### Consumption per Unit of Production

Particulars	2013-14	
	Tube	Steel
Production (MT)	<b>147180</b> (138571)	<b>244888</b> (216319)
Electricity (KWH)	<b>643</b> (678)	<b>834</b> (741)
Furnace Oil (Ltr)	<b>81</b> (83)	<b>30</b> (33)
Coal (MT)	<b>NA</b> (NA)	<b>NA</b> (NA)
Others: LDO/LSHS/ Bio diesel (Ltr)	<b>14</b> (22)	<b>2</b> (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 :

- a Quenching & Tempering furnace automation for fuel consumption optimization.
- b Installation of Tundish weighing system for better quality cast bloom.
- c Oval Tube tooling design for oil application.
- d Development of creep resistant steel.

##### 2. Future plan of action

- a Finishing furnace temperature trend recording with material traceability information for better control on quality
- b Development of tooling inhouse.

**3. Expenditure on R & D** (Rs. in Crore)

Sr. No.	Particulars	2013-14	2012-13
i)	Capital	0.07	0.26
ii)	Recurring	0.43	1.44
	Total	0.50	1.70
	Total R & D as a % of Turnover	0.03%	0.11%

**B] Technology Absorption, Adaption and Innovation**

Developments as mentioned in A1 above have become functional. Apart from improvement in productivity and cost reduction it has helped develop in house expertise.

**C] Imported Technology**

Company has installed imported premium quality finishing mill and allied downstream processing machinery. The technology has been fully absorbed. Some of the tooling and associated spares are being developed in house and for items of

regular requirement efforts are made to develop local vendors to facilitate smoother and cost efficient operations.

**II. Foreign Exchange Earnings & Outgo**

The Company continues to strive to improve its export earnings across regions and across sectors. Your company has established strong foothold in the value added seamless tubes segment in the overseas market and continue to pursue product certifications. Further details in respect of exports as set out elsewhere in the report.

The information on foreign exchange earnings and outgo is furnished in the Notes on accounts.

For and on behalf of the Board of Directors

Pune, May 28, 2014

**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, 2014**

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	Rajiv Goel	Chief Financial Officer	60	B. Com. (Hons), FCA & FCS	36	December 01, 2005	74,32,809	The Indian Seamless Metal Tubes Ltd.
2	Salil Taneja	Chief Executive Officer	47	B.Sc. (Engg), MBA (Fin.), Ohio, Yale, USA	24	December 01, 2005	65,18,086	The Indian Seamless Metal Tubes Ltd.

**Notes :**

- Nature of employment is contractual for all the above employees.
- 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

Pune, May 28, 2014

**S C Gupta**  
Chairman





# ISMT LIMITED

Regd Office: Lunkad Towers, Viman Nagar, Pune – 411014, Maharashtra  
 Phone : 020-41434100, Fax : 020-26630779, E-mail : secretarial@ismt.co.in,  
 Web: www.ismt.co.in, CIN : L27109PN1999PLC016417

## 16th Annual General Meeting

### PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies  
 (Management and Administration) Rules, 2014]

Name of the member (s) :			
Registered address :			
E-mail Id :			
Folio No./ Client Id		DP ID	

I/We, being the member (s), holding ..... shares of the above named company, hereby appoint:

- (1) Name \_\_\_\_\_ Address \_\_\_\_\_  
 E-mail ID: \_\_\_\_\_ Signature \_\_\_\_\_ or failing him
- (2) Name \_\_\_\_\_ Address \_\_\_\_\_  
 E-mail ID: \_\_\_\_\_ Signature \_\_\_\_\_ or failing him
- (3) Name \_\_\_\_\_ Address \_\_\_\_\_  
 E-mail ID: \_\_\_\_\_ Signature \_\_\_\_\_ or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **ANNUAL GENERAL MEETING** of the Company, to be held on Friday, September 26, 2014 at 10:00 A.M. at Hyatt Regency Pune, Weikfield IT Park, Pune Nagar Road, Pune - 411014 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolutions	Vote (Optional See Note 3)	
		For	Against
<b>Ordinary Business</b>			
1.	Adoption of Financial Statements for the year ended March 31, 2014		
2.	Re-appointment of Mr. J. P. Sureka who retires by rotation and being eligible, offers himself for re-appointment		
3.	Appointment of Joint Statutory Auditors		
<b>Special Business</b>			
4.	Appointment of Mr. S. C. Gupta as an Independent Director		
5.	Appointment of Mr. K. K. Rai as an Independent Director		
6.	Payment of remuneration and other perquisites to Mr. B. R. Taneja		
7.	Borrowing limits under section 180(1)(c) of the Companies Act, 2013		
8.	Creating charge etc. on company's properties under section 180(1)(a) of the Companies Act, 2013		
9.	Power to provide loan(s) / guarantee(s) / security(ies) and make investment under section 186 of the Companies Act, 2013		

Signed this ..... day of ..... 2014.

Signature of shareholder:

Signature of Proxy holder(s) : \_\_\_\_\_

Affix Re 1/- Revenue Stamp
-------------------------------------

#### Note :

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**
- For the Resolutions, Explanatory Statement and Notes, please refer to the notice of the 16th Annual General Meeting.
- It is optional to put '✓' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
- Please complete all details including details of member(s) in above box before submission



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 Web: www.ismt.co.in, CIN : L27109PN1999PLC016417

## **16th Annual General Meeting**

### **ATTENDANCE SLIP**

DP Id.		Name & Address of the registered Shareholder
Client Id /		
Regd. Folio No.		
No. of Shares held		

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the **ANNUAL GENERAL MEETING** of the Company being held on Friday, September 26, 2014 at Hyatt Regency Pune, Weikfield IT Park, Pune Nagar Road, Pune - 411014 at 10:00 A.M.

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

**Note:** Please complete this and hand it over at the entrance of the hall.



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# **BOOK-POST**

**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