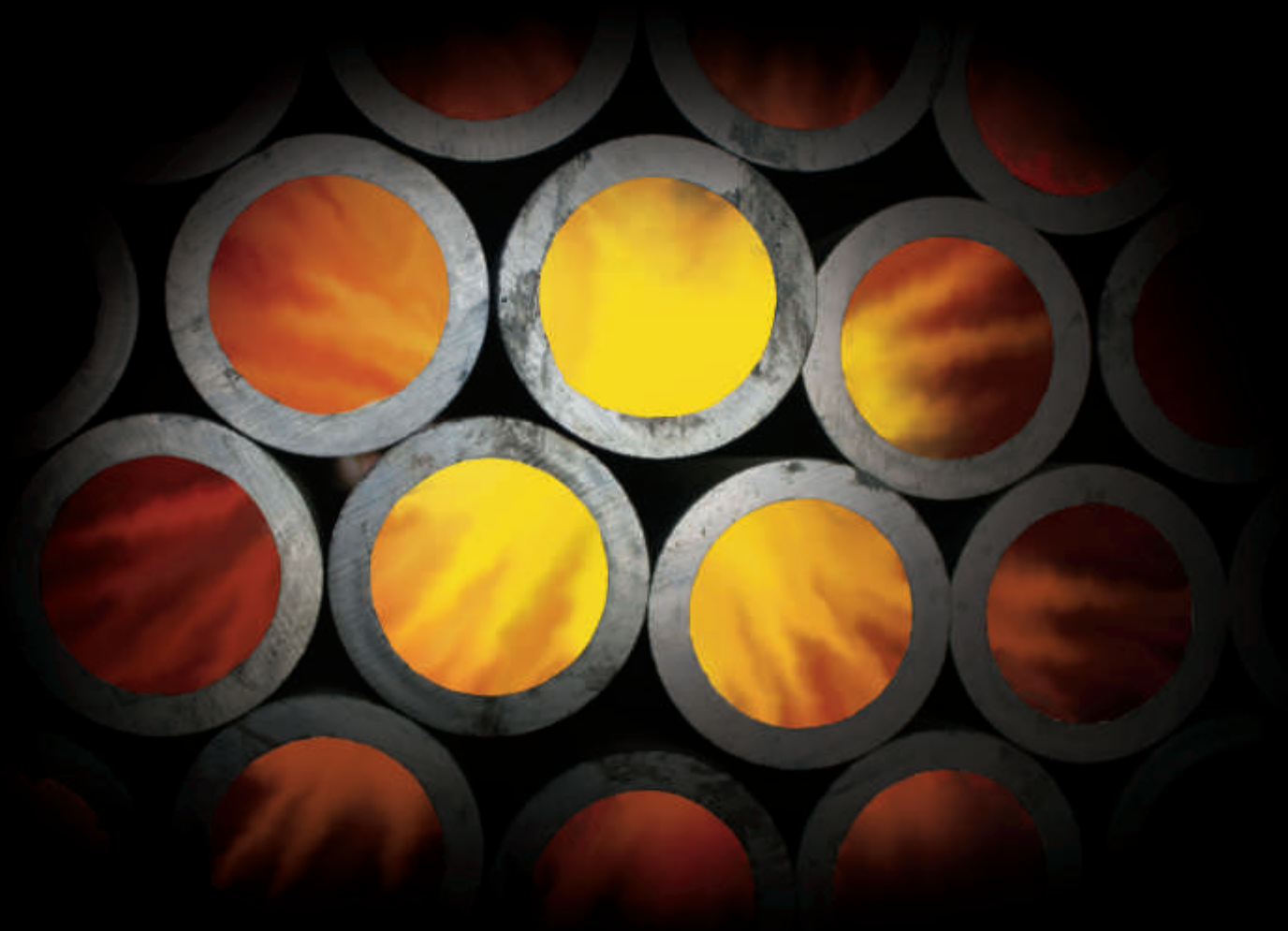


ISMT LIMITED

Solutions You Can Trust



ANNUAL REPORT
2009-10

VISION & CORE VALUES

“To be the most sought after, efficient, profitable and respected producer globally of precision seamless tubes and alloy steels.”

- B. R. Taneja



ICE TRAINING CENTRE



ISMT Centre for Excellence (ICE) is an in-house training centre of ISMT. Located on a 20 acre campus, ICE is a full fledged residential training facility equipped with computer labs, classrooms, a library, and recreational facilities.

The objective of this Centre is to act as a resource and repository for collecting and disseminating knowledge within the organization.



Board of Directors

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

Company Secretary

Jayan Nair

Auditors

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

Advocates & Solicitors

Amarchand & Mangaldas & Suresh A Shroff & Co.
HSB Partners, Chennai
Lindahl, Sweden

Bankers

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

Registered Office

Lunkad Towers, Viman Nagar, Pune 411 014

Registrar & Share Transfer Agents

Sharepro Services (India) Private Limited

Works

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

12th Annual General Meeting at Le Meridien, Pune on November 15, 2010 at 11.00 AM

PHYSICAL SUMMARY

(Tonnes Per Annum)

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

* Seamless Tube Capacity Stands increased to 4,75,000 TPA w.e.f 8th May 2010.

(Tonnes Per Annum)

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

* Steel Capacity Stands increased to 3,50,000 TPA w.e.f 27th September 2010.

FINANCIAL SUMMARY

(Rs in Crore)

	2009 – 10	2008-09	2007-08	2006-07	2005-06	2004-05
A) Profitability						
Gross Sales	1922	2324	2063	2056	1813	1450
Net Sales & Other Income	1205	1314	1210	1201	1085	910
Raw Material	501	644	570	536	497	475
Energy Cost	215	171	174	165	137	111
Other Direct Expenses	173	157	152	151	120	101
Personnel Cost	82	77	73	63	52	42
Administrative Expenses	16	14	15	17	15	17
EBIDTA	218	251	226	269	264	164
Finance Cost	79	82	67	76	86	92
Depreciation & Amortization	56	56	55	60	51	44
Foreign Exchange (Gain) / Loss	(9)	57	(22)	(5)	2	2
Tax	17	-	26	8	10	(7)
Net Profit	75	56	100	130	115	33
Dividend – Rs. Per Share	1.00	1.00	1.00	0.50	-	-
B) Balance Sheet						
Sources of Funds						
Net Worth	579	532	542	470	429	357
Term Borrowing	672	693	550	476	533	558
Working Capital Borrowings	109	100	120	141	140	158
Unsecured Loans	219	219	204	217	111	83
Deferred Tax Liability	42	15	-	-	-	-
Total	1621	1559	1416	1304	1213	1156
Application of Funds						
Net Block & Capital Work In Process	1187	1148	1021	810	823	858
Investments	36	26	19	-	-	-
FC Translation Reserve	5	40	-	-	-	-
Current Assets	986	799	689	691	533	474
Current Liabilities	(595)	(457)	(327)	(257)	(242)	(273)
Net Current Assets	391	342	362	434	291	201
Deferred Tax Asset & Misc. Expenditure	2	3	13	60	99	97
Total	1621	1559	1416	1304	1213	1156

KEY PARAMETERS

(Rs. In Crore)

	2009–10	2008–09	2007-08	2006-07	2005-06	2004-05
Operations :						
- Net Sales	1193.27	1300.25	1191.539	1197.14	1067.11	900.73
Tube Sales	785.54	995.96	838.28	878.65	699.92	518.57
Steel Sales	407.73	304.29	353.26	318.49	367.19	382.16
- Exports	183.71	369.80	258.41	232.22	216.62	160.62
- Imports	267.71	194.75	60.25	89.67	131.98	100.41
- Raw Material (% of Sales)	42.0%	49.5%	47.8%	44.8%	45.1%	51.3%
- Energy Cost (% of Sales)	18.0%	13.1%	14.6%	13.8%	12.9%	12.3%
Profitability :						
- EBIDTA margin	18.1%	19.1%	18.6%	22.4%	24.3%	18.0%
- Net Profit Margin	6.2%	4.3%	8.3%	10.8%	10.6%	3.6%
- Return on Net worth	12.9%	10.6%	18.8%	28.2%	27.3%	9.4%
- Return on Capital Employed	15.3%	12.5%	16.4%	18.5%	19.9%	15.9%
Finance :						
- Term Debt	672	693	550	476	533	558
- FC Debt (% of Term Debt)	67.9%	65.4%	76.0%	50.8%	31.9%	13.3%
- Finance Charges (% of Sales)	6.6%	6.3%	5.6%	6.4%	8.0%	10.2%
General :						
- Average Market Capitalization	635.51	466.90	1288.92	1154.48	888.24	164.97
- Share Price during the yr.- High (Rs)	64.90	68.10	140.00	124.90	112.45	41.90
- Low (Rs)	19.10	14.10	49.00	62.00	27.00	3.05
- Book Value (Rs. Per Share)	39.42	36.11	36.41	31.90	29.20	33.24
- Earning Per Share (Rs)	5.09	3.84	6.92	9.01	7.96	2.33



CEO's Statement

The fiscal year that has just ended and the one that is currently running are crucial years for ISMT. I expect that in the years to come we will look back upon this period as an inflection point for the company. The start of a rapid transition from being a niche producer of specialized seamless tubes and alloy steels to becoming a global leader in these products. In other words, the unfolding of our 'Vision' to be the most sought after, efficient, profitable and respected producer globally of precision seamless tubes and alloy steels.

One of the key enablers for this expected change is the PQF mill that has been commissioned during the year and which has positively impacted multiple facets of our business. Firstly, our installed seamless tube manufacturing capacity has increased from 155,000 MT per annum to 475,000 MT per annum. Secondly, our costs of producing various products within the seamless tube segment have reduced. Thirdly, as a result of the cost reductions, various markets that were outside our competitive area have now become addressable. The combination of these elements has made our business model very robust and has laid a secure foundation for growth.

The other enablers are various internal process changes that we have made, and initiatives that we have launched, to complement the introduction of the PQF product line, the commensurate increase in the scale of our production and in the diversity of our products; and to cope with a very dynamic price environment. All these initiatives, aimed at moving decision making down the line, improving the

response time of the organization, and improving customer interactions, will undoubtedly yield sustained positive results.

The third and vital cornerstone of our strategy is product development, which allows us to move sales volumes from the commodity category to the value added sections of the market. During this year we have identified various such products and launched them successfully. These include new grades of seamless tubes as well as engineering steels for the Powergen and Automotive markets. While these markets are relatively difficult and slow to penetrate, we will reap the rewards in the future in terms of business stability and margin growth.

One of our strengths is that our products are consumed across a very diverse industry group ranging from oil & gas exploration, automotive, construction, Powergen, and mining. It is also very fortunate for us that many of these sectors are witnessing rapid growth particularly in India. In many of these sectors ISMT is strongly positioned and in others efforts are on to secure a sound footing. This is not to say that our industry is without its challenges.

Today the key uncertainty that grips the seamless tube markets worldwide is created by the overcapacity in China, by the consequent price cutting by Chinese enterprises, and by the response of nations to these dynamics. As we speak, the U.S., Europe, Canada, Argentina, and Mexico have either levied or are in various stages of levying anti-

dumping duty on Chinese seamless tubes. This has created both a serious threat as well as some opportunities.

Faced with mounting duties in the developed markets China is now dumping seamless tubes in the remaining parts of the world including the Middle East, North Africa, South-East, and India with renewed, unbridled aggression. Selling seamless tubes in these regions is now extremely difficult, if not impossible. On the other hand, demand for Indian tubes has jumped up in countries like the U.S. and Europe, where anti-dumping duty has been levied on Chinese product.

Our response to this situation is threefold. We have filed a petition for anti-dumping duty, believing firmly, that it is the duty of the Indian Government to protect our industry from unfair competition. We hope and expect that the Indian Government will act fairly and vigorously to safeguard our interests. We have also taken steps to increase our exports to the U.S., Europe, and other regions where duty has been imposed on Chinese products. Finally, we have accelerated our efforts to shift our product portfolio

in favour of more sophisticated and value added products where competition from Chinese products is less severe. With these actions, we have hedged ourselves against all outcomes in the best possible manner.

As they say, the proof of the pudding is in the eating. A robust, steadily growing bottom line is the only true test of a successful business model. I believe that your company is well poised to stand up to this test and I look forward to our shared future with optimism.

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

Thank you

A handwritten signature in black ink, appearing to read 'Salil Taneja', is written over a light blue rectangular background.

Salil Taneja

Directors' Report

To the Members of ISMT LIMITED

The Directors have pleasure in presenting their Annual Report and Audited Accounts for the year ended March 31, 2010.

FINANCIAL HIGHLIGHTS (Rs. in Crore)

Particulars	Financial Year	
	2009 - 10	2008-09
Gross Sales	1922.33	2324.14
Profit before Finance Charges, Depreciation, Amortization & Tax (EBIDTA)	217.81	251.21
Gross Profit	82.71	112.93
Profit Before Tax	91.23	55.98
Taxation	16.62	(0.25)
Net Profit	74.61	56.23
Add : Balance brought forward from previous year	47.30	58.21
Balance available for Appropriation	121.91	114.44
Appropriations		
Dividend	14.65	14.65
Tax on Dividend	2.43	2.49
General Reserve	50.00	50.00
Balance carried to Balance Sheet	54.83	47.30

DIVIDEND

The Board has recommended a Dividend of Re1.00 per Equity Share of Rs. 5/- each (20 % of face value) for the financial year ended March 31, 2010 and is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

OPERATIONS

During the first half of FY 2009-10, as a result of subdued demand, the steel plant as well as the tube plants operated at below optimal capacity. However, in the second half of the year, following market recovery in the automotive sector, particularly within the domestic markets, both steel as well as tube volumes improved.

While operations at Structo Hydraulics AB, continued to bear the brunt of the slowdown in Europe, aggressive cost reduction measures started yielding results during the second half and as a result, the cash break even level of Structo Hydraulics AB, has significantly reduced.

On May 8, 2010 ISMT commenced commercial production of its Tube expansion project at Baramati. At the same time, incremental steel making capacity at the steel plant in Jejuri also started commercial production on 27th September, 2010.

The 40 MW captive power project at Chandrapur district in Maharashtra is at an advance stage of completion. Key approvals, including the Environmental Clearance is already in place and the majority of equipment has already arrived at the project site. We expect the project to be operational by end of this financial year.

MARKET

Due to the global recession exports suffered severely in the first half of the year. However, during the second half of the year the drop in export volumes was partially offset by a demand recovery in the domestic markets. We continued to focus our efforts on developing new customers and new products both in the domestic as well as international markets with significant success on this front. Steel sales increased 34% as a result of increased demand in the automotive and bearing sectors within India.

FINANCE

On the accounting front, the Company continued to exercise its option under the Accounting Standard (AS 11) to recognize the valuation difference on long-term monetary items arising out of changes in Foreign Exchange rates. As a result, the favorable rupee movement against the US Dollar during the year helped company recover most of its notional losses on account of mark to market of long term liabilities; and the balance in the 'Foreign currency translation difference account' now stands reduced at Rs. 5 Crore. With respect to its term loans and working capital borrowings, the Company benefited from lower LIBOR rates prevailing during the year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr S C Gupta and Mr Rajiv Goel retire by rotation and being eligible offer themselves for re-appointment.

Mr K K Rai was appointed as an Additional Director of the Company on July 29, 2010. He holds office up to the date of the ensuing Annual General Meeting (AGM) of the Company. Member's approval has been sought in the notice convening AGM for his appointment as a Director of the Company liable to retire by rotation.

Directors' Report (contd.)**AUDITORS**

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

SUBSIDIARIES

As on date of this report, the company has seven subsidiary companies. The Company has applied to the Government of India for seeking exemption u/s 212 (8) of the Companies Act, 1956 from attaching the Audited Accounts, Directors' Report and Auditor's Report of these subsidiary companies. The Annual Accounts of these subsidiary companies and other relevant information shall be made available for inspection at the Company's Registered Office.

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

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

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

RESEARCH & DEVELOPMENT

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

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

DISCLOSURE PARTICULARS

The Particulars in respect of energy conservation, technology absorption and foreign exchange earnings outgo, etc as required under Section 217(1) (e) of the

Companies Act, 1956 are given in Annexure - I to this report.

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures ;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year March 31, 2010 and of the Profit of the Company for that period.
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Pune
September 28, 2010

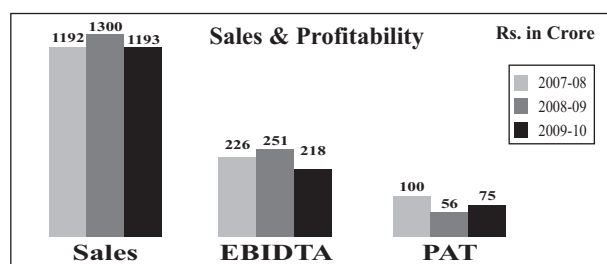
S C Gupta
Chairman

Management Discussion and Analysis

OVERVIEW

2009/2010 was a mixed bag for ISMT. During the first half of the year we faced the brunt of the recession with demand for our products falling sharply. In the second half of the year sales recovered primarily on the back of increased demand from the domestic automotive and general engineering industries.

The Company ended the year with Sales of Rs. 1193.27 Crore while Net Profit & Earning Per Share stood at Rs. 74.61 Crore and Rs. 5.09 per share respectively.



Lower realisations on back of lower raw material prices along with lower exports led to an overall reduction in net sales by over 8%.

	2009-10	2008-09	% Change
Net Sales (Rs. Crore)	1193	1300	(8%)
Avg. Realisations (Rs./MT);			
- Tube	66843	75088	(11%)
- Steel	43426	54137	(20%)

A decline of over 50% in exports was partially compensated by an increase in domestic sales by over 9%.

	(Rs. In Crore)		
	2009-10	2008-09	% Change
Domestic	1009.56	930.46	9%
Exports	183.71	369.80	(50%)

Throughout the year we remained focused on our strategy of adding new customers and developing new products. In particular, there was a renewed emphasis on increasing steel sales and developing new customers in this segment. While these efforts will continue to pay dividends over the years, the increased focus on steel sales fetched good results with external steel sales increasing by 67% in volume terms.

As part of our strategy to expand our geographical coverage we added a number of new sales representatives in the U.S. to market our products there.

2009-10 2008-09 % change

External Steel Sales;

- Volume (MT)	93,890	56,207	67%
- Amount (Rs. In Crore)	408	304	34%

The 40 MW captive power plant being set up at Chandrapur is progressing satisfactorily. Once operational, we expect our power costs to come down substantially.

The overall slowdown in the European auto and construction equipment industry continued to impact sales of ISMT's Swedish subsidiary, Structo Hydraulics AB., adversely. However, aggressive cost cutting measures that we had instituted started showing positive results, particularly during the second half of the year.

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

INDUSTRY STRUCTURE AND DEVELOPMENTS

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

One of your company's key strengths is that its products are consumed across a very diverse industry and customer base. No individual customer or market segment dominates the purchases from the Company. We remain committed to this strategy and are therefore focused on constantly expanding our customer base both within India as well as internationally.

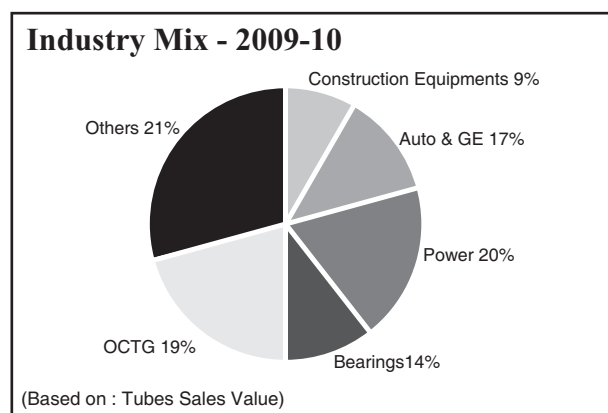
Management Discussion and Analysis (contd.)**MARKET**

As mentioned above, ISMT's target markets include Mining, Construction, Bearings, Energy, Automotive, General Engineering and OCTG. Of these, the Automotive and OCTG markets have been most severely impacted by the recession while the Energy sector saw the lowest drop in sales.

The uncertainty that grips the seamless tube markets worldwide today is created by the overcapacity and price-cutting by Chinese enterprises. The U.S., Europe, Canada, Argentina, and Mexico have either levied or are in various stages of levying anti-dumping duty on Chinese seamless tubes. Faced with mounting duties in the developed markets China is now dumping seamless tubes in the remaining parts of the world including India with renewed, unbridled aggression. On the other hand, demand for Indian tubes has jumped up in countries like the U.S and Europe, where anti-dumping duty has been levied on Chinese product.

We are presently dealing with the Government of India for imposing anti-dumping duty and we believe that it is the duty of the Indian Government to protect our industry from unfair competition. We have also taken steps to increase our exports to the U.S., Europe, and other regions where duty has been imposed on Chinese products. Finally, we have accelerated our efforts to shift our product portfolio in favour of more sophisticated and value added products where competition from Chinese products is less severe.

Export Sales during the year decreased by over 50% to Rs. 184 Crore. The U.S.A. & Europe continued to remain the dominant export revenue earners for the Company. USD & Euro denominated sales accounted for nearly 71% and 22% of total Export sales respectively.

**OPPORTUNITIES & THREATS****Opportunities**

In the near and medium term the key opportunities for ISMT relate to the tube expansion project that has been commissioned during the year and which will positively impact multiple facets of our business. Firstly, our installed seamless tube manufacturing capacity has increased from 155,000 MT per annum to 475,000 MT per annum. Secondly, our costs of producing various products within the seamless tube segment will reduce. Thirdly, as a result of the cost reductions, various markets that were outside our competitive arena will now become addressable. The combination of these elements promises to make our business model very robust and to create a secure foundation for growth.

The commissioning of the Tube Expansion Project increases the size of the 'economically' addressable market available to the Company. As a result of substantially reduced production costs ISMT can now target the Powergen sector as well as specific segments of the OCTG, Bearing and Automotive sectors that were outside its grasp in previous years.

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

Threats

As elaborated above, the most significant threat faced by any seamless tube manufacturer today is the threat of Chinese dumping.

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

SEGMENT / PRODUCT INFORMATION

Your Company is engaged in manufacturing Seamless Tubes and Engineering Steels. Seamless Tube accounted for 66% of ISMT's total external sales while Steel accounted for 34%. 59% of the steel produced was used to make tubes while 41% was sold to the external market.

Management Discussion and Analysis (contd.)

OUTLOOK

The overall outlook for the Company remains positive. ISMT's strategy was, and is, to fill up the incremental capacity created by the addition of the PQF mill with commodity products and then, overtime, move the product mix from commodity products towards higher value added products.

Clearly, in the current market situation the likelihood of filling up capacity at short notice with commodity tubes has diminished. Therefore our strategy has to adapt to moving, even more quickly than we had earlier envisaged, into higher value added tubes.

Fortunately, as elaborated elsewhere in this note, your Company has made good progress on this front and we expect that the profitability slack will be taken care of by the sale of such higher value products.

RISKS & CONCERNS

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

INTERNAL CONTROL SYSTEMS

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

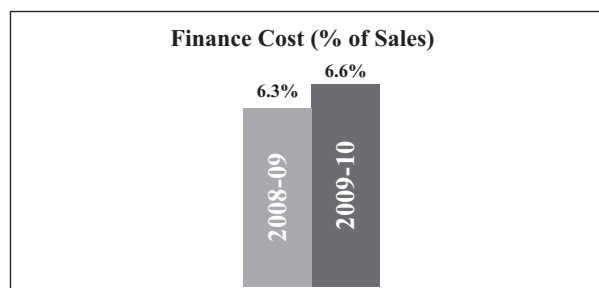
FINANCIAL PERFORMANCE

Some of the key financial parameters are as under:

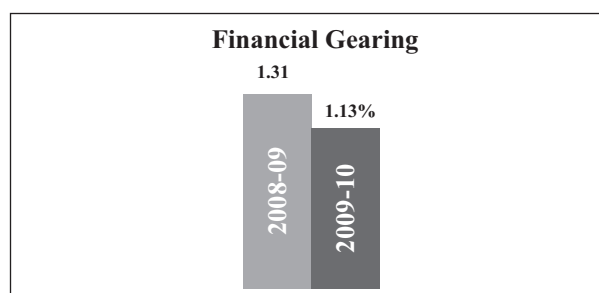
Particulars	2009-10	2008 09	2007 08	2006 07	2005 06
Debt Equity Ratio	1.13	1.31	1.03	1.03	1.26
Term Debt to EBIDTA (times)	3.09	2.76	2.44	1.77	2.12
Bank Borrowings (% to Sales)	9.1%	7.7%	10.1%	11.8%	13.2%
Current Ratio	1.44	1.43	1.54	1.77	1.39

Finance Cost

During the year the Company benefited from lower interest rates both on domestic as well as foreign currency borrowings. Finance costs for the year reduced by over 4.5% as compared to the previous year.

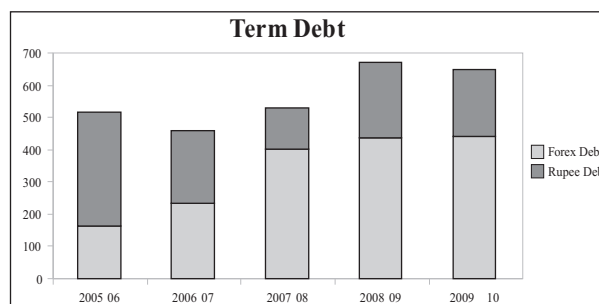


Finance costs as a percentage of sales stood at 6.6% against 6.3% for the previous year.



Financial gearing improved from 1.31 to 1.13 inspite of additional term debt borrowings availed for financing the expansion projects.

Foreign currency term loans accounted for over 68% of the company's outstanding term debt as on March 31, 2010 (as compared to 65% as on March 31, 2009).



Working Capital

Given the increased volatility in raw material prices and the company's decision to hold more inventory as a partial hedge against price fluctuations, inventories increased with commensurate increase in Working Capital

Management Discussion and Analysis (contd.)

requirements. Similarly, easing of credit terms offered to customers as an incentive to increase sales also led to higher receivables. We expect the working capital holding level to reduce, once production from the new capacity is streamlined.

	(Rs. In Crore)	
PARTICULARS	2009-10	2008-09
Working Capital Borrowing	109	100
Inventory	351	279
- no of months	4.74	3.44
Receivables	348	259
- no of months	3.50	2.39

Energy Cost

Energy costs accounted for 18% of revenues. Your Company has undertaken a project for setting up a 40 MW captive Power plant at Chandrapur district in Maharashtra to address the increasing cost of power and to ensure uninterrupted power supply.

	2009-10	2008-09	% Change
Power consumption (KWH/ Ton of Production)			
- Steel Division	811	818	(1%)
- Tube Division	586	446	31%
Avg. Electricity Rate per Unit (Rs. / KWH)	4.97	4.41	13%

During the year under review the trials of the PQF mill including Rotary hearth furnace resulted into higher fuel consumption at tube division. This will subside as a percentage of sales once production from expanded tube capacity stabilises.

Furnace oil Consumption
(K Ltrs/ Ton of Production)

	2009-10	2008-09	% Change
-Steel Division	41	43	(5%)
-Tube Division	97	49	98%

Avg. Furnace Oil rate

Rs. per Liter	22.84	24.26	(6%)
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HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

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

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

EMPLOYEE RELATED INFORMATION
(As on March 31, 2010)

	Factory Locations	Others	Total
Managers	154	68	222
Officers & Staff	467	138	605
Workmen	1502	-	1502
Total	2123	206	2329

CAUTIONARY STATEMENT

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

Corporate Governance Report

Company's Philosophy on Corporate Governance

The Company is committed and continues to focus on good Corporate Governance in the best interests of the shareholders, lenders, business associates and employees. This report is prepared in conformity with the requirements of Clause 49 of the Listing Agreement with Stock Exchanges.

BOARD OF DIRECTORS

The Board comprised of 9 Directors of which 3 Directors were Independent as on March 31, 2010. Mr. K K Rai was appointed as an Additional Independent Director on July 29, 2010 and the Board now consists of 10 Directors of which 4 are independent.

The composition of the Board of Directors, their attendance at Board Meetings held during the year and at the last Annual General Meeting, as also the number of other Directorships in other public companies and memberships in various committees across all public companies as on March 31, 2010 are as follows:

Name of the Director	Category	Financial Year 2009 10 Attendance at		As on Date		
		Board Meetings	Last AGM	# No. of Directorships in other public companies	** Committee positions in other public companies	
					Member	Chairman
SC Gupta	Independent NED	5	Yes	1	2	1
B R Taneja	NED	6	Yes	1		
Nirmal Chandra	ED	5	Yes	1		
Rajiv Goel	ED	6	Yes	2	1	
Salil Taneja	ED	5	Yes	2		
AK Jain	NED	5	Yes	1	1	1
Virendra Kapoor**	Independent NED	3	No	0		
Vinod Sethi	Independent NED	4	Yes	11	7	
J P Sureka	NED	5	Yes	3	2	
V Gourishankar	IDBI Nominee	5	No			
K K Rai***	Independent NED		NA			

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

** Ceased to be Director effective from September 30, 2009

*** Appointed as Director on July 29, 2010

Corporate Governance Report (contd.)

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

Sr. No.	Date of Meeting
1.	April 30, 2009
2.	July 30, 2009
3.	August 26, 2009
4.	October 26, 2009
5.	October 28, 2009
6.	January 30, 2010

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

APPOINTMENT / RE-APPOINTMENT OF DIRECTORS

In terms of the Articles of Association of the Company and the relevant provisions of the Companies Act, 1956, Mr S C Gupta and Mr Rajiv Goel retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-election.

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

AUDIT COMMITTEE

The Audit Committee was re-constituted on October 28, 2009 with Mr Vinod Sethi as Chairman and Mr J P Sureka and Mr S C Gupta as members. Mr K K Rai was inducted as a member of the Audit Committee on July 29, 2010. The composition of Audit Committee and attendance of each member is indicated alongside their names:

Name of Director	Chairman or Member	No. of Meetings Attended
V. Kapoor (Upto September 30, 2009)	Chairman (Independent)	3
Vinod Sethi	Chairman (Independent)	2
J P Sureka	Member	5
S C Gupta	Member (Independent)	5
K K Rai	Member (Independent)	NA

During the period under review, five meetings of Audit Committee were held on April 30, 2009, July 30, 2009, August 26, 2009, October 28, 2009 and January 30, 2010.

Mr V Kapoor, the Chairman of the Audit Committee was not present at the last Annual General Meeting.

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

MANAGERIAL REMUNERATION**a. Remuneration Committee:**

The Remuneration Committee was re-constituted on July 29, 2010 with Mr K K Rai as Chairman and Mr S C Gupta and Mr Vinod Sethi as its members. There was no Remuneration Committee meeting held during the year under review:

Name Of Director	Chairman / Member
K K Rai (effective from July 29, 2010)	Chairman
V. Kapoor (Upto September 30, 2009)	Member
S C Gupta	Member
Vinod Sethi	Member

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

b. Remuneration Policy

- Based on the recommendations of the Remuneration Committee, the remuneration of the Whole-time Directors is decided by the Board of Directors, which inter-alia is based on the criteria such as industry benchmarks, financial performance of the Company, performance of the Whole-time Directors, etc.
- The Company pays remuneration by way of salary, perquisites, allowance and commission to its Whole-time Directors.
- No remuneration is paid to any Non-Executive Director other than the sitting fee for attending Board and Committee meetings.
- The Company has received approval from Ministry of Company Affairs, Government of India vide its letter dated March 26, 2010 for payment of monthly remuneration to Mr B R Taneja, Non- Executive

Corporate Governance Report (contd.)

Director for a period of five years effective from April 01, 2009 to March 31, 2014. The shareholders of the Company had approved the same on June 29, 2009 in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 read with Section 192A (2) of the Companies Act, 1956 and Clause 49 I B of the Listing Agreement.

- The Company pays sitting fee of Rs. 20,000/- each for attending Board and Committee Meetings by Non Executive Directors.

c. Remuneration to Directors

A Statement on the remuneration paid to the Directors including sitting fees during the year 2009-10 is given below:

Name of the Director	Salary & Perquisites (Rs)	Commission (Rs)	Sitting Fees (Rs)
Nirmal Chandra	39,96,000	24,37,545	NA
Rajiv Goel	52,81,030	24,37,545	NA
Salil Taneja	50,88,000	24,37,545	NA
A K Jain	NA	NA	1,20,000
B R Taneja	36,00,000	NA	90,000
JP Sureka	NA	NA	1,25,000
V Kapoor	NA	NA	60,000
S C Gupta	NA	NA	1,30,000
V Gourishankar	NA	NA	70,000
Vinod Sethi	NA	NA	1,45,000
TOTAL	1,79,65,030	73,12,635	7,40,000

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

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Shareholders Grievance Committee was re-constituted on October 26, 2009. The composition of Investors Grievance Committee and attendance at the Committee Meetings is as under:

Name of Director's	Chairman or Member	No. of Meetings Attended
A K Jain	Chairman	4
V Kapoor (Upto September 30, 2009)	Member	2
Vinod Sethi	Member	3
Nirmal Chandra (effective from October 26, 2009)	Member	2

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

Sr. No.	Date of Meeting
1.	April 30, 2009
2.	July 30, 2009
3.	October 28, 2009
4.	January 30, 2010

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, 2010.

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

Nature of Complaint	No. of Complaints Received During the Year 2009-10	No. of Complaints Redressed During the Year 2009-10
Non receipt of Annual Report	0	0
Non receipt of shares after transfer	2	2
Non receipt of New Physical Share Certificates in Exchange of Old Share Certificates	16	16
Non receipt of demat credit	1	1
Non receipt of Dividend / interest / redemption	17	17
Total	36	36

The Company has paid listing fees for the financial year 2010 - 11 to the Stock Exchanges where the shares of the Company are listed.

COMPLIANCE OFFICER

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

CODE OF CONDUCT

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

Corporate Governance Report (contd.)**OTHER DISCLOSURES**

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

CEO/CFO CERTIFICATION

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

MEANS OF COMMUNICATION

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

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

DESIGNATED EXCLUSIVE EMAIL ID OF THE COMPANY

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

GENERAL BODY MEETINGS

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

Year	Type	Date	Venue	Time	No. of Special Resolutions Passed
2008-09	AGM	30.09.09	Le Meridien RBM Road, Pune 411001	11:00 AM	4
2007-08	AGM	29.09.08	Sun N Sand 262 Bund Garden Road, Pune 411001	11:00 AM	2
2006-07	AGM	27.11.07	Taj Blue Diamond Koregaon Road, Pune 411001	11:00 AM	7

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

GENERAL SHAREHOLDERS INFORMATION

AGM Date and Time	November 15, 2010 11:00 am
Venue	Le Meridien, RBM Road, Pune -411001
Financial Year	1st April to 31st March
Date of Book Closure	November 8, 2010 to November 15, 2010
Dividend Payment date	Within 30 days from the date of declaration of dividend by the members at the AGM
Listed on Stock Exchange	BSE and NSE
Security Code (BSE)	532479
Security Code (NSE)	ISMTLTD
ISIN No. Allotted to equity shares	INE732F01019
Registered Office	Lunkad Towers, Viman Nagar Pune 411 014
Address for Correspondence	Lunkad Towers, Viman Nagar, Pune-411 014
Plant locations	Ahmednagar Baramati Jejuri Storfors, Sweden

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

(Rs)

Month	ISMT Limited		BSE 500 Index	
	High	Low	High	Low
April 2009	27.50	19.10	4219.20	3482.58
May 2009	39.55	21.00	5562.60	4232.99
June 2009	43.20	29.05	5886.88	5281.42
July 2009	39.40	23.60	5987.42	4983.95
August 2009	39.90	30.80	6107.39	5600.61
September 2009	47.20	34.50	6556.46	5932.85
October 2009	59.70	40.55	6779.19	6126.03
November 2009	56.00	45.25	6714.11	5927.59
December 2009	59.90	50.00	6872.18	6529.80
January 2010	64.90	52.20	7070.37	6338.25
February 2010	57.40	50.00	6639.59	6280.99
March 2010	64.30	50.30	6987.88	6576.07

Corporate Governance Report (contd.)

NATIONAL STOCK EXCHANGE OF INDIA LIMITED :

(Rs)

Month	ISMT Limited	
	High	Low
April 2009	27.10	19.00
May 2009	39.50	21.25
June 2009	43.15	27.80
July 2009	39.50	23.55
August 2009	39.00	30.60
September 2009	47.30	34.80
October 2009	59.90	40.50
November 2009	56.00	45.40
December 2009	58.10	50.10
January 2010	64.95	52.15
February 2010	57.50	49.95
March 2010	64.40	50.50

Source: BSE & NSE websites.

Dematerialisation of Shares

Nearly 66.94% of total Equity Capital is held in demat form with NSDL and CDSL as on March 31, 2010.

Share Transfer System

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

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

Distribution of Shareholding of the Company as on March 31, 2010

Shareholding of Nominal Value of Rs	No. of Share Holder(s)	% to Total	No. of Shares	% to Total
Upto 5,000	133078	97.136	20567157	14.039
5,001 10,000	2156	1.574	3117858	2.128
10,001 20,000	866	0.632	2457508	1.677
20,001 30,000	368	0.269	1848943	1.262
30,001 40,000	119	0.087	826178	0.564
40,001 50,000	110	0.080	1031114	0.704
50,001 1,00,000	136	0.099	1934698	1.321
1,00,001 and above	169	0.123	114717927	78.305
	137002	100.00	146501383	100.00

REGISTRAR AND SHARE TRANSFER AGENT

Shareholders may contact Share Transfer Agent on the following address:

M/s Sharepro Services (India) Pvt Ltd

13, AB Samhita Warehousing Complex
2nd Floor, Saki Naka Telephone Exchange Lane, Off. Andheri Kurla Road, Saki Naka, Andheri East, Mumbai - 400 072.

Tel.:- 91 - 022 - 67720300 / 400

Fax.- 022 - 28591568

e-mail: sharepro@shareproservices.com

M/s Sharepro Services (India) Pvt Ltd

3, Chintamani Apartments,
Lane No 13, Off V G Kale Path
824/D, Bhandarkar Road

Pune - 411004

Tel. +91-20-25662855

e-mail: sharepropune@vsnl.net

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

CORPORATE FILING AND DISSEMINATION SYSTEM:

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

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

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

For and on behalf of the Board of Directors

Pune,
September 28, 2010

SC Gupta
Chairman

Corporate Governance Report (contd.)**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, 2010, 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, 2010.

For ISMT Limited

Pune,
September 28, 2010

Salil Taneja
Chief Executive Officer

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

To
The Board of Directors
ISMT Limited

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

- (1) We have reviewed the financial statements and the cash flow statement for the year ended March 31, 2010 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, 2010;
 - (ii) all significant changes in accounting policies during the financial year ended March 31, 2010 and that the same have been disclosed in the notes to the financial statements; and
 - (iii) there are no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Pune,
September 28, 2010

Corporate Governance Report (contd.)

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Shareholders of
ISMT Limited

We have examined the compliance of conditions of Corporate Governance by ISMT Limited for the year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

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

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

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

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

For M/s PG Bhagwat

Firm Registration No. 101108W
Chartered Accountants

For J K Shah & Co.

Firm Registration No. 109606W
Chartered Accountants

Sandeep Rao

Partner
Membership No 47235

Pune
September 28, 2010

J K Shah

Partner
Membership No 3662

Pune
September 28, 2010

Auditors' Report

To
THE MEMBERS OF ISMT LIMITED

1. We have audited the attached Balance Sheet of ISMT Limited as at March 31, 2010, the Profit and Loss account and also Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the accounting standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, and on the basis of the information and explanation given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comment in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

- c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
- e) On the basis of written representation received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts, read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - ii) In the case of Profit and Loss account, of the Profit for the year ended on that date; and
 - iii) In the case of Cash Flow statement, of the cash flow for the year ended on that date.

For M/s P.G. BHAGWAT

Firm Registration No. 101108W
Chartered Accountants

For J.K. SHAH & CO.

Firm Registration No. 109606W
Chartered Accountants

Sandeep Rao

Partner
Membership No. 47235
Pune,
September 28, 2010

Sanjay Dhruva

Partner
Membership No. 38480

Annexure to the Auditor's Report

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

- 1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) These fixed assets have been physically verified by the management at regular interval considering the size of the company and nature of asset. As informed to us, no material discrepancies have been noticed on such verification.
- c) No disposal of a substantial part of fixed assets of the company has taken place during the year.
- 2) a) As explained to us, the inventories including majority of the goods lying with third parties have been physically verified by the management at reasonable intervals during the year.
- b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventories and the discrepancies noticed on such physical verification between physical stock and the

book records were not material and have been properly dealt with in the books of account.

- 3) As per the records of the company, it has not granted any loans secured / unsecured to companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
- 4) As per the records of the Company, it has not taken any loans secured / unsecured from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956.
- 5) In our opinion and according to the information and explanation given to us, there are adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weakness in internal control systems.
- 6) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion there were no contracts or arrangements whose particular are needed to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.

- 7) The company has not accepted / nor there are any outstanding Fixed Deposit from the public.
- 8) The Company has an internal audit department to carry out its internal audit function. In our opinion, the internal audit system is commensurate with the size of the Company and nature of its business.
- 9) We have broadly reviewed the books of account maintained by the Company, pursuant to the rules made by the Central Government for the maintenance of cost records, under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have generally been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 10) a) According to the records of the company, the company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. According to the information and explanation given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at March 31, 2010 for a period of more than six months from the day they become payable.
- b) The disputed statutory dues that have not been deposited on account of disputes pending before the appropriate authorities are as mentioned in the Annexure I to this report.
- 11) The Company has no accumulated losses as at 31st March, 2010 and it has not incurred cash loss during the year or in the immediately preceding financial year.
- 12) According to the information and explanation given to us, the company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- 13) According to the information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 14) In our opinion, the Company is not a Chit Fund or a Nidhi or Mutual benefit Fund / Society, Therefore, the provision of clause 4 (xiii) of the Companies (Auditor Report) Order, 2003 is not applicable to the Company.
- 15) The Company is not dealing in or trading in Shares, Securities, Debenture, or other investments and hence, provision of clause 4 (xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to the Company.
- 16) According to the information and explanations given to us, the Company has given guarantees for loans taken by others from banks. The terms and conditions whereof, in our opinion, based on the management representation, are not prima facie prejudicial to the interest of the Company.
- 17) According to the information and explanation given to us, the term loans taken by the Company during the year have been utilised for the purpose for which the said loans were obtained.
- 18) According to the Cash Flow Statement and other records examined by us and on the basis of information and explanation given to us, on an overall basis, funds raised on Short Term basis have, prima facie, not been used during the year for Long Term investment.
- 19) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 20) The company did not have any outstanding debentures during the year.
- 21) The Company has not made any Public Issue during the year to raise money. Accordingly the provision of clause 4 (xx) of the Companies (Auditor Report) Order, 2003 is not applicable.
- 22) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit that causes the financial statement to the materially misstated.

For M/s P.G. BHAGWAT
Firm Registration No. 101108W
Chartered Accountants

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

Sandeep Rao
Partner
Membership No. 47235

Sanjay Dhruva
Partner
Membership No. 38480

Pune, September 28, 2010

Annexure I

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

Rs. in Crore

Name of Statute	Nature of Dues	Amount Disputed	Forum Where Dispute is Pending
Central Sales Tax Act, 1956	Sales Tax	0.10 6.53	Tribunal Deputy Commissioner of Sales Tax (Appeals)
Maharashtra Sales Tax Act, 1959	Sales Tax	0.02 0.40 5.65	Tribunal High Court Deputy Commissioner of Sales Tax (Appeals)
		0.01	
	Purchase Tax Turnover Tax, penalty and interest	0.08	Deputy Commissioner of Sales Tax (Appeals)
Central Excise Act, 1944	Excise Duty	11.18 0.13 0.51 4.27 0.21 0.01 0.73 0.08 3.43	CEGAT High Court, Bombay Commissioner (Appeal) Commissioner (Adjud.) Joint Commissioner Supreme Court Asst. Commissioner Additional Commissioner Commissioner, Mumbai
Income Tax Act, 1961	Income Tax	0.09	ITAT (Mumbai)

Balance Sheet as at March 31, 2010**Rs. in Crore**

	Schedule	As at March 31, 2010	As at March 31, 2009
Sources of Funds			
Shareholders' Funds			
Share Capital	1	73.25	73.25
Equity Share Warrants		-	5.29
Reserves and Surplus	2	506.11	453.11
		579.36	531.65
Loan Funds			
Secured Loans	3	780.58	793.61
Unsecured Loans	4	218.94	218.78
		999.52	1,012.39
Deferred Tax Liability			
		41.69	15.29
		1,620.57	1,559.33
Application of Funds			
Fixed Assets			
Gross Block	5	1,059.67	1,022.48
Less : Depreciation		361.01	305.94
Net Block		698.66	716.54
Capital Work in Progress		488.61	431.13
		1,187.27	1,147.67
Investments			
	6	35.74	26.49
Foreign Currency Monetary Item			
Translation Difference Account			
	7	4.91	40.18
Current Assets, Loans and Advances			
i) Inventories		351.22	278.54
ii) Sundry Debtors		338.89	229.71
iii) Cash and Bank Balances		62.37	64.05
iv) Loans and Advances		233.26	226.71
		985.74	799.01
Less: Current Liabilities and Provisions			
i) Current Liabilities	9	564.26	429.83
ii) Provisions		30.64	26.87
		594.90	456.70
Net Current Assets			
		390.84	342.31
Miscellaneous Expenditure			
(To the extent not written off or adjusted)	10	1.81	2.68
		1,620.57	1,559.33
Significant Accounting Policies			
Notes to Accounts			
	20		
	21		

As per our report of even date

For **M/s P.G. Bhagwat**
Firm Registration No. 101108W
Chartered Accountants

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

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, September 28, 2010

Pune, September 28, 2010

Profit And Loss Account for the Year Ended March 31, 2010

Rs. in Crore

Schedule	2009 - 10	2008 09
Income		
Gross Sales & Income from Operations	1,922.33	2,324.14
Less : Inter Segment Transfers	544.14	799.57
Inter Division Transfers	97.97	103.36
	1,280.22	1,421.21
Excise Duty	86.95	120.96
Net Sales	1193.27	1300.25
Other Income 11	11.40	14.13
	1,204.67	1,314.38
Expenditure		
Materials Consumed 12	612.67	723.06
Energy 13	214.71	170.53
Direct Manufacturing 14	34.96	34.40
Selling and Distribution 15	26.94	43.22
Personnel 16	81.53	77.48
Overheads 17	16.05	14.48
	986.86	1,063.17
Profit Before Finance Charges, Foreign Exchange (Gain)/Loss, Depreciation, Amortisation and Taxation	217.81	251.21
Finance Charges 18	78.66	82.46
Depreciation and Amortisation 19	56.44	55.82
	135.10	138.28
Profit Before Foreign Exchange (Gain)/ Loss and Taxation	82.71	112.93
Less : Foreign Exchange (Gain)/Loss	(8.52)	56.95
Profit Before Taxation	91.23	55.98
Less : Provision for Taxation (Refer Note No. 15 of Schedule 21)	16.62	(0.25)
Profit After Taxation	74.61	56.23
Balance brought forward from Previous Year	47.30	58.21
Balance Available For Appropriations	121.91	114.44
Appropriations		
Interim Dividend	-	7.33
Proposed Dividend	14.65	7.33
Tax on Interim Dividend	-	1.24
Tax on proposed Dividend	2.43	1.24
General Reserve	50.00	50.00
Balance Carried To Balance Sheet	54.83	47.30
Earnings per share Rs. (Face Value of Rs. 5/- each) (Refer Note No. 28 of Schedule 21)	5.09	3.84
Significant Accounting Policies 20		
Notes to Accounts 21		

As per our report of even date

For **M/s P.G. Bhagwat**
Firm Registration No. 101108W
Chartered Accountants

For **J. K. Shah & Co.**
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Company Secretary
Pune, September 28, 2010

Pune, September 28, 2010

Cash Flow Statement for the Year Ended March 31, 2010

Rs. in Crore

	2009 - 10	2008 - 09
A. Cash Flow from Operating Activities :		
Net Profit before Tax	91.23	55.98
Adjustments for :		
Depreciation	55.57	54.13
Finance Charges	78.66	82.46
Interest Income	(4.95)	(7.89)
Exchange Fluctuation (Gain) / Loss	(0.95)	16.17
Amortisation of Miscellaneous Expenditure	0.87	1.69
Expenses Charged to Reserves	-	(4.60)
Income on Pre payment of liability	(5.46)	(5.46)
Loss/(Profit) on sale of Fixed Assets (Net)	(0.15)	(0.01)
	<u>123.59</u>	<u>136.49</u>
Operating Cash Profit before Working Capital Changes	214.82	192.47
Adjustments for :		
Trade and Other Receivables	(97.98)	(13.52)
Inventories (Increase) / Decrease	(72.68)	(67.94)
Trade Payables	147.83	111.94
Taxes Paid	(6.83)	(11.20)
Net Cash Flow from Operating Activities	185.16	211.75
B Cash Flow from Investing Activities :		
Additions to Fixed Assets	(128.52)	(134.18)
Sale of Fixed Assets	0.87	0.24
Sale of Investment	0.01	
Investment in Subsidiary Company	(9.26)	(7.30)
Interest Received	6.40	5.99
Net Cash used in Investing Activities	(130.50)	(135.25)
C Cash Flow from Financing Activities :		
Miscellaneous Expenditure	-	(0.35)
Dividend Payments (including Tax thereon)	(16.52)	(8.33)
Proceeds from /(Repayment of) Borrowings	47.16	26.02
Finance Charges Paid	(80.30)	(81.99)
Net Cash from Financing Activities	(49.66)	(64.65)
Net Increase / (Decrease) in Cash and Cash Equivalents	5.00	11.85
Cash and Cash Equivalents at the beginning of the year (Refer Note No.1)	14.78	2.93
Cash and Cash Equivalents at the end of the year (Refer Note No.1)	<u>19.78</u>	<u>14.78</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	5.00	11.85
Notes: 1 The cash and cash equivalents in the cash flow statement comprise of the following Balance Sheet amounts:	As at	As at
(a) Cash on hand	March 31, 2010	March 31, 2009
(b) Current Accounts with Banks	0.05	0.05
	19.73	14.73
	<u>19.78</u>	<u>14.78</u>
2 Previous year's figures have been restated, wherever necessary, to conform to current year's classification.		

As per our report of even date

For **M/s P.G. Bhagwat**
Firm Registration No. 101108W
Chartered Accountants

For **J. K. Shah & Co.**
Firm Registration No. 109606W
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Sandeep Rao
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Chief Executive Officer

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Chief Financial Officer

Jayan Nair
Company Secretary
Pune, September 28, 2010

Pune, September 28, 2010

Schedules forming part of the Balance Sheet

Rs. in Crore

	As at March 31, 2010	As at March 31, 2009
Schedule - 1		
Share Capital		
Authorised		
i) 17,50,00,000 (Previous Year 17,50,00,000) Equity Shares of Rs.5/ each	87.50	87.50
ii) Unclassified Shares	71.00	71.00
	158.50	158.50
Issued, Subscribed and Paid up:		
14,65,01,383 (Previous Year 14,65,01,383) Equity Shares of Rs 5/ each fully paid	73.25	73.25
Schedule – 2		
Reserves And Surplus		
i) Capital Reserve		
As per last Balance Sheet	1.65	1.65
Additions during the year (Refer Note No. 21 of Schedule 21)	5.29	
	6.94	1.65
ii) Capital Redemption Reserve	80.60	80.60
iii) Securities Premium	9.36	9.36
iv) Amalgamation Reserve		
As per last Balance Sheet	40.40	44.21
Less : Debits related to Pre Merger period	-	3.81
	40.40	40.40
v) Reserve for Contingencies	3.72	3.72
vi) Restructuring Reserve		
As per last Balance Sheet	12.93	18.19
Less : Debits related to Pre Merger period	-	5.26
	12.93	12.93

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

	As at March 31, 2010	As at March 31, 2009
vii) General Reserve		
As per last Balance Sheet	257.15	247.45
Add : Transfer from Profit & Loss Account	50.00	50.00
Less : Exchange differences (Gain) adjusted to the cost of Capital Assets	-	1.73
Less : Exchange differences (Gain) transferred to FCMITDA	-	19.10
Less : Transferred to Profit & Loss Account (Refer Note No. 15 of Schedule 21)	9.82	19.47
	297.33	257.15
viii) Balance in Profit and Loss Account	54.83	47.30
	506.11	453.11
Schedule – 3		
Secured Loans		
(Interest accrued and due included under the 'appropriate heads')		
i) Term Loans from Banks		
a) Rupee Loans	215.92	239.80
b) Foreign Currency Loans	456.16	453.58
	672.08	693.38
ii) Working Capital Borrowings from Banks		
a) Rupee Loans	55.26	38.96
b) Foreign Currency Loans	53.24	61.27
	108.50	100.23
	780.58	793.61
Schedule – 4		
Unsecured Loans		
i) Short Term Loan from Bank	25.00	
ii) Others		
a) Foreign Currency Convertible Bonds (FCCB)*	90.28	101.90
b) Interest Free Incentive and Sales Tax Loan	103.66	116.88
*(Refer Note No. 9 of Schedule 21)		
	218.94	218.78

Schedules forming part of the Balance Sheet (contd.)

Schedule 5 :

Fixed Assets

Rs. in Crore

Description	Gross Block				Depreciation				Net Block	
	As at April 01, 2009	Additions	Deletions/ Sales	As at March 31, 2010	As on April 01, 2009	For the Year	Deletions/ Sales	As on March 31, 2010	As at March 31, 2010	As at March 31, 2009
Leasehold Land	7.03	-	-	7.03	0.41	0.08	-	0.49	6.54	6.62
Freehold Land	1.74	0.40	0.06	2.08	-	-	-	-	2.08	1.74
Buildings	82.18	0.27	-	82.45	14.63	2.62	-	17.25	65.20	68.27
Plant & Machinery	900.40	37.04	1.38	936.06	276.38	49.21	0.72	324.87	611.19	623.30
Furniture & Fixtures	3.33	0.38	-	3.71	1.06	0.51	-	1.57	2.14	2.27
Office Equipments	10.62	0.34	0.01	10.95	6.51	0.98	-	7.49	3.46	4.11
Vehicles	2.52	-	0.01	2.51	1.47	0.28	0.01	1.74	0.77	1.05
Intangible Assets										
Technical Know-how	4.13	-	-	4.13	1.73	0.83	-	2.56	1.57	2.40
Software Development	3.57	0.22	-	3.79	1.09	0.76	-	1.85	1.94	2.48
Assets Taken on Lease										
Plant & Machinery	6.96	-	-	6.96	2.66	0.53	-	3.19	3.77	4.30
Total	1,022.48	38.65	1.46	1,059.67	305.94	*55.80	0.73	361.01	698.66	716.54
Previous Year	1,002.10	20.70	0.32	1,022.48	251.91	54.13	0.10	305.94	716.54	750.19

Note : * Depreciation of Rs 0.23 Crore (Previous Year Nil) has been capitalised.

Rs. in Crore

	As at March 31, 2010	As at March 31, 2009
Schedule – 6		
Investments (At Cost)		
Long Term (Unquoted and Trade)		
I. Government Securities		
National Saving Certificate (Pledged with Sales Tax Authorities)	-	0.01
II. Shares In Subsidiaries (Unquoted and Trade)		
i) ISMT Enterprises S.A., Luxembourg 6,06,757 (Previous year 4,56,757) Equity Shares of Euro 10 each fully paid.	35.70	26.48
ii) Tridem Port and Power Company Pvt. Ltd. 41,000 (Previous year Nil) Equity shares of Rs. 10 each fully paid.	0.04	
	<u>35.74</u>	<u>26.49</u>
Schedule – 7		
Foreign Currency Monetary Item Translation Difference Account (FCMITDA)		
Exchange Differences Relating to Long Term Monetary Items As per Last Balance Sheet	40.18	
Transferred from General Reserve	-	(19.10)
Add : Exchange Differences arising during the year	(27.08)	66.83
Less :Exchange Differences amortised during the year	8.19	7.55
(Refer Note No. 21 of Schedule 21)	<u>4.91</u>	<u>40.18</u>

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

	As at March 31, 2010	As at March 31, 2009
Schedule – 8		
Current Assets, Loans and Advances		
I. Inventories (As taken, valued and certified by the Management)		
i) Raw Material	81.88	61.63
ii) Work in process	89.67	77.10
iii) Finished Goods	58.37	44.04
iv) Stores, Spares and Consumables	121.30	95.77
	351.22	278.54
II. Receivables (Net of bills discounted with Banks)		
Unsecured, Considered Good		
i) Outstanding for more than six months	66.81	32.46
Considered Good		
ii) Others Considered Good	272.08	197.25
	338.89	229.71
III. Cash and Bank Balances		
i) Cash on hand	0.05	0.05
ii) Current Accounts with Scheduled Banks	10.74	7.09
iii) Money in transit	9.00	7.64
iv) Deposit with Scheduled Banks	42.58	49.27
(Refer Note No. 8 of Schedule 21)	62.37	64.05
IV. Loans and Advances (Unsecured, Considered Good)		
i) Advances recoverable in cash or in kind or for value to be received		
a) Sundry Deposits	17.67	13.77
b) Others	107.32	122.22
ii) Balance with Customs, Excise, Sales Tax etc.	48.70	42.84
iii) Advance Income Tax (net of provisions)	-	3.02
iv) MAT Credit Receivable	59.57	44.86
	233.26	226.71
(Refer Note No. 4 and 5 of Schedule 21)	985.74	799.01

Schedules forming part of the Balance Sheet (contd.)

Rs. in Crore

	As at March 31, 2010	As at March 31, 2009
Schedule – 9		
Current Liabilities and Provisions		
I. Current Liabilities		
i) Acceptances		
a) Capital	30.54	30.28
b) Others	270.61	152.97
ii) Sundry Creditors		
a) Capital	15.83	21.12
b) Others	106.38	86.49
iii) Provision for Expenses	16.32	13.67
iv) Advances from Customers	6.83	4.06
v) Investor Education and Protection Fund (Refer Note No. 14 of Schedule 21)	1.93	1.83
vi) Other Liabilities (Refer Note No. 19 of Schedule 21)	114.96	117.07
vii) Interest accrued but not due	0.86	2.34
	<u>564.26</u>	<u>429.83</u>
II. Provision		
i) Proposed Dividend	14.65	14.65
ii) Tax on Dividend	2.43	2.49
iii) Leave Encashment	3.53	3.44
iv) Gratuity and Superannuation	5.11	6.29
v) Income Tax (net of advance payment)	4.92	
	<u>30.64</u>	<u>26.87</u>
	<u>594.90</u>	<u>456.70</u>
Schedule – 10		
Miscellaneous Expenditure		
i) Preliminary Expenses	0.21	0.33
ii) Merger Expenses	-	0.03
iii) Loan Processing Fees	1.60	2.32
	<u>1.81</u>	<u>2.68</u>

Schedules forming part of the Profit And Loss Account
Rs. in Crore

	2009 - 10	2008 09
INCOME		
Schedule – 11		
Other Income		
i) Interest Received on Deposits and Others (Tax deducted at source Rs. 0.83 Crore Previous Year Rs. 1.52 Crore)	4.95	7.89
ii) Miscellaneous Income (Refer Note No. 26 of Schedule 21)	6.45	6.24
	<u>11.40</u>	<u>14.13</u>
EXPENDITURE		
Schedule – 12		
Materials Consumed		
i) Raw Material		
Opening Stock	61.63	63.65
Add: Purchases	548.10	656.80
Less: Closing Stock	81.88	61.63
	<u>527.85</u>	<u>658.82</u>
ii) (Increase)/Decrease in Stocks		
Closing Stock		
Work in process	89.67	77.10
Finished Goods	58.37	44.04
	<u>148.04</u>	<u>121.14</u>
Less : Trial Run Stocks (Previous Year Work in process Rs. 5.76 Crore and Finished Goods Rs. 3.57 Crore)	-	9.33
	<u>148.04</u>	<u>111.81</u>
Less : Opening Stock		
Work in process	77.10	45.44
Finished Goods	44.04	51.54
	<u>121.14</u>	<u>96.98</u>
	(26.90)	(14.83)
iii) Stores, Spares and Consumables	109.95	80.41
iv) Excise Duty on Opening & Closing Stock of Finished Goods	1.77	(1.34)
	<u>612.67</u>	<u>723.06</u>
Schedule – 13		
Energy		
i) Power	132.61	101.55
ii) Fuel	59.49	52.53
iii) Gases	22.61	16.45
	<u>214.71</u>	<u>170.53</u>
Schedule – 14		
Direct Manufacturing		
i) Processing Charges	13.88	12.67
ii) Other Direct Expenses	15.30	16.17
iii) Machine Lease Rentals	0.31	0.37
iv) Repairs and Maintenance Plant & Machinery	5.47	5.19
	<u>34.96</u>	<u>34.40</u>

Schedules forming part of the Profit And Loss Account (contd.)**Rs. in Crore**

	2009 - 10	2008 09
Schedule – 15		
Selling and Distribution		
i) Freight & Forwarding	19.16	38.76
ii) Commission on Sales	4.54	2.44
iii) Other Selling Expenses	3.24	2.02
	<u>26.94</u>	<u>43.22</u>
Schedule – 16		
Personnel		
i) Salaries, Wages, Bonus and Allowances (including rent paid of Rs.0.10 Crore, recovery of Rs. 0.02 Crore, (Previous year Rs. 0.10 Crore, recovery of Rs. 0.02 Crore.)	67.33	65.26
ii) Contribution to Provident and other Funds	8.69	7.56
iii) Staff Welfare Expenses	5.51	4.66
	<u>81.53</u>	<u>77.48</u>
Schedule – 17		
Overheads		
i) Rent	1.09	1.22
ii) Travelling and Conveyance	4.49	4.52
iii) Communication	1.37	1.47
iv) Repairs and Maintenance Others	1.21	0.90
v) Insurance	0.25	0.50
vi) Loss on Sale of Assets	0.50	0.02
vii) Miscellaneous Expenses (Refer Note No. 29 of Schedule 21)	7.14	5.85
	<u>16.05</u>	<u>14.48</u>
Schedule – 18		
Finance Charges		
i) Interest		
a) Term Loans	41.51	42.01
b) Working Capital and Others	26.46	24.97
	<u>67.97</u>	<u>66.98</u>
ii) Cash Discount	0.69	0.57
iii) Other Finance Charges	10.00	14.91
	<u>78.66</u>	<u>82.46</u>
Schedule – 19		
Depreciation and Amortisation		
i) Depreciation	55.57	54.13
ii) Amortisation of Miscellaneous Expenditure	0.87	1.69
	<u>56.44</u>	<u>55.82</u>

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

Schedule – 20

SIGNIFICANT ACCOUNTING POLICIES

1) General

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

2) Revenue Recognition

Expenses and income are accounted for on accrual basis.

3) Sales

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

4) Import Entitlement

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

5) Fixed Assets

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

6) Depreciation

- i) Leasehold land Cost of leasehold land is amortised over lease period.

- ii) Depreciation on Building and Plant & Machinery is provided on straight line method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956.

- iii) 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.

7) Intangibles

Intangible assets are stated at costs less accumulated amortisation.

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

8) Leased assets

i) Finance Lease

Lease rentals in respect of finance lease are segregated into cost of the Assets and finance components by applying an implicit internal rate of return. The cost component is amortised over the useful life of the Asset and the finance component is recognised in the Profit and Loss Account.

ii) Operating Lease

Lease rentals in respect of operating lease are charged as per the terms of the lease agreement.

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

SIGNIFICANT ACCOUNTING POLICIES (contd.)

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

10) Employee Benefits

- i) Defined Contribution Plan

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

- ii) Defined Benefit Plan

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

11) Research & Development

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

12) Long Term Investments

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

13) Foreign Currency transactions

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

- a) Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to the acquisition of capital asset are add to / deducted from the cost of the asset.
- b) In other cases such differences are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized to the profit and loss account over balance life of the long term monetary item, however that the period of amortization does not extend beyond March 31, 2011.
- iii) All other exchange differences are dealt with in the profit and loss account.
- iv) In respect of forward exchange contracts, the difference between the forward rate and the spot rate is recognised as income or expense over the contract period. Gains or losses on cancellation or renewal of forward exchange contracts are recognized as income or expenses.
- v) Non monetary items such as investments are carried at historical cost using the exchange rate on the date of transaction.

14) Miscellaneous Expenditure

- i) Preliminary expenses, public issue expenses and expenses in respect of increase in authorised capital are amortised over a period of ten years.
- ii) Financial restructuring expenses are amortised over the period of restructuring.
- iii) Merger expenses are amortised over a period of five years.
- iv) Loan processing fees are amortised over the Loan period.

15) Borrowing Costs

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

16) Income Tax

- i) Tax expenses comprise of current, deferred and fringe benefit tax.
- ii) Provision for current income tax and fringe benefit tax is made on the basis of relevant provisions of the Income Tax Act, 1961 as applicable to the financial year.
- iii) Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance

SIGNIFICANT ACCOUNTING POLICIES (contd.)

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.

17) Impairment of Assets

Where there is an indication that an asset is impaired, the recoverable amount if any, is estimated and the impairment loss is recognised to the extent carrying amount exceeds recoverable amount.

18) Contingent Liabilities

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

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

Schedule : 21

NOTES ON ACCOUNTS

Rs. in Crore

	As on March 31, 2010	As on March 31, 2009
1) Contingent Liabilities not provided for in respect of		
i) Claims against the Company not acknowledged as debt		
a) Sales Tax	-	0.32
b) Excise Duty	23.03	15.61
c) Quality Claims by the Customers (Subsidiary Company)	4.59	6.14
d) Others	4.71	4.41
ii) Bills Discounted on behalf of the third party	63.27	53.04
iii) Corporate Guarantees	26.77	14.76
iv) Estimated amount of contracts remaining to be executed on Capital Accounts (Net of advances)	141.42	208.36

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

Rs. in Crore

	2009 - 10	2008 - 09
i) Sales	1.90	7.13
ii) Purchases	13.41	(8.96)
iii) Finance Charges (Shown Separately in Profit & Loss Account)	8.52	(56.95)

3) Gross sales and income from operations include Conversion Charges of Rs. 0.13 Crore, Tax Deducted at Source Nil (Previous Year Rs. 0.01 Crore, Tax Deducted at Source Rs. Nil).

4) Loans and Advances include interest free advances given by the Company in earlier years to Employees Welfare Funds aggregating to Rs. 3.90 Crore (previous year 4.53 Crore), for the benefit of designated employees pursuant to the proviso (b) to Section 77 (2) of the Companies Act, 1956.

5) i) Loans and Advances include loans to officers of the Company Rs. 24,925/ (Previous Year Rs. 30,025/), (Maximum amount outstanding during the year Rs. 30,025/ , Previous Year Rs. 59,500/).

 ii) Loans and Advances include advances to subsidiary companies Rs. 19.42 Crore (Previous year Rs. Nil) (Maximum amount outstanding during the year Rs. 29.34 Crore) (Previous year Rs. Nil)

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

7) As per the Accounting Standards (AS) 17, the Company has two segments viz; Seamless Tube and Steel.

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

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

Notes on Accounts (contd.)
Rs. in Crore

Particulars	2009 - 10				2008 - 09			
	Tube Segment	Steel Segment	Unallocable	Total	Tube Segment	Steel Segment	Unallocable	Total
a) Segment Revenue								
Total External Sales	837.71	442.51		1,280.22	1,073.36	347.85		1,421.21
Add : Inter Segment Transfers	29.81	514.33		544.14	54.47	745.10		799.57
Inter Division Transfers	97.97	-		97.97	103.36	-		103.36
	965.49	956.84		1,922.33	1,231.19	1,092.95		2,324.14
Less : Excise Duty	62.29	71.74		134.03	96.05	133.97		230.02
	903.20	885.10		1,788.30	1,135.14	958.98		2,094.12
Less : Inter Segment Transfers (net)	27.36	477.37		504.73	47.94	654.69		702.63
Inter Division Transfers (net)	90.30	-		90.30	91.24	-		91.24
Net Sales	785.54	407.73		1,193.27	995.96	304.29		1,300.25
b) Segment Result Before Finance Charges, Amortisation, Foreign Exchange (Gain)/Loss and Taxation	76.70	*79.60	5.94	162.24	153.66	* 34.75	8.67	197.08
Less: Finance Charges				78.66				82.46
Amortisation				0.87				1.69
Foreign Exchange (Gain)/Loss				(8.52)				56.95
Profit Before Taxation				91.23				55.98
Less : Taxation				16.62				(0.25)
Profit After Taxation				74.61				56.23
c) Other Information								
Total Segment Assets	1441.05	547.06	184.90	2,173.01	1300.89	470.30	175.49	1946.68
Total Segment Liabilities	197.85	370.60	26.45	594.90	149.08	282.35	25.27	456.70
Total cost incurred for Acquiring Segment Assets	89.18	5.49		94.67	168.59	11.65		180.24
Segment Depreciation	29.59	25.98		55.57	28.95	25.18		54.13
d) Total Unallocable Assets								
Investments				35.74				26.49
FCMITDA				4.91				40.18
Deferred Tax Asset				-				-
Miscellaneous expenditure				1.81				2.68
				42.46				69.35
e) Total Unallocable Liabilities								
Secured Loans				780.58				793.61
Unsecured Loans				218.94				218.78
Deferred Tax Liability				41.69				15.29
				1,041.21				1,027.68

*Includes profit on steel captively consumed by Tube Segment.

- 8) Deposit with Scheduled Banks include Rs. 4.74 Crore (Previous year Rs. 6.50 Crore) towards margin money on capital account
- 9) The Company had issued zero percent Foreign Currency Convertible Bonds (FCCB) aggregating to US \$ 20 Million as detailed hereunder, to finance inter alia capital expenditure, repayment of foreign currency loan and acquisitions.

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

Each Bond in Series A and Series B would be convertible into one Equity Share of Rs. 5/- each fully paid any time until redemption i.e. after five years and one day from the date of allotment subject to terms and conditions of the Subscription. Unless previously redeemed or converted or purchased and cancelled as herein provided, the Company will redeem the Series A Bond and the Series B Bond along with the premium calculated at the rate of six months LIBOR plus 2% p.a. of their principal amount (the "Redemption Amount") at the end of five years and one day from the date of issue and allotment of the said Series A Bonds and Series B Bonds i.e. on 12th December, 2011.

Out of the proceeds of the FCCB, the Company has utilised Rs. 76.91 Crore towards the object of the issue and the balance Rs. 12.02 Crore are lying in the Fixed Deposit Accounts with Bankers, including interest and exchange difference.

Notes on Accounts (contd.)

	Rs. in Crore	
	2009 - 10	2008 - 09
10) Break up of Managerial Remuneration included under Personnel Cost.		
i) Salaries	0.75	1.31
ii) Contribution to Provident Fund and Superannuation Fund	0.17	0.35
iii) Other Perquisites	0.88	0.99
iv) Commission on profits	0.73	1.59
	<u>2.53</u>	<u>4.24</u>

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

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

	Rs. in Crore	
Profit Before Taxation as per Profit and Loss Account	91.23	55.98
Add : Depreciation provided in accounts	55.57	54.13
Remuneration paid as Director's	2.53	4.24
Profit on Assets sold as per Section 350 of Co's Act	0.01	
Loss (net) on Assets sold or discarded as per Profit & Loss A/c	0.50	0.01
	<u>149.84</u>	<u>114.36</u>
Less : Depreciation in accordance with		
Section 350 of the Companies Act, 1956	51.19	49.75
Profit on Assets sold as per books	0.64	9.07
Loss (net) on Assets sold or discarded as per Section 350 of the Companies Act, 1956	0.50	0.01
Profit as per Section 349 of the Companies Act, 1956	<u>97.51</u>	<u>55.53</u>
Maximum permissible remuneration to the Whole time Directors under Section 198 of the Companies Act, 1956 @ 10% of the profits computed above	9.75	5.55
Commission provided as per terms of agreement	0.73	1.59

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

- i) Expenditure incurred during trial runs net of sales realization.

Perticulars	Rs. in Crore	
	2009 - 10	2008 - 09
Raw Material Consumed	10.55	13.67
Power Charges	1.16	1.40
Other Direct Expenses	4.45	3.31
	<u>16.16</u>	<u>18.38</u>

- ii) Expenditure incurred during Construction period :

Personnel Cost	2.43	3.31
Overheads	4.23	1.05
Interest	13.33	6.87
	<u>19.99</u>	<u>11.23</u>

12) Security and other particulars of Secured Loans

- i) a) Term Loans of Rs. 183.27 Crore are stipulated to be secured by a first charge ranking pari passu on the Company's immovable properties and movable fixed assets both present and future with other term lenders, excluding term loan lenders where exclusive charge on moveable fixed assets as mentioned in clause no. (d) has been stipulated. These loans are

Notes on Accounts (contd.)

further stipulated to be secured by a second charge ranking pari passu by way of hypothecation with other term lenders on the current assets of the company on which the first pari passu charge is stipulated to be created in favour of the Banks as mentioned in clause (c) below.

- b) Term Loans of Rs. 237.39 Crore are stipulated to be secured by a first charge ranking pari passu on the Company's immovable properties and movable fixed assets both present and future with other term lenders, excluding term loans where exclusive charge on moveable fixed assets as mentioned in clause no. (d) has been stipulated.
- c) Working Capital borrowings from the Banks are stipulated to be secured by a first charge ranking pari passu by hypothecation in respect of the current assets of the company and are further stipulated to be secured by a second pari passu charge on the Company's immovable properties and all the movable fixed assets both present and future.
- d) Foreign Currency Term Loans of Rs. 197.17 Crore are stipulated to be secured by an exclusive charge on the equipment financed. Out of the above, term loan of Rs. 93.19 Crore is further stipulated to be secured by the land appurtenant thereto.
- e) Foreign Currency Term loan of Rs. 54.25 Crore is stipulated to be secured by first charge on the entire moveable fixed assets ranking pari passu with other term lenders, excluding term loan lenders where exclusive charge on moveable fixed assets as mentioned in clause no. (d) has been stipulated.

ii) Term Loan installments falling due within one year is Rs. 146.51 Crore (Previous Year Rs. 122.92 Crore).

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

a) Particulars in Respect of Goods Manufactured

Class of Goods	Unit	Installed Capacity*	Production Quantity
i) Seamless Hollows & Tubes	Tonnes	1,58,000 (1,58,000)	1,35,782** (1,45,429)
ii) Components & Spares, Plugs & Dies Rolls & Nos. Mandrels	Nos.	10,000 (10,000)	42,605*** (30,869)
iii) Cold Rolled Rings	Nos.	80,00,000 (80,00,000)	38,90,965 (41,38,495)
iv) Steel Bars	Tonnes	2,50,000 (2,50,000)	2,31,395 (2,02,392)

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

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

**Includes Captive consumption/ Trial run for the year 1000 Tonnes (Previous Year 3499 Tonnes).

*** For Captive consumption within division.

b) Stock & Turnover of Goods Manufactured by the Company		Rs. in Crore		Rs. in Crore	
I) Tube Segment	Tonnes	2009 - 10	Tonnes	2008 - 09	
1) Seamless Hollows and Tubes					
i) Sales (Excluding Excise Duty)	132,156	890.85	144,242	1, 114.06	
Less : Inter Segment Transfers Scarp	-	27.36		47.94	
Inter Division Transfers	14,652	97.97	16,025	103.36	
Net Sales	117,504	765.52	128,217	962.76	
ii) Opening Stock	4,444	30.07	6,756	37.56	
iii) Closing Stock	7,070	42.20	4,444	30.07	
2) Cold Rolled Rings	Nos.		Nos.		
i) Sales (Excluding Excise Duty)	39,05,724	20.02	43,34,770	33.20	
ii) Opening Stock	3,08,186	1.26	5,04,461	1.71	
iii) Closing Stock	2,93,427	0.62	3,08,186	1.26	

Notes on Accounts (contd.)

		Rs. in Crore		Rs. in Crore
	Tonnes	2009 - 10	Tonnes	2008 - 09
II) Steel Segment				
Steel Bars				
i) Sales (Excluding Excise Duty)	227,866	885.10	2,01,601	958.98
Less : Inter Segment Transfers	133,976	477.37	1,45,394	654.69
Net Sales	93,890	407.73	56,207	304.29
ii) Opening Stock	8,813	40.88	8,022	31.91
iii) Closing stock	12,342	44.69	8,813	40.88
c) CIF Value of Imports				
i) Capital Goods		16.92		45.01
ii) Stores Spares & Consumables		41.93		22.95
iii) Raw Materials		227.04		179.75
d) Raw Materials Consumed	Tonnes	2009 - 10	Tonnes	2008 - 09
I) Tube Segment				
Steel Bars	1,49,121	522.81	1,49,246	663.92
Less : Inter Segment Transfers included in above	1,33,836	476.85	1,45,394	653.23
	15,285	45.96	3,852	10.69
II) Steel Segment				
i) Pig & Sponge Iron, DRI and Steel Scrap	2,61,867	435.66	2,29,443	606.21
ii) Ferro Alloys	7,377	73.59	6,247	89.86
	2,69,244	509.25	2,35,690	696.07
Less : Inter Segment Transfers Included in above	14,877	27.36	18,024	47.94
	2,54,367	481.89	2,17,666	648.13
Total Raw Material Consumed		527.85		658.82
e) I) Particulars in Respect of Consumption of Raw Materials				
Particulars	Rs. in Crore	%	Rs. in Crore	%
Indigenous	287.20	54.41	479.94	72.84
Imported	240.65	45.59	178.88	27.16
	527.85	100.00	658.82	100.00
II) Particulars in Respect of Consumption of Stores and Spares, Consumables				
Particulars	Rs. in Crore	%	Rs. in Crore	%
Indigenous	82.89	75.39	64.54	80.26
Imported	27.06	24.61	15.87	19.74
	109.95	100.00	80.41	100.00
f) I) Earnings in Foreign Currency		Rs. in Crore		Rs. in Crore
		2009 - 10		2008 - 09
i) FOB Value of Exports		166.04		322.70
ii) Freight on Exports		9.54		24.77
II) Expenditure in Foreign Currency				
i) Interest		28.12		32.33
ii) Commission on Export Sales		2.12		0.79
iii) Travelling		0.66		0.58
iv) Professional Consultation Fees		0.24		1.72
v) Others		5.21		1.09
14) Investor Education and Protection Fund				
shall be credited by the following amounts, when due.				
i) Unclaimed Matured Debentures		0.45		0.96
ii) Unpaid Dividend		1.48		0.86
iii) Unclaimed Matured Deposits		-		0.01

Notes on Accounts (contd.)

		Rs. in Crore 2009 - 10	Rs. in Crore 2008 - 09
15) Provision for Taxation			
i) a) Provision for Income Tax / Wealth Tax		14.76	5.11
b) Provision for Fringe Benefit Tax		-	0.87
c) Provision for Fringe Benefit Tax earlier years		-	0.02
d) Deferred Tax Debit / (Credit)	26.39		19.47
Less : Transferred from General Reserve	9.82	16.57	19.47
e) MAT Credit for Current Year		(14.71)	(5.06)
f) Excess Provision of Income Tax of earlier year		-	(1.19)
		16.62	(0.25)

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

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

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

	Number of Shareholders	Number of Equity Shares Held	Gross Amount of dividend Rs. in Crore
i) Interim Dividend for 2008 - 09	8503	3895913	0.19
ii) Final Dividend for 2008 - 09	8485	3974123	0.20

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

	2009 - 10		2008 - 09	
	Foreign Currency in Million	Rs. in Crore	Foreign Currency in Million	Rs. in Crore
i) Secured Loans				
a) US Dollars	104.22	470.72	86.37	440.09
b) Euros	-	-	0.11	0.77
ii) Unsecured Loans				
US Dollars	20.00	90.28	20.00	101.90
iii) Receivables				
a) US Dollars	5.23	23.66	6.78	34.16
b) Euros	9.62	65.77	8.90	58.30
c) Sterling Pounds	0.08	0.53	0.29	2.07
d) Australian Dollar	0.09	0.39	0.51	1.78
iv) Deposits with Banks				
US Dollars	2.66	12.02	2.60	13.25
v) Interest Receivable				
US Dollars	0.02	0.08	0.04	0.23
vi) Payables				
a) US Dollars	35.33	159.47	29.18	148.70
b) Euros	1.11	6.71	0.23	1.58
vii) Interest Payable				
US Dollars	0.20	0.90	0.43	2.21

Notes on Accounts (contd.)

18) In absence of any intimation received from vendors regarding the status of their registration under the “Micro, Small and Medium Enterprises Development Act, 2006” the Company is unable to comply with the disclosures required to be made under the said Act.

19) Other Liabilities include buyer's credit of Rs. 107.93 Crore (Previous Year Rs. 108.36 Crore).

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

	Rs. in Crore	
	2009 - 10	2008 - 09
Not later than one year	2.82	2.82
Later than one year and not later than five years	11.09	11.22
Later than five years	5.10	7.79

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

Asset Classification	Rs. in Crore			
	Not later than 1 year	Later than 1 year But not later than 5 years	Later than 5 years	Total
Plant & Machinery				
MLP	0.02	0.10	0.02	0.14
(Previous Year)	0.02	0.10	0.05	0.17
PV	0.01	0.04	0.01	0.06
(Previous Year)	0.02	0.05	0.02	0.09

21) The Company had allotted 57,50,000 Optional Convertible Warrant in the year 2007-08 by way of a preferential allotment to the Promoters on the conversion terms of one equity share of Rs. 5/- each at a premium of Rs. 86.80 per Equity Share. The option to exercise the right for conversion was available to the holder not later than 18 months from the date of allotment. As per the terms of warrants, 10% of the total issue price of Rs. 9.20 per warrant amounting to Rs. 5.29 Crore were received from the allottees. The Promoters have not exercised their option to convert their Warrants into Equity Shares on or before June 17, 2009, being the last date to exercise the option and accordingly the amount already paid thereon has been forfeited and credited to Capital Reserve Account.

22) The Company has adopted AS 11 “The effects of changes in Foreign Exchange Rates”, read with notification issued by the Ministry of Corporate Affairs dated 31st March 2009 and exercised the option to recognize exchange difference on long term monetary items related to Fixed Assets to the cost of Fixed Assets and the long term monetary items to “Foreign Currency Monetary Item Translation Difference Account” from 1st April, 2007. Accordingly the Company has accounted exchange differences as under :

- Exchange difference related to acquisition of Capital Assets has been adjusted to respective Fixed Asset cost Rs 27.33 Crore (Gain) (Previous year Rs. 50.15 Crore Loss).
- Exchange difference amortised during the year Rs. 8.19 Crore (Loss) (Previous year Rs. 7.55 Crore Loss) from “Foreign Currency Monetary Item Translation Difference Account” and charged to Profit & Loss Account.
- Balance in the “Foreign Currency Monetary Item Translation Difference Account” will be amortised by 31st March, 2011.
- Had this change not been effected, the profit for the year would have been higher by Rs. 62.61 Crore, Fixed Assets would have been lower by Rs. 22.82 Crore and consequently the reserves & surplus would have been lower by Rs. 27.72 Crore.

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

- | | | |
|-----------------------------|----------------------------------------------------|-------------------------------------------|
| a) Key Management Personnel | i) Mr. Salil Taneja | Chief Executive Officer |
| | ii) Mr. B.R. Taneja | Non Executive Director |
| | iii) Mr. Rajiv Goel | Chief Financial Officer |
| | iv) Mr. Nirmal Chandra | President (Project & Product Development) |
| b) Subsidiary Companies | i) ISMT Enterprises SA, Luxembourg | |
| | ii) Tridem Port and Power Company Pvt. Ltd., India | |
| | iii) Structo Hydraulics AB, Sweden | |
| | iv) Structo (UK) Limited, U.K. | |
| | v) Structo Hydraulics India Limited, India | |
| | vi) ISMT Europe AB, Sweden | |
| | vii) Nagapattinam Energy Pvt. Ltd., India | |

Notes on Accounts (contd.)

c) Associate Companies

i) Indian Seamless Enterprises limited

ii) Taneja Aerospace and Aviation limited

iii) Indian Seamless Incorporated, USA.

Rs. in Crore

Details of Transaction	Key Management Personnel		Subsidiary Companies		Associate Companies	
	2009 10	2008 09	2009 10	2008 09	2009 10	2008 09
Remuneration Paid	2.53	4.24				
Commission on Sales			1.69	0.02		
Sale of Finished Goods			43.02	99.32	6.97	21.71
Purchases			1.44	0.07		
Quality Claims			2.40			
Lease Rent					2.73	2.70
Charges Recoverable						3.00
Inter Corporate Deposits (Net)					2.07	1.86
Interest Received					1.02	1.14
Investments			9.26	7.30		
Loans & Advances given			19.99			
Dividend Paid						2.75
Outstanding as at Balance Sheet date						
Receivables			70.65	60.97	14.02	13.04
Loans & Advances			19.42		1.56	1.52
Other Current Assets						3.00
Inter corporate Deposits Given					6.93	4.86

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

Receivables include due from Indian Seamless Incorporated, USA

2.38 0.99

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

i) Defined Contribution Plan :

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

Rs. in Crore

	2009-10	2008 09
Employer's Contribution to Provident Fund & Family Pension Fund	3.47	3.17
Employer's Contribution to Superannuation Fund	1.90	1.28

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 on Accounts (contd.)

ii) Defined Benefit Plan :

	Rs. in Crore		Gratuity (Funded)	
	2009-10	2008 09		
a) Changes in present value of Defined Benefit obligations :				
Present value of obligation as at April 1, 2009	10.62	7.59		
Current Service Cost	0.93	0.91		
Interest Cost	0.75	0.59		
Actuarial (gain)/loss	2.09	1.97		
Benefits paid	(1.30)	(0.44)		
Present Value of Obligation as at March 31, 2010	13.09	10.62		
b) Changes in present value of Defined Benefit Obligations:				
Fair value of plan Assets as at April 1, 2009	5.14	4.66		
Expected return on plan Assets	0.54	0.41		
Actuarial gain/(loss)	0.02	0.07		
Employer Contribution	2.97			
Fair value of plan Assets as at March 31, 2010	8.67	5.14		
c) Actual Return on Plan Asset:				
Expected return on plan Assets	0.54	0.41		
Actuarial gain/(loss) on plan Assets	0.02	0.07		
Actual return on plan Assets	0.56	0.48		
d) Amounts recognized in the Balance Sheet in respect of :				
	Gratuity (Funded)	Leave Encashment (Non funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
	2009-10		2008 09	
Fair value of Plan Assets as at March 31, 2010	8.67	-	5.14	
Present value of obligation as at March 31, 2010	13.09	3.21	10.62	3.06
Net Liability	4.42	3.21	5.48	3.06
e) Expenses recognised in the Profit & Loss Account (under the head "Personnel Cost" Refer Schedule No.16).				
Current Service Cost	0.93	0.36	0.91	0.34
Interest Cost	0.75	0.17	0.59	0.15
Expected return on Plan Assets	(0.54)	-	(0.41)	
Actuarial (gain)/loss	2.07	1.22	1.91	1.27
Present Value of Obligation as at March 31, 2010	3.21	1.75	3.00	1.76
f) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at March 31, 2010.				
	2009-10		2008 09	
i) Government of India Securities	14.36%		22.55%	
ii) Corporate Bonds	16.58%		23.24%	
iii) Special Deposit Scheme	12.81%		12.43%	
iv) Insurer Managed Funds	40.56%		26.99%	
v) Others	15.69%		14.79%	
Total	100.00%		100.00%	
g) Principal Actuarial Assumptions used as at the balance sheet date :	2009 - 10		2008 09	
Particulars	Gratuity (Funded)	Leave Encashment (Non Funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
Discount Rate	8.00%	8.00%	7.50%	7.50%
Expected Rate of Return on Plan Assets	8.75%	-	8.75%	
Salary Escalation Rate	5.00%	5.00%	5.00%	5.00%

Notes on Accounts (contd.)**Rs. in Crore****25) Particulars in respect of Loans and Advances in the nature of loans.**

Name of the Company	Outstanding Balance as at		Maximum outstanding during the year	
	March 31, 2010	March 31, 2009	2009 - 10	2008 - 09
Loans and Advances in the nature of Loans				
i) Subsidiary				
Tridem Port And Power Company Pvt. Ltd.	18.12		28.04	
Nagapattinam Energy Pvt. Ltd.	1.30		1.30	
ii) Associate				
Taneja Aerospace and Aviation Limited	6.93	4.86	15.38	15.14
26) Miscellaneous income include			2009 - 10	2008 - 09
i) Profit on Sale of Assets			0.64	0.03
ii) Income on assignment of liability			5.46	5.46

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

	As at March 31, 2010	As at March 31, 2009
i) Deferred Tax Assets		
a) Unabsorbed Tax Depreciation	48.07	77.44
b) Deduction eligible in future period in respect of expenses already debited to Profit & Loss Account	2.96	3.56
	51.03	81.00
ii) Deferred Tax Liabilities		
a) Depreciation	92.16	95.44
b) Expenditure Deferred	0.56	0.85
	92.72	96.29
iii) Net Deferred Tax Asset/ (Liability)	(41.69)	(15.29)
28) Earnings per Share		
i) Profit After Tax	74.61	56.23
ii) Net profit for the year attributable to Equity Share Holders	74.61	56.23
iii) Weighted Average number of Equity Shares	14,65,01,383	14,65,01,383
iv) Earnings per share (Rs.) (Basic and Diluted)	5.09	3.84
29) Miscellaneous Expenses include		
i) Rates & Taxes	0.20	0.20
ii) Repairs & Maintenance Building	0.79	0.29
iii) Directors' Sitting Fees	0.07	0.04
iv) Equipment Lease Rent	0.31	0.21
v) Auditors Remuneration		
a) Statutory Audit Fees	0.17	0.17
b) Taxation Matters	0.05	0.05
c) Out of Pocket Expenses	0.02	0.01
	0.24	0.23

30) 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. 101108W
Chartered Accountants

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

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary

Pune, September 28, 2010

Pune, September 28, 2010

Balance Sheet Abstract

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

I. Registration Details

Registration No.	<input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="7"/>	State Code	<input type="text" value="1"/> <input type="text" value="1"/>
Balance Sheet	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="0"/>		
Date	Date	Month	Year

II. Capital Raised during the year

Public Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Rights Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Issue	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

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

Total Liabilities	<input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="0"/>	Total Assets	<input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="0"/>
Sources of Funds			
Paid up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="7"/>	Reserves & Surplus	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="1"/>
Secured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="8"/>	Unsecured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="3"/>
		Deferred Tax Liability	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="0"/>

Application of Funds

Net Fixed Assets	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="3"/>	Investment	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="3"/>
FCMITDA	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="1"/>		
Net Current Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="6"/>	Misc. Expenditure	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="6"/>

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

Turnover #	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="2"/>	Total Expenditure	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="0"/>
Profit Before Tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="2"/>	Profit After Tax	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="4"/>
Earning Per Share in Rs.	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="9"/>	Dividend Rate %	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="0"/>

including other income

V. Generic Names of Three Principal Products of Company

<input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="4"/>	<input type="text" value="H"/> <input type="text" value="O"/> <input type="text" value="T"/>	<input type="text" value="R"/> <input type="text" value="O"/> <input type="text" value="L"/> <input type="text" value="L"/> <input type="text" value="E"/> <input type="text" value="D"/>	<input type="text" value="B"/> <input type="text" value="A"/> <input type="text" value="R"/> <input type="text" value="S"/>	<input type="text" value="A"/> <input type="text" value="N"/> <input type="text" value="D"/>	<input type="text" value="R"/> <input type="text" value="O"/> <input type="text" value="D"/> <input type="text" value="S"/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value="O"/> <input type="text" value="F"/>	<input type="text" value="N"/> <input type="text" value="O"/> <input type="text" value="N"/>	<input type="text" value="A"/> <input type="text" value="L"/> <input type="text" value="L"/> <input type="text" value="O"/> <input type="text" value="Y"/>	<input type="text" value="S"/> <input type="text" value="T"/> <input type="text" value="E"/> <input type="text" value="E"/> <input type="text" value="L"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
<input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="7"/>	<input type="text" value="C"/> <input type="text" value="A"/> <input type="text" value="S"/> <input type="text" value="T"/>	<input type="text" value="R"/> <input type="text" value="O"/> <input type="text" value="U"/> <input type="text" value="N"/> <input type="text" value="D"/> <input type="text" value="S"/>	<input type="text" value="/"/> <input type="text" value="H"/> <input type="text" value="O"/> <input type="text" value="T"/>	<input type="text" value="R"/> <input type="text" value="O"/> <input type="text" value="L"/> <input type="text" value="L"/> <input type="text" value="E"/> <input type="text" value="D"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
<input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="8"/>	<input type="text" value="B"/> <input type="text" value="A"/> <input type="text" value="R"/> <input type="text" value="S"/>	<input type="text" value="R"/> <input type="text" value="O"/> <input type="text" value="D"/> <input type="text" value="S"/>	<input type="text" value="O"/> <input type="text" value="F"/>	<input type="text" value="A"/> <input type="text" value="L"/> <input type="text" value="L"/> <input type="text" value="O"/> <input type="text" value="Y"/>	<input type="text" value="S"/> <input type="text" value="T"/> <input type="text" value="E"/> <input type="text" value="E"/> <input type="text" value="L"/>
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As per our report of even date

For **M/s P.G. Bhagwat**
Firm Registration No. 101108W
Chartered Accountants

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

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, September 28, 2010

Pune, September 28, 2010

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

Rs. in Crore

Particulars	ISMT Enterprises SA, Luxembourg	Structo Hydraulics AB, Sweden	Structo (UK) Limited	ISMT Europe AB, Sweden	Structo Hydraulics (India) Ltd.	Tridem Port and Power Co Pvt Ltd	Nagapattinam Energy Pvt. Ltd.,
Capital	49.25	13.10	0.001	6.30	0.05	0.08	0.01
Reserves	(0.50)	(20.28)	0.05	(6.08)	(0.02)	-	-
Total Assets	16.17	108.87	0.16	12.55	0.03	32.74	22.29
Total Liabilities	0.08	122.40	0.10	12.33	0.004	32.67	22.28
Investments other than in Subsidiary Companies	-	-	-	-	-	-	-
Turnover & Other Income	0.00	97.64	0.98	20.77	-	-	-
Profit / (Loss) before taxation	(0.04)	(28.33)	0.002	(4.72)	(0.009)	-	-
Provision for taxation	0.04	(8.89)	-	-	-	-	-
Profit / (Loss) after taxation	(0.08)	(19.43)	0.002	(4.72)	(0.009)	-	-
Proposed Dividend	-	-	-	-	-	-	-

Notes:

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

Particulars	For Assets and Liabilities at Closing Exchange Rate	For Profit and Loss items at Average Rate
EURO to INR	Rs. 60.809/EURO	Rs. 64.125/EURO
SEK to INR	Rs. 6.240/SEK	Rs. 6.201/SEK
GBP to INR	Rs. 68.255/GBP	Rs. 70.484/GBP

Auditors Report on Consolidated Financial Statements

To,

The Board of Directors of ISMT Limited

same is based solely on the above referred reports and compilation of other auditors and management.

1. We have audited the attached consolidated balance sheet of ISMT Limited and its subsidiaries (together referred to as "the Group", as described in Note No. C of Schedule 20) as at March 31, 2010 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management on the basis of separate financial statements and also the financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statement of subsidiaries, whose financial statements reflect total assets of Rs.192.81 Crore as at March 31, 2010 and total revenue of Rs.119.40 Crore for the year ended March 31, 2010. These financial statements and other financial information have been audited / complied by other auditors / compiled by the management.

Reports and compilations in respect of above subsidiaries is furnished to us and our opinion on the
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of reports and compilation of other auditors and compilation made by the management on separate financial statements and on other financial information of the components and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2010.
 - b) in the case of the consolidated profit and loss account, of the profit of the Group for the year ended on that date;
 - c) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For and on behalf of

For M/s P.G BHAGWAT
Firm Registration No. 101108 W
Chartered Accountants

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

Sandeep Rao
Partner
Membership No. 47235

Sanjay Dhruva
Partner
Membership No. 38480

Pune, September 28, 2010

Pune, September 28, 2010

Consolidated Balance Sheet as at March 31, 2010

Rs. in Crore

	Schedule	As at March 31, 2010	As at March 31, 2009
Sources of Funds			
Shareholders' Fund			
Share Capital	1	73.25	73.25
Equity Share Warrants		-	5.29
Reserves and Surplus	2	489.55	452.27
		562.80	530.81
Minority Interest		6.35	11.83
Loan Funds			
Secured Loans	3	815.01	865.37
Unsecured Loans	4	232.79	218.78
		1,047.80	1,084.15
Deferred Tax Liability		35.59	15.29
		1,652.54	1,642.08
Application of Funds			
Fixed Assets			
Gross Block	5	1,247.25	1,192.98
Less : Depreciation		481.62	421.30
Net Block		765.63	771.68
Capital Work in Progress		511.35	432.36
		1,276.98	1,204.04
Goodwill on consolidation		23.98	25.09
Investments	6	-	0.01
Foreign Currency Monetary Item	7	4.91	40.18
Translation Difference Account			
Current Assets , Loans and Advances	8		
i) Inventories		389.78	361.63
ii) Sundry Debtors		272.83	210.62
iii) Cash and Bank Balances		63.70	65.33
iv) Loans and Advances		236.53	234.22
		962.84	871.80
Less: Current Liabilities and Provisions	9		
i) Current Liabilities		584.61	469.29
ii) Provisions		33.37	32.45
		617.98	501.74
Net Current Assets		344.86	370.06
Miscellaneous Expenditure	10	1.81	2.70
(To the extent not written off or adjusted)		1,652.54	1,642.08
Significant Accounting Policies	20		
Notes on Accounts	21		

As per our report of even date

For **M/s P.G. Bhagwat**
Firm Registration No. 101108W
Chartered Accountants

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

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, September 28, 2010

Pune, September 28, 2010

Consolidated Profit And Loss Account for the year ended March 31, 2010

Rs. in Crore

	Schedule	2009 - 10	2008 09
Income			
Gross Sales		2,032.53	2,560.89
Less : Inter Segment Transfers		544.14	799.57
Inter Division Transfers		97.97	103.36
Sales to Subsidiary Company		46.27	99.66
Excise Duty		86.95	120.96
Net Sales		1257.20	1437.34
Other Income	11	18.67	22.00
		1,275.87	1,459.34
Expenditure			
Materials Consumed	12	657.50	767.55
Energy	13	220.12	178.15
Direct Manufacturing	14	43.27	55.50
Selling and Distribution	15	28.52	52.40
Personnel	16	116.15	129.67
Overheads	17	19.48	25.73
		1,085.04	1,209.00
Profit before Finance Charges, Exchange (Gain)/			
Loss. Depreciation, Amortisation and Taxation		190.83	250.34
Finance Charges	18	81.11	87.27
Depreciation and Amortisation	19	62.05	58.34
		143.16	145.61
Profit before Foreign Exchange (Gain)/Loss and Taxation		47.67	104.73
Less : Foreign Exchange (Gain) / Loss		(8.56)	57.23
Profit before Taxation		56.23	47.50
Less : Provision for Taxation		7.74	(0.25)
(Refer Note No. 6 of Schedule 21)			
Profit after Taxation		48.49	47.75
Less: Share of Minority interest		(6.80)	(2.30)
Profit After Minority interest		55.29	50.05
Balance brought forward from Previous Year		41.37	58.67
Add/(Less): Pre acquisition Loss/(Profit) adjusted against cost of investment		5.47	(0.21)
Balance available for appropriations		102.13	108.51
Appropriations			
Interim Dividend		-	7.33
Proposed Dividend		14.65	7.33
Tax on Interim Dividend		-	1.24
Tax on proposed Dividend		2.43	1.24
General Reserve		50.00	50.00
Balance carried to Balance Sheet		35.05	41.37
Earnings per share Rs. (Face Value of Rs. 5/- each)		3.77	3.42
(Refer Note No. 9 of Schedule 21)			
Significant Accounting Policies	20		
Notes on Accounts	21		

As per our report of even date

For **M/s P.G. Bhagwat**
Firm Registration No. 101108W
Chartered Accountants

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

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, September 28, 2010

Pune, September 28, 2010

Consolidated Cash Flow Statement for the year ended March 31, 2010

Rs. in Crore

	2009 - 10	2008 - 09
A. Cash Flow from Operating Activities :		
Net Profit before Tax	56.22	47.50
Adjustments for :		
Depreciation	61.18	56.65
Finance Charges	81.11	87.27
Interest Income	(5.01)	(8.03)
Exchange Fluctuation (Gain) / Loss	(0.95)	16.17
Amortisation of Miscellaneous Expenditure	0.87	1.69
Expenses Charged to Reserves		(4.60)
Income on Pre payment of liability	(5.46)	(5.46)
Loss/(Profit) on sale of Fixed Assets (Net)	(0.14)	0.29
Foreign Currency Translation Reserve	(2.65)	3.34
	128.95	147.32
Operating Cash Profit before Working Capital Changes	185.17	194.82
Adjustments for :		
Trade and Other Receivables	(66.92)	2.87
Inventories (Increase) / Decrease	(28.15)	(85.18)
Trade Payables	124.68	142.55
Taxes Paid	(7.30)	(11.05)
Net Cashflow from Operating Activities	207.48	244.01
B Cash Flow from Investing Activities :		
Additions to Fixed Assets	(121.64)	(158.10)
Sale of Fixed Assets	1.19	0.25
Sale of Investment	0.01	
Interest Received	6.46	6.13
Net Cash used in Investing Activities	(113.98)	(151.72)
C Cash Flow from Financing Activities :		
Miscellaneous Expenditure		(0.35)
Dividend Payments (including Tax thereon)	(16.52)	(8.33)
Proceeds from /(Repayment of) Borrowings	10.55	13.47
Finance Charges Paid	(82.75)	(86.80)
Net Cash from Financing Activities	(88.72)	(82.01)
Net Increase / (Decrease) in Cash and Cash Equivalents	4.78	10.28
Cash and Cash Equivalents at the beginning of the year (Refer Note No.1)	16.05	5.77
Add : Cash and Cash Equivalents on acquisition of Subsidiaries	0.28	
	16.33	5.77
Cash and Cash Equivalents at the end of the year (Refer Note No.1)	21.11	16.05
Net Increase / (Decrease) in Cash and Cash Equivalents	4.78	10.28
Notes: 1 The cash and cash equivalents in the cash flow statement comprise of the following Balance Sheet amounts:	As at March 31, 2010	As at March 31, 2009
(a) Cash on hand	0.05	0.05
(b) Current Accounts with Banks	21.06	16.00
	21.11	16.05
2 Previous year's figures have been restated, wherever necessary, to conform to current year's classification.		

As per our report of even date

For M/s P.G. Bhagwat

Firm Registration No. 101108W

Chartered Accountants

For J. K. Shah & Co.

Firm Registration No. 109606W

Chartered Accountants

Sandeep Rao

Partner

M. No.47235

Sanjay Dhruva

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M.No. 38480

Salil Taneja

Chief Executive Officer

Rajiv Goel

Chief Financial Officer

Jayan Nair

Company Secretary

Pune, September 28, 2010

Pune, September 28, 2010

Schedules forming part of the Consolidated Balance Sheet

Rs. in Crore

	As at March 31, 2010	As at March 31, 2009
Schedule - 1		
Share Capital		
Authorised		
i) 17,50,00,000 (Previous Year 17,50,00,000) Equity Shares of Rs.5/ each	87.50	87.50
ii) Unclassified Shares	71.00	71.00
	<u>158.50</u>	<u>158.50</u>
Issued, Subscribed and Paid up:		
14,65,01,383 (Previous Year 14,65,01,383) Equity Shares of Rs 5/ each fully paid	<u>73.25</u>	<u>73.25</u>
Schedule – 2		
Reserves And Surplus		
i) Capital Reserve	1.65	1.65
Add: Additions during the year	5.29	
	<u>6.94</u>	<u>1.65</u>
ii) Revaluation Reserve	6.05	
iii) Capital Redemption Reserve	80.60	80.60
iv) Securities Premium	9.36	9.36
v) Amalgamation Reserve		
As per last Balance Sheet	40.40	44.21
Less : Debits related to Pre Merger period	-	3.81
	<u>40.40</u>	<u>40.40</u>
vi) Reserve for Contingencies	3.72	3.72
vii) Restructuring Reserve		
As per last Balance Sheet	12.93	18.19
Less : Debits related to Pre Merger period	-	5.26
	<u>12.93</u>	<u>12.93</u>
viii) General Reserve		
As per last Balance Sheet	257.15	247.45
Add : Transfer from Profit & Loss Account	50.00	50.00
Less : Exchange differences (Gain) adjusted to the cost of Capital Assets	-	1.73
Less : Exchange differences (Gain) transferred to FCMITDA	-	19.10
Less : Transferred to Profit & Loss Account	9.82	19.47
	<u>297.33</u>	<u>257.15</u>
ix) Foreign Currency Translation Reserve	(2.83)	5.09
x) Balance in Profit and Loss Account	35.05	41.37
	<u>489.55</u>	<u>452.27</u>

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

Rs. in Crore

	As at March 31, 2010	As at March 31, 2009
Schedule – 3		
Secured Loans		
i) Term Loans from Banks		
a) Rupee Loans	215.92	239.80
b) Foreign Currency Loans	477.16	470.97
	693.08	710.77
ii) Working Capital Borrowings from Banks		
a) Rupee Loans	55.26	38.95
b) Foreign Currency Loans	66.67	115.65
	121.93	154.60
	815.01	865.37
Schedule – 4		
Unsecured Loans		
i) Short Term Loan from Bank	25.00	
ii) Others		
a) Foreign Currency Convertible Bonds (FCCB)	90.28	101.90
b) Interest Free Incentive and Sales Tax Loan	103.66	116.88
c) Others	13.85	
	232.79	218.78

Schedule 5

Fixed Assets

Rs. in Crore

Description	Gross Block				Depreciation				Net Block	
	As at April 01, 2009	Additions	Deletions/ Sales	As at March 31, 2010	As on April 01, 2009	For the Year	Deletions/ Sales/ Adjustments	As on March 31, 2010	As at March 31, 2010	As at March 31, 2009
Leasehold Land	7.03	-	-	7.03	0.41	0.08	-	0.49	6.54	6.62
Freehold Land	1.74	0.40	0.06	2.08	-	-	-	-	2.08	1.74
Buildings	92.01	12.30	0.06	104.25	18.91	3.00	0.06	21.85	82.40	74.00
Plant & Machinery	1,026.73	42.18	2.17	1,066.74	361.47	53.10	1.20	413.37	653.37	664.35
Furniture & Fixtures	3.79	0.38	-	4.17	1.14	0.55	-	1.69	2.48	2.27
Office Equipments	11.42	0.39	0.01	11.80	6.68	1.09	-	7.77	4.03	4.55
Vehicles	2.52	-	0.01	2.51	1.47	0.27	0.01	1.73	0.78	1.05
Intangible Assets										
Goodwill	33.79	-	-	33.79	25.87	1.25	-	27.12	6.67	7.92
Technical Know-how	4.13	-	-	4.13	1.73	0.83	-	2.56	1.57	2.40
Software Development	3.57	0.22	-	3.79	1.09	0.76	-	1.85	1.94	2.48
Assets Taken On Lease										
Plant & Machinery	6.96	-	-	6.96	2.66	0.53	-	3.19	3.77	4.30
TOTAL	1,193.69	55.87	2.31	1,247.25	421.43	61.46*	1.27	481.62	765.63	771.68
Previous Year	1,145.50	49.88	2.40	1,192.98	366.52	61.12	6.34	421.30	771.68	778.98

Note:* 1. Depreciation of Rs 0.28 Crore (Previous Year Nil) has been Capitalised.

2. Opening Balances of Gross Block includes Rs. 0.71 Crore and opening balances of Depreciation include Rs. 0.13 Crore in respect of Subsidiary Companies acquired during the year.

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

	As at March 31, 2010	As at March 31, 2009
Schedule – 6		
Investments (At Cost)		
Long Term (Unquoted and Trade)		
Government Securities		
National Saving Certificate	-	0.01
(Pledged with Sales Tax Authorities)		
	<u>-</u>	<u>0.01</u>
	<u>-</u>	<u>0.01</u>
Schedule – 7		
Foreign Currency Monetary Item Translation		
Difference Account (FCMITDA)		
Exchange Differences Relating to Long Term Monetary Items		
As per Last Balance Sheet	40.18	
Transferred from General Reserve	-	(19.10)
Add : Exchange Differences arising during the year	(27.08)	66.83
Less : Exchange Differences amortised during the year	8.19	7.55
(Refer Note No. 2 of Schedule 21)	<u>4.91</u>	<u>40.18</u>
Schedule – 8		
Current Assets, Loans and Advances		
I. Inventories		
(As taken, valued and certified by the Management)		
i) Raw Material	96.13	105.10
ii) Work in process	101.45	80.20
iii) Finished Goods	70.90	80.56
iv) Stores, Spares and consumables	121.30	95.77
	<u>389.78</u>	<u>361.63</u>
II. Receivables		
(Net of bills discounted with Banks)		
Unsecured, considered good		
i) Outstanding for more than six months Considered Good	67.24	33.43
ii) Others Considered Good	205.59	177.19
	<u>272.83</u>	<u>210.62</u>
III. Cash and Bank Balances		
i) Cash on hand	0.05	0.05
ii) Current Accounts with Scheduled Banks	11.84	7.67
Others	0.14	
iii) Money in transit	9.09	8.34
iv) Deposit with Scheduled Banks	42.58	49.27
	<u>63.70</u>	<u>65.33</u>

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

	As at March 31, 2010	As at March 31, 2009
IV. Loans and Advances (Unsecured, considered good)		
i) Advances recoverable in cash or in kind or for value to be received		
a) Sundry Deposits	18.01	13.77
b) Others	109.09	129.11
ii) Balance with Customs, Excise , Sales Tax etc.	49.86	42.92
iii) Advance Income Tax (net of provisions)	-	3.56
iv) MAT Credit Receivable	59.57	44.86
	236.53	234.22
	962.84	871.80
Schedule – 9		
Current Liabilities and Provisions		
I. Current Liabilities		
i) Acceptances		
a) Capital	30.54	30.80
b) Others	270.61	152.97
ii) Sundry Creditors		
a) Capital	18.95	21.12
b) Others	113.30	116.19
iii) Provision for Expenses	16.45	13.69
iv) Advances from Customers	7.00	4.25
v) Investor Education and Protection Fund	1.93	1.83
vi) Other Liabilities (Refer Note No. 14 of Schedule 21)	124.97	126.10
vii) Interest accrued but not due	0.86	2.34
	584.61	469.29
II. Provisions		
i) Proposed Dividend	14.65	14.65
ii) Tax on Dividend	2.43	2.49
iii) Leave Encashment	6.65	8.27
iv) Gratuity and Superannuation	5.66	7.04
v) Income Tax (net of advance payment)	3.98	
	33.37	32.45
	617.98	501.74
Schedule- 10		
Miscellaneous Expenditure		
i) Preliminary Expenses	0.21	0.33
ii) Merger Expenses	-	0.05
iii) Loan Processing Fees	1.60	2.32
	1.81	2.70

Schedules forming part of the Consolidated Profit And Loss Account

Rs. in Crore

	2009 - 10	2008 09
INCOME		
Schedule – 11		
Other Income		
i) Interest Received (Tax deducted at source Rs. 0.83 Crore Previous Year Rs. 1.52 Crore)	5.01	8.03
ii) Miscellaneous Income	13.66	13.97
	<u>18.67</u>	<u>22.00</u>
EXPENDITURE		
Schedule – 12		
Materials Consumed		
i) Raw Material		
Opening Stock	105.10	93.44
Add: Purchases	546.21	713.17
Less: Closing Stock	96.13	105.10
	<u>555.18</u>	<u>701.51</u>
ii) (Increase)/Decrease in Stocks		
Closing Stock		
Work in process	101.45	80.20
Finished Goods	70.90	80.56
	<u>172.35</u>	<u>160.76</u>
Less : Trial Run Stocks (Previous Year Work in Process Rs. 5.76 Crore and Finished Goods Rs. 3.57 Crore)	-	9.33
	<u>172.35</u>	<u>151.43</u>
Less : Opening Stock		
Work in process	80.20	59.29
Finished Goods	80.56	75.34
	<u>160.76</u>	<u>134.63</u>
	(11.59)	(16.80)
iii) Stores, Spares and Consumables	112.14	84.18
iv) Excise Duty on Opening & Closing Stock of Finished Goods	1.77	(1.34)
	<u>657.50</u>	<u>767.55</u>
Schedule – 13		
Energy		
i) Power	135.60	105.24
ii) Fuel	59.49	52.53
iii) Gases	25.03	20.38
	<u>220.12</u>	<u>178.15</u>
Schedule – 14		
Direct Manufacturing		
i) Processing Charges	14.67	14.73
ii) Other Direct Expenses	20.35	31.05
iii) Machine Lease Rentals	2.01	2.12
iv) Repairs and Maintenance Plant & Machinery	6.24	7.60
	<u>43.27</u>	<u>55.50</u>
Schedule – 15		
Selling And Distribution		
i) Freight & Forwarding	21.97	46.65
ii) Commission on Sales	3.23	3.21
iii) Other Selling Expenses	3.32	2.54
	<u>28.52</u>	<u>52.40</u>

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

Rs. in Crore

	2009 - 10	2008 09
Schedule – 16		
Personnel		
i) Salaries, Wages, Bonus and Allowances (including rent paid of Rs. 0.10 Crore, recovery of Rs. 0.02 Crore, (Previous year Rs. 0.10 Crore, recovery of Rs. 0.02 Crore.)	96.12	114.07
ii) Contribution to Provident and other Funds	13.89	9.30
iii) Staff Welfare Expenses	6.14	6.30
	<u>116.15</u>	<u>129.67</u>
Schedule – 17		
Overheads		
i) Rent	1.28	1.51
ii) Travelling and Conveyance	5.77	7.08
iii) Communication Expenses	1.69	1.90
iv) Repairs and Maintenance Others	1.24	1.38
v) Insurance	0.96	1.46
vi) Loss on Sale of Assets	0.50	0.32
vii) Miscellaneous Expenses (Refer Note No. 13 of Schedule 21)	8.04	12.08
	<u>19.48</u>	<u>25.73</u>
Schedule – 18		
Finance Charges		
i) Interest		
a) Term Loans	42.27	42.01
b) Working Capital and Others	28.09	29.68
	<u>70.36</u>	<u>71.69</u>
ii) Cash Discount	0.75	0.66
iii) Other Finance Charges	10.00	14.92
	<u>81.11</u>	<u>87.27</u>
Schedule – 19		
Depreciation and Amortisation		
i) Depreciation of the year	61.18	61.12
Less : Earlier year's depreciation written back	-	4.47
	<u>61.18</u>	<u>56.65</u>
ii) Amortisation of Miscellaneous Expenditure	0.87	1.69
	<u>62.05</u>	<u>58.34</u>

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

Schedule : 20

SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidation

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

A) Basis of Accounting

- i) The Financial Statements of the subsidiary companies used in consolidation are drawn upto the same reporting date as of the Company i.e. year ended March 31, 2010.
- ii) The Financial Statements of the Group have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and as notified under the Companies (Accounting Standards) Rules, 2006 and other generally accepted accounting principles in India.

B) Principles of Consolidation

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

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

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

Sr. no.	Name of Company	Country of Incorporation
i)	** ISMT Enterprises SA	Luxembourg
ii)	* @ Tridem Port And Power Co. Pvt. Ltd.,	India
iii)	* Structo Hydraulics AB	Sweden
iv)	* Structo Hydraulics India Limited	India
v)	* ISMT Europe	Sweden
vi)	** Structo (UK) Limited	UK
vii)	* Nagapattinam Energy Pvt. Ltd.,	India

@ Compiled by the Management as on March 31, 2010

* Audited by other Auditors

** Compiled by other Auditors

- a) Ownership interest in all the Subsidiary Companies is 100% except in case of ISMT Enterprises SA Luxembourg is 74.92% and Tridem Port And Power Co. Pvt. Ltd. is 51.06%.
- b) Reporting dates of all Subsidiary Companies is March 31, 2010 except for Tridem Port And Power Co. Pvt. Ltd. is September 30, 2009.

Other Accounting Policies:

1) Revenue Recognition

Expenses and income are accounted for on accrual basis.

2) Sales

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

3) Import Entitlement

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

4) Fixed Assets

- i) Fixed assets are stated at their original cost of acquisition including taxes, duties, freight, other incidental expenses related to acquisition & installation of the concerned assets and excludes 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 capitalised.

5) Depreciation

Parent Company

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

SIGNIFICANT ACCOUNTING POLICIES (contd.)**Subsidiary Companies**

Structo Hydraulics AB, Sweden :

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

The following depreciation periods are applied :

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 33% on reducing balance.

ISMT Europe AB, Sweden:

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

Tangible Assets :

Computer hardware and software	5 years
Equipment	5 years

Tridem Port And Power Co. Pvt Ltd., :

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

6) Intangibles**Parent Company**

Intangible assets are stated at costs less accumulated amortisation.

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

Subsidiary Companies

Structo Hydraulics AB Sweden:

Goodwill is amortised over a period of 10 years.

Tridem Port And Power Co. Pvt Ltd.

Software are amortised over a period of 5 years.

7) Leased assets**i) Finance Lease**

Lease rentals in respect of finance lease are segregated into cost of the Assets and finance components by applying an implicit internal rate of return. The cost component is amortised over the useful life of the Asset and the finance component is recognised in the Profit and Loss Account.

ii) Operating Lease

Lease rentals in respect of operating lease are charged as per the terms of the lease agreement.

8) 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

- Raw Materials are valued at lower of cost or net realisable value. Cost is determined on weighted average basis.
- 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.
- Stores and spares are valued at cost determined on weighted average basis, except for those which have a

longer usable life, which are valued on the basis of their remaining useful life.

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

Subsidiary Companies

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

9) Employee Benefits

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

i) Defined Contribution Plan

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

ii) Defined Benefit Plan

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

Other Subsidiary Companies

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

10) Research & Development

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

11) Long Term Investments

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

12) Foreign Currency transactions

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

- All transactions in foreign currency are recorded by applying the exchange rate prevailing at the time of the transaction.
- Monetary foreign currency assets and liabilities (monetary items) are reported at the exchange rate prevailing on the balance sheet date. Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2006 on 31st March 2009, which amended Accounting Standard 11 on The Effects of Changes in Foreign Exchange Rates, exchange differences relating to long term monetary items are dealt with in the following manner:
 - Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to the acquisition of capital asset are add to / deducted from the cost of the asset.

- b) In Other cases such differences are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized to the profit and loss account over balance life of the long term monetary item, however that the period of amortization does not extend beyond 31st March, 2011.
- iii) All other exchange differences are dealt with in the profit and loss account.
- iv) In respect of forward exchange contracts, the difference between the forward rate and the spot rate is recognised as income or expense over the contract period. Gains or losses on cancellation or renewal of forward exchange contracts are recognized as income or expenses.
- v) Non monetary items such as investments are carried at historical cost using the exchange rate on the date of transaction.

Other Subsidiary Companies

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

13) Miscellaneous Expenditure

- i) Preliminary expenses, public issue expenses and expenses in respect of increase in authorised capital are amortised over a period of ten years.
- ii) Financial restructuring expenses are amortised over the period of restructuring.
- iii) Merger expenses are amortised over a period of five years.
- iv) Loan processing fees are amortised over the Loan period.

14) Borrowing Costs

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

15) Income Tax

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

- i) Tax expenses comprise of current, deferred and fringe benefit tax.
- ii) Provision for current income tax and fringe benefit tax is made on the basis of relevant provisions of the Income Tax Act, 1961 as applicable to the financial year.
- iii) Deferred tax is measured based on the tax rates and the tax loss enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty 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.

16) Impairment of Assets

Where there is an indication that an asset is impaired, the recoverable amount if any, is estimated and the impairment loss is recognised to the extent carrying amount exceeds recoverable amount.

17) Contingent Liabilities

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

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

Schedule : 21

NOTES ON ACCOUNTS

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

1) Contingent Liabilities not provided for in respect of

Rs. in Crore

Parent Company	As on March 31, 2010	As on March 31, 2009
i) Claims against the Company not acknowledged as debt		
a) Sales Tax	-	0.32
b) Excise Duty	23.03	15.61
c) Quality claims made by customers (subsidiary Company)	4.59	6.14
d) Others	4.71	4.41
ii) Bills Discounted with Company's Bankers	63.27	53.04
iii) Guarantees given to the lenders of third party	26.77	14.76

Notes on Accounts (contd.)

	Rs. in Crore	
Parent Company	As on March 31, 2010	As on March 31, 2009
iv) Estimated amount of contracts remaining to be executed on Capital Accounts (Net of advances)	141.42	208.36
Subsidiary Companies		
i) Relocation Grant	Nil	0.06
ii) Estimated amount of contracts remaining to be executed on Capital Accounts (Net of advances)	2.62	Nil

- 2) The Company has adopted AS 11 “ The effects of changes in Foreign Exchange Rates ”, read with notification issued by the Ministry of Corporate Affairs dated 31st March, 2009 and exercised the option to recognize exchange difference on long term monetary items related to Fixed Assets to the cost of Fixed Assets and the long term monetary items to “ Foreign Currency Monetary Item Translation Difference Account ” from 1st April, 2007. Accordingly the Company has accounted exchange differences as under :

- Exchange difference related to acquisition of Capital Assets has been adjusted to respective Fixed Asset cost Rs.27.33 Crore (Gain) (Previous year Rs.50.15 Crores Loss).
- Exchange difference amortised during the year Rs.8.19 Crore (Loss) (Previous year Rs.7.55 Crore Loss) from “ Foreign Currency Monetary Item Translation Difference Account ” and charged to Profit Loss Account.
- Balance in the “ Foreign Currency Monetary Item Translation Difference Account ” will be amortised by 31st March, 2011.
- Had this change not been effected, the profit for the year would have been higher by Rs.62.61 Crore, Fixed Assets would have been lower by Rs.22.82 Crore and consequently the reserves & surplus would have been lower by Rs.27.72 Crore.

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

- Term Loans of Rs. 183.27 Crore are stipulated to be secured by a first charge ranking pari passu on the Company’s immovable properties and movable fixed assets both present and future with other term lenders, excluding term loan lenders where exclusive charge on moveable fixed assets as mentioned in clause no. (d) has been stipulated. These loans are further stipulated to be secured by a second charge ranking pari passu by way of hypothecation with other term lenders on the current assets of the company on which the first pari passu charge is stipulated to be created in favour of the Banks as mentioned in clause (c) below.
 - Term Loans of Rs. 237.39 Crore are stipulated to be secured by a first charge ranking pari passu on the Company’s immovable properties and movable fixed assets both present and future with other term lenders, excluding term loans where exclusive charge on moveable fixed assets as mentioned in clause no. (d) has been stipulated.
 - Working Capital borrowings from the Banks are stipulated to be secured by a first charge ranking pari passu by hypothecation in respect of the current assets of the company and are further stipulated to be secured by a second pari passu charge on the Company’s immovable properties and all the movable fixed assets both present and future.
 - Foreign Currency Term Loans of Rs. 197.17 Crore are stipulated to be secured by an exclusive charge on the equipment financed. Out of the above, term loan of Rs. 93.17 Crore is further stipulated to be secured by the land appurtenant thereto.
 - Foreign Currency Term loan of Rs. 54.25 Crore is stipulated to be secured by first charge on the entire moveable fixed assets ranking pari passu with other term lenders, excluding term loan lenders where exclusive charge on moveable fixed assets as mentioned in clause no. (d) has been stipulated.
- Term Loan installments falling due within one year is Rs. 146.51 Crore (Previous Year Rs. 122.92 Crore).

Subsidiary Companies

Term Loans of Rs. 21.00 Crore are secured by mortgage of Company’s immovable Properties and Working capital loan of Rs. 13.43 Crore is mortgaged against fixed and current assets of the company excluding immovable property.

Term loan installments falling due within one year is Rs. 3.72 Crore (Previous Year Rs. 4.62 Crore).

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

Notes on Accounts (contd.)

Rs. in Crore

Particulars	2009 - 10				2008 - 09			
	Tube Segment	Steel Segment	Unallocable	Total	Tube Segment	Steel Segment	Unallocable	Total
I) Segment Revenue								
Total External Sales	901.65	442.51		1,344.16	1,210.44	347.85		1,558.29
Add : Inter Segment Transfers	29.81	514.33		544.14	54.47	745.10		799.57
Inter Division Transfers	97.97	-		97.97	103.36	-		103.36
Sale to Subsidiary Company	46.27	-		46.27	99.66	-		99.66
	1,075.70	956.84		2,032.54	1,467.94	1092.95		2,560.89
Less : Excise Duty	62.30	71.74		134.04	96.05	133.97		230.02
	1,013.40	885.10		1,898.50	1,371.89	958.98		2,330.87
Less : Inter Seg. Tran. (net)	27.36	477.37		504.73	47.94	654.69		702.63
Inter Div. Tran. (net)	90.30	-		90.30	91.24	-		91.24
Sale to Subsidiary Company	46.27	-		46.27	99.66	-		99.66
Net Sales	849.47	407.73		1,257.20	1,133.05	304.29		1,437.34
II) Segment Result Before Finance Charges, Amortisation, Foreign Exchange (Gain)/Loss & Taxation								
Exceptional items & Taxes	44.11	*79.60	5.94	129.65	150.27	*34.75	8.67	193.69
Less : Finance Charges				81.11				87.27
Amortisation				0.87				1.69
Foreign Exchange(Gain)/Loss				(8.56)				57.23
Profit Before Taxation				56.23				47.50
Less : Taxation				7.74				(0.25)
Profit After Taxation				48.49				47.75
Less : Share of Minority Interest				(6.80)				(2.30)
Profit after Minority Interest				55.29				50.05
III) Other Information								
Total Segment Assets	1,489.49	547.06	203.27	2,239.82	1,430.05	470.30	175.49	2,075.84
Total Segment Liabilities	216.49	370.60	30.89	617.98	194.13	282.35	25.26	501.74
Total cost incurred for Acquiring Segment Assets	121.18	5.49	12.39	139.06	186.39	11.65		198.04
Segment Depreciation	35.20	25.98		61.18	31.47	25.18		56.65
IV) Total Unallocable Assets								
Goodwill on Consolidation				23.98				25.09
Investment				-				0.01
FCMITDA				4.91				40.18
Miscellaneous Expenditure				1.81				2.70
				30.70				67.98
V) Total Unallocable Liabilities								
Secured Loans				815.01				865.37
Unsecured Loans				232.79				218.78
Deferred Tax Liability				35.59				15.29
				1,083.39				1,099.44

* Includes profit on steel captively consumed by Tube Segment.

5) Expenditure incurred during construction period, which have been Capitalized during the year.**i) Expenditure incurred during trial runs net of sales realization.****Particulars**

	Rs. in Crore	
	2009 10	2008 09
Raw Material Consumed	10.55	13.67
Power Charges	1.16	1.40
Other Direct Expenses	4.45	3.31
	<u>16.16</u>	<u>18.38</u>

ii) Expenditure incurred during Construction period.

Personnel Cost	3.99	3.31
Overheads	13.81	1.05
Interest	13.33	6.87
Depreciation	0.05	
	<u>31.18</u>	<u>11.23</u>

Notes on Accounts (contd.)

	Rs. in Crore	
	2009-10	2008 09
6) Provision for Taxation		
i) a) Provision for Income Tax and Wealth Tax	14.83	5.11
b) Provision for Fringe Benefit Tax	-	0.87
c) Provision for Fringe Benefit Tax earlier years	-	0.02
d) Deferred Tax Debit / (Credit)	17.44	19.47
Less : Transferred from General Reserve	9.82	19.47
	7.62	
e) MAT Credit for Current Year	(14.71)	(5.06)
f) Excess Provision of Income Tax of earlier year	-	(1.19)
	7.74	(0.25)
ii) Provision of income tax is made based on the provisions of Section 115 JB of the Income Tax Act, 1961.		
iii) The Company (earlier Jejuri Steels & Alloys Ltd., before amalgamation of Indian Seamless Steels and Alloys Limited with it) had created "Deferred Tax Asset" in respect of unabsorbed losses, allowances, etc., of Indian Seamless Steels & Alloys Ltd., by corresponding credit to "General Reserve", in the first year after amalgamation and reflected in its first Balance Sheet as on 30th September, 2001, thereafter, pursuant to the amalgamation and in terms of the Scheme as well as relevant Accounting Standard, the assets and liabilities vested in the Company were accounted on "Purchase Method". Upon the review of the said "Deferred Tax Asset" on the balance sheet date, in terms of the applicable Accounting Standards or otherwise, the amount as required is charged on reversal of the said amount of Deferred Tax Asset, which necessitates equivalent write down of the said General Reserve. The Deferred Tax charge arising as aforesaid has been disclosed in the Profit and Loss Account and the corresponding withdrawal from the said General Reserve has also been disclosed in the Profit and Loss Account.		

7) i) Assets taken on operating lease :

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

	Rs. in Crore	
	2009-10	2008 09
Parent Company		
Not later than one year	2.82	2.82
Later than one year and not later than five years	11.09	11.22
Later than five years	5.10	7.79
Subsidiary Companies		
Not later than one year	2.71	4.04
Later than one year and not later than five years	7.17	9.37
Later than five years	2.98	3.94

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

	Rs. in Crore			
Asset Classification	Not later than 1 year	Later than 1 year But not later than 5 years	Later than 5 years	Total
Plant & Machinery				
MLP	0.02	0.10	0.02	0.14
	(0.02)	(0.10)	(0.05)	(0.17)
PV	0.01	0.04	0.01	0.06
	(0.02)	(0.05)	(0.02)	(0.09)

(figures in bracket are for previous year)

Notes on Accounts (contd.)

- 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.

	2009 - 10		2008 - 09	
	Foreign Currency in Million	Rs. in Crore	Foreign Currency in Million	Rs. in Crore
Parent Company				
i) Secured Loans				
a) US Dollars	104.22	470.72	86.37	440.09
b) Euros	-	-	0.11	0.77
ii) Unsecured Loans				
US Dollars	20.00	90.28	20.00	101.90
iii) Receivables				
a) US Dollars	5.23	23.66	6.78	34.16
b) Euros	9.62	65.77	8.90	58.30
c) Sterling Pounds	0.08	0.53	0.29	2.07
d) Australian Dollar	0.09	0.39	0.51	1.78
iv) Deposits with Banks				
US Dollars	2.66	12.02	2.60	13.25
v) Interest Receivable				
US Dollars	0.02	0.08	0.04	0.23
vi) Payables				
a) US Dollars	35.33	159.47	29.18	148.70
b) Euros	1.11	6.71	0.23	1.58
vii) Interest Payable				
US Dollars	0.20	0.90	0.43	2.21
Subsidiary Companies				
i) Receivables				
a) US Dollars	0.48	2.31	0.21	1.07
b) Euros	4.57	29.29	5.38	36.26
c) Sterling Pounds	0.28	2.01	0.33	2.42
ii) Payables				
a) US Dollars	0.52	2.48	0.02	0.08
b) Euros	10.78	69.10	10.34	69.77
c) Sterling Pounds	0.14	0.95	0.01	0.10

9) Earnings per Share

	Rs. in Crore	
	2009-10	2008 - 09
i) Profit After Tax	55.29	50.05
ii) Net profit for the year attributable to Equity Share Holders	55.29	50.05
iii) Weighted Average number of Equity Shares	14,65,01,383	14,65,01,383
iv) Earnings per share (Rs.) (Basic and Diluted)	3.77	3.42

Notes on Accounts (contd.)

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 |
| | ii) Mr. B.R. Taneja | Non Executive Director |
| | iii) Mr. Rajiv Goel | Chief Financial Officer |
| | iv) Mr. Nirmal Chandra | President (Projects & Product Development) |
| | v) Mr. Kishore Bharambe | Managing Director (Structo Hydraulics AB, Sweden) |
| | vi) Mr. Lars H Weslien | Managing Director (ISMT Europe AB, Sweden.
up to February 3, 2010) |
| | vii) Mr. Peter Corby | Managing Director (Structo (UK) Limited, UK) |
| | viii) Mr. Rohit Nath | Managing Director (Nagapattinam Energy Pvt. Ltd., India) |
| b) Associate Companies | i) Indian Seamless Enterprises Ltd | |
| | ii) Taneja Aerospace and Aviation Ltd., | |
| | iii) Indian Seamless Incorporated, USA. | |

Details of Transaction	Key Management Personnel		Associate Companies	
	2009-10	2008 09	2009-10	2008 09
Remuneration Paid	4.61	6.94	-	-
Sale of Finished Goods	-	-	6.97	21.71
Lease rent	-	-	2.73	2.70
Inter Corporate Deposits received	-	-	-	-
Charges Recoverable	-	-	-	3.00
Interest paid	-	-	-	-
Inter Corporate Deposits given	-	-	2.07	1.86
Interest received	-	-	1.02	1.14
Assignment of Liability	-	-	-	-
Dividend paid	-	-	2.75	2.75
Outstanding as at Balance Sheet date	-	-	-	-
Receivables	-	-	14.02	13.04
Other Current Assets	-	-	-	3.00
Loans & Advances	-	-	1.56	1.52
Inter corporate Deposits given	-	-	6.93	4.86

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

Receivables include due from Indian Seamless Incorporated, USA

2.38

0.99

11) Employee Benefits

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

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

i) Defined Contribution Plan :

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

	Rs. in Crore	
	2009-10	2008 09
Employer's Contribution to Provident Fund & Family Pension Fund	3.47	3.17
Employer's Contribution to Superannuation Fund	1.90	1.28

Notes on Accounts (contd.)

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

ii) Defined Benefit Plan :

Defined Benefit Plan :		Gratuity (Funded)		
a) Changes in present value of Defined Benefit obligations :		Rs. in Crore		
		2009-10	2008 09	
Present value of obligation as at April 1, 2009		10.62	7.59	
Current Service Cost		0.93	0.91	
Interest Cost		0.75	0.59	
Actuarial (gain)/loss		2.09	1.97	
Benefits paid		(1.30)	(0.44)	
Present value of obligation as at March 31, 2010		13.09	10.62	
b) Changes in fair value of plan Assets :				
Fair value of plan Assets as at April 1, 2009		5.14	4.66	
Expected return on plan Assets		0.54	0.41	
Actuarial gain/(loss)		0.02	0.07	
Employer Contribution		2.97		
Benefits Paid		Nil	Nil	
Fair value of plan Assets as at March 31, 2010		8.67	5.14	
c) Actual Return on Plan Assets :				
Expected return on plan Assets		0.54	0.41	
Actuarial gain/(loss) on plan Assets		0.02	0.07	
Actual return on plan Assets		0.56	0.48	
d) Amounts recognized in the Balance Sheet in respect of :				
	Gratuity (Funded)	Leave Encashment (Non funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
	2009 10		2008 09	
Fair value of Plan Assets as at March 31, 2010	8.67	-	5.14	
Present value of obligation as at March 31, 2010	13.09	3.21	10.62	3.06
Net Liability	4.42	3.21	5.48	3.06
e) Expenses recognised in the Profit & Loss Account (under the head "Personnel Cost" Refer Schedule No. 16).				
	Gratuity (Funded)	Leave Encashment (Non funded)	Gratuity (Funded)	Leave Encashment (Non Funded)
	2009 10		2008 09	
Current Service Cost	0.93	0.36	0.91	0.34
Interest Cost	0.75	0.17	0.59	0.15
Expected return on Plan Assets	(0.54)	-	(0.41)	
Actuarial (gain)/loss	2.07	1.22	1.91	1.27
Expense Recognised in the Profit and Loss Account	3.21	1.75	3.00	1.76
f) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at March 31, 2010.				
		2009-10	2008 09	
i) Government of India Securities		14.36%	22.55%	
ii) Corporate Bonds		16.58%	23.24%	
iii) Special Deposit Scheme		12.81%	12.43%	
iv) Insurer Managed Funds		40.56%	26.99%	
v) Others		15.69%	14.79%	
Total :		100%	100%	

Notes on Accounts (contd.)

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

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

Subsidiary Companies

Defined Contribution Plan :

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

	Rs. in Crore	
	2009-10	2008 09
Social Security contribution	10.87	5.88

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

		Rs. in Crore	
Parent Company	As at March 31, 2010	As at March 31, 2009	
i) Deferred Tax Assets			
a) Accumulated Tax Losses	6.10		
b) Unabsorbed Tax Depreciation	48.07		77.44
c) Deduction eligible in future period in respect of expenses already debited to Profit & Loss A/c	2.96		3.56
	57.13		81.00
ii) a) Depreciation	92.16		95.44
b) Expenditure Deferred	0.56		0.85
	92.72		96.29
iii) Net Deferred Tax Asset/ (Liability)	(35.59)		(15.29)

13) Miscellaneous Expenses include

i) Rates & Taxes	0.35	0.25
ii) Repairs & Maintenance Building	0.79	0.30
iii) Directors Sitting Fees	0.07	0.04
iv) Equipment Lease Rent	0.31	0.32
v) Excise Duty Expenses		0.44
vi) Auditors Remuneration		
a) Statutory Audit Fees	0.37	0.35
b) Taxation Matters	0.05	0.05
c) Other Services	0.12	0.07
d) Out of Pocket Expenses	0.02	0.01
	0.56	0.48

14) Other Liabilities include buyer's credit of Rs. 107.93 Crore (Previous Year Rs. 108.36 Crore).

15) Gross block of fixed assets include Rs. 10.96 crore (Previous year Rs. Nil) on account of revaluation of Buildings by subsidiary company, Structo Hydraulics AB and an amount of Rs. 8.08 crores, net of deferred tax liability of Rs. 2.88 crore has been credited to Revaluation Reserve.

16) Previous year figures have been regrouped and reclassified wherever necessary to conform to current year's classification. Current years figures include financials of subsidiaries acquired during the year and hence are not comparable with previous years figures.

As per our report of even date

For **M/s P.G. Bhagwat**
Firm Registration No. 101108W
Chartered Accountants

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

Sandeep Rao
Partner
M. No.47235

Sanjay Dhruva
Partner
M.No. 38480

Salil Taneja
Chief Executive Officer

Rajiv Goel
Chief Financial Officer

Jayan Nair
Company Secretary
Pune, September 28, 2010

Pune, September 28, 2010

ISMT LIMITED

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

PROXY

I/We.....of.....in the State of.....being a member / members of ISMT Limited hereby appoint.....of..... or failing him/her.....of.....or failing him / her.....as my / our proxy to attend and vote for me / us and on my / our behalf, at the 12 th Annual General Meeting of the Company to be held on Monday, November 15, 2010 at Le Meridien, Pune at 11.00 AM and at any adjournment thereof. In witness thereof I/We put my / our hand this.....day of, 2010.

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

No. of Shares held

Date

Please
affix
15 Ps.
Revenue
Stamp

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

ISMT LIMITED

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

ATTENDANCE SLIP

12th Annual General Meeting

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

Mr./Mrs./Miss

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

I hereby record my/our presence at the 12th Annual General Meeting of the Company held on

Monday, November 15, 2010 at Le Meridien, Pune at 11.00 AM

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

SOCIAL RESPONSIBILITY

Recognizing that industry must play an important role in the social development of its immediate environment we have developed a focused and pro-active agenda. ISMT has been working with Prithvi (an NGO based out of Pune) in the development of an innovative partnership in industry-NGO cooperation to combat the HIV epidemic in India.

ISMT also promotes regular events aimed at improving the living standards and awareness levels in local communities.



QUALITY CERTIFICATIONS

At ISMT, quality encompasses all processes within the organization, right from sourcing raw material and qualifying vendors to delivering and supporting the final product. Even though the company is EN ISO 14001:2004, ISO/TS 16949:2009, and OHSAS 18001:2007 certified, it strives to exceed the standards set by these agencies. With this objective in mind, ISMT has adopted the Kaizen philosophy of continuous improvement.





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