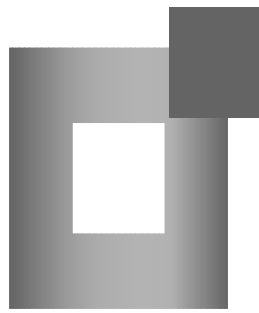


**23<sup>rd</sup> ANNUAL REPORT  
2009-2010**



**INDIA STEEL**

**WORKS LTD**

**Inner Vision. Global Action.**



<b>BOARD OF DIRECTORS</b>	Mr. Ashwinkumar H. Gupta	Chairman
	Mr. Sudhirkumar H. Gupta	Managing Director
	Mr. Varun Gupta	Executive Director
	Mr. Mahesh Sheregar	Director (w.e.f August 13, 2010)
	Mr. S. P Khosla	Independent Director
	Mr. Bimal Desai	Independent Director
	Mr. Neeraj Agarwala	Independent Director

**STATUTORY AUDITORS** Thanawala & Company

**REGISTERED OFFICE** C-63, TTC, MIDC, Turbhe, Navi Mumbai – 400 705

**WORKS** Navi Mumbai : C-63, TTC, MIDC, Turbhe, Pin-400 705  
Khopoli: Zenith Compound, Pin- 410 203

**REGISTRARS &**

**SHARE TRANSFER AGENTS** Link Intime India Private Limited

<b>CONTENTS</b>	
<b>Particulars</b>	<b>Page No.</b>
Notice	1
Directors' Report	3
Corporate Governance Report	7
Management Discussion & Analysis	12
Auditors' Report	13
Balance Sheet	16
Profit and Loss Account	17
Schedules to the Accounts	18
Notes to the Account	25
Cash Flow Statement	31
Balance Sheet Abstract	32

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**NOTICE**

**NOTICE** is hereby given that the **Twenty-third Annual General Meeting** of **INDIA STEEL WORKS LIMITED** will be held on Thursday, **September 30**, 2010, at 10.00 a.m. at Chanakya, ABBOTT HOTEL, Sector 2, Vashi, Navi Mumbai 400 703, to transact the following business:-

**Ordinary Business:**

- 1) To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2010 and the Balance Sheet as at 31<sup>st</sup> March, 2010 and the Directors' and Auditors' Report thereon.
- 2) To appoint a Director in place of Mr. Bimal Desai who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Neeraj Agarwala who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint M/s Thanawala & Co., Chartered Accountants, Mumbai, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.

**Special Business:**

- 5) To consider and if thought fit to pass with or without modifications the following resolution as an **Ordinary** Resolution :-  
"RESOLVED THAT Mr. Mahesh Sheregar, who was appointed as an Additional Director at the meeting of Board of Directors of the Company held on August 13, 2010, and who holds office upto the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a shareholder proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

- 6) To consider and if thought fit to pass with or without modifications the following resolution as a **Special** Resolution :-  
"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered as follows:

After Article 129A, insert the following heading and article as Article 129A:

" NOMINEE DIRECTOR

129A. Any Agreement of the Company, with one or more, Bank(s) or Financial Institution(s), whether jointly or severally, if so arranged, provide for the appointment of a 'Nominee Director' on the Board of the Company, from time to time, then, such Bank(s) or Financial Institution(s), may appoint, remove, replace or re-appoint a person as a 'Nominee Director' on the Board of the Company to hold office of the 'Nominee Director' at the instance of the Bank(s) or Financial Institution or till such Agreement is terminated or comes to an end, without being bound to retire by rotation, nor required hold any qualification shares."

By order of the Board

Sudhir H. Gupta  
Managing Director

Mumbai : September 6, 2010

Regd. Office: C-63, TTC Area ,  
MIDC, Turbhe,  
Navi Mumbai 400 705.

**NOTES :**

- (a) Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- (c) Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Meeting.
- (d) The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, September 23, 2010 to Thursday, September 30, 2010, both days inclusive.
- (e) Shareholders desirous of making nominations in respect of shares held by them in physical form are requested to send their requests in Form 2B to the Registrar and Transfer Agents, Link Intime (India) Private Limited, C-13, Panalal Silk Mills Compound, LBS Marg, Bhandup (West ), Mumbai 400 078.

**ANNEXURE TO NOTICE****INFORMATION AS REQUIRED UNDER THE LISTING AGREEMENT IN RESPECT OF DIRECTORS BEING RE-APPOINTED*****Profile of Mr. Bimal Desai***

**Mr. Bimal Desai** is a commerce and law graduate with double post graduation in Management - Finance and Marketing. He started in career with the Essar Group with project marketing and for last 20 years has been in business with major interests in investments, trading etc. He has vast and rich experience in the commodity markets especially in steel.

Mr. Bimal Desai also holds directorship in the following Companies: Titanic Bulkiers Pvt. Ltd., Magnus Marketing Services Pvt. Ltd., Titan Bulkiers Pvt. Ltd., Titan Audiotronics Pvt. Ltd.

Mr. Bimal Desai does not hold any shares in the Company in his personal capacity.

Considering the expertise and experience of Mr. Bimal Desai, the Board recommends his re-appointment as a Director liable to retire by rotation.

None of the Directors are interested or concerned in this resolution.

***Profile of Mr. Neeraj Agarwala***

**Mr Neeraj Agarwala**, aged 36, is a Chartered Accountant by profession. He was a Senior Tax Consultant with erstwhile Arthur Andersen, India, now a part of the Ernst & Young group. He resigned in August 2002 to start his own practice.

Mr Neeraj Agarwala has extensive in the field of international and domestic taxation, foreign investment, exchange control regulations, company and other allied laws. He is also actively involved in advisory work relating to inbound and outbound investments.

Mr. Neeraj Agarwala also holds directorship in the following companies: Vishaka Properties Pvt. Ltd., Vishaka Shipping Pvt. Ltd., High Street Properties Pvt. Ltd., Manmohak Properties Pvt. Ltd., Emgee Airways Pvt.Ltd. and Emgee Corporation Pvt. Ltd.

Mr. Neeraj Agarwala does not hold any shares in the Company in his personal capacity.

Considering the expertise and experience of Mr. Neeraj Agarwala, the Board recommends his re-appointment as a Director liable to retire by rotation.

None of the Directors are interested or concerned in this resolution.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item no. 5**

Mr. Mahesh Sheregar was appointed by the Board of Directors at its meeting held on August 13, 2010 as an Additional Director of your Company immediate effect pursuant to Section 260 of the Companies Act, 1956 and in terms of the Articles of Association of your Company. He holds office upto the date of the ensuing Annual General Meeting.

The Company has received a notice under Section 257 of the Companies Act, 1956 from a shareholder of the Company, signifying their intention to propose the name of Mr. Mahesh Sheregar for appointment as a Director of your Company.

***Profile of Mr. Mahesh Sheregar***

**Mr. Mahesh Sheregar** is a Management Graduate with specialisation in Finance, based in Dubai. Currently, he is the Director of ANC Holdings LLC. Mr. Mahesh Sheregar has an experience of more than 25 years and has held key posts in various reputed Industrial Conglomerates having international presence.

Mr. Mahesh Sheregar does not have any other directorship in India.

Mr. Mahesh Sheregar does not hold any shares in the Company in his personal capacity.

In view of his rich & vast experience and distinguished career, the appointment of Mr. Mahesh Sheregar, the Board recommends his appointment as a Director liable to retire by rotation.

None of the Directors are interested or concerned in this resolution.

**Item No. 6**

It is a general requirement of Banks and Financial Institutions to appoint a Nominee on Board of the Companies to which they extend finance facilities. Such Nominees cannot be made liable to retire by rotation or to hold any qualification shares.

The Articles of Association of the Company do not contain such a provision. Hence, it is proposed to insert a clause in the Company's Articles of Association to provide for appointment, removal, re-appointment or automatic termination of a Nominee Director, appointed by Banks and/or Financial Institution.

This resolution being a general requirement for securing finance from Banks and Financial Institutions, is considered by the Board of Directors to be in the best interest of the Company and hence recommended by the Board of Directors.

None of the Directors are interested or concerned in this resolution.

**By order of the Board**

**Sudhir H. Gupta**  
**Managing Director**

Mumbai : September 6, 2010

Regd. Office :

C-63, TTC, MIDC

Turbhe, Navi Mumbai 400 705

**DIRECTORS' REPORT**

Your Directors present their Twenty-third Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2010.

**FINANCIAL HIGHLIGHTS****(Rs. in Crs)**

Particulars	Year ended	Year ended
	31.3.2010	31.3.2009
Sales/Income including Job work operations	102.17	144.64
<b>Operating Profit / (Loss)</b>	(4.47)	(13.93)
Interest	(6.24)	(2.91)
Provision for Depreciation	(13.60)	(13.60)
Exceptional item income	6.14	-
Remission /Waivers under settlement with lenders	1.83	-
<b>Profit /(Loss) before tax</b>	(16.34)	(30.44)
Current tax	(0.004)	(0.004)
FBT	-	(0.08)
Brought forward profit/ (loss) from last year	(135.03)	(97.03)
Prior Period Adjustments	(1.89)	(7.48)
<b>Balance carried forward to Balance Sheet</b>	(153.27)	(135.03)

**OPERATIONS**

It has been an important year for the Company. While the markets world-wide were reeling under the economic turmoil, the Company sought to reinforce and consolidate its operations. Several bold initiatives marked their presence during the year.

The reinstatement of the facility at Khopoli was partially completed such that production could be re-started. The plant has been fully geared up for optimum operations, from machinery and equipment to systems and controls. The facilities have been commensurately streamlined for stocking and deliveries. The entire Management and administration office, except for a small corporate office, has been shifted to Khopoli, for a concentrated and rationalized effort.

At the Turbhe facility, which was enveloped in recurring losses due to high operational costs, a Voluntary Retirement Scheme was offered to the Workers. The Scheme was well received and was successfully implemented in the current year to sever off all the workers at the Facility. It is proposed to consolidate all facilities at one location to increase efficiency.

Post consolidation, the main constraint of the Company would be working capital. To address this, the Company has undertaken to zero down its restructured debts and raise fresh working capital from the market for optimizing production capabilities. A positive step in that direction is to sell or otherwise dispose of the facility at the Turbhe Plant and utilize the proceeds for retiring the existing restructured debts.

The rationalisation measures taken by the Company are long term wherein operations should gradually strengthen in the current year. Visible progress is being made, which, though slow, is balanced and certain.

However, in the immediate term, the impact of the global slow down and internal inefficiencies was evident. The Company could make an annual turnover of Rs.102.17 against a turnover of Rs. 144.64 crores in the previous financial year and booked losses to the tune of Rs.16.34 crores after taking into account all exceptional items. A part of the losses could be set-off against the full and final settlement of the insurance claim receivable still pending with the Insurance Company.

**DIVIDEND**

Taking into account the current and accumulated losses, the Directors regret their inability to declare any dividend on Preference Shares as well as on Equity Shares of the Company.

**EXPORTS**

During the year, the Company has initiated customer meets world over and has participated in various leading international Trade fairs for marketing Stainless steel wires and bars. Though, the Company's direct exports accounted to Rs.43.73Lacs only, during the year under review, the Company has been able to cater to the international market through traders and other associates. Having the required technical and marketing edge to compete in the international stainless steel market, the Company is in process of tying up with various reputed International Companies for marketing of its products.

**FINANCIAL RESTRUCTURING**

In the last quarter of the year, the proposal for rescheduling of payments under Corporate Debt Restructuring (CDR) Scheme of the Company was approved by the CDR EG, and the Company started making payments to the Lenders accordingly. There is no pending litigation against the Company in the Debt Recovery Tribunal, all litigations have been effectively settled with mutual consent.

The Settlement Agreement executed with Commerz Bank has been lying in abeyance for want of permission of Reserve Bank of India. The Company is in process of making appropriate application in the High Court of Bombay in the winding up petition filed by Commerz Bank to take cognisance of this Settlement Agreement.

**STRATEGIC TIE-UP**

The hectic parleys which started last year finally marked another new beginning for the Company in the current year, with the strategic investment into the Company by TB Investments Limited. A preferential placement of 2,70,00,000 equity shares of face value of Re.1 was made to TB Investments Limited, at Rs.7 per share, well above SEBI pricing of Rs.5.64 per share.

TB Investments Limited is a group Company of ANC Holdings LLC, an Industrial conglomerate based in Dubai, ranked among the top 100 business houses in Dubai. The group already has business interests in the steel business in Dubai and is looking to strengthen these interests by creating synergies in procurement, production and marketing to add value to both the Companies.

**INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956**

Information relating to conservation of energy and technology absorption as required under section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure and forms part of this report.

There were no employees in receipt of remuneration, requiring disclosure under Section 217 (2A) of the Companies Act, 1956.

**FIXED DEPOSITS**

The Company has not accepted any Fixed Deposits from the public.

**DIRECTORS' RESPONSIBILITY STATEMENT**

On the basis of information placed before them, the Directors state-

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that appropriate accounting policies have been selected and have been applied consistently, and they have made judgements 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 and of the profit or loss of the Company for that period;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) that the annual accounts have been prepared on a going concern basis.

**DIRECTORS**

During the year, the scion from the Promoter Family, Mr. Varun Gupta was inducted on the Board as an Additional Director, and, later in the current year, his appointment has been confirmed as an Executive Director at the Extra-ordinary General Meeting of the Company.

In the current year, the Company received nomination for appointment of Ms. Shruti Kumar as a Nominee Director of Asset Reconstruction Company (India) Limited (ARCIL) on the Board of the Company. Ms. Shruti Kumar is proposed to be appointed at the Annual General Meeting of the Company as Nominee Director.

Further, in the current year, Mr. Mahesh Sheregar, nominee of the Investor – M/s TB Investments Limited, was appointed as an Additional Director on the Board. The Company has received a notice from a Member to appointment MR. Mahesh Sheregar as a Director liable to retire by rotation.

Mr. Bimal Desai and Mr. Neeraj Agarwal will retire by rotation at the ensuing Annual General Meeting, and being eligible, they offers themselves for re-appointment.

**CORPORATE GOVERNANCE**

The Company has implemented the provisions of Clause 49 of the Listing Agreement relating to the Corporate Governance requirements. Annual Report contains a separate segment on the same.

**EMPLOYEES' STOCK OPTION SCHEME**

Members' approval was obtained at the Extra-ordinary General Meeting held on June 5, 2006 for introduction of Employees Stock Option Scheme.

Employees Stock Option Scheme has been formulated in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the SEBI Guidelines') and the Remuneration Committee will administer and monitor the Scheme. Initially, 30,00,000 equity shares have been issued for this Scheme. However, no options have been granted till March 31, 2010. Hence, no disclosures as stipulated under the SEBI Guidelines, as at March 31, 2010, are applicable as yet.

**AUDITORS**

Messrs Thanawala & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and they being eligible, offer themselves for re-appointment as Auditors of the Company.

**AUDITORS' QUALIFICATIONS**

Balance confirmations were sought from all concerned parties for receivables, loans and deposits, advances, debtors, sundry creditors, other liabilities, secured and unsecured lenders. However, many of the confirmations and reconciliations were not received by the Company till the time of finalisation of the accounts.

There were certain loans advanced to related parties and certain loans and advances received from related parties. However, the loans together with advances received from related parties by the Company by far exceeded the loans advanced by the Company to the related parties.

**INDUSTRIAL RELATIONS**

The Company's emphasis on the human relations, even in the most stringent times, was acknowledged with the accreditation of "Best Employer-Employee relationship Award", presented by the Hon'ble Chief Minister of Maharashtra, Mr. Ashok Chavan to the Company on May 1, 2010.

During the current year, the Company also signed off the Workers Wage Settlement Agreement for three years. The Industrial relations have been cordial and peaceful during the year under review.

The Directors appreciate the commitment of the employees at all levels and look forward to their continued support and co-operation in the days to come.

**ACKNOWLEDGEMENTS**

The Directors express their appreciation for all Business Associates with a special mention for New India Assurance Company of India Limited for the solidarity reposed in the Company in its critical times. In the times ahead, the Directors look forward to co-operation and encouragement from all the Business Associates, Dealers, CDR Cell, Financial Institutions, Bankers, Insurers and Shareholders.

By order of the Board of Directors

Mumbai : September 6, 2010

Ashwin Gupta  
CHAIRMAN



ANNEXURE TO DIRECTORS' REPORT  
FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Conservation of Energy:

FORM A			
Form for Disclosure of Particulars with respect to Conservation of Energy, Power and Fuel Consumption			
I.	<u>POWER &amp; FUEL CONSUMPTION:</u>	2009-10	2008-09
	<b>a. Electricity:</b>		
	Purchase Units ( '000 kwh)	26275	21,641
	Total Amount ( ' 000 Rs.)	159425	115,861
	Average Rate/Unit (Rs./Kwh)	6.07	5.35
	<b>b. Furnance Oil / CBFS:</b>		
	Quantity (Kilo litres)	4786	3,287
	Total Amount (in '000 Rs.)	98955	88,484
	Average Rate (Rs./Litre)	20.68	26.92
	<b>c. Others</b>		
	<b>LDO:</b>		
	Total Amount (in '000 Rs.)	1449	1583
	<b>Gases:</b>		
	Total Amount (in '000 Rs.)	19060	13,092

II. CONSUMPTION PER UNIT OF PRODUCTION

SR No	Product	Furnance Oil /CBFS LITRES/MT	Electricity KWH/MT
1	Steel Billets	16 (17)	715 (747)
2	Hot Rolled / Bars / Rods	54 (64)	170 (239)
3	Cold Finished Bars / Wires	29 (10)	210 (141)

(Previous years figures are in the bracket)

- B. **Technology Absorption:** In-house expertise has been used to successfully develop various grades of special steels meeting international standards of quality.
- C. **Environmental Protection Etc. :** The fume-extraction system of the AOD converter has been upgraded to reduce consequent Air Pollution. Continuous plantation of trees is carried out.
- D. **Quality System:** To continue in pursuit of quality, Steel and Rolling Mill Division of your Company at Khopoli has been accredited with "TUV CERT" by RWTUV for compliance in accordance with AD-Merkblatt W O / TRD 100 manufacturing process. The Khopoli Plant as well as Purchase and Marketing Departments of your Company remains ISO 9002 certified by RWTUV.
- E. **Foreign Exchange Earnings & Outgoings:** During the year under report, the Company did earned foreign exchange equivalent to Rs.43.73 Lacs on exports made on FOB basis and the foreign exchange outgo was equivalent to Rs.1902.06 Lacs.

**REPORT ON CORPORATE GOVERNANCE****1. Company's Philosophy on Code of Governance**

Corporate Governance at INDIA STEEL WORKS LIMITED is demonstrated by fair business and corporate practices with all its stakeholders. Integrity and transparent dealings is the basic norm of Corporate Governance practised here.

**2. Board of Directors**

During financial year 2009-10, the Board comprised of six Directors of which three Directors including the Chairman were executive Director and three Directors were Non-Executive Directors.

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

Name of the Director	Status	Financial year 2008-2009 Attendance in		No. of other Directorship	No. of membership in other Board/ Committees
		Board Meetings	Last AGM		
Mr. Ashwin Gupta	Executive Chairman, Promoter	4	Yes	9	Nil
Mr. Sudhir Gupta	Managing Director, Promoter	4	Yes	8	Nil
Mr. Varun Gupta*	Executive Director, Promoter	2	NA	Nil	Nil
Mr. S P Khosla	Independent Director	2	Yes	Nil	Nil
Mr. Bimal Desai	Independent Director	4	Yes	3	Nil
Mr. Neeraj Agarwal	Independent Director	1	No	10	Nil

\* Appointed as an Additional Director on December 17, 2009.

(b) During the financial year, four meetings of the Board of Directors were held on the following dates: 30<sup>th</sup> June, 2009, 25<sup>th</sup> August, 2009, 17<sup>th</sup> December, 2009 and 31<sup>st</sup> January, 2010.

**3. Audit Committee**• *Composition:*

During the financial year, the Audit Committee of Directors comprised of three Non-Executive Independent Directors and one Executive Director viz., Mr. S. P. Khosla – Chairman, Mr. Bimal Desai, Mr. Neeraj Agarwal and Mr. Sudhirkumar Gupta.

• *Brief description of terms of reference:*

The terms of reference of this committee are wide and cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement as well as under Section 292A of the Companies Act, 1956.

• *Meetings and attendance during the year:*

During the year, three Audit Committee Meetings were held on 25<sup>th</sup> August, 2009, 17<sup>th</sup> December, and 31<sup>st</sup> January, 2010. The Composition of Audit Committee and the attendance at the meetings as given hereunder:

Name of Director	Status	No. of Meetings Attended
Mr. S. P. Khosla	Chairman, Independent Director	2
Mr. Sudhir Gupta	Jt. Managing Director, Promoter	3
Mr. Neeraj Agarwal	Member, Independent Director	1
Mr. Bimal Desai	Member, Independent Director	3

**4. Remuneration of Directors:**• *Composition:*

Remuneration Committee of the Company consists of all the Non-Executive Independent Directors viz., Mr. S. P. Khosla as Chairman, Mr. Bimal Desai as Member and Mr. Neeraj Agarwal as Member. No meeting of the Remuneration Committee was held during the year.

• *Remuneration policy:*

The remuneration policy is directed towards rewarding performance based on review of achievements on a periodical basis.



The details of remuneration paid to Executive Chairman, Managing Director and Additional Director (Executive) and Sitting Fees paid to Non-executive Directors during the year under review are given hereunder:

Director	Salary & Perquisites Rs.	Contribution to Provident Fund Rs.	Commission Rs.	Sitting Fees Rs.
Mr. Ashwin Gupta	8,60,400	NIL	NIL	NA
Mr. Sudhir Gupta	8,46,000	NIL	NIL	NA
Mr. S P Khosla	NIL	NIL	NIL	8000
Mr. Bimal Desai	NIL	NIL	NIL	14000
Mr. Neeraj Agarwal	NIL	NIL	NIL	4000
Mr. Varun Gupta*	63,900	NIL	NIL	NA

\* Mr. Varun Gupta was Additional Director, only for a part of the year.

#### 5. Shareholders Committee

The Shareholders' Committee comprised of two Directors viz., Mr. Ashwin Gupta, Chairman and Mr. S.P. Khosla. During the year, no meeting of the Shareholders' Committee was held. The Board has authorised the share transfer agents of the Company to approve share transfers upto 2500 shares.

During the year under review, there were 19 complaints received from investors which were replied / resolved to the satisfaction of the investors, there were 39 requests for transfer of 5700 equity shares, and 12 other requests received and processed during the year. There was no request/compliant pending as on 31<sup>st</sup> March, 2010.

#### 6. General Body Meetings

- Location and time, where last three AGMs held:

Financial Year	Date	Location	Time
2006-07	29.09.2007	Abbott Hotels Pvt. Ltd. Navi Mumbai	3.30 p.m.
2007-08	29.12.2008	Abbott Hotels Pvt. Ltd. Navi Mumbai	10.30a.m
2008-09	26.09.2009	Tunga Regenza, Vashi, Navi Mumbai	10.30a.m

- Special resolutions:
  - At the 21<sup>st</sup> Annual General Meeting held on December 29, 2009, three special resolutions were passed for the following:
    - (1) To increase the authorised share capital of the Company from Rs.78 Crores to Rs.88 Crores.
    - (2) To re-appoint Mr. Sudhir Gupta as Jt Managing Director.
    - (3) To appoint Mr. Varun Gupta as an Executive under section 314(1B) of the Companies Act.
  - At the Extra-Ordinary General Meeting held on April 30, 2009, two special resolutions were passed for the following:
    - (1) To increase in authorised share capital of the Company from Rs.60 Crores to Rs.78 Crores.
    - (2) To approve and authorise the Board to issue and allot preference shares to the CDR Lenders of the Company.
  - At the 20<sup>th</sup> Annual General Meeting held on September 29, 2007, a special resolution was passed to change the name of the Company from 'ISIBARS LIMITED' to 'INDIA STEEL WORKS LIMITED'.
  - In the Extra-Ordinary General Meeting held on March 20, 2007, special resolutions were passed in supersession/ ratification of previous resolutions for the following:
    - (1) To increase the authorised share capital of the Company from Rs.45 Crores to Rs.60 Crores.
    - (2) To ratify the preferential allotment of shares approved at the EGM held on June 5, 2006.

#### 7. Disclosures

- Disclosure on materially significant related party transactions that may have potential conflict with the interests of the Company at large:
  - All related party transactions have been disclosed in the Notes to Accounts of the Annual Report.
  - Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any other statutory authority on any matter related to capital markets, during the last three years.



- As per clause 41 of the Listing Agreement, there have been some delays in taking on record and publication of financial results for the quarters ending June 2009, September 2009 and March 2010.
- As per clause 41 of the Listing Agreement, there have been delays in taking on record and publication of financial results for the quarters ending June 2008 and September 2008. The Company has been unable to take on record and publish the financial results for the quarter ended December 2008 and March 2009 due to a natural calamity.
- As per clause 41 of the Listing Agreement, there have been delays in taking on record and publication of financial results for the quarters ended June 2007, September 2007 December 2007 and March 2008.

#### 8. Means of Communication:

- The Company has published its quarterly results in ‘Business Standard’ (English) and ‘Mumbai Lakswdeep’ (Regional). The results of the Company are displayed on [www.bseindia.com](http://www.bseindia.com).

#### 9. General Shareholders Information:

##### A. Annual General Meeting :

Date : Thursday, September 30, 2010

Time : 10.00 a.m.

Venue : Chanakya, ABBOTT HOTEL, Sector 2, Vashi, Navi Mumbai 400 703

##### B. Date of Book Closure and Dividend Payment:

- *Date of Book closure* : September 23, 2010 to September 30, 2010.
- *Dividend Payment Date*: No dividend has been recommended by the Board of Directors

##### C. Company Identification Number (CIN): L29100MH1987PLC043186

##### D. Stock Exchange Listing: The Stock Exchange, Mumbai

##### E. Stock Code:

1 ISIN : INE072A01029

2 The Stock Exchange, Mumbai 513361

##### F. Stock Price Data :

(in Rs.)

Months	Highest	Lowest	Months	Highest	Lowest
April 2009	5.1	3.8	October 2009	6	4.5
May 2009	6.12	3.82	November 2009	7.09	4.28
June 2009	8.11	5.37	December 2009	6.55	5.4
July 2009	6.11	4.42	January 2010	6.3	5.44
August 2009	6.05	4.45	February 2010	6.19	5.46
September 2009	7.44	5.45	March 2010	6.29	5.22

#### G. Registrar & Share Transfer Agents

Members are requested to correspond with the Company's Registrar & Transfer Agent:

LINK INTIME INDIA PVT LIMITED  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup ( West),  
Mumbai 400 078

Phone: 25963838 EXT: 2289  
Fax : 25962691, 25946969  
Email: [mahadevan.iyer@linkintime.co.in](mailto:mahadevan.iyer@linkintime.co.in)  
Website : [www.linkintime.co.in](http://www.linkintime.co.in)

#### H. Share Transfer System

Share Transfers in physical form can be lodged with Linked Intime India Private Ltd. (Intime). Transfers upto 2500 Equity Shares are processed and approved on weekly basis by Intime. Transfers above 2500 Equity Shares are processed by Intime and approved by Share Transfer Committee.



**I. Distribution of shareholding as on 31<sup>st</sup> March, 2010.**

Distribution of Shareholding	No. of Shares	% of Shares	No. of ShareHolders	% ofShareholders
1- 500	2128566	1.04	9985	80.75
501- 1000	959466	0.47	1078	8.72
1001-2000	879496	0.44	537	4.34
2001-3000	579093	0.29	221	1.79
3001-4000	309276	0.16	85	0.69
4001-5000	598187	0.27	124	1.01
5001-10000	1066404	0.52	146	1.18
10001 & above	197749512	96.81	188	1.52
<b>TOTAL</b>	<b>204270000</b>	<b>100.00</b>	<b>12364</b>	<b>100</b>

**J. Shareholding Pattern:**

Category code	Category of Shareholder	Number of Shareholders of shares	Total number	% of total	Shares Pledged or otherwise encumbered	
					Number of shares	As a percentage
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>					
<b>1</b>	<b>Indian</b>					
(a)	Individuals/ Hindu Undivided Family	12	9465310	4.14	5100000	53.88
(b)	Bodies Corporate	13	103048650	50.45	85686700	83.15
	<b>Sub Total(A)(1)</b>	<b>25</b>	<b>112513960</b>	<b>55.08</b>		
<b>(B)</b>	<b>Public shareholding</b>					
<b>1</b>	<b>Institutions</b>					
(a)	Mutual Funds/ UTI	3	3600	0.00		
(b)	Financial Institutions / Banks	8	16450	0.01		
(c)	Foreign Financial Investors	1	14334300	7.02		
(d)	Foreign Mutual Funds	1	14334300	7.02		
	<b>Sub-Total (B)(1)</b>	<b>13</b>	<b>28688650</b>	<b>14.04</b>		
<b>B 2</b>	<b>Non-institutions</b>					
(a)	Bodies Corporate	248	44353778	21.71		
(b)	Individuals	11987	18014443	8.29		
(c)	Any Other (specify)					
(c-i)	Directors/Relative	1	1500	0.00		
(c-ii)	Clearing member	23	217794	0.11		
(c-iii)	Market maker	15	23266	0.01		
(c-iv)	Foreign Company	1	260000	0.13		
(c-v)	NRI(Repatriate)	42	117359	0.02		
(c-vi)	NRI( Non-Repatriate)	9	79250	0.04		
	<b>Sub-Total (B)(2)</b>	<b>12326</b>	<b>63067390</b>	<b>30.87</b>		
<b>(B)</b>	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>12339</b>	<b>91756040</b>	<b>44.92</b>		
	<b>TOTAL (A)+(B)</b>	<b>12364</b>	<b>204270000</b>	<b>100.00</b>		

**K. Dematerialization of shares and liquidity**

The Company has arrangements with National Securities Depository Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for a demat facility. 98.34% of the Company's Listed Equity Share Capital was dematerialized as on 31.03.2010.

The Company's shares are regularly traded on the Stock Exchange, Mumbai.

**L. Further issue of Equity Share Capital**

- In the current year 2010-11, consequent to a preferential issue of 2,98,10,925, equity shares of Re.1 each ranking pari passu in all respects with the existing share capital, the total share capital of the Company stands increased to 23,40,80,925 from Rs.20,42,70,000.

**M. Plant Locations****Bright Bar Division**

C-63, MIDC Estate, TTC Area,  
Turbhe, Navi Mumbai 400 705.  
Tel No. 2768 6446  
Fax No. 27633888

**Special Steel and Rolling Mill Division**

Zenith Compound, Khopoli,  
Dist. Raigad, Maharashtra 410 203  
Tel No. 952192 265812  
Fax No. 952192 264061

**N. Address for correspondence****INDIA STEEL WORKS LIMITED**

India Steel Complex, MTV Road,  
Wadala (E), Mumbai 400 037.  
Tel No. 2414 5582  
Fax No. 2414 6022  
**Email** : [cosec@indiasteel.in](mailto:cosec@indiasteel.in)  
**Website** : [www.indiasteel.in](http://www.indiasteel.in)

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**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

The Board of Directors

INDIA STEEL WORKS LIMITED

C-63, MIDC Estate,  
Turbhe,  
Navi Mumbai 400 703.

**RE: INDIA STEEL WORKS LIMITED**

We have reviewed the records concerning the Company's Compliance with Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year beginning April 1, 2009 and ending on March 31, 2010.

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

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for review and the information and explanations given to us by the Company.

Based on such review, in our opinion, the Company has complied with Clause 49 of the Listing Agreement of the Stock Exchanges of India.

We further state that 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 **Thanawala & Company**  
Chartered Accountants

Place: Mumbai  
Dated: September 6, 2010  
Membership no. 15632

V K Thanawala  
Proprietor

**MANAGEMENT DISCUSSION AND ANALYSIS****THE STEEL INDUSTRY**

The Indian steel industry has made a rapid progress on strong fundamentals. The industry has been getting all essential ingredients required for dynamic growth. The government has backed the industry through favorable industrial reforms, while the private sector has supported it with investments worth billions of dollars. Even when the global demand was lagging, the industry bounced back successfully to sustain its positive growth momentum on the strong fundamentals of domestic demand from construction, automobile and infrastructure sectors.

With an impressive track record, the Country has become a reputed name in the world steel industry. Global steel giants from all over the world have shown interest in the industry because of its phenomenal performance. This further signifies the resilience and strength of the Indian steel industry against external risk factors and a calling for stiff competition.

The steel consumption in India is expected to grow significantly in coming years since per capita finished steel consumption is far less from its regional counterparts.

**OUTLOOK**

The mood in the Company is optimistic mixed with caution. The Company is poised for forging excellent business partnerships in near future. Long-term marketing alliances are also expected in the current year. Once, the desired working capital is in place, the Company should be able to optimise its capacity utilisation and cater to markets, thus created.

**OPPORTUNITIES & THREATS***Opportunities:*

- Re-instated integrated facility accredited with quality and ISO certifications.
- All downstream and upstream product lines balanced and consolidated.
- Acceptance of the Company products in quality-conscious markets.
- Export potential in traditionally overlooked markets.
- Rescheduling of debts as approved by CDR Lenders.

*Threats:*

- Volatile economic scenario.
- Fluctuating price of raw materials.
- Sharp increase in electricity and other fuel costs.
- Paucity of working capital finance.

**RISKS AND CONCERNS**

Progress will be slow and surrounded by uncertainties; however, the risks are now much more balanced than a year ago. In order to optimize capacity utilisation, working capital concerns will have to be addressed at the earliest, otherwise, the impact on cost of production would be adverse. With the increasing Government concerns on environment protection and general awareness thereon, environment protection has to be a core focus area.

**INTERNAL CONTROLS**

The internal controls of the Company have been redesigned and tested to suit the changing needs of the Company with the object of effective rationalisation and securing the safety of its assets. A tailor-made Enterprise Resources' Programme has been successfully implemented to tighten controls and increase efficiencies. Employees at grass root levels are continuously being trained to ensure success of the programme. An independent Internal Auditor is in place to check, audit and monitor the process as per the Internal Audit Plan approved by the Audit Committee of the Company.

**MATERIAL DEVELOPMENT IN HUMAN RESOURCES**

In the year under review, the overall industrial relations have been cordial and conducive to work. The Company recognizes the value and contribution of its employees, and earnestly endeavours to create a responsive organisation with emphasis on performance with responsibility and accountability. Continuous appraisal of the competencies of the personnel in line with job requirements is carried out to facilitate higher levels of output and productivity.

**DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

The consolidation of the Khopoli plant after a complete re-instatement should improve operational performance of the Plant. As operations accelerate, financial performance of the Company is expected to improve substantially in the current financial year.

**DISCLAIMER**

This discussion and analysis have been provided with a view to enable shareholders with a better understanding of the performance of the Company. In certain areas the discussion may cover strategic decision and management expectations from the same. Such forecasts should not be construed as a guarantee of performance and actual results may differ significantly depending upon the operating conditions and external environment.



## AUDITOR'S REPORT

To,

INDIA STEEL WORKS LIMITED

1. We have audited the attached Balance Sheet of M/s **INDIA STEEL WORKS LIMITED** (Formerly known as **ISIBARS LIMITED**), as at 31<sup>st</sup> March, 2010 and also the Profit & Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. 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 have 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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. As required by the Companies [ Auditors Report ] Order, 2003 as amended by companies (Auditors' Report)(Amendment) Order 2004, (together the 'Order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ['the Act'], and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above :-
  - a. Balances in the accounts of receivables, loans and deposits, advances, debtors pending confirmation and reconciliation, the extent of possible loss on account of non recovery is not possible to ascertain at present with reasonable accuracy, which may affect revenue, these have been considered as per the books of accounts. Similarly, balances in the accounts of Sundry Creditors, other liabilities, secured and unsecured lenders are subject to confirmation, reconciliation and adjustments, if any, which may affect revenue, are therefore as per the books of accounts. Subject to the above, we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of these books;
  - c. The company's Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of accounts.
  - d. In our opinion, the Balance Sheet, Profit & 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.
  - e. On the basis of declarations made by the Directors as on 31<sup>st</sup> March 2010, none of the directors are, as at 31<sup>st</sup> March 2010 prima facie disqualified from being appointed as a Director under clause (g) of sub-section (l) of section 274 of the companies Act, 1956.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said account, subject to points mentioned in above, read together significant accounting policies and other notes there on, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.
    - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010; and
    - ii. in the case of the Profit & Loss Account, of the **LOSS** for the year ended on that date.
    - iii. in the case of the cash flow statement, of the cash flows of the company for the year ended on that date.

For and on behalf of –  
THANAWALA & COMPANY  
Chartered Accountants

Place : Mumbai  
Dated : September 6, 2010

[V.K. Thanawala]  
Proprietor  
Membership No. 15632

**Annexure to the Auditors' Report**

Referred to in paragraph 3 of Auditors' Report of even date to the members of  
**INDIA STEEL WORKS LTD** on the financial statements for the year ended 31<sup>st</sup> March 2010.

1. a. The Company has maintained records of fixed assets upto 31<sup>st</sup> March 2001, however quantitative details in respect of assets added afterwards are under compilation.
- b. The Company has a regular programme of physical verification of its fixed assets which in our opinion is reasonable having regard to the size of the company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by management during the year.
- c. During the year, in our opinion, substantial part of the fixed assets has not been disposed off by the Company.
2. a. The inventories (excluding stock with third parties and materials in transit) have been physically verified by the management during the year, at reasonable intervals;
- b. The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c. The Company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of accounts.
3. a. The Company has granted unsecured loans to parties covered under section 301 of the Act. The loans have been advanced to 11 parties **amounting to Rs.2,83,03,588/-**
- b. **The Loans advanced by the Company are interest free loans and as such are prejudicial to the interest of the Company;**
- c. There is no prescribed stipulation for repayment of principal and interest;
- d. The Company has taken interest free loans from 10 parties covered in the register maintained under Section 301 of the Companies Act, 1956. The total amount of such loans received and outstanding as of 31<sup>st</sup> March 2010 was Rs. 2,61,38,430/-. There is no prescribed stipulation of repayment of loan and hence there are no overdue amounts more than Rs. 1,00,000/-.
- e. The Company has taken interest free loans as such the terms and conditions on which these loans are taken are not prejudicial to the interest of the Company.
- f. There is no predetermined schedule of repayment of principal;
4. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods.
5. a. On the basis of the audit procedures performed by us and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, the transactions required to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- b. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased and Labour charges paid are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal control system.
6. The Company has not accepted any deposit from the public and consequently the provision of Section 58A and 58AA of the Companies Act, 1956 and the Companies [Acceptance of Deposits] Rules, 1975 are not applicable.
7. We have broadly reviewed the Books of Accounts 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 opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate.
8. a. **The Company has not been regular in depositing undisputed dues of Provident Fund, Employees State Insurance, Income Tax, Profession Tax, Property Tax and Cess.**



b. *The undisputed dues outstanding for more than six months, as at 31<sup>st</sup> March 2010, from the date they became payable are as under -*

Provident Fund	87,46,934
Property Tax	28,07,554
Cess	55,697
ESIC	1,80,201
VAT Payable	9,62,914

Details of dues of Sales Tax, & Excise Duty which have not been deposited as on 31<sup>st</sup> March 2010 on account of disputes are given below

Nature of Dues	Amount in Rs.	Prior for Which The dispute relates	Forum where dispute is pending
Sales Tax	11,24,091/-	F.Y. 2002-03	Sales Tax Officer
Excise Duty	33,53,452/-	F.Y. 2005-06	CESTAT
Excise Duty	83,09,987/-	F.Y. 2005-06	Comm. Of Central Excise(A)
Excise Duty	40,98,380/-	F.Y. 2003-04	Comm. Of Central Excise

9. The accumulated losses of the Company exceeded fifty percent of its net worth at the end of the financial. The Company has incurred cash loss during the financial year under review and in the year immediately preceding the financial year.
10. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions banks or debenture holders.
11. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
12. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies are not applicable to the Company.
13. The Company is not dealing or trading in shares, securities, debentures or other investments and hence the requirements of Para 4(xiv) are not applicable to the Company.
14. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
15. In our opinion and according to the information and explanations given to us, the Company has not raised any term loan during the year.
16. According to the information and explanations given to us and on an overall examination of the Balance Sheet and cash flow statement of the company, we report that no funds raised on short-term basis have been used for long-term investment.
17. The Company has made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
18. The Company has not raised any money by way of public issue during the year.
19. On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the company, has been noticed or reported during the year.

For and on behalf of –  
THANAWALA & COMPANY  
Chartered Accountants

Place : Mumbai,  
Dated : September 6, 2010

[ V.K. Thanawala ]  
Proprietor  
Membership No. 15632

**BALANCE SHEET**

	SCHEDULE	AS AT 31-Mar-10 RUPEES	AS AT 31-Mar-09 RUPEES
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS :</b>			
Share Capital	A	819,064,560	819,064,560
Reserves & Surplus	B	1,379,520,124	1,218,675,979
		<u>2,198,584,684</u>	<u>2,037,740,539</u>
<b>LOAN FUNDS :</b>			
Secured Loans	C	749,844,212	973,915,456
Unsecured Loans	D	571,788,342	620,355,265
		<u>1,321,632,554</u>	<u>1,594,270,721</u>
<b>TOTAL</b>		<u><b>3,520,217,238</b></u>	<u><b>3,632,011,260</b></u>
<b>APPLICATION OF FUNDS :</b>			
<b>FIXED ASSETS :</b>			
Gross Block	E	3,385,946,058	3,370,429,689
Less: Depreciation		(1,373,228,241)	(1,237,231,476)
Less: Impairment Loss		(248,337,208)	(248,337,208)
Net Block		<u>1,764,380,609</u>	<u>1,884,861,005</u>
<b>INVESTMENTS :</b>	F	555,141	1,009,586
<b>CURRENT ASSETS LOANS &amp; ADVANCES</b>			
Inventories	G	289,970,829	320,339,177
Sundry Debtors	H	147,434,494	67,569,780
Incentives Receivable		1,089,382	10,677,251
Cash & Bank Balances	I	21,625,103	10,812,583
Loans & Advances	J	473,525,236	626,323,836
		<u>933,645,044</u>	<u>1,035,722,627</u>
<b>LESS:CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	K	699,039,552	632,103,782
Provisions		13,798,105	13,004,243
		<u>712,837,657</u>	<u>645,108,025</u>
Net Current Assets		<u>220,807,387</u>	<u>390,614,602</u>
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)	L	1,733,682	5,182,320
<b>PROFIT &amp; LOSS A/C</b>		<u>1,532,740,420</u>	<u>1,350,343,747</u>
<b>TOTAL</b>		<u><b>3,520,217,239</b></u>	<u><b>3,632,011,260</b></u>
<b>NOTES TO THE ACCOUNTS</b>	S		

As Per Our Report Of Even Date  
For Thanawala & Company  
Chartered Accountants

For & on behalf of the Board

V. K. Thanawala  
Proprietor  
[Membership No.:15632]

Ashwin H Gupta  
Chairman

Sudhir H.Gupta  
Managing Director

Mumbai  
Dated : September 6, 2010

Bimal Desai  
Director



## AUDITED PROFIT &amp; LOSS ACCOUNT

	SCHEDULE	YEAR ENDED 31-Mar-10 RUPEES	YEAR ENDED 31-Mar-09 RUPEES
<b>INCOME :</b>			
Sales (Inclusive of Job work charges)	M	1,021,749,192	1,446,469,842
Other Income	N	5,232,759	61,591,486
Increase in stock of finished goods	O	50,348,438	(314,019,471)
<b>TOTAL</b>		<b>1,077,330,389</b>	<b>1,194,041,857</b>
<b>EXPENDITURE :</b>			
Cost of Materials	P	626,838,603	1,001,108,139
Other Manufacturing Expenses	Q	432,871,618	276,430,307
Administrative & Selling Expenses	R	53,670,601	38,792,051
Interest & finance charges		62,362,487	29,101,681
Depreciation		135,996,765	136,026,262
Preliminary & Share Issue Expenses w/off		651,990	651,990
Export Incentives W/off		1,806,581	5,364,868
Bad Debts		6,648,305	8,583,878
Provision for diminution in value of investments		-	2,409,486
Less: Provision for diminution in value of investments no longer required, written back		(394,761)	-
<b>TOTAL</b>		<b>1,320,452,189</b>	<b>1,498,468,662</b>
Profit/(Loss) before Taxation & exceptional items		(243,121,801)	(304,426,805)
<u>Extraordinary/ Exceptional items</u>			
Consumption of rolls of previous years reversed (Refer Note No B 2 iv )		61,380,866	-
Remission /Waivers under settlement with lenders (Refer Note No B 3 v & viii)		18,331,015	-
Profit/(Loss) before taxation		(163,409,920)	(304,426,805)
Provision for taxation			
- Current Tax		(40,000)	(40,000)
- Fringe Benefit Tax		-	(750,000)
Profit/(Loss) after taxation		(163,449,920)	(305,216,805)
Add: Balance of profit brought forward from previous year		(1,350,343,747)	(970,321,973)
Prior Period Adjustment		(18,946,753)	(74,804,969)
<b>Total Profit/(Loss) carried forward to Balance sheet</b>		<b>(1,532,740,420)</b>	<b>(1,350,343,747)</b>

As Per Our Report Of Even Date  
For Thanawala & Company  
Chartered Accountants

For & on behalf of the Board

V. K. Thanawala  
Proprietor  
[Membership No.:15632]

Ashwin H Gupta  
Chairman

Sudhir H.Gupta  
Managing Director

Mumbai  
Dated : September 6, 2010

Bimal Desai  
Director



## SCHEDULES TO THE ACCOUNTS

	AS AT 31-Mar-10 RUPEES	AS AT 31-Mar-09 RUPEES
<b>SCHEDULE 'A' :</b>		
<b>SHARE CAPITAL</b>		
<b>(a) Authorised</b>		
6,30,00,000 Cum. Pref. Shares of Rs 10/- each [Pr. Yr. 6,30,00,000 Cum. Pref. Shares of Rs 10/- each]	630,000,000	630,000,000
21,00,00,000 Equity Shares of Rs.1/- each [Pr. Yr. 21,00,00,000 equity shares of Re.1/- each]	210,000,000	210,000,000
Unclassified Shares Rs 4,00,00,000/- [Pr. Yr. -Rs. 4,00,00,000/—]	40,000,000	40,000,000
	<b>880,000,000</b>	<b>880,000,000</b>
<b>(b) Issued Share Capital</b>		
<b>Preference Shares</b>		
20,00,000 14% Cumulative Preference Shares of Rs. 10/-each [Pr. Yr. 20,00,000 14% Cum. Pref. Shares of Rs 10/- each]-	20,000,000	20,000,000
5,12,88,482- 0.01% Cumulative Redeemable Preference Shares of Rs. 10/- each. [Pr. Yr. 5,12,88,482 0.01% CRPS of Rs 10/- each] -	512,884,820	512,884,820
81,90,974- 0.01% Cumulative Redeemable Preference Shares (Option Series) of Rs. 10/- each. [Pr. Yr. 81,90,974 0.01% CRPS (Option Series) of Rs 10/- each] -	81,909,740	81,909,740
<b>Equity Shares</b>		
20,42,70,000 Equity Shares of Re.1/- each - [Pr. Yr. 20,42,70,000 Equity Shares of Re.1/- each] -	204,270,000	204,270,000
30,00,000 Equity Shares of Re. 1/- each under ESOP - [Pr. Yr. 30,00,000 Equity Shares of Re.1/- each] -	3,000,000	3,000,000
	<b>822,064,560</b>	<b>822,064,560</b>
<b>(c) Paid-up Share Capital</b>		
<b>Preference Shares</b>		
20,00,000 14% Cumulative Preference Shares of Rs. 10/-each - [Pr. Yr. 20,00,000 14% Cum. Pref. Shares of Rs 10/- each]	20,000,000	20,000,000
5,12,88,482- 0.01% Cumulative Redeemable Preference Shares of Rs. 10/- each, fully paid, issued for consideration other than cash, pursuant to the Scheme of CDR. [Pr. Yr. 5,12,88, 482 - 0.01% Cumulative Redeemable Preference Shares of Rs. 10/- each ]	512,884,820	512,884,820
81,90,974- 0.01% Cumulative Redeemable Preference Shares (Option Series) of Rs. 10/- each, fully paid, issued for consideration other than cash, pursuant to the Scheme of CDR. [Pr. Yr. 81,90,974 0.01% CRPS (Option Series) of Rs 10/- each]	81,909,740	81,909,740
<b>Equity Shares</b>		
20,42,70,000 Equity Shares of Re.1/- each, fully paid-up* [Pr. Yr. 20,42,70,000 Equity Shares of Re.1/- each] -	204,270,000	204,270,000
* Of the 20,42,70,000 Equity Shares, 51,00,000 Equity Shares of Re. 1/- each were issued as fully paid up Bonus Shares by way of capitalisation of Reserves and 2,00,00,000 Equity Shares of Re. 1/- each were issued for consideration other than cash, pursuant to the Scheme of CDR		
	<b>819,064,560</b>	<b>819,064,560</b>



## SCHEDULES TO THE ACCOUNTS

	AS AT 31-Mar-10 RUPEES	AS AT 31-Mar-09 RUPEES
<b>SCHEDULE 'B' :</b>		
<b>RESERVES &amp; SURPLUS :</b>		
SHARE PREMIUM ACCOUNT		
As Per Last Balance Sheet	680,390,000	680,390,000
PREFERENCE SHARES REDEMPTION RESERVE		
As Per Last Balance Sheet	50,000,000	50,000,000
CAPITAL RESERVE		
As Per Last Balance Sheet	284,285,979	284,285,979
Add: Loan Remission	160,844,145	
	445,130,124	284,285,979
GENERAL RESERVE		
As Per Last Balance Sheet	204,000,000	204,000,000
	<u>1,379,520,124</u>	<u>1,218,675,979</u>
<b>SCHEDULE 'C'</b>		
<b>SECURED LOANS</b>		
<u>Term Loans from Financial Institutions</u>		
International Asset Reconstruction Co.Ltd	47,916,667	-
GIC & its Subsidiaries - (CDR)	55,473,059	57,092,059
Asset Reconstruction Company (India) Limited - (CDR)	515,000,000	532,500,050
Other Banks	120,674,542	354,539,917
Interest - Accrued & Due - (CDR)	10,779,944	29,783,430
	<u>749,844,212</u>	<u>973,915,456</u>
<p>(1) Above CDR debts are secured/to be secured by first mortgage &amp; charges on all immoveable and moveable properties, both present and future, subject to the prior charge in favour of bankers on specified movables, created/ to be created for securing the restructured debts ranking pari passu and personal guarantees of some of the promoter directors of the Company</p>		
<b>SCHEDULE 'D'</b>		
<b>UNSECURED LOAN</b>		
Loan from Directors	4,609,886	3,758,186
Inter Corporate Loans	545,649,912	600,948,904
Loan from Others	21,528,544	15,648,175
	<u>571,788,342</u>	<u>620,355,265</u>



SCHEDULE 'E'  
FIXED ASSETS AS ON 31-Mar-10

PARTICULARS	GROSS BLOCK			DEPRECIATION			IMPAIRMENT LOSS		NET BLOCK		
	GROSS BLOCK 1-Apr-09	ADDITIONS	TRANS- FERS/ SALE	GROSS BLOCK 31-Mar-10	DEPRE- CIATION FOR THE PERIOD ENDED ON SALE / 31-Mar-10	DEPRE- CIATION AS ON 1-Apr-09	DEPRE- CIATION AS ON 31-Mar-10	AS ON 1-Apr-09	AS ON 31-Mar-10	WDV 31-Mar-10	WDV 31-Mar-09
LAND	14,075,409			14,075,409	-	-	-	-	-	14,075,409	14,075,409
FACTORY BUILDINGS	280,173,208	3,826,834		284,000,041	8,217,952	92,007,285	100,225,237	20,837,618	20,837,618	162,937,186	167,328,305
OFFICE/RESIDENTIAL BUILDINGS	12,395,154	791,377		13,186,531	237,135	5,769,420	6,006,555	399,575	399,575	6,780,402	6,226,160
PLANT & MACHINERY	3,026,957,530	7,099,292		3,034,056,822	125,457,962	1,125,773,736	1,251,231,698	226,473,659	226,473,659	1,556,351,465	1,674,710,134
DATA PROCESSING EQUIPMENT	12,706,123	1,700,565		14,406,688	1,268,552	7,874,379	9,142,931	400,857	400,857	4,862,900	4,430,887
MOTOR VEHICLES	7,644,136	-		7,644,136	441,719	2,693,502	3,135,221	124,144	124,144	4,384,771	4,826,490
OFFICE EQUIPMENT & APPLIANCES	3,389,932	454,400		3,844,332	121,721	227,066	348,787	-	-	3,495,545	3,162,866
FURNITURE & FIXTURES	6,325,979	404,971		6,730,950	251,724	2,886,089	3,137,813	101,355	101,355	3,491,782	3,338,535
PLANT & MACH. (WIP)	-			-				-	-	-	-
FURNITURE & FIXTURE (WIP)	6,762,220	1,238,930		8,001,149				-	-	8,001,149	6,762,220
TOTAL RS.	3,370,429,689	15,516,369		3,385,946,058	135,996,765	1,237,231,476	1,373,228,241	248,337,208	248,337,208	1,764,380,610	1,884,861,006
FOR YEAR ENDED 31-03-09	3,350,730,944	21,008,904	1,310,158	3,370,429,690	136,026,262	1,101,357,099	1,237,231,476	248,337,208	248,337,208	1,884,861,006	2,001,036,636



Schedule "F"

DETAILS OF INVESTMENT AS ON 31ST MARCH 2010

Sr No	Investment's Details	Opening Balance	Rate	Cost Rs.	Book Value 1-Apr-09	W/off/Sold during the Year		Closing Balance	AS ON 31/3/2010 AS PER BOOKS	Market Rate	Lower of Cost or Market Value
						Units	Value				
A	Trade Investments (Fully paid up & Quoted)										
	Asahi India Glass Ltd.	74	-	-	-	74		0	-		-
	Ahmednagar Forging	400	-	-	-	400		0	-		-
	Bank of Baroda	200	85.00	17,000	17,000	200	17,000	0	-		-
	Grasim Industries Ltd.	50	762.66	38,133	38,133			50	38,133	2,813.75	38,133
	Interfit India Ltd.	25000	55.00	1,375,000	76,001			25000	76,001	14.00	350,000
	Jayswals Neco Ltd.	25000	90.00	2,250,000	290,000	25000	290,000	0	-		-
	Maxwell Appareil Industries Ltd.	31675	29.74	942,000	602,730	31675	602,730	0	-		-
	PAE Ltd.	16650	83.91	1,397,028	699,300	16650	699,300	0	-		-
	Pudumjee Pulp Ltd.	800	593.69	474,950	68,320			800	68,320	20.10	16,080
	Royal Vinyl Cushion Ltd.	8759	249.54	2,185,721	152,845	8759	152,845	0	-		-
	Shah Alloys Ltd.	2700	18.67	50,407	50,407			2700	50,407	23.60	50,407
	TATA Steel Ltd.	100	323.01	32,301	32,301			100	32,301	632.65	32,301
	Videocon Leasing & Industries Ltd.	800	826.08	660,862	383,079	500	239,424	300	143,655	227.40	68,220
	Viraj Alloys Ltd.	5300	23.95	1,26,917	2,915			5300	2,915	-	-
	<b>Total</b>	<b>117,034</b>		<b>9,550,319</b>	<b>2,413,030</b>	<b>82784</b>	<b>2001299</b>	<b>34250</b>	<b>411,731</b>		<b>555,141</b>
	<b>Previous Year</b>	<b>119,534</b>		<b>9,575,319</b>	<b>2,438,030</b>	<b>2500</b>	<b>25000</b>	<b>117034</b>	<b>4,828,975</b>		<b>1,009,586</b>



## SCHEDULES TO THE ACCOUNTS

	AS AT 31-Mar-10 RUPEES	AS AT 31-Mar-09 RUPEES
<b>SCHEDULE 'G'</b>		
<b>INVENTORIES</b>		
(As certified by the Management and valued according to Accounting Standard 2)		
Raw Material	0	130,635,672
Work In Process	42,750,387	17,324,180
Finished Goods	37,398,134	12,475,905
Consumable Stores, Packing Material & Others	209,822,308	159,903,421
	<b>289,970,829</b>	<b>320,339,177</b>
<b>SCHEDULE 'H'</b>		
<b>SUNDRY DEBTORS :</b>		
(Unsecured, Considered good except otherwise stated)		
More than Six Months	31,579,133	42,851,758
Others	127,355,361	36,218,022
	158,934,494	79,069,780
Less: Provison for Doubtful Debts	(11,500,000)	(11,500,000)
	<b>147,434,494</b>	<b>67,569,780</b>
<b>SCHEDULE 'I'</b>		
<b>CASH &amp; BANK BALANCES :</b>		
Cash & cheques on hand	2,833,039	1,279,442
Balances With Scheduled Banks		
- In Current Account	18,670,330	5,825,011
- In Term Deposit	121,734	3,708,130
	<b>21,625,103</b>	<b>10,812,583</b>
<b>SCHEDULE 'J'</b>		
<b>LOANS &amp; ADVANCES(UNSECURED CONSIDERED GOOD)</b>		
Advances recoverable in cash or in kind or for the value to be received	82,441,460	147,157,958
Insurance Claim Receivable	260,224,186	373,739,111
Excise Balances	29,488,648	13,916,692
Advances to Suppliers	41,322,766	27,926,259
Advances to Employees	2,910,581	2,960,017
Deposits	57,137,595	60,623,799
	<b>473,525,236</b>	<b>626,323,836</b>
<b>SCHEDULE 'K'</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS CURRENT LIABILITIES</b>		
Sundry Creditors for Goods & Expenses	453,374,711	267,543,816
Cheques issued but not presented	28,549,086	25,654,881
Advance from Customers	37,871,220	98,730,787
Restart Expenses Payable	118,337,035	194,354,551
Other Liabilities	60,907,500	45,819,747
	<b>699,039,552</b>	<b>632,103,782</b>
<b>PROVISIONS</b>		
For Taxation	80,000	140,000
(Includes tax on distributed profits)		
For Fringe Benefit Tax	1,597,549	1,912,000
For Gratuity	12,120,556	10,952,243
	<b>13,798,105</b>	<b>13,004,243</b>



## SCHEDULES TO THE ACCOUNTS

	AS AT 31-Mar-10 RUPEES	AS AT 31-Mar-09 RUPEES
<b>SCHEDULE 'L'</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To The Extent Not Written Off Or Adjusted)		
Preliminary Expenses	1,733,682	2,385,672
Deferred Revenue Expenses	0	2,796,648
	<u>1,733,682</u>	<u>5,182,320</u>
	<b>Year Ended 31<sup>st</sup> March, 10 RUPEES</b>	<b>Year Ended 31<sup>st</sup> March, 09 RUPEES</b>
<b>SCHEDULE 'M'</b>		
<b>SALES &amp; EXPORT INCENTIVES</b>		
Sales	579,510,958	1,291,704,807
Labour Charges Received	441,909,870	154,765,035
Export Incentives	328,364	0
	<u>1,021,749,192</u>	<u>1,446,469,842</u>
<b>SCHEDULE 'N'</b>		
<b>OTHER INCOME</b>		
Profit on sale of shares/Assets	1,305,993	151,885
Dividend	42,300	29,600
Sundry Balances w/off (Net)	1,918,614	54,594,580
Interest Received	1,308,655	2,965,448
Provisions of earlier year w/back(Net)	587,283	3,257,836
Insurance Claim Received	0	500,000
Misc. Income	69,914	92,137
	<u>5,232,759</u>	<u>61,591,486</u>
<b>SCHEDULE 'O'</b>		
<b>INCREASE IN STOCKS OF FINISHED GOODS AND STOCK IN PROCESS</b>		
Closing Stocks		
Stock in Process	42,750,387	12,475,905
Finished Goods	37,398,134	17,324,180
	<u>80,148,522</u>	<u>29,800,084</u>
Opening Stock		
Stock in Process	12,475,905	253,097,422
Finished Goods	17,324,180	90,722,133
	<u>29,800,084</u>	<u>343,819,555</u>
Net increase	<u>50,348,438</u>	<u>(314,019,471)</u>



## SCHEDULES TO THE ACCOUNTS

	Year Ended 31 <sup>st</sup> March, 10 RUPEES	Year Ended 31 <sup>st</sup> March, 09 RUPEES
<b>SCHEDULE 'P'</b>		
<b>MATERIALS</b>		
COST OF MATERIALS		
Raw Materials ,Components & Consumables consumed		
Opening stock	290,539,093	306,925,139
Add: Purchases (Nett)	593,312,404	1,061,815,424
Less: Insurance Claim	-	-30,558,754
Less: Sale of Raw Material	(47,190,586)	-46,534,577
	<u>836,660,911</u>	<u>1,291,647,232</u>
Less: Closing Stock	209,822,308	290,539,093
Consumption	<u><b>626,838,603</b></u>	<u><b>1,001,108,139</b></u>
<b>SCHEDULE 'Q'</b>		
OTHER MANUFACTURING COSTS		
Labour/Conversion Charges	42,007,816	23,317,737
Power & Fuel	292,342,489	224,706,346
Transportation Inwards	11,869,712	14,468,826
Machinery Repairs	2,510,016	4,776,429
Factory Building Repairs	615,346	410,017
Other Repairs	762,785	561,974
Water Charges	452,077	418,959
Lease/Hire Charges	2,776,134	1,273,442
Salaries,Wages,allowances & Bonus	73,428,039	75,027,692
Staff Welfare Expenses	2,932,541	3,132,842
Company's contribution to Provident and other funds	3,174,663	3,336,043
Less: Insurance Claim	-	-75,000,000
	<u><b>432,871,618</b></u>	<u><b>276,430,307</b></u>
<b>SCHEDULE 'R'</b>		
<b>ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Communication Expenses	2,138,650	2,418,731
Printing & Stationery	739,133	760,552
Legal & Professional Fees	19,919,149	7,911,621
Service Charges	574,214	140,008
Insurance Charges	5,035,605	2,965,154
Auditors Remuneration		
- Audit Fees	250,000	250,000
- Tax Audit	25,000	25,000
- Others	95,000	40,000
Directors Remuneration	1,770,300	1,706,400
Directors Sitting Fees	26,000	46,000
Rent Rates & Taxes	3,247,452	1,767,547
Exchange Rate Difference	(491,313)	46,927
Loss on sale of DEPB	162,041	94,950
Loss by Theft	230,000	0
Loss on Contract Cancellation of Ferro Alloys	0	489,519
Commission & Brokerages	393,175	483,774
Transportation Outwards	5,326,720	7,088,632
Other Selling & Distribution Expenses	8,644,977	7,986,231
Miscellaneous Expenses	5,584,498	4,571,005
	<u><b>53,670,601</b></u>	<u><b>38,792,051</b></u>

**SCHEDULE "S"****NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> March, 2010****A. SIGNIFICANT ACCOUNTING POLICIES****1. Accounting Convention**

The financial statements are prepared and presented under the historical cost convention as a going concern on accrual basis of accounting and to comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

**2. Fixed Assets, Depreciation & Impairment Loss**

Fixed Assets are stated at cost of acquisition (including cost of borrowings) or construction, less accumulated depreciation and impairment loss. Cost of acquisition or construction is inclusive of all expenses, which are directly attributable to bringing the asset to working condition for the intended use, exclusive of cenvat credit on capital account. Finance costs incurred upto the date of commissioning of the assets are capitalised towards the relevant Fixed Assets.

Depreciation on fixed assets acquired upto 31st March, 1996, is provided on the "Written Down Value" basis and depreciation on additions to fixed assets on or after 1st April, 1996, is provided on "Straight Line" basis, at the rates specified in Schedule XIV to the Companies Act, 1956.

Impairment loss is ascertained at each balance sheet date in respect of Cash Generating Units. An impairment loss is recognised when the carrying value of the fixed assets of the respective cash generating units exceeds its recoverable amount, which is the greater of the net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

**3. Investments**

Investments are carried at lower of cost or market value and provision is made to recognise any decrease in the carrying value, as applicable. Unquoted investments are accounted at cost.

**4. Inventories**

Inventories are valued at lower of cost and net realisable value. Cost includes expenses incurred upto the point of storage but excludes financing, general administration and marketing costs.

- a. Raw materials, stores and spares have been valued at cost arrived at on the yearly weighted average basis.
- b. Fixed overheads are allocated for inclusion in the cost of conversion based on normal levels of production capacity. Conversion cost is apportioned to finished goods and goods in process based on estimated values and proportions arrived at by the cost sheet of the last month of the financial period in which production had taken place.
- c. As per past practice, no value is placed on stock of scrap since its estimated net realisable / usable value is not accurately ascertainable.

**5. Revenue Recognition**

- a. Sales are stated exclusive of excise duty, job work charges, and net of returns, quality claims & discounts. Export sales are accounted at F.O.B. value.
- b. Export incentives are accounted on accrual basis under the Duty Entitlement Pass Book Scheme and Duty Drawback Scheme.
- c. Dividend income is recognised when the right to receive is established.
- d. Interest income is recognised on the basis of time.

**6. Employee Benefits**

- a. Contributions to defined contribution schemes such as provident fund and family pension fund are charged to the Profit and Loss Account for the year.
- b. Provisions for the leave encashment & gratuity liabilities, which are not funded, have been determined using the Projected Unit Credit method and are based on the results of the Actuarial Valuation carried out as on 31<sup>st</sup> March 2008 in terms of the revised AS-15. Provision for current year has been made based on internal workings..
- c. Termination benefits are recognized as an expense as and when incurred.

**7. Miscellaneous Expenditure**

Expenses relating to issue of shares are being amortised over a period of five years as per the provisions of Section 35D of the Income Tax Act, 1961. Deferred Revenue expenditure are being amortised over a period of three years.

**8. Contingent Liabilities**

Contingent Liabilities disclosed in the notes to accounts or provided for in the financial statements is based on the management perception.

**9. Dividend on Preference Shares**

Dividend on Cumulative Redeemable Preference Share is accounted in the year of payment.

**10. Prior Period Items**

Significant items of income and expenditure relating to prior-period accounting periods are accounted in the Profit and Loss Account under the head 'Prior Period Adjustment'.

**11. Derivative Contracts**

The Company enters into derivative contracts in the nature of commodity futures, which are "marked to market" and losses/gains are recognized in the Profit and Loss Account

**B. NOTES TO ACCOUNTS**

1. Estimated amount of contracts remaining to be executed on capital account and not provided for: Rs.15,00,000- (Previous year: Rs. 90,00,000/-).

2. Contingent Liabilities not provided for:
- |  | <u>2009-10</u> | <u>2008-09</u> |
|--|----------------|----------------|
|--|----------------|----------------|

i) Guarantees given by the Banks/Institution (Rs. in Lacs) Nil 334.83

ii) Claims against company not acknowledged as debt: Rs 1,29,63,886/-

Excise/Customs matters decided in the Company's favour in earlier years, in respect of which show cause notices have been issued: Rs. 1,77,61,819/- (previous year: Rs.1,41,71,540/).

Property Tax Rs 12,16,640/- (Previous Year Rs Nil)

iii) Preference Share Dividend Rs.3,82,04,684/- (Previous year Rs. 3,53,45,205/-)The Management periodically assesses, using external and internal sources whether there is an indication that an asset may be impaired. If an asset is impaired,the company recognizes an impairment loss as the excess of the carrying amount of the asset over the recoverable.

iv) Change in method of accounting for Rolls:

Upto 31<sup>st</sup> March 2006, Rolls were treated as an item of Plant & Machinery. From the year 2006-07, the Company has accounted for the consumption of Rolls as an item of expenditure, included under the head of Cost of Materials. In the current year, the Company has reviewed the accounting for consumption of Rolls as an item of expenditure, on the basis of 'actual usage' rather than on purchase. The difference in this accounting treatment has lead to a revaluation of inventory of rolls, and an exceptional item of income of Rs.613.81 lacs is being accounted.

**3. Financial Restructuring:**

i. The entire cash payment settled with IDBI in accordance with the CDR Scheme was made, though it was slightly delayed. IDBI had raised a claim for interest for the delayed period, which was paid partially and requested to be condoned and waived for the balance. The Company had however, provided for necessary provisions in this respect.

ii. Following the natural catastrophe at the Khopoli Plant on August 10, 2008, and consequent shut down of operations at the Plant, a proposal for rescheduling of the payments to all the CDR Lenders was made by the Company. This rescheduling proposal was approved by the CDR EG at its meetings held on December 18, 2009 and December 30, 2009.

iii. Sanction letters to the rescheduled CDR terms were received from 5 CDR Lenders out of the remaining 8 CDR Lenders and are expected from the balance 3 CDR Lenders of the Company. The Company has recast the outstandings in accordance with the sanction letters and excess provisions for interest have been written off. The Company has made payments in the rescheduled terms of the CDR sanctions for the year, except for some short payment to ARCIL.

iv. For the Negotiated Settlement option, in accordance with the rescheduled CDR Scheme, the Company has provided for interest for delayed period of payment from October 1, 2009 to February 28, 2010 @ 8% p.a. on the outstanding, to be converted into 0.01% Cumulative Redeemable Preference Shares.

v. Bank of Baroda, had assigned its debt to a non-CDR Lender, International Asset Reconstruction Company Ltd. (IARC). IARC did not agree to be bound by the CDR, despite such direction from the CDR Cell. Ultimately, the Company and IARC agreed to settle the outstanding with a payment of Rs.625 Lacs over a 24 month period and balance has been accounted for as waivers and remissions to the tune of Rs.731 lacs. Accordingly, Consent Terms have also been filed with the DRT.



- vi. Subsequent to the settlements, title of leased assets under financial assistance from both IDBI and Oriental Bank of Commerce (erstwhile Global Trust Bank) is to be transferred to the Company.
- vii. ICICI Bank Ltd. had made a claim against the Company of Rs.281 Lacs on account of crystallisation of certain Bank Guarantees. Under direction of the CDR, EG, the Company agreed to settle this claim. ICICI Bank agreed to convert its claimed outstanding to 28,10,925 Equity Shares of face value of Re.1/- each, fully paid-up shares at a premium of Rs.9 per share and a cash payment of Rs.1 Lac.
- viii. The Company had executed a settlement agreement with Commerz Bank requiring a payment of Rs.350 Lacs, subject to approval of the repayment terms from the Reserve Bank of India(RBI). While the other debts of the Company are recast as per the Settlement Terms, the outstanding of Commerz Bank has also been written down to the settlement amount of Rs.350 Lacs and balance is accounted as waivers and remissions. It is agreed that upon receipt of the approval from the RBI, necessary consent terms will be filed in the winding-up proceedings pending against the Company in the Bombay High Court.
- ix. On settlement of debts with banks a sum of Rs 183 Lacs being interest provided in earlier years was waived .
4. During August 2008, consequent to heavy rainfall, storm and severe flooding in the Company's Plant at Khopoli, plant and machinery, stocks and parts of factory's shed suffered damages of more than Rs.57 crores. Provisional claim was lodged and interim assessment was made by the Insurance Company on the basis of which an on-account payment of Rs.20 Crores is received till date. The final claim has been submitted, however, certain issues are yet to be resolved with the Insurance Company and accordingly accounted in the books of accounts. In case reinstatement of assets involves expenditure over and above the claim allowed by the surveyor the same shall be written off in the profit and loss account of the year in which claim is finally settled.
5. Balances in the accounts of loans and advances, various lenders, sundry debtors and sundry creditors, are as per the books of accounts. Scrutiny/ reconciliations have been carried out and confirmations have been obtained in some cases.
6. In the absence of complete information in respect of the status of each creditor, the Company is not in a position to identify the amounts payable to small scale and ancillary undertakings under the provisions of "Interest on the delayed payment to Small Scale and Ancillary undertaking Act, 1993". Accordingly, it is not possible to quantify the extent of overdue interest payable under the said Act.
- Details relating to dues to micro, small and medium enterprises as per The Micro, Small and Medium Enterprises Development Act, 2006 are yet not identified by the management.
7. The Company has not provided for current tax, in view of the carried forward losses and unabsorbed depreciation.
8. The Company has accumulated unabsorbed depreciation and business losses under the tax laws. In absence of certainty of sufficient future taxable income, net deferred tax liabilities /asset has not been recognised in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India.
9. In the opinion of the Board, current assets and loans and advances are approximately of the value stated, if realised in the ordinary course of business. Provisions for all known liabilities other than retirement benefits to employees are made and the same are adequate and not in excess of the amount reasonably necessary.
10. The Company is in the business of dealing and manufacture of steel products. All other activities of the Company revolve around the main business. As such, there are no reportable segments as defined by Accounting Standard 17 on segment reporting as issued by the Institute of Chartered Accountants of India.
11. Loans & Advances include amount due from officers of the company Rs.14,95, 504/- (previous year Rs. 18,07,504/-) due from officers of the Company. Maximum balance outstanding from employees during the year - Rs. 19,07,504/- (previous year Rs. Rs.31,13,504/-).
12. Prior Period adjustment includes a sum of Rs 74,73,055/- [Previous Year Rs 6,87,32,814/-] being quality claims of earlier years settled.
13. Managerial Remuneration
- a) In view of the loss incurred, no commission is payable to the Chairman and the Managing Director for the current year. Computation of Net Profit in accordance with section 349 of the Companies Act, 1956 pursuant to clause 4A of part II in Schedule VI to the said Act is not considered necessary, and hence not given.
- b) Profit & Loss Account includes payment & provision on account of Remuneration to the Directors, as follows:

	2009-10 Rs.	2008-09 Rs.
i. Salaries	17,70,300/-	17,06,400/-
ii. Sitting fees	26,000/-	46,000/-



14. Related Party Disclosure as required by Accounting Standard 18 for the year ended 31.03.2010 (as identified and certified by the management)

Name of the related Party	Nature of Relationship
India Steel Industries	Associated
Isinox Steel Limited	Associated
India Steel International Limited	Associated
India Steel International	Associated
ISIWorld Steel India Private Limited	Associated
Titan Bulkers P.Ltd.	Associated
Titan Steel P. Ltd.	Associated
Khamgaon Land Dev. & Trdg Co P.Ltd.	Associated
Yeotmal Land Dev & Trdg. Co.P.Ltd.	Associated
ISICom Traders Private Limited	Associated
ISISar Exports Private Limited	Associated
Emgee Homes P.Ltd.	Associated
Shri Harbanslal B. Gupta	Late Chairman
Shri Ashwin H. Gupta	Chairman
Shri Sudhir H. Gupta	Managing Director
Shri Bimal Desai	Independent Director
Shri S.P. Khosla	Director
Shri Neeraj Agarwal	Director
Shri Varun S Gupta	Director

Nature of Transaction	Year Ended 31-3-2010 Rs.	Year Ended 31-3-2009 Rs.
Lease Rentals	2,40,000/-	2,40,000/-
Sales\Labour Charges Received	2,83,00,721	11,81,73,507/-
Labour Charges Paid	22,34,270/-	37,36,543/-
Salary	2,13,000/-	2,47,081/-
Hiring Charges	7,00,000-	7,55,696/-
Remuneration	17,70,300/-	17,06,400/-
Sitting Fees	26,000/-	46,000/-
Unsecured Loan	2,61,38,430	2,25,56,361/-
Loans & Advances	2,83,03,588	3,12,26,808/-

15. Earning Per Share Rs. in lacs

	Year Ended 31-3-2010	Year Ended 31-3-2009
Profit/(Loss) after taxation	(1823.97)	(3,800.22)
Number of Equity Shares (in lacs)	2042.70	2042.70
Earnings per Share – basic & diluted	(0.89)	(1.86)
Face value per Share	1.00	1.00

16. Additional information required under Paras 3, 4C and 4D, Part II of Schedule VI of the Companies Act, 1956, is given in Annexure I.
17. Previous Year's figure have been regrouped or rearranged, wherever necessary, in order to conform to current year's classification.



**ANNEXURE I**

Information pursuant to the provisions of para 3, 4C & 4D of part II of Schedule IV of the Companies Act, 1956.

a) Particular in respect of Licensed capacity, Installed capacity and Actual production (as certified by the Management)	Installed [Tonnes]		Production [Tonnes]	
	2009-10	2008-09	2009-10	2008-09
Steel Billets (Own)	54000	54000	5721	13775
Steel Billets (Job Work)			10756	0
Hot Rolled Bars/Wire Rods (Own)	100000	100000	7710	16845
Hot Rolled Bars/Wire Rods (Job Work)			74829	31104
Cold Finished Bars/Wires (Job Work)	10000	10000	2204	5031
<i>*Licensed Capacity is no longer applicable.</i>				
	2009 – 2010		2008 – 2009	
<b>Particulars</b>	Qty [MT]	Value [Rs.]	Qty [MT]	Value [Rs.]
<b>b) Sales</b>				
Billets	403	1,64,70,903	1033	6,46,85,825
Hot Rolled Bars/Wire Rods	7764	45,41,85,220	16977	1,22,63,53,406
S. S. Forgings/Flanges		47,73,683		
Others		10,40,81,152	-	6,65,576
Jobwork Charges		44,19,09,870	-	15,47,65,035
<b>Total</b>		<b>1,02,14,20,828</b>		<b>1,44,64,69,842</b>
<b>c) Closing Stocks</b>				
Scrap & Ferro Alloys			1998	12,97,26,402
Steel Billets	370	4,27,50,388	362	1,33,85,174
Hot Rolled Bars	307	3,35,65,244	362	1,73,24,180
Others		21,36,55,197	-	15,99,03,421
<b>Total</b>		<b>28,99,70,829</b>		<b>32,03,39,177</b>
<b>d) Raw Materials &amp; Stores Consumed</b>				
Scrap & Ferro Alloys	6907	29,50,71,851	13458	57,44,17,717
Steel Billets	2362	22,96,11,297	4271	34,89,60,000
Wire Rods/Coils	0	0	90	61,84,610
Others		10,21,55,455	-	7,15,45,812
<b>Total</b>		<b>62,68,38,603</b>		<b>1,00,11,08,139</b>
<b>e) Imported &amp; Indigenous Raw Materials &amp; Consumables</b>				
<b>Consumption</b>	% age	Value [Rs.]	% age	Value [Rs.]
Imported	24.37%	15,27,56,466	11.66%	9,97,47,979
Indigenous	75.63%	47,40,82,137	88.34%	90,13,60,160
<b>Total</b>		<b>62,68,38,603</b>		<b>1,00,11,08,139</b>
<b>f) Value of Imports on CIF basis</b>				
Raw Materials & Consumables		18,40,86,619		19,45,49,329
Capital Goods		47,87,104		13,68,571



Particulars	2009 – 2010		2008 – 2009	
	Qty [MT]	Value [Rs.]	Qty [MT]	Value [Rs.]
<b>g) Expenditure in Foreign Currency</b>				
Travelling		9,76,856		10,12,047
Others		3,55,632		21,03,251
<b>h) Earnings in Foreign Exchange</b>				
FOB Value of Exports		47,73,683		NIL
<b>j) Managerial Remuneration</b>				
I) Salary		17,70,300		17,06,400
ii) Contribution to Provident Fund				-
iii) Others				-
		17,70,300		17,06,400

As Per Our Report Of Even Date  
For Thanawala & Company  
Chartered Accountants

For & on behalf of the Board

V. K. Thanawala  
Proprietor  
[Membership No.:15632]

Ashwin H Gupta  
Chairman

Sudhir H.Gupta  
Managing Director

Mumbai  
Dated : September 6, 2010

Bimal Desai  
Director





## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

## I. Registration Details

Registration No.

4 3 1 8 6 / T A

State Code

1 1

Balance Sheet Date

3 1 0 3 2 0 1 0

## II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

N I L

Right Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

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

Total Liabilities

3 5 2 0 2 1 7

Total Assets

3 5 2 0 2 1 7

Source of Funds

Paid-up Capital

8 1 9 0 6 4

Reserves &amp; Surplus

1 3 7 9 5 2 0

Secured Loans

7 4 9 8 4 4

Unsecured Loans

5 7 1 7 8 8

Application of Funds

Net Fixed Assets

1 7 6 4 3 8 0

Investments

5 5 5

Net Current Assets

2 2 2 8 0 7

Misc. Expenditure

1 7 3 3

Accumulated Losses

1 5 3 2 7 4 0

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

Turnover (Gross Revenue)

1 0 7 7 3 3 0

Total Expenditure

1 3 2 0 4 5 2

Earning per Share in Rs.

( 0 . 8 9 )

Profit (+)/ Loss (-) before Tax

( 2 4 3 1 2 1 )

Profit (+)/ Loss (-) after Tax

( 1 6 3 4 0 9 )

Dividend Rate (%)

- -

## V. Generic names of three principal products/services [as per monetary terms]

Item Code No. (ITC CODE)

7 2 2 2 1 1 . 0 0

Product Description

Stainless Steel Bars &amp; Rods

7 2 2 2 2 0 . 0 0

Stainless Steel Bright Bars &amp; Rods

7 2 1 8 9 9 . 0 0

Stainless Steel Billets

## ATTENDANCE SLIP

## INDIA STEEL WORKS LIMITED

Please fill attendance slip and hand it over at the entrance of the meeting hall.

Reference Folio No.

No. of Shares

Name of shareholder :

I/We hereby record my/our presence at the 23<sup>rd</sup> ANNUAL GENERAL MEETING of the Company held on Thursday, September 30, 2010 at 10.00 a.m. at Chanakya, ABBOTT HOTEL, Sector 2, Vashi, Navi Mumbai 400 703.

Signature of the Shareholder/Proxy

## PROXY FORM

## INDIA STEEL WORKS LIMITED

Reference Folio No.

No. of Shares

I/ We..... of ..... In the District Of ..... being a member(s) of **INDIA STEEL WORKS LIMITED** hereby appoint ..... of ..... in the District of ..... as/my our proxy to vote for me /us and on my/our behalf at the 23<sup>rd</sup> ANNUAL GENERAL MEETING of the Company held on Thursday, September 30, 2010 at 10.00 a.m. at Chanakya, ABBOTT HOTEL, Sector 2, Vashi, Navi Mumbai 400 703.

Signed this ..... day of ..... 2010

Re. 1
Revenue
Stamp

Note : The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

For the convenience of the share holders of the Company, conveyance has been arranged to the venue of the AGM at Swaminarayan Temple, Dadar (East) leaving at 8.30 a.m.

BOOK-POST

If undelivered Please Return to :



**INDIA STEEL WORKS LIMITED**

*INNER VISION. GLOBAL ACTION*

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**Registered Office** : C-63, TTC Area, MIDC, Turbhe, Navi Mumbai - 400 705.  
Telephone : 2768 6437, 2767 0424 Fax : 2763 3888 E Mail : info@indiasteel.in  
**Website** : <http://www.indiasteel.in>

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