

**ELECTROSTEEL
CASTINGS
LIMITED**

**53RD
ANNUAL
REPORT**

2007-08

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BACKWARD INTEGRATION
CONSOLIDATION

GROWTH

Corporate Information

Chairman	P. K. Khaitan
Directors	B. Khaitan V. K. Lamba Naresh Chandra Jamshed J. Irani
Managing Director	Umang Kejriwal
Joint Managing Director	Mayank Kejriwal
Wholetime Directors	N. C. Bahl Uddhav Kejriwal
Company Secretary	Jyoti Jain
Auditors	Lodha & Co. Chartered Accountants
Solicitors	Khaitan & Co.
Bankers	Punjab National Bank Standard Chartered Bank BNP Paribas ICICI Bank Ltd. IDBI Bank Ltd. HDFC Bank Ltd. HSBC Ltd.
Works	Khardah, West Bengal Haldia, West Bengal Elavur, Tamil Nadu
Corporate Office	G. K. Tower 19, Camac Street Kolkata 700 017
Registered Office	Rathod Colony Rajgangpur Sundergarh Orissa - 770 017

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Directors' Report

To The Shareholders

Your Directors take pleasure in presenting their Fifty Third Annual Report and Audited Accounts of the Company for the year ended March 31, 2008.

Financial highlights	(Rs. in crores)	
	2007-08	2006-07
Turnover	13,84.42	11,76.22
Total income	14,15.54	11,67.89
EBITDA	1,73.47	2,12.69
Interest	26.21	20.59
Cash generation	1,68.50	1,94.75
Depreciation	36.61	33.67
Profit before tax and exceptional items	1,10.66	1,58.42
Less: Provision for losses on derivatives transaction	(60.20)	-
Profit before taxation	50.45	1,58.42
Less: Provision for tax (including FBT & deferred tax)	(8.17)	(52.26)
Add: Income tax refund	9.73	-
Profit after taxation	52.02	1,06.16
Add: Balance brought forward from previous year	61.17	33.61
Transfer from debenture redemption reserve	15.00	20.00
Available for appropriation	1,28.19	1,59.77
Less: Transfer to debenture redemption reserve	(9.00)	(9.00)
Transfer to general reserve	(20.00)	(60.00)
Dividend including tax thereon	(30.98)	(29.59)
Proposed Final Dividend including tax thereon	(8.20)	-
Surplus carried to balance sheet	60.01	61.18

Dividend

During the year, the Company paid an interim dividend @ Re.1.00 per share (100%) for the year ended March 31, 2008 and the Directors recommend a final dividend of 25% making a total of 125%. The total outgo on account of dividend, together with dividend tax of Rs. 5.69 crores amounted to Rs. 39.18 crores.

The Board recommends the above dividends for declaration/confirmation by the members.

Operations

During the year the Company achieved a turnover of Rs. 13,84.42 crores representing an increase of 18% over the previous year including exports of Rs. 4,34.36 crores. The Company's profit (PBT) for the year was Rs. 1,10.66 crores, as against Rs. 1,58.42 crores. The decline was mainly due to steep increase in iron-ore and coal/coke prices in the later half of the year and adverse movement in the foreign exchange market affecting Company's foreign exchange exposures.

During the year D.I. Pipes production was 2,14,956 MT as against 2,30,109 MT in the preceding year, showing a decline of 7%. The decline was mainly due to shutdowns because of heavy floods and relining of Blast Furnace. Production of D.I. fittings was significantly higher by 35% over the previous year (from 3,453 MT to 4,654 MT).

The production of C.I. Pipes at Elavur was 50,504 MT as against 41,988 MT in the previous year.

During the year the Company achieved a turnover of Rs. 13,84.42 crores representing an increase of 18% over the previous year including exports of Rs. 4,34.36 crores.

The Company's export of D.I. Pipes decreased to 1,03,413 MT as compared to 1,15,289 MT in the preceding year, showing a decline of 10%, owing to higher proportion of sales in the domestic market.

During the later half of the year the Company was able to increase the prices to partly compensate the increase in raw material costs. The average YoY realization thus increased by Rs. 1,000 per ton in the current year.

Cost reduction and backward integration

The Company installed a Sinter plant and a 33kv sub-station around the end of the year, which will enhance operational efficiency and will result in decrease in consumption of coke and thereby reduce cost.

The Company had received allocation of Parbatpur Coal Block in Jharia Coal field. After getting all the clearances Lease agreement with the Govt. of Jharkhand was signed during the year and infrastructure developmental work is in full swing at the mining site.

Coke oven plant - The Company already has two coke oven batteries in operation at Haldia with a capacity of approx. 400 TPD. The Company now plans to install two more batteries of similar capacities to enhance its coke making capacities and become self sufficient in coke.

Power plant - the Company plans second 12 MW Power plant at Haldia, which will produce power from waste heat gas from coke oven batteries.

Directors' Report (Contd.)

Railway siding – the Company plans to construct a railway siding at Haldia to create facility for smooth movement of materials from the forthcoming coal mine at Parbatpur, Jharkhand and iron ore mine at Kodolibad, Jharkhand.

The Company is also acquiring two wagon rakes under the Indian Railway's Wagon Investment Scheme (WIS) to part solve the logistics problem.

Finance

The Company raised Rs. 33.68 crores by preferential issue of convertible warrants and Rs. 74.03 crores by issue of equity capital to promoters and other investors.

During the year, Zero Coupon Convertible Bonds (ZCCB's) amounting to US\$ 54.05 million were converted in equity resulting in the increase of net worth of your company by Rs. 2,42.36 crores.

Future Prospects

In view of the thrust given by Government of India to create infrastructure for effective management of water resources and sewerage, the demand for D.I. Pipes is expected to grow by 15% per annum.

The Company is expected to start coal production from the new mine allotted to it, during the year.

It is expected that the Company will face further increase in raw material costs. Your Directors are fully aware of the same and suitable steps have been initiated to offset the cost increase by corresponding increase in prices of its products.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement entered into with the stock exchanges, a Report on Corporate Governance, together with a certificate obtained from the Statutory Auditors confirming compliance, is set out as annexure to this Report.

Directors' responsibility statement

Your Directors hereby confirm:

- a) that in the preparation of annual accounts, containing financial statements for the year ended March 31, 2008 the applicable accounting standards have been followed.
- b) that the stated accounting policies have been consistently followed to give a true and fair view of the state of affairs of the company and the profit for that period.
- c) 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 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) the annual accounts have been prepared on a going concern basis.

Labour Relations

During the year under review the industrial relations with the staff and workmen have remained cordial.

Energy, Technology and Foreign Exchange

Statement containing necessary information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto as annexure 'A'.

Employees

The Board of Directors expresses its appreciation for the cordial relations and outstanding contribution made by the officers and employees of your Company at all levels during the year.

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this report.

However, pursuant to Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the shareholders of the Company, excluding the aforesaid information. Those members desirous of obtaining such particulars may write to the Company Secretary at the registered office of the Company.

Subsidiary Companies

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, vide its letter bearing number 47/19/2008-CL-III dated February 28, 2008, the copies of the balance sheet, profit and loss account, reports of the Board of Directors and the Auditors' Reports of the subsidiary companies for the year ended March 31, 2008 are not attached to the balance sheet of the Company. As per the terms of the Exemption

During the year, Zero Coupon Convertible Bonds amounting to US\$ 54.05 million were converted in equity resulting in the increase of net worth of your company by Rs. 2,42.36 crores.

Directors' Report (Contd.)

Letter, a statement containing brief financial details of the Company's subsidiaries for the year ended March 31, 2008 is included in the Annual Report. The Company will make available the annual accounts and other related detailed information of the subsidiaries upon request by any member/investor of the Company/subsidiary companies. Further, the annual accounts of the subsidiary companies will also be kept for inspection by any member/investor at the Company's Registered Office.

Awards

In the month of October 2007, Kolkata Port Trust awarded us the Certificate of Excellence in recognition of our tendering highest number of containers for the year 2006-07 and in February 2008 Engineering Exports Promotion Council, Eastern Region presented the Export Excellence Award for outstanding contribution in exports during 2005-06.

Consolidated Financial Statements

The Board of Directors has pleasure in attaching the Consolidated Financial Statement pursuant to Clause 41 of the Listing Agreement entered into with the stock exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India.

Auditor's Report

The statutory auditors have made observations as set out in note 25(a) of Schedule 17 (Notes to

Accounts) with regard to investments made by the Company in Domco Private Limited (DPL), a company incorporated in India. The Company has joint control in DPL to the extent of 50% and the balance control is vested in the hands of other co-venturers (The Venturers). Last year, The Venturers filed a petition before the Company Law Board, Principal Bench, New Delhi (CLB) against the Company on various matters including for forfeiture of the Company's investment in equity shares of DPL. The Company had, inter alia, filed petition before the Ranchi High Court. The High Court while uploading our contention has ruled that the matter has to be referred to Arbitration as provided in the Shareholders Agreement. The Company considers, subject to final outcome of the Arbitration, investments of Rs. 30.00 lakhs in DPL and advances of Rs. 7,00.00 lakhs to DPL to be good and recoverable and accordingly these have been carried forward at book value in these accounts.

Directors

Mr. Pradip Kumar Khaitan, Mr. V.K. Lamba and Mr. Uddhav Kejriwal, Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Auditors

The Auditors, M/s. Lodha & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Certificate from the Auditors has been obtained

to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Acknowledgement

Your Directors take this opportunity to thank the Financial Institutions, Banks, Government Authorities, Customers, Shareholders, Investors, employees and other stakeholders for their continued trust and support to the Company.

Kolkata
June 23, 2008

On behalf of the Board
P.K. KHAITAN
Chairman

In February 2008, Engineering Exports Promotion Council, Eastern Region presented the Export Excellence Award to the Company for outstanding contribution in exports made during 2005-06.

Annexure 'A'

To Directors' Report

CONSERVATION OF ENERGY

a) Energy conservation measures taken :

- ❖ Installation of recuperator in Stove at MBF for preheating Air and BF Gas
- ❖ Installation of FRP blades in DG cooling towers
- ❖ Further improvement from 3.36 kwh/L to 3.6 kwh/L achieved in DG set
- ❖ Based on energy audit almost 22 motors have been downsized and also introduced Energy efficient motors in place of conventional motors at Ductile Iron Works.

b) Additional investment & proposals, if any, being implemented for reduction of consumption of energy

Improvement of effectiveness of cooling towers, automatic controller for pF improvement in large LT motors (above 55 KW), VVFD (variable voltage variable frequency drive) in ID fans of annealing furnaces.

c) Impact of measures of (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

1. Specific energy has reduced from 698 millioncal/MT hot metal in 2006-07 to 648 millioncal in 2007- 08
2. Specific energy consumption in 2007-08 is running at 567 millioncal/MT against 534 in 2006-07.

d) Total energy consumption & energy consumption per unit of production as per FORM – A attached

TECHNOLOGY ABSORPTION RESEARCH & DEVELOPMENT (R & D)

The Company's Research & Development cell is fully geared to absorb, adapt and innovate the latest technology on a continuous basis. Some of the R&D initiatives taken by the Company during the year to improve the life, performance and market share of the product are as below:

- ❖ Pipe coatings have been developed for conveying water conforming to potability quality of water as

per European Union (EU) directive, under extreme temperature conditions of Europe and Middle East. British agencies like WRC and European Certifying Body have approved these.

- ❖ Collaborative research and development is being carried out on testing and measurement of corrosion prevention characteristics of metallic and non-metallic protective coatings with Jadavpur University (Industrial Institute Partner Cell) to improve the life of DI Pipes under different aggressive soil conditions.

- ❖ Pipes and Fittings as per AWWA specification of USA are under development for entering high-end market. The approval for quality from different certifying agencies like UL, NSF is under progress.

The Company incurred Rs 46.75 lakhs on R&D activities.

FOREIGN EXCHANGE EARNINGS & OUTGO

- a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products & services and export plans :

Continuing efforts are made to increase the exports by exploring, creating and developing new markets, setting up Subsidiaries, Joint Ventures and Branches in foreign countries.

- b) Total foreign exchange used and earned :

Foreign exchange used
Rs. 24,648.76 lakhs
Foreign exchange earned
Rs. 45,403.39 lakhs

Form - A

Form for disclosure of particulars with respect to conservation of energy : 2007-2008

(a) Power & Fuel

		Current Year ended 31.03.08	Previous Year ended 31.03.07
1. Electricity			
(a) Purchased			
Units	Kwh '000	91539.808	89776.664
Total Amount	Rs.Lakhs	3717.88	3498.81
Rate/Unit	Rs.	4.56	3.90
(b) Own Generation			
i) Through Diesel Generator			
Units	Kwh '000	6938.839	6421.393
Unit/litre of Diesel Oil	Kwh	3.48	3.28
Cost/Unit Variable	Rs.	10.37	9.75
ii) Through Steam Turbine Generator			
Units	Kwh '000	120485.643	83183.756
Unit/litre of Diesel Oil	Kwh	257.99	229.13
Cost/Unit Variable	Rs.	0.12	0.14
2. Furnace Oil			
Quantity	K L	6811.613	7568.446
Total Amount	Rs. Lakhs	1566.67	1627.92
Average Rate	Rs./ KL	23743.93	21509.29
3. Hard Coke			
Quantity	M T	8680.726	8492.732
Total Amount	Rs. Lakhs	973.01	703.76
Average Rate	Rs./MT	12579.44	8286.66
4. Diesel Oil			
Quantity	K L	2559.494	2049.002
Total Amount	Rs. Lakhs	775.30	655.23
Average Rate	Rs./ KL	30344.00	31978.15
5. Coal Gas			
Quantity	NM ³ '000	9567.060	11835.930
Total Amount	Rs. Lakhs	529.74	343.19
Average Rate	Rs./NM ³	5.54	2.90

(b) Consumption Per Unit of Production (MT)

	Pig Iron	DI Pipes	CI Pipes	DI Fittings	Coke	Sponge Iron
Electricity (Kwh)	154 (136)	380 (355)	59 (58)	1395 (1688)	16 (20)	87 (91)
Furnace Oil (Ltr.)	0 (-)	9 (19)	59 (58)	0 (-)	0 (-)	0 (-)
Diesel Oil (Ltr.)	0 (-)	7 (5)	4 (3)	2 (2)	0 (-)	0 (-)
Hard Coke (Kg.)	0 (-)	0 (-)	136 (134)	0 (-)	0 (-)	29 (54)
Coal Gas (NM ³)	0 (-)	45 (51)	0 (-)	0 (-)	0 (-)	0 (-)

Management

Discussion and Analysis

OVERVIEW

The Company is engaged in the business of manufacturing Ductile Iron Pipes and Fittings and Cast Iron Pipes. Additionally, the Company also undertakes turnkey solutions for water transportation and sewerage management, which includes manufacturing DI Pipes, supplying and laying various types of pipes, operating the system and transferring to the owners.

INDUSTRY OUTLOOK

In India, water supply is mainly met through monsoons. Government has now realized that too much dependence on ground water reserve has led to a situation where thousands of years of accumulated ground water has been used up within a few decades. The Government has to depend on surface water sources. Schemes of holding surface water in reservoirs are increasing to prevent it from flowing out to the sea. This water would be used in irrigation, domestic water supply and industry. These types of schemes would need large amounts of reliable and durable pipes.

Water supply projects in India are mainly funded by the Government (both state & central). The government currently spends approximately 3 percent of the national budget on investments to provide drinking water. Finance for the schemes would be provided partly by the Central Govt. under various schemes like from JNNURM, UDISSMT, BSUP (Basic Service for Urban Poor) ARWSP, Mega City Projects, and Bharat Nirman Project etc. The respective State Govts will arrange rest

of the fund through variety of sources including budgetary allocations by the state governments, municipal bonds, pooled finance with private participation, loan from financial organizations (like HUDCO, LIC, IL&FS, IDFC etc.) and international aid etc. International Funding Organizations and Multilateral Funding Agencies like the World Bank, the Asian Development Bank (ADB) and the Japan Bank for International Cooperation (JBIC) also support the sector.

As more and more international water-utility providing companies are investing in India, it is expected that more of private funds would flow in water supply. The private parties will realize that good quality DI Pipes have the lowest life-cycle cost and to make durable water and sewerage infrastructure, are the best option to keep the running costs low.

The future need for creation of urban and rural infrastructure (including water resources and sewerage management) in India is enormous and this rapidly increasing demand will continue to push up the requirement of all types of pipes in the water and wastewater sector.

The Central Government is investing heavily in the Accelerated Irrigation Benefit Programme (AIBP) and the Rainfed Area Development Programme (RADP). Under the AIBP, 24 major and medium irrigation programmes and 753 minor irrigation schemes will be completed in this financial year. The budget outlay for 2007-08 was Rs. 11,000 crores which has increased to Rs. 20,000 crores for

2008-09. The RADP will have an allocation of Rs. 348 crores for 2008-09. The micro irrigation schemes have a budgetary allocation of Rs. 500 crores. In these efforts, international development finance institutions such as the World Bank and the Asian Development Bank are extending support to the Government. This has generated a strong demand for DI Pipes that are increasingly being used for water and sewerage transportation.

DI Pipes are stronger, have longer life span, are easier to tap, require less support and provide greater flow area as compared to pipes made from other materials. DI Pipes have a lower life cycle cost than most other types of pipes used for water transportation and sanitation. Also, in difficult terrain these can be a better choice than PVC, concrete, polyethylene or steel pipes. This edge enjoyed by DI Pipes has led to increased usage of such pipes and gradual substitution of other conventional pipes. Based on past records, the demand for DI Pipes is expected to grow by 15-20 % year on year and the demand for CI Pipes is expected to decline.

2007-08 Vs. 2006-07

During the year, the Company had lower production and sales (quantum) because of reduced number of working days due to flooding and relining of blast furnace. The Company's turnover has increased from Rs. 1,176.22 crores in 2006-07 to Rs. 1,384.42 crores in 2007-08 representing an increase of 18%. Export sales showed a marginal decline from Rs. 447.05 crores to Rs. 434.36 crores, a decrease of 2.83%. The Company also faced unprecedented increase in iron-ore and

Verification process for the 1st year's emission was completed and the Company have already sold carbon credits worth Rs. 2.63 crores for emission reduction.

Management Discussion (Contd.)

During the year the Company has signed the mining lease agreement with the Government of Jharkhand for Coking Coal mine in Jharia Coalfield.

coal/coke prices in addition to general increase in raw material prices. Adverse movement in international forex markets affected the Company's forex exposures. Consequent to the above Company's profit (PBT) has also decreased from Rs. 158.42 crores in 2006-07 to Rs. 110.66 crores in 2007-08. The Company also had to make a further provision of Rs. 60.20 crores on account of mark to market losses on forex derivative contracts as required by the notification issued by the Institute of Chartered Accountants of India, dated March 29, 2008.

« Ductile Iron Pipes

The production of DI Pipes reduced during the year from 2,30,109 MT last year to 2,14,956 MT. In addition to the unprecedented floods in September causing a major shutdown and disruption of the plant, premature failure of Blast Furnace lining was the major reason of lower production.

Year	DI Pipe production
2005-06	1,81,161 MT
2006-07	2,30,109 MT
2007-08	2,14,956 MT

With the installation of a new sinter plant, it is expected that the production will improve during the ensuing year and reach new heights.

« Cast Iron Pipes

To partially make up the loss in production of DI Pipes, the Company produced 50,504 MT of Cast Iron Pipes at its Elavur works against 41,988 MT in the previous year.

However, in line with the demand shift from CI Pipes to DI Pipes due to its superiority over other pipes, Electrosteel will continue its focus on DI Pipes.

« DI Fittings & Accessories

With DI Fittings getting accepted in the highly quality conscious markets of Europe, production of the same continued to increase. Production during the year was 4,654 MT against 3,453 MT during the previous year, registering an increase of 35% over the previous year.

« Raw Materials Management

To offset the rise in cost of iron ore, a major input in the manufacturing process, the Company has installed a Sinter Plant at its Khardah Works. This sinter plant shall use iron ore fines as an input instead of the costly lump iron ore, and shall help to contain raw material costs.

The Company had received allocation of Parbatpur Coal Block in Jharia Coalfield. All the statutory clearances have been obtained and the mining lease agreement has been signed with the Government of Jharkhand. The Company has already acquired around approx 475 acres of land for the same. Other infrastructure developmental works are in progress. It is expected that the coal production will start during the current year. This captive source will ensure that the Company gets coking coal at lower costs and also remains insulated from the demand-supply volatility in the open market.

The Company has been allotted an Iron Ore mine in Kodolibad, Jharkhand. This backward integration measure will reduce Company's operating cost and ensure a steady supply of Iron ore. Proposal for the forest diversion is with Ministry of Environment & Forest for grant of Stage – I clearance. On receipt of the clearance and after complying the same, Stage – II i.e. final clearance will be obtained. Mining lease agreement will be signed thereafter.

« Power Plant

Haldia's Waste Heat based Power Plant has been developed as a Clean Development Mechanism (CDM) Project. In this project the sensible heat in the waste gas emissions from our Coke Oven Plant and Sponge Iron Plant is utilised for generating 12 MW power. Since waste gases are used instead of burning fossil fuels for generation of power, this project will reduce appx. 78,000 MT of Carbon Dioxide emissions to atmosphere every year, thus helping in abating climate changes, and earning carbon credits.

12 MW Power Plant at Haldia, has contributed 82.9 million units to SEB grid in place of 47.5 million units last year.

After going through the vigorous processes, obtaining host country approval from MOEF, carrying out validation through DNV and registering with UNFCCC (United Nations Framework Convention for Climate Change) under Kyoto Protocol, verification process for the 1st year's emission was completed and we have already sold carbon credits worth Rs. 2.63 crores for emission reduction. Verification for 2nd year is now underway.

Management Discussion (Contd.)

Another 12MW power plant is being planned using the waste gas generated by the two new coke oven batteries being installed at Haldia. With this, additional income will be generated from carbon credits.

◀◀ Captive Coke Oven Plant

During the year, the Coke Oven Plant at Haldia produced 1,26,126 MT of Metallurgical Coke against 99,672 MT last year for captive consumption in Blast Furnace at Khardah Works.

Two more coke oven batteries have been planned at Haldia and with the installation of the same the Company will be self sufficient in its coke making capacity.

◀◀ Export

The constant focus of the Company on quality and new product developments in line with the international requirements and standards has resulted in gaining larger market share in the quality conscious markets of Europe like France, Spain, Germany, Italy etc. The company became the second largest supplier in the Spanish market. The Company established its commitment to service the European customers by putting into operation a warehouse of approx. 30,000 sq. meters in France and acquiring the 40% share of Fusion Group (Holdings) in the joint venture in UK to become 100% subsidiary of Electrosteel Castings Limited. First batch of pipes was shipped out to Germany marking entry into a new market. A new design accessory (fitting) received good response in the markets of Europe and Africa.

In the month of October 2007, Kolkata Port Trust awarded us the Certificate of Excellence in recognition of our tendering highest number of containers for the year 2006-07 and in February 2008 Engineering Exports Promotion Council, Eastern Region presented the Export Excellence Award for outstanding contribution in exports during 2005-06.

◀◀ Turnkey Projects

The Company also provides turnkey solutions to its customers in the areas of water infrastructure and sewerage management. It undertakes the activities of engineering, procurement, construction operations and management with respect to water distribution and sewerage systems, across the country. This turnkey activity also involves supply and laying of substantial quantities of the Company's pipes and fittings and thus adds to business opportunities for the Company.

The Company is currently executing major projects in the states of Gujarat, Rajasthan, Kerala, J & K, Tamil Nadu and Madhya Pradesh.

◀◀ Quality

Quality, has always been the prime focus of the Company, to ensure the brand image and ultimately improving the market share. The Company continues to take new initiatives to further strengthen its quality control and quality assurance systems. Some of the steps taken during the year are as below:

- a) TPM and the Kaizen Culture continues to be maintained with all the enthusiasm

involving and motivating personnel at all levels.

- b) Electrosteel laboratory has been recommended for a prestigious accreditation by the National Accreditation Bureau of Laboratories, indicating the highest quality.
- c) Different international agencies like DVGW (Germany), BSI (UK), SIRIM (Malaysia) and Middle East countries have continued approval to the Company's quality system and products.
- d) Collaborative work on studies of effectiveness of coating in corrosion prevention is continuing with Jadavpur University (Industry Institute Partnership Cell) and the results have been accepted by Body Coat PDL, UK.
- e) BSI (UK) has recognised our excellent Type Testing facility and has used it for carrying out the performance tests on the Ductile Iron Pipes of other manufacturers for approval of Kitemark License to them.

◀◀ Safety, Health & Environment

The Company is committed to the safety and health of its employees. The Safety Management Systems are constantly being monitored for improvement and upgradation to compete with the best in the industry. Mechanisms for monitoring activities related to health, hygiene and safety have been set up at every plant. The Company conducts regular programmes and training courses to create awareness of the above, among

In the month of October 2007, Kolkata Port Trust awarded us the Certificate of Excellence in recognition of our tendering highest number of containers for the year 2006-07.

Management Discussion (Contd.)

During the year SAP was implemented across all business operations covering all the manufacturing units and distribution channels.

employees. Some of the steps taken on this account are as under :

- a) Electrosteel is effectively maintaining the Environmental Management System Standard ISO: 14001-2004 in both the manufacturing plants (Khardah and Elavur).
- b) Use of JIPM – TPM methodology of KYT (Danger Prediction caused by human error in various activity areas) is being continuously enhanced to further improve the consciousness of workmen and supervisors.
- c) Senior Managers participate in 'Planned Visit' of the plants to enforce 'Safe Operating Practices'.
- d) Staff from various Polytechnics along with the Faculty of National Institute of Technology, Teachers' Training & Research are regularly provided in-plant training on Environment and Safety Measures.
- e) Electrosteel has sponsored various social activities for spreading awareness of environment issues in the neighbourhood.
- f) The Company also focuses on the development of the eco-system and improvement of the green belt in and around its manufacturing plants.

« Corporate Social Responsibility (CSR)

Social welfare, community development, economic and environmental responsibilities are at the core of the CSR of the Company. As part of its policy for corporate social

responsibility, the Company undertakes a range of activities to improve living conditions of people in the neighbourhood of all its plants. These activities include education, healthcare, sports, cultural events, vocational training such as :

- a) Development, repair, renovation and extension of classrooms of local Institutes.
- b) Health care of local inhabitants through charitable medical institutions and donations for treatment.
- c) Organising sports activities involving local schools and clubs at district level with an aim to promote sports activities in the district.
- d) Giving entrepreneurial opportunity to local un-employed youths to supply materials and through encouraging contract activities.
- e) Organising cultural programmes.
- f) Rewards for good & bright students.

« Information Technology

Electrosteel strongly believes that Information Technology (IT) is one of key enabler in today's business. In order to gain a competitive edge, Electrosteel is into continuous endeavour to adopt best business process practices and establish it as the culture of the organization. Therefore, IT has been a major focus area for Electrosteel and taken up as key driver for accelerating the business performance.

As planned and committed during 2006-07, the Company embarked on complete IT

revamp. SAP was implemented across all its business operations covering all the manufacturing units and distribution channels. SAP implementation was planned in two phases. In the first phase, ERP Central Component (ECC) has been successfully implemented. Second phase is scheduled during 2008 - 09.

The basic objective of SAP implementation was to:

- ❖ bring all manufacturing units on one platform to create a single window view of business operations in the enterprise;
- ❖ bring transparency in its business processes and operations;
- ❖ implement unified business processes across locations and functions;
- ❖ Integrating the cycle of planning, sourcing, manufacturing, distributing and servicing activities at their highest level of efficiency ;
- ❖ produce cost effectively to improve margins;
- ❖ make Electrosteel a seamless organization; and
- ❖ Allowing ease of strategic planning leaving daily operations on SAP's shoulder.

Electrosteel has already started witnessing some of these benefits. With passage of time it is confident to yield better mileage of this SAP initiative.

In view of SAP implementation and ensuring uninterrupted IT services, major focus has

Management Discussion (Contd.)

been given to further strengthening the IT infrastructures, WAN and LAN across production units and branch offices. A State-of-the-Art Data Center has been developed out of Khardah connecting all its locations across Indian geography. Best technology practices to support network, data security and access control have been introduced to ensure security.

« Human Resources/Industrial Relations

Human resources are the strongest and the most precious assets of Electrosteel and remains the backbone to the success of the organization. The Company believes in creating performance and excellence to keep the workforce truly engaged and committed. Efforts are directed towards acquiring strategic skills.

The Company continues its harmonious and cordial relations with its workmen, employees and trade unions. It is the result of this relationship that the Company has not lost a single man-day of production during last several years.

« Risks and Concerns

This has been dealt with separately in the Annual Report under "Risk Management".

« Internal Control Systems and their adequacy

The Company has adequate internal control system in all the areas. It ensures the efficiency of the operations, financial reporting and statutory compliances. Apart from the internal control system, an independent internal auditor also reviews all activities in a

systematic and structured manner. The Audit Committee regularly reviews the observations and suggestions of the internal auditors and takes the necessary corrective actions.

« Threats

Increased costs of raw materials, shipping, logistics and bottleneck in the logistics, coupled with competitive market, have created pressure on margins. However, with backward integration, cost reduction measures, de-bottlenecking logistic constraints and long term planning for raw material availability, the Company is confident of achieving sustained growth both in turnover and profits.

« Outlook

Being the largest and low cost producer of quality Ductile Pipes in India, coupled with cost control measures, rising demand and focus on exports, the Company is very optimistic of its bright future.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's estimates, predictions, expectations may be "forward-looking" within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed or implied in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods in which the Company operates, input availability and prices, changes in government

The Company plans to construct a railway siding at Haldia to create facility for smooth movement of materials from the forthcoming coal mine at Parbatpur, Jharkhand and iron ore mine at Kodolibad, Jharkhand.

Risk Management

The Company is fully committed to strengthen its risk management capability on continuous basis in order to protect and enhance shareholder value. Further, the risk management framework ensures compliance with the requirements of amended Clause 49 of the Listing Agreement. The framework establishes risk management processes across all businesses and functions of the Company. These processes are periodically reviewed to ensure that the Management controls risks through properly defined framework.

The Company has already undertaken an extensive Risk Management effort that includes introducing Risk Management Manual, compiling a comprehensive profile of the key risks to the Company, identifying key gaps in managing those risks and developing preliminary action plans to address those risks. This effort accomplishes the following goals:

- ❖ responds to the Board's need for enhanced risk information and improved mitigation plan;
- ❖ provides the ability to prioritize, manage and monitor the risks in the business; and
- ❖ formalizes the explicit requirements for assessing risks on an ongoing basis, including an effective internal control and management reporting system.

Some of the key risks affecting your Company are illustrated below :

◀◀ Economic Risk

Due to the increase in the cost of number of inputs and raw materials used by the Company, it is faced with the threat of pressure on margins on sales.

To counter this, the Company has taken various steps including backward integration which comprises own coal mines and iron ore mines and brown field expansions e.g. sinter plant, setting up sponge iron plant, coke oven plant, power plant from waste heat recovery, upgrading and expanding manufacturing capacities and increasing efforts on R&D. In addition, cost control measures are an ongoing process.

To avoid price volatility for critical items, the company tries to enter into long term contracts.

◀◀ Competitor Risk

The Company is exposed to the risk of competition, as the market is highly competitive with the elimination of physical barriers and entry of new players.

The Company continues to focus on increasing its market share and taking marketing initiatives that help customers in taking better-informed decisions. The quality improvement efforts have established the brand image of the product as the most preferred brand with the customers. With the thrust given by Government of India on water and water related projects and with the estimated growth in water requirement, the demand of DI Pipes is expected to grow substantially and the Company is confident of retaining its market share.

◀◀ Foreign Exchange Risk

Considering the large export and imports of raw material, the Company is exposed to the risk of fluctuation in the exchange rates.

The Company has adopted a comprehensive risk management review system wherein it actively hedges its foreign exchange exposures within defined parameters, through use of hedging

instruments such as forward contracts, options and swaps. The company periodically reviews and audits its risk management initiatives through an independent expert.

◀◀ Industrial Risk

The Company is exposed to labour unrest risk, which may lead to production slowdown ultimately resulting in plant shutdown.

Labour relations have been excellent throughout the year in spite of number of unions. It is the result of such cordial and harmonious relations that not a single man-day has been lost in the last 8 years. The Company believes that labour relations will continue to remain excellent.

◀◀ Environment Risk

The Company is exposed to the risk of Environment and Pollution Controls, which is associated with such type of industries.

The Company is committed to the conservation of the environment and has adopted the latest technology for pollution control. The Company is ISO-14001-2004 certified and is adhering strictly to the emission norms applicable for the industry.

◀◀ Payment Risk

The Company is exposed to the defaults by customers in payments.

Since major water infrastructure projects are government funded or foreign aided, the risk involved in payment default is minimum. Further, evaluating the credit worthiness of the customers has minimized the risk of default by other segment customer. Besides, the risk of export receivables is covered under Credit Insurance.

The Company has taken various steps including backward integration which comprises own coal mines and iron ore mines and brown field expansions.

Corporate Governance

The Company's philosophy of Corporate Governance stems from its belief that timely disclosures, transparent accounting policies, and a strong and independent Board go a long way in preserving shareholders trust while maximizing long-term shareholder value.

Corporate Governance is the application of best management practices and adherence to ethical standards and to achieve the Organisational objective of enhancing the value of each stakeholder.

The Company's report on Corporate Governance, which has been prepared as per Clause 49 of the Listing Agreement, for the year ended March 31, 2008 is as under:

1. Company's philosophy on Corporate Governance

Electrosteel has always believed in enhancing shareholder value through good Corporate Governance, which involves transparency, empowerment, accountability and integrity. The Company's philosophy of Corporate Governance stems from its belief that timely disclosures, transparent accounting policies, and a strong and independent Board go a long way in preserving shareholders trust while maximizing long-term shareholder value.

2. Board of Directors

Composition as on March 31, 2008

The Board of Directors of Company consists of nine-members which comprises of:

- ❖ Three promoter executive directors
- ❖ One non-promoter executive director
- ❖ Four independent non-executive directors
- ❖ One non-independent non-executive director

The composition of the Board during the financial year was in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges. The Chairman of the Board is a non-executive director.

Name of the Director	Category	No. of other Directorship(s) in Public Limited Companies incorporated in India	No. of Membership(s) in other Board Committees	No. of Chairmanship(s) in other Board Committees
Pradip Kumar Khaitan	Non-Independent, non-executive	14	6	1
Umang Kejriwal	Promoter, Executive	11	Nil	Nil
Mayank Kejriwal	do	10	Nil	Nil
Uddhav Kejriwal	do	13	Nil	Nil
N. C. Bahl	Non-promoter, Executive	1	Nil	Nil
Jamshed J Irani	Independent, Non-executive	10	2	Nil
Binod Khaitan	do	1	Nil	Nil
V. K. Lamba	do	1	Nil	Nil
Naresh Chandra	do	9	10	2

Attendance of Directors at the Board Meetings during the financial year ended March 31, 2008 and the last Annual General Meeting (AGM)

During the financial year ended March 31, 2008, seven Board meetings were held on the following dates: May 07, 2007; June 22, 2007; July 23, 2007; September 27, 2007; October 29, 2007; December 03, 2007 and January 24, 2008. The gap between any two consecutive meetings did not exceed four months. The attendance details of each Director at the Board meetings and at the last Annual General Meeting (AGM) is given below:

Name of the Director	No. of Board meetings attended	Attendance at the last AGM held on August 08, 2007
Pradip Kumar Khaitan	7	No
Umang Kejriwal	6	No
Mayank Kejriwal	6	No
Uddhav Kejriwal	6	No
S.Y. Rajagopalan	3	No
N. C. Bahl	5	No
Jamshed J Irani	6	No
Binod Khaitan	6	Yes
V. K. Lamba	4	No
Naresh Chandra	5	No

Corporate Governance (Contd.)

Code of Conduct

A code of conduct has been laid down for all Board Members and Senior Management of the Company who have affirmed compliance with the same. A declaration signed by the Managing Director to this effect is enclosed at the end of this report. The Code is also posted on the Company's website.

3. Audit Committee

The Audit Committee was constituted on January 30, 2001 with powers and role specifically laid out to comply with the requirements of Clause 49 of the Listing Agreements with the Stock Exchanges in India and the spirit of Corporate Governance. The Audit Committee also oversees compliance with Section 292A of the Companies Act, 1956.

Composition of Audit Committee

As on March 31, 2008 the Audit Committee comprised three members, all being non-executive independent Directors, having financial and accounting knowledge. The members of the Audit Committee are Mr. Binod Khaitan, Mr. V.K. Lamba and Mr. Naresh Chandra. Mr. Binod Khaitan who is an independent, non-executive Director is the Chairman of the Committee. The Company's statutory auditor and the internal auditors are permanent invitees at committee meetings. Mr. Jyoti Jain, Company Secretary, acts as the Secretary to the Audit Committee. (Mr. Sanjeev Churiwal was acting as the Company Secretary/Secretary to the Audit Committee prior to the appointment of Mr. Jyoti Jain w.e.f June 22, 2007).

Terms of reference

The Audit Committee reviews the adequacy of internal controls, reliability of financial

statements, the Company's financial reporting process, accounting and financial policies and practices, monitors the risk management, reviews policies adopted by the Company and ensures compliance with regulatory guidelines, reviews reports furnished by the internal and statutory auditors and ensures that suitable corrective and follow-up actions are taken. The terms of reference of the Audit Committee are in line with requirements of Clause 49 of the Listing Agreement. The Audit Committee also reviews such matters as considered appropriate by it or referred to it by the Board.

Meetings and Attendance

During the financial year ended March 31, 2008 four audit committee meetings were held on May 07, 2007; July 23, 2007; October 29, 2007 and January 24, 2008. The gap between any two consecutive meetings did not exceed four months.

Name of the Member	No. of meetings Attended
Binod Khaitan	4
V.K. Lamba	3
Naresh Chandra	4

4. Remuneration Committee

The Company is yet to form a remuneration committee, though the compensation of the executive and non-executive Directors has the approval of the Board. Presently, the Company does not have a stock option plan or any performance-linked incentive that is paid to its Directors.

A code of conduct has been laid down for all Board Members and Senior Management of the Company who have affirmed compliance with the same.

Details of remuneration paid to Directors in 2007-08

Name of the Directors	Salary* (Rs.)	Benefits (Rs.)	Commission (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Pradip K. Khaitan	-	-	2,50,000	1,40,000	3,90,000
Umang Kejriwal	24,00,000	15,63,206	55,00,000	-	94,63,206
Mayank Kejriwal	24,00,000	14,13,818	55,00,000	-	93,13,818
Uddhav Kejriwal	15,35,000	20,69,253	36,50,000	-	72,54,253
S.Y. Rajagopalan**	-	-	-	60,000	60,000
N.C. Bahl	21,60,000	56,07,394	28,00,000	-	1,05,67,394
J.J. Irani	-	-	12,00,000	1,20,000	13,20,000
Naresh Chandra	-	-	12,00,000	1,80,000	13,80,000
Binod Khaitan	-	-	2,50,000	3,20,000	5,70,000
V.K. Lamba	-	-	2,50,000	1,40,000	3,90,000

* This represents the fixed component.

** Retired with effect from August 09, 2007.

The above remuneration is within the limits prescribed under the provisions of the Companies Act, 1956.

The details of shares/convertible instruments held by the non-executive Directors of the Company as on March 31, 2008 are as follows:

Name	No. of shares held	No. of shares convertible Instruments
Binod Khaitan	2,000	Nil
Pradip Kumar Khaitan	Nil	Nil
Jamshed J Irani	Nil	Nil
V. K. Lamba	Nil	Nil
Naresh Chandra	Nil	Nil

The Audit Committee reviews the adequacy of internal controls, reliability of financial statements, accounting and financial policies and practices.

5. Shareholder / Investor Grievances Committee

The Company constituted a Shareholders' / Investors' Grievances Committee on May 15, 2002 to oversee the redressal of grievances of shareholders and investors on issues like share transfer, non-receipt of annual report / declared dividends, among others.

In accordance with Clause 49 para VI (D) of the Listing Agreement of the stock exchanges the Board has delegated powers of share transfers to M/s. Maheshwari Datamatics Pvt. Ltd. (MDPL), 6, Mangoe Lane, Kolkata-700 001. MDPL reviews share transfers every fortnight.

During the financial year ended March 31, 2008, meeting of the Shareholders/ Investors Grievance Committee was held on January 24, 2008.

Composition as on March 31, 2008

As on March 31, 2008 the Committee comprised of Mr. Binod Khaitan (Chairman - independent, non-executive), Mr. V.K. Lamba (Independent, non-executive) and Mr. Uddhav Kejriwal (Promoter, executive).

Compliance Officer

Mr. Jyoti Jain, Company Secretary of the Company was appointed as the Compliance Officer on behalf of the Company and is responsible for monitoring the Share Transfer process and report to the Shareholders' / Investors' Grievance Committee. (Mr. Sanjeev Churiwal was acting as the Compliance Officer prior to the appointment of Mr. Jyoti Jain w.e.f June 22, 2007)

Shareholders' Complaints

At the beginning of the year under review there was 1 unresolved complaint. During the year, the Company received 28 complaints and 29 complaints were resolved. There was no complaint pending at the year-end.

Pending Share Transfers

Four transfers for 1770 shares were pending as on March 31, 2008.

6. General Body Meetings

A. Location and time for last three Annual General Meetings:

Financial Year	Date of AGM	Venue	Time
2006 - 2007	08th August 2007	Rathod Colony, Rajgangpur Dist. Sundergarh Orissa	11.30 a.m.
2005 - 2006	08th August 2006	Rathod Colony, Rajgangpur Dist. Sundergarh Orissa	11.30 a.m.
2004 - 2005	04th July 2005	Rathod Colony, Rajgangpur Dist. Sundergarh Orissa	11.30 a.m.

B. A Special Resolution was passed at the AGM held on July 04, 2005.

C. Last year one special resolution under Section 372A of the Companies Act, 1956 through Postal Ballot was passed by the Company. Details of the aforesaid special resolution passed through postal ballot are as under:

- i) **Person who conducted the postal ballot exercise:** The Board appointed Mr. P.V. Subramanian, Practising Company Secretary, as the Scrutinizer to conduct postal ballot voting process. Mr. P.V. Subramanian conducted the process and submitted his report to the Chairman.
- ii) **Procedure followed:** The Postal Ballot Notice and accompanying documents were dispatched to shareholders under certificate of posting. A calendar of events along with Board Resolution was submitted to the Registrar of Companies, Orissa.

iii) **Details of voting pattern:** After scrutinizing all the ballot forms received, the Scrutinizer reported that the shareholders representing 99.54% of the total voting strength voted in favour of the resolution, based on which the results were declared and the resolution was carried by the requisite majority.

D. Information about Directors proposed to be appointed and re-appointed as required under Clause 49 IV (G) (i) of the Listing Agreement with the stock exchanges forms part of the explanatory statement of the notice for Annual General Meeting annexed to the Annual Report.

7. Disclosures

None of the transactions with any of the related parties were in conflict with the interests of the Company. However, the details of related party relationships and transactions are disclosed in Note 30 in Schedule 17 to the Accounts. The Company complied with regulatory requirements on capital markets. No penalties / strictures have ever been imposed against it. All mandatory requirements of Clause 49 of the Listing Agreement have been complied with and the disclosure on adoption of non-mandatory requirements are dealt with at the end of the report.

8. Means of Communication

The Company's quarterly/yearly financial results were published in widely circulated national and local dailies like The Economic Times, Times of India, Business Line, Business Standard and Financial Express. These financial results were not sent individually to shareholders. The Company's results and official news releases were displayed on the Company's web site www.electrosteel.com. A comprehensive Management Discussion and Analysis report forms a part of this annual report.

Corporate Governance (Contd.)

9. General Shareholder Information

Date, time and venue of the Annual General Meeting	August 01, 2008, Friday at 9.30 A.M. Rathod Colony, Rajgangpur Dist. Sundergarh, Orissa
Financial Year	April 1st to March 31st
Book Closure Period	July 25, 2008 to August 01, 2008 (both days inclusive)
Interim Dividend Payment Date	December 24, 2007
Outstanding ADRs / GDRs / warrants or any convertible instruments, conversion date and likely impact on equity.	<p>Warrants:</p> <ol style="list-style-type: none"> 6,25,000 nos. (convertible into 10 equity shares of Re.1/- each within March 27, 2009) 2,00,00,000 nos. (convertible into one equity share of Re.1/- each within July 19, 2009) 87,00,000 nos. (convertible into one equity share of Re.1/- each within September 11, 2009) 1,21,37,146 nos. (convertible into one equity share of Re.1/- each within September 24, 2009) <p>The paid-up equity capital will increase by Rs. 470.87 Lakhs on conversion of aforesaid warrants.</p> <p>Global Depository Receipts (GDRs): 287000 nos. (convertible into 10 equity shares of Re.1/- each)</p> <p>Zero Coupon Convertible Bond (ZCCBs): US \$ 20.95 million</p> <p>ZCCB holders have an option to convert the ZCCBs into equity shares at a conversion price of Rs. 42.44 per share (subject to certain adjustments under specified circumstances) as per the offer document at a fixed exchange rate of US \$ 1.00 = Rs. 44.84 at any time on or after July 04, 2006 and prior to the close of business on May 16, 2011 Upon such conversion the equity share capital shall increase by Rs. 221.35 Lakhs.</p>
Listing at Stock Exchanges	
Equity	<p>a) Bombay Stock Exchange Ltd P. J. Towers, Dalal Street, Mumbai 400 001</p> <p>b) National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor Bandra Kurla Complex, Bandra (East) Mumbai 400 051</p>
Global Depository Receipt (GDR)	London Stock Exchange Plc. 10, Patemoster Square, London-EC4M7LS
Zero Coupon Convertible Bonds (ZCCB)	Singapore Exchange Securities Trading Limited 2, Shenton Way, 19-00 SGX Centre 1, Singapore-068804
Stock Code	Equity Shares, BSE - 500128 NSE – ELECTCAST, GDR London Stock Exchange-B0K6M89 ZCCB Singapore Exchange Securities Trading Limited-7MKB
Listing Fee	Listing fees for 2008-09 have been paid to NSE and BSE.

Stock Market Price for the financial year 2007 - 08

Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	Month's High Price	Month's Low Price	Volume	Month's High Price	Month's Low Price	Volume
April-07	41.50	30.85	1,95,270	42.00	34.90	3,29,547
May-07	41.17	37.43	1,11,551	45.00	37.00	1,21,844
June-07	43.45	33.20	3,72,765	44.00	38.01	6,51,800
July-07	47.20	40.00	4,76,758	47.00	39.80	4,57,697
Aug-07	45.50	40.00	1,71,036	47.00	41.41	1,63,534
Sept-07	55.50	44.25	21,44,717	55.20	43.60	27,20,515
Oct-07	69.30	46.90	2,07,95,035	69.65	43.00	2,19,23,027
Nov-07	88.55	58.05	4,88,83,411	88.00	56.10	5,57,16,587
Dec-07	92.30	75.65	2,55,51,435	92.30	75.30	3,35,30,010
Jan-08	101.50	63.90	3,64,44,651	101.50	64.00	3,44,93,100
Feb-08	68.40	51.10	57,50,784	68.50	52.80	66,11,912
March-08	57.65	36.50	1,02,77,686	57.20	36.70	1,01,20,687

Note: The Company's equity shares of the face value of Rs.10/- each were subdivided into equity shares of face value of Re.1/- each with effect from 17-09-2007. The prices of these shares are quoted on NSE and BSE based on the face value of Re.1/- per share. For the purpose of above figures, the prices quoted in period prior to 17-09-2007 have been considered as 1/10th of actual quoted prices.

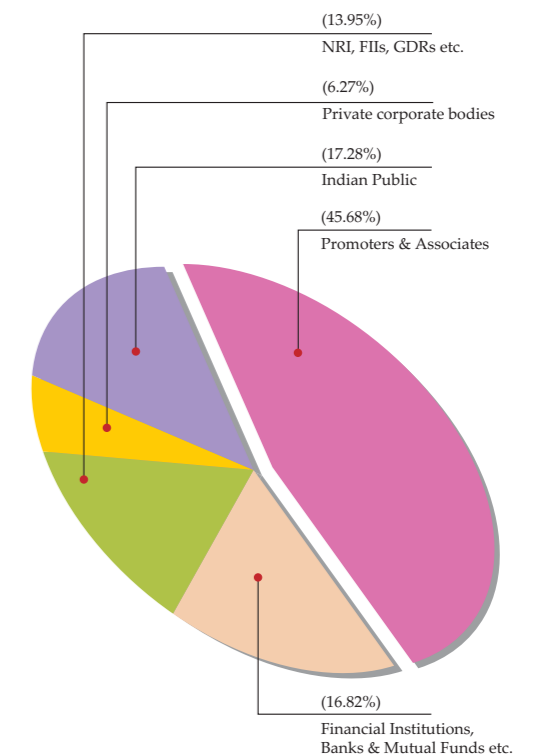
Share price performance in comparison to broad based indices - BSE Sensex and NSE Nifty for the financial year 2007-08

BSE Sensex		NSE Nifty	
% change in ECL Share Price	% change in Sensex	% change in ECL Share Price	% change in Index
+ 17.41	+ 22.11	+ 13.97	+ 23.94

Shareholding Pattern as on March 31, 2008

Profile of shareholders	No. of shares	Percent of holding
Promoters & Associates	12,81,56,170	45.68
Financial Institutions, Banks & Mutual Funds etc	4,72,00,287	16.82
NRI, FIIs, GDRs etc.	3,91,52,616	13.95
Private corporate bodies	1,75,98,990	6.27
Indian Public	4,84,15,953	17.28
Total	28,05,24,016	100.00

During the year Overseas strategic investors subscribed to 2,08,37,146 convertible warrants and 20,30,000 equity shares of the Company.



Corporate Governance (Contd.)

The Company's shares are tradable compulsorily in electronic form and are available for trading in the depository systems of both NSDL and CDSL.

Distribution of shareholding as on March 31, 2008

Equity Shares held	No. of Shareholders	% of Shareholders	Number of Shares held	% of Shares held
1-500	37,580	70.35	74,14,511	2.64
501-1000	7,310	13.68	65,23,946	2.33
1001-2000	4,428	8.29	74,82,481	2.67
2001-3000	1,127	2.11	29,85,298	1.06
3001-4000	765	1.43	28,69,332	1.02
4001-5000	594	1.11	28,57,700	1.02
5001-10000	835	1.56	63,63,608	2.27
Above 10000	785	1.47	24,40,27,140	86.99
Total	53,424	100.00	28,05,24,016	100.00

Share transfer system

Share transfers are registered and returned within the period of 30 days from the date of lodgment if the documents are complete in all respects. As per directives issued by the SEBI, it is compulsory to trade in the Company's equity shares in dematerialized form. The Company offers the facility of transfer cum dematerialization to its shareholders.

Registrars for physical & dematerialised shares

Maheshwari Datamatics Pvt. Ltd.
6, Mangoe Lane, 2nd Floor
Kolkata-700 001.
Phone: 033-22482248/22435029
Fax: 033-22484787
E-mail:mdpl@cal.vsnl.net.in

Dematerialization of shares and liquidity

The Company's shares are tradable compulsorily in electronic form and are available for trading in the depository systems of both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The International Securities Identification Number (ISIN) of the Company, as allotted by NSDL and

CDSL, is INE086A01029. As on March 31, 2008, 94.37 % of the shares stand dematerialized.

Plant locations

Unit 1 : 30, B.T. Road, Sukchar, Khardah
24-Parganas (North)
West Bengal-743 179

Unit 2 : Gummodipoondi Taluk, P.O. Elavur
Dist. Chengal, MGR
Tamil Nadu-601 211

Unit 3 : Haldia, Kasberia, P.O.Khanjan Chawk,
Haldia, Midnapore (East), West Bengal

Address for Communication

Mr. Jyoti Jain
Electrosteel Castings Ltd.
G.K. Tower, 19, Camac Street, Kolkata-700 017
Phone: (033) 2283 9990
Email: jjain@electrosteel.com

10. Status of non-mandatory requirements

Audit qualifications

Observation of the Auditors in their report to the members of the Company have been appropriately addressed in the note 26(a) of Schedule 17 (Notes to the Accounts).

Other Items

The non-mandatory requirements viz. Remuneration Committee, Shareholding Rights, Training of Board Members & Tenure of Independent Directors, Mechanism for performance evaluation of non-executive Board Members and Whistle Blower Policy will be implemented by the Company when required and/or deemed necessary by the Board.

For and on behalf of
Electrosteel Castings Limited

Kolkata
June 23, 2008

P.K. KHAITAN
Chairman

DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 (I)(D)(ii) OF THE LISTING AGREEMENT

To,
The Members of
Electrosteel Castings Limited

I hereby declare that to the best of my knowledge and belief, all the Members of the Board and senior management personnel of the Company have affirmed their respective compliance with the Code of Conduct of the Company for the year ended March 31, 2008.

Kolkata
June 23, 2008

U. KEJRIWAL
Managing Director

Auditors' Certificate on Corporate Governance

To The Members of Electrosteel Castings Limited

We have examined the compliance of conditions of Corporate Governance by Electrosteel Castings Limited, for the year ended on March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

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.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

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.

Kolkata
June 23, 2008

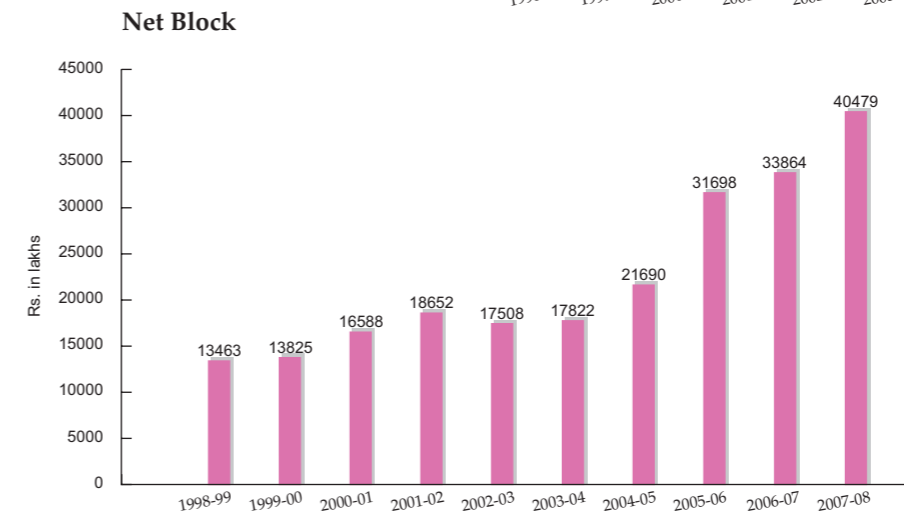
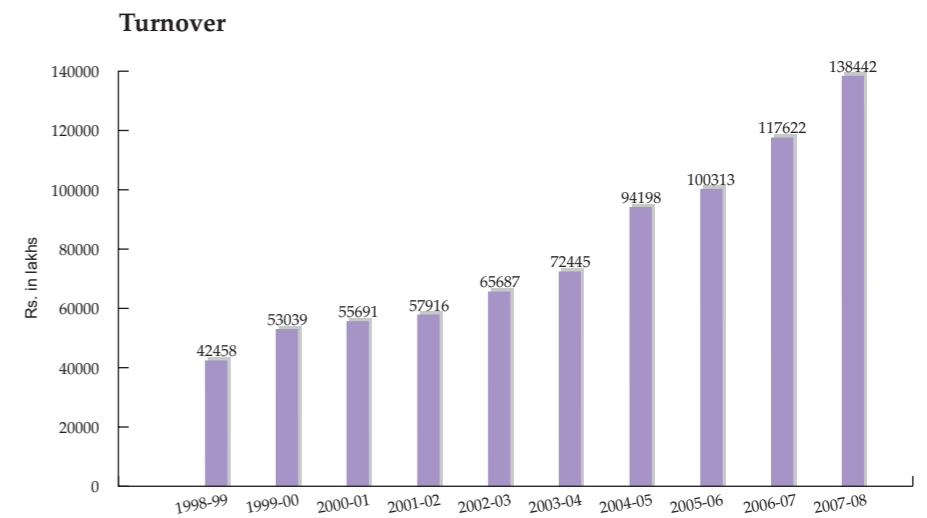
For Lodha & Co.
Chartered Accountants

H.K. Verma
Partner
Membership no:- 55104

Ten Year Financial Summary

Rs. in lakhs

Year	Turnover	Gross Profit	Depreciation	Tax	Profit After Tax	Gross Block	Net Block	Capital Employed
1998-99	42457.66	8987.17	1122.20	1800.00	6064.97	18013.23	13463.46	29027.93
1999-00	53039.29	13284.11	1336.97	3075.00	8872.13	19448.49	13824.98	38051.03
2000-01	55691.09	10060.64	1744.33	2000.00	6316.31	23628.10	16588.49	55815.48
2001-02	57916.03	12756.62	1826.76	2469.01	8460.84	27432.43	18652.09	64488.17
2002-03	65686.62	13852.26	2039.05	2067.04	9746.17	27940.05	17507.85	71792.26
2003-04	72444.91	13130.02	2278.67	3483.14	7368.21	30204.37	17821.81	85358.26
2004-05	94198.00	14985.84	2518.02	3600.08	8867.74	35965.68	21690.40	100829.20
2005-06	100312.88	13643.90	2856.18	3142.94	7644.78	48295.10	31698.03	117140.97
2006-07	117621.51	19208.81	3366.78	5226.05	10615.98	53309.28	33863.80	150580.12
2007-08	138442.11	14726.11	3660.59	(-156.16)	5201.58	62779.30	40479.08	190943.89



Auditors' Report

The Members

Electrosteel Castings Limited

- 1 We have audited the attached Balance Sheet of Electrosteel Castings Limited (the Company) as at March 31, 2008 and also the Profit and Loss Account and 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 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 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 the Companies (Auditor's Report) (Amendment) Order, 2004 (the "Order"), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ('the Act') and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we report that:
 - i a) The Company has maintained proper records showing full particulars, including quantitative details and situations of fixed assets.
 - b) During the year, fixed assets have been physically verified by the management according to a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verifications.

- c) In our opinion, during the year, the Company has not disposed off substantial part of its fixed assets.
- ii a) As informed, the inventory of the Company except for materials in transit and those lying with third parties have been physically verified by the management during the year. In our opinion and according to the information and explanations given to us, the frequency of such verification is reasonable.
- b) As the Company's inventory of raw materials comprises mostly of bulk materials such as coal, coke, iron ore, etc. requiring technical expertise for quantification, the Company has hired an independent agency for the physical verification of the stock of these materials. Considering the above, in our opinion, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. Reconciliations of Physical stock at certain locations verified during the year with book records is under progress and accordingly discrepancies, if any, will be ascertained on completion thereof. Other than this, the discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii The Company, during the year, has neither granted nor taken any loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clause 4 (iii) (b) to (d), (f) and (g) of the Order are not applicable to the Company.
- iv In our opinion and having regard to the explanations given to us that certain purchases of inventories and fixed assets and sale of goods being of special nature where suitable alternative sources do not exist/ were not available for obtaining comparable quotations, the internal control system for the purchase of inventory and fixed assets and for the sale of goods and services is commensurate with the size of the Company and nature of its business. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- v (a) To the best of our knowledge and belief and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.
- (b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements as aforesaid and aggregating during the year to rupees five lakhs or more in respect of each party, have been made at the prices which are reasonable having regard to prevailing market prices.
- vi The Company has not accepted any deposits from public covered under Sections 58A, 58AA or any other relevant provisions of the Act and rules framed thereunder.
- vii Internal audit of the Company has been carried out by a firm of Chartered Accountants. In our opinion, the internal audit system in respect of areas covered during the year is commensurate with the size and nature of the business of the Company.
- viii According to the information and explanations given to us, the Central Government has not prescribed for maintenance of cost records under Section 209(1)(d) of the Act in respect of any of the product of the Company.
- ix (a) According to the information and explanations given to us, during the year, the Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service tax, Custom Duty, Excise Duty, Cess and other statutory dues as applicable to it.

According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues as aforesaid were outstanding as at March 31, 2008 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the details of disputed dues of sales tax, income tax, customs duty, wealth tax, excise duty, service tax, and cess, if any, as at March 31, 2008, are as follows:

Auditors' Report (Contd.)

Name of the Statute	Nature of Dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Customs Act, 1962	Custom Duty	13.73	2002-2003	Commissioner
The Central Excise Act	Excise Duty	124.96	1996-1999, 1998-99, 1997-98	Commissioner (Appeals)
Income Tax Act, 1961	Income Tax	388.59	2000-2006	Commissioner (Appeals)
Sales Tax Act	Sales Tax	54.91	1974-1978, 1985-1987, 1994-1995, 1997-1998, 1999-2000	Tribunal
		12.45	1993-1994, 1995-1996, 1997-1998, 2001-2004	Appellate Asst Commissioner
		261.86	2002-2003	Spl. Commissioner
		29.31	2004-2005	Dy. Commissioner
		57.21	2005-2006	Jt. Commissioner
		29.54	1992-1996, 1997-1999	Commercial Tax Officer

- x The Company does not have any accumulated losses as at the end of the year and the Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi in our opinion and on the basis of information and explanations given to us by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, bank or debenture holders.
- xii According to the information and explanations given and based on documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, clause 4(xiii) of the Order is not applicable to the Company.
- xiv Based on our examination of documents and records and evaluation of the related internal controls, in respect of dealings/trading in securities, in our opinion, proper records have been maintained of the transactions and contracts and timely entries have been made in those records. We also report that the Company has held the shares, securities, debentures and other investments in its own name.
- xv The Company has given guarantees for loans taken by others from banks and financial institutions. In our opinion and according to the information and explanations given to us, the terms and conditions of these guarantees are prima facie not prejudicial to the interest of the Company.
- xvi In the earlier year, the Company had obtained term loan through issue of Zero Coupon Convertible Bonds

(ZCCB). Having regard to the payments made by the Company against various capital projects during the year and withdrawals made and considered there- against from Deposits made out of ZCCB proceeds, as stated in Note 23 (a) of Schedule 17 on Notes on Accounts, the Company has applied such loan to the extent stated therein for the purpose for which the loans were obtained. Pending utilization, as referred in the above Note, the balance unutilized amount as at the balance sheet date remains invested in mutual funds and Fixed Deposits with Overseas Banks.

- xvii According to the information and explanations given to us and based on an overall examination of the balance sheet of the Company, in our opinion, no funds raised on short term basis have been used for long term investment.
 - xviii As referred in Note 24 of Schedule 17, during the year, the Company has *inter-alia* issued convertible warrants on preferential basis to certain parties and companies covered in the Register maintained under Section 301 of the Act which were partly converted into equity shares of the Company. In our opinion, the price at which such warrants/shares have been issued/allotted is not prejudicial to the interest of the Company.
 - xix The Company has not issued any secured debentures during the year. Accordingly, clause 4(xix) of the Order is not applicable to the Company.
 - xx The management has disclosed on the end use of money raised in earlier years by public issues vide Note 21 and 23 of Schedule 17 on Notes on Accounts and the same has been verified by us.
 - xxi During the course of our examination of books of account carried out in accordance with generally accepted auditing practices in India, we have neither come across any incidence of fraud on or by the Company nor have we been informed of any such cases by the management.
4. Attention is invited to Note No 26 (a) of Schedule 17 on Notes on Accounts regarding (i) various matters including inter-alia related to investments and advances as stated therein carried at book value, consequential impacts whereof pending final outcome of disputes could not be ascertained and commented upon by us and (ii) inability of the Company to disclose certain information in respect of a jointly controlled entity for the reasons stated therein.
5. Further to our comments made in above paragraphs, we report that:
- i. 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;
- ii. 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;
 - iii. The above accounts incorporate the transactions relating to the Company's branch in Abu Dhabi, the transactions of which have been audited on the basis of returns, records, information and explanations received from such branch which we have not visited;
 - iv. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement referred to in this report are in agreement with the books of account;
 - v. Except for certain information as required with respect to a Jointly controlled entity which could not be disclosed for the reasons mentioned in Note 26(a) of Schedule 17, in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement of the Company dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Act;
 - vi. On the basis of written representation received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March, 2008 from being appointed as a director in terms of clause (g) of Sub-Section (1) of Section 274 of the Act;
 - vii. In our opinion and to the best of our information and according to the explanations given to us, subject to Para 4 above the impact of which could not be ascertained and commented upon by us, the said accounts, read together with the other notes as given in Schedule 17 give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008,
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date and,
 - c. In the case of the Cash flow Statement, of the cash flows for the year ended on that date.

Kolkata
June 23, 2008
14, Government Place East
Kolkata- 700 069

For Lodha & Co.
Chartered Accountants
H.K. Verma
Partner
Membership no:- 55104

Balance Sheet as at 31st March, 2008

	Schedule	Rs. in lakhs	As at 31st March, 2008 Rs. in lakhs	As at 31st March, 2007 Rs. in lakhs
Sources of Funds				
Shareholders' Funds				
Capital	1	28,05.24		20,76.37
Share Warrants		33,68.46		–
Reserves and Surplus	2	11,18,54.45		7,90,88.91
Loan Funds			11,80,28.15	8,11,65.28
Secured Loans	3	4,96,65.52		2,48,09.03
Unsecured Loans	4	2,12,65.29		4,13,43.34
			7,09,30.81	6,61,52.37
Deferred Tax Liabilities (Net)			19,84.93	32,62.47
			19,09,43.89	15,05,80.12
Application Of Funds				
Fixed Assets				
Gross Block	5	6,27,79.30		5,33,09.28
Less: Depreciation		2,23,00.22		1,94,45.48
Net Block		4,04,79.08		3,38,63.80
Capital Work-in-Progress		1,49,01.35		58,20.61
			5,53,80.43	3,96,84.41
Investments	6		1,58,94.02	1,61,01.44
Current Assets, Loans and Advances				
Interest accrued on investments		–		27.44
Inventories	7	3,22,72.75		2,56,71.87
Sundry Debtors	8	5,10,05.39		4,97,85.99
Cash and Bank Balances	9	1,72,64.62		3,01,21.86
Loans and Advances	10	5,13,56.15		1,11,30.64
		15,18,98.91		11,67,37.80
Less:				
Current Liabilities and Provisions				
Liabilities	11	2,40,05.28		1,95,40.91
Provisions		82,24.19		24,02.62
		3,22,29.47		2,19,43.53
Net Current Assets			11,96,69.44	9,47,94.27
			19,09,43.89	15,05,80.12
Notes on Accounts	17			

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date

For Lodha & Co.
Chartered Accountants

H.K. Verma
Partner

Kolkata
June 23, 2008

For and on behalf of the Board

Chairman P. K. Khaitan
Managing Director U. Kejriwal
Director Uddhav Kejriwal
Chief Financial Officer Raghuvir Bhandari
Company Secretary Jyoti Jain

Profit & Loss Account for the year ended 31st March, 2008

	Schedule	Rs. in lakhs	Year ended 31st March, 2008 Rs. in lakhs	Year ended 31st March, 2007 Rs. in lakhs
Income				
Sales		13,84,42.11		11,76,21.51
Less: Excise Duty		53,18.63		53,01.30
		13,31,23.48		11,23,20.21
Increase/(Decrease) in Finished and Process Stock	12	(9,84.13)		(16,45.83)
Other Income	13	94,14.33		61,14.73
			14,15,53.68	11,67,89.11
Expenses				
Purchases		2,18,22.07		84,66.92
Raw Materials Consumed	14	5,22,84.31		4,41,02.82
Manufacturing and Other Expenses	15	5,01,00.67		4,29,51.94
Interest	16	26,20.52		20,58.62
Depreciation		36,60.59		33,66.78
			13,04,88.16	10,09,47.08
Profit Before Taxation and Exceptional items			1,10,65.52	1,58,42.03
Exceptional items –				
Provision for losses on mark to market basis on derivative transactions (refer note no. 25 of Schedule 17)			60,20.10	–
Profit Before taxation			50,45.42	1,58,42.03
Provision for Income Tax				
Current		18,35.00		43,85.00
Current-refund for earlier years		(9,72.75)		–
Deferred		(11,43.41)		7,50.45
Fringe Benefit		1,25.00	(1,56.16)	90.60
Profit After Taxation			52,01.58	1,06,15.98
Balance Brought Forward from Previous Year			61,17.86	33,61.36
			1,13,19.44	1,39,77.34
Transfer from Debenture Redemption Reserve			15,00.00	20,00.00
Profit available for appropriation			1,28,19.44	1,59,77.34
Appropriations				
Transfer to –				
Debenture Redemption Reserve		9,00.00		9,00.00
General Reserve		20,00.00		60,00.00
Interim Dividend		26,48.27		25,95.47
Proposed Dividend		7,01.31		–
Tax on Dividend		5,69.26		3,64.01
			68,18.84	98,59.48
Balance carried to Balance Sheet			60,00.60	61,17.86
Basic Earning per Share in Rs.			2.25	5.11
Diluted Earning per Share in Rs.			1.56	3.59
Number of Shares used in computing earning per share				
Basic			23,16,84,227	20,76,37,480
Diluted			29,21,10,632	27,51,55,390
Notes on Accounts	17			

The Schedules referred to above form an integral part of the Profit & Loss Account

As per our report of even date

For Lodha & Co.
Chartered Accountants

H.K. Verma
Partner

Kolkata
June 23, 2008

For and on behalf of the Board

Chairman P. K. Khaitan
Managing Director U. Kejriwal
Director Uddhav Kejriwal
Chief Financial Officer Raghuvir Bhandari
Company Secretary Jyoti Jain

Cash Flow Statement for the year ended 31st March, 2008

	31st March 2008	31st March 2008	31st March 2007	(Rs.in Lakhs) 31st March 2007
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Taxes & Extraordinary Items		50,45.42		1,58,42.03
Add : Depreciation/Amortisation/Written off	37,46.12		34,21.85	
Foreign Exchange loss	30,83.87		—	
Provision for diminution in value of long term investment	—		36.30	
Provisions for Doubtful debt	13.76		3,68.63	
Provision for losses on mark to market basis on derivative transactions	60,20.10		—	
Interest	26,20.52	1,54,84.37	20,58.62	58,85.40
		2,05,29.79		2,17,27.43
Less: Interest Received	18,30.32		15,70.19	
Income from Investment	22,47.37		5,43.51	
Foreign Exchange gain	—		20,99.81	
Liabilities no longer required written back	14,74.53		1,93.67	
Profit/(Loss) on sale of Fixed Assets (Net)	3,18.08	58,70.30	1,22.58	45,29.76
Operating Profit before Working Capital changes		1,46,59.49		1,71,97.67
Less: Increase/(Decrease) in Inventories	66,00.88		39,04.12	
Increase/(Decrease) in Trade Receivables	(46.69)		85,24.15	
Increase/(Decrease) in Loans & Advances	1,11,13.22		(28,40.74)	
(Increase)/Decrease in Trade Payables	(38,09.78)	1,38,57.63	(47,34.70)	48,52.83
Cash generation From Operations		8,01.86		1,23,44.84
Less: Direct Taxes paid (Net of Refund)		13,28.28		44,70.28
Net cash flow from Operating activities		(5,26.42)		78,74.56
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets / movements in Capital work-in-progress	(1,92,70.69)		(82,53.11)	
Share Application money paid	(3,09,96.00)		—	
Fixed Assets sold/discarded	15,01.96		4,04.45	
(Purchase)/Sale of Investment (net)	13,03.34		70,89.52	
Interest Received	25,43.08		15,59.16	
Dividend received	11,51.44	(4,37,66.87)	5,43.51	13,43.53
Net Cash flow from Investing activities		(4,37,66.87)		13,43.53
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of share capital	74,02.90		—	
Proceeds from ZCCB Issue	—		3,44,02.50	
Proceeds/(Repayment) from borrowings	3,10,78.19		4,78.31	
Proceeds from share warrants	33,68.46		—	
Redemption of Debentures/Term Loan	(38,74.59)		(48,36.53)	
ZCCB Issue expenses	—		(6,55.68)	
Interest Paid	(28,82.46)		(22,67.32)	
Dividend paid	(26,48.27)		(51,90.94)	
Tax on Dividend	(4,50.07)	3,19,94.16	(7,28.03)	2,12,02.31
Net cash flow from Financing activities		3,19,94.16		2,12,02.31
Cash & Cash equivalents (A + B + C)		(1,22,99.13)		3,04,20.40
Cash & Cash equivalents as at 1st April		3,01,21.86		10,75.31
Add / (Less): Unrealised exchange gain / (loss) on Banks, Fixed deposits out of ZCCB proceeds(net)		(5,58.11)		(13,73.85)
Cash & Cash equivalents as at 31st March		1,72,64.62		3,01,21.86
Note : Cash & Cash equivalents represents cash in hand and deposits/balances with Banks		1,72,64.62		3,01,21.86

As per our report of even date

For Lodha & Co.
Chartered AccountantsH.K. Verma
PartnerKolkata
June 23, 2008

For and on behalf of the Board

Chairman P. K. Khaitan

Managing Director U. Kejriwal

Director Uddhav Kejriwal

Chief Financial Officer Raghuvir Bhandari

Company Secretary Jyoti Jain

Schedules Forming Part of Accounts

SCHEDULE 1

SHARE CAPITAL:

Authorised
50,00,00,000 shares of Re 1/- each
(Previous year - 5,00,00,000 shares of Rs.10/- each)

Issued, Subscribed and Paid up:
28,05,24,016 equity shares of Re 1/- each (Previous year - 2,07,63,748 equity shares of Rs.10/- each). Out of above 88,76,160 shares of Rs. 10/- each have been allotted as fully paid up bonus shares by capitalisation of Share Premium and General Reserve.

Pursuant to the Ordinary resolution passed at the Ordinary General Meeting held on August 31, 2007, the Company's equity share of face value of Rs. 10/- each have been subdivided into ten (10) equity shares of Re 1/- each.

As at 31st March,2008 Rs. in lakhs	As at 31st March,2007 Rs. in lakhs
50,00.00	50,00.00
28,05.24	20,76.37
28,05.24	20,76.37

SCHEDULE 2

RESERVES AND SURPLUS:

	Balance as at 31st March 2007	Additions	Deductions	(Rs. in lakhs) Balance as at 31st March 2008
Capital Reserve	46.52	—	—	46.52
–Capital Subsidy	51,00.00	9,00.00	15,00.00	45,00.00
Debenture Redemption Reserve	5,14,36.19	20,00.00	2,60.47*	5,31,75.72
General Reserve	1,63,88.34	3,22,81.63	5,38.36	4,81,31.61
Share Premium Account	61,17.86	—	1,17.26	60,00.60
Profit and Loss Account	7,90,88.91	3,51,81.63	24,16.09	11,18,54.45

* Net of charge on account of transitional provision under Accounting Standard - 15 on Employee Benefits - Gratuity (net of tax Rs. 74.20 lakhs), other long term benefits - Leave (net of tax Rs. 1,86.27 lakhs) refer note no. 10 of schedule 17.

SCHEDULE 3

SECURED LOANS:

Debentures
External Commercial Borrowing from Banks
Working Capital facility from Banks:
Indian Currency
Foreign Currency
Other Loan from Body Corporate

As at 31st March,2008 Rs. in lakhs	As at 31st March,2007 Rs. in lakhs
90,00.00	1,20,00.00
7,52.16	16,26.75
38,44.36	8,07.21
2,45,69.00	1,03,75.07
1,15,00.00	—
4,96,65.52	2,48,09.03

- Debentures are Non-Convertible and secured by pari-passu charge on all immovable and movable properties present and future of the Company and consist of :
 - 11.85% Privately Placed Debentures of Rs. 1,00.00 lakhs each aggregating to Rs.50,00.00 lakhs, and are Redeemable at par in three annual installments of Rs.30.00 lakhs, Rs.40.00 lakhs and Rs.30.00 lakhs commencing on July 17, 2005. Outstanding balance Rs. Nil (Previous Year Rs. 15,00.00 lakhs).
 - 11.85% Privately Placed Debentures of Rs. 1,00.00 lakhs each aggregating to Rs.50,00.00 lakhs, and are Redeemable at par in three annual installments of Rs.30.00 lakhs, Rs.40.00 lakhs and Rs.30.00 lakhs commencing on July 25, 2005. Outstanding balance Rs. Nil (Previous Year Rs. 15,00.00 lakhs).
 - 6.10 % Privately Placed Debentures of Rs. 10.00 lakhs each aggregating to Rs. 90,00.00 lakhs, and are Redeemable at par at the end of 5 years from Deemed Date of Allotment i.e.on August 26, 2008. Outstanding balance Rs. 90,00.00 lakhs (Previous Year Rs. 90,00.00 lakhs).
- External Commercial Borrowing aggregating to US\$ 1.875 million (Previous Year- US\$ 3.75 million) is secured by way of pari-pasu charge on all immovable and movable properties present and future of the Company and are payable on March 29, 2009.
- Working Capital facility from Banks is secured by way of joint hypothecation of inventories and book debts.
- Loan from body corporate is secured by way of first pari-passu charge over all existing and future movable fixed assets of the Company.

Schedules Forming Part of Accounts

SCHEDULE 4

UNSECURED LOANS:

	As at 31st March,2008 Rs. in lakhs	As at 31st March,2007 Rs. in lakhs
Zero Coupon Convertible Bonds (ZCCB)	84,04.09	3,25,35.00
Short Term Loans		
From Yes Bank Limited	50,00.00	—
Buyers Credit		
From Deutsche Bank	28,35.79	12,27.67
Packing Credit		
From Citibank N.A.	50,25.41	25,59.98
From HSBC Ltd.	—	37,60.34
From Deutsche Bank	—	12,60.35
	2,12,65.29	4,13,43.34

SCHEDULE 5

FIXED ASSETS:

(Rs. in lakhs)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 1-Apr-2007	Additions	Sales/ Adjustments	Cost as on 31-Mar-2008	Upto 31-Mar-2007	For the Year	Sales/ Adjustments	Upto 31-Mar-2008	As on 31-Mar-2008	As on 31-Mar-2007
1	2	3	4	5	6	7	8	9	10	11
Land-freehold	21,87.04	11,21.88	10,35.36	22,73.56	—	—	—	—	22,73.56	21,87.04
Land-leasehold	9,47.31	8.83	—	9,56.14	28.28	10.59	—	38.87	9,17.27	9,19.03
Buildings	71,27.64	11,28.06	—	82,55.70	24,06.79	4,02.30	—	28,09.09	54,46.61	47,20.85
Railway Siding	22.05	—	—	22.05	17.11	0.65	—	17.76	4.29	4.94
Plant and Machinery	4,20,04.78	83,87.70	9,21.23	4,94,71.25	1,64,87.68	30,86.83	7,33.74	1,88,40.77	3,06,30.48	2,55,17.10
Furniture and Fixtures	2,55.75	2,36.86	—	4,92.61	1,66.50	39.81	—	2,06.31	2,86.30	89.25
Vehicles	7,63.60	2,14.07	120.73	8,56.94	3,39.12	1,15.32	74.17	3,80.27	4,76.67	4,24.48
Intangible Assets	—	4,49.94	—	449.94	—	7.15	—	7.15	4,42.79	—
Livestock	1.11	—	—	1.11	—	—	—	—	1.11	1.11
	5,33,09.28	1,15,47.34	20,77.32	6,27,79.30	1,94,45.48	36,62.65	8,07.91	2,23,00.22	4,04,79.08	3,38,63.80
Previous Year	4,82,95.10	58,70.63	8,56.45	5,33,09.28	1,65,97.07	33,67.94	5,19.53	1,94,45.48	3,38,63.80	

Notes :

- Net Block of Plant and Machinery includes the estimated realisable value of pipe moulds scrapped Rs.38.10 lakhs (Previous year Rs.10.92 lakhs).
- Adjustment to Plant and Machinery includes Rs.57.14 lakhs(Previous Year Rs. 32.86 lakhs) on account of exchange differences.
- Plant and Machinery includes Rs. 3,30.84 lakhs (Previous year Rs.51.47 lakhs) being contribution to CESC Limited, for laying the Power line, the ownership of which does not vest with the company.
- Depreciation includes Rs.2.06 lakhs (Previous year Rs.1.15 lakhs) transferred to Pre-operative expenses.
- Leasehold Land of Rs.9,47.26 lakhs(Previous Year Rs.9,47.26 lakhs) is pending execution of lease agreement and registration thereof.
- Freehold Land acquired during the year includes Rs. 1,94.32 lakhs (Previous Year Rs. 1,54.08) in respect of which the execution of conveyance deeds is under process.

Schedules Forming Part of Accounts

SCHEDULE 6

INVESTMENTS:

(Long Term and fully paid up except otherwise stated)

Particulars

EQUITY SHARES:

(A) TRADE INVESTMENTS:

Quoted:

Particulars	As at 31st March 2008 Holding Nos.	Rs. in lakhs	As at 31st March 2007 Holding Nos.	Rs.in lakhs
Mukand Limited (Face Value of Rs.10/- each)	82	—	82	—
Mahindra UGINE Steel Co. Ltd.(Face Value of Rs.10/- each)	75	0.01	75	0.01
Welcast Steels Limited (Face Value of Rs.10/- each)	25	—	25	—
R.G. Ispat Limited (Face Value of Rs.10/- each)	50	—	50	—

Unquoted:

Rainbow Steels Limited (Face Value of Rs.10/- each)	100	0.01	100	0.01
Metal Scrap Trade Corporation Limited (Face Value of Rs.10/- each)	1,000	0.05	1,000	0.05

(B) OTHER INVESTMENTS:

Quoted:

Associates

Lanco Industries Limited (Face Value of Rs.10/- each)	17,931,218	59,90.06	19,301,270	64,47.73
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Unquoted:

Subsidiaries

Elcast Finance Ltd.(Face Value of Rs.10/- each)*	—	—	1,210,000	96.80
Escal Finance Services Ltd.(Face Value of Rs.10/- each)*	—	—	1,210,000	1,08.90
Electrosteel Europe SA (Face Value of Euro 10 each)	80,000	4,53.38	80,000	4,53.38
Electrosteel Algeria SPA (Face Value of 1000 Algerian Dinar each)	82,500	5,20.33	82,500	5,20.33
Chesterfield Ductile Group Ltd. (Face Value of Gbp 1 each)	100,000	3,55.46	100,000	3,55.46
Singardo International Pte Ltd. (Face Value of S\$ 1 each)	1,500,000	4,39.89	1,500,000	4,39.89

Associates

Electrosteel integrated Limited (face value of Rs.10/- each)	40,000	4.00	—	—
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Joint Venture

Domco Pvt. Ltd. (Face value of Rs.100/- each)	30,000	30.00	30,000	30.00
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Other Companies

Electrocast Sales India Limited (Face value of Rs.10/- each)	1,000	0.51	1,000	0.51
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N Marshall Hi-tech Engineers Pvt. Ltd.(Face value of Rs.10/- each)	50,000	5.00	50,000	5.00
Sky-B (Bangla) Pvt. Ltd.(Face value of Rs.10/- each)	4,340,000	4,34.50	4,340,000	4,34.50

MUTUAL FUNDS (Refer Note no. 23(a) and 24 of Schedule 17)

ABN Amro FTP Series 2 Thirteen Month Plan-Growth (Purchased nil units sold 2000000 units during the year)	—	—	2,000,000.000	2,00.00
Birla FTP Series H -Growth (Purchased nil units sold 5000000 units during the year)	—	—	5,000,000.00	5,00.00
Deutsche Fixed Term Fund-Series 9-Growth Option (Purchased nil units sold 2000000 units during the year)	—	—	2,000,000.00	2,00.00
Deutsche Fixed Term Fund -Series 5-Growth Option (Purchased nil units sold 1016150 units during the year)	—	—	1,016,150.000	1,01.62
DSPML FTP Series 3A Growth (Face value of Rs. 1000/-each) (Purchased nil units sold 50000 units during the year)	—	—	50,000.000	5,00.00
Grindlays Fixed Maturity Plus Plan 1-B Growth (Purchased nil units sold 1000000 units during the year)	—	—	1,000,000.000	1,00.00
Grindlays Fixed Maturity 22nd Plan-Growth (Purchased nil units sold 1000000 units during the year)	—	—	1,000,000.000	1,00.00
HDFC FMP 13 March'06(1)-Institutional Plan Growth (Purchased nil units sold 5000000 units during the year)	—	—	5,000,000.000	5,00.00
HSBC Fixed Term Series 13 Inst Growth (Purchased nil units sold 5000000 units during the year)	—	—	5,000,000.000	5,00.00
JM Fixed Maturity Fund -Series li-Yearly Plan-YSA-Growth Option (Purchased nil units sold 3000000 units during the year)	—	—	3,000,000.000	3,00.00
Kotak FMP Series 25 -Growth (Purchased nil units sold 5000000 units during the year)	—	—	5,000,000.000	5,00.00
Principal PNB Fixed Maturity Plan-385 Days-Series 1 (Purchased nil units sold 2000000 units during the year)	—	—	2,000,000.000	2,00.00

Schedules Forming Part of Accounts

SCHEDULE 6 (Contd.)

INVESTMENTS:

(Long Term and fully paid up except otherwise stated)

Particulars	As at 31st March 2008		As at 31st March 2007	
	Holding Nos.	Rs. in lakhs	Holding Nos.	Rs. in lakhs
Prudential ICICI FMP Plan-Institutional-Cumulative-XXV111 (Purchased nil units sold 5000000 units during the year)	—	—	5,000,000.000	5,00.00
Standard Chartered Fixed Maturity-2nd Plan-Growth (Purchased nil units sold 2000000 units during the year)	—	—	2,000,000.000	2,00.00
Standard Chartered Fixed Maturity-1st Plan-Growth (Purchased nil units sold 1000000 units during the year)	—	—	1,000,000.000	1,00.00
TATA Fixed Horizon Series 3 -Scheme G -Growth (Purchased nil units sold 5000000 units during the year)	—	—	5,000,000.000	5,00.00
Current Investments				
Birla Cash Plus Institutional Premium Daily Dividend Reinvestment (Purchased 89863015.241 units sold 94875197.191 units during the year)	—	—	5,012,181.950	5,02.20
DSP Merrill Lynch Liquidity Fund-Institutional-Daily Dividend (Purchased 149992.962 units sold 200182.424 units during the year)	—	—	50,189.462	5,01.99
HSBC Cash Fund Instl Plus-Daily Dividend (Purchased 106994432.237 units sold 114018054.617 units during the year)	—	—	7,023,622.380	7,02.76
Prudential ICICI Instl Liquidplan-Super Instl -Daily Dividend (Purchased 12410.996 units sold 5015464.275 units during the year)	—	—	5,003,053.279	5,00.30
Birla Liquid Plus Daily Dividend (Purchased 45067315.840 units sold 40063960.945 units during the year)	5,003,354.895	5,00.68	—	—
NIMID Canara Robeco Interval Monthly Institutional Dividend Fund (Purchased 4994206.720 units sold nil units during the year)	4,994,206.720	5,00.00	—	—
DWS Credit Opportunities Cash Fund-Weekly Dividend Plan (Purchased 40326460.138 units sold 26870934.965 units during the year)	13,455,525.173	13,51.96	—	—
JM Money Manager Fund Super Plus Plan-Daily Dividend (Purchased 81067180.558 units sold 76061232.334 units during the year)	5,005,948.224	5,00.80	—	—
LICMF Floating Rate Fund-Short Term Plan-Dividend Plan (Purchased 447712333.181 units sold 425512321.496 during the year)	22,200,011.685	22,54.80	—	—
Mirae Asset Liquid Plus Fund-Super Institutional Dividend Plan(Daily) (Purchased 119919.380 units sold nil units during the year)	119,919.380	12,00.87	—	—
Principal Liquid Plus Regular-Daily Dividend Plan (Purchased 19982148.930 units sold 6492000.944 units during the year)	13,490,147.986	13,51.71	—	—
		<u>1,58,94.02</u>		<u>1,61,01.44</u>
Book value of Quoted investments		59,90.07		64,47.74
Book value of Unquoted Investments		22,43.13		24,44.83
Book value of investment in mutual funds		76,60.82		72,08.87
		<u>1,58,94.02</u>		<u>1,61,01.44</u>
Market value of Quoted Investments		73,87.92		68,52.20
NAV of investments in Mutual Funds		76,64.66		76,36.27

* In the previous year, the carrying value of investments in Elcast Finance Ltd. And Escal Finance Services Ltd. is net of Rs.24.20 lakhs and Rs.12.10 lakhs respectively towards diminution in the value of investments

Notes: 1. Units of mutual fund purchased & sold during the year (Face value Rs. 10/-each except otherwise stated)

NAME OF SCRIP	Current Year		Previous Year	
	Nos	Cost Rs.	Nos.	Cost Rs.
ABN Amro Money Plus Fund-Instl-Daily Dividend	16,130,961.535	16,13.11	—	—
ABN Amro Money Plus Instl Plan Daily Dividend	2,179,020.000	2,17.90	—	—
AIG India Treasury Liquid Fund Super Instl. Daily Dividend (Face value of Rs.1000/- each)	409,740.048	41,00.74	—	—
AIG India Treasury Plus Super Instl. Daily Dividend	92,065,153.083	92,16.64	—	—
Birla Cash Plus-Instl Premium-Daily Div.Reinvestment	—	—	7,572,395.587	7,58.72
Birla Floating Rate Fund- Weekly Dividend -Reinvestment	3,025,808.358	3,03.08	—	—
Birla Quarterly Series-12 Dividend	5,000,000.000	5,00.00	—	—
DBS Chola Liquid Plus Daily Dividend	15,033,790.643	15,03.38	—	—
DBS Chola FMP Series	5,000,000.000	5,00.00	—	—
DSP Merrill Lynch Liquidity Fund Daily Regular Dividend	—	—	3,088,952.547	3,09.20
DSP Merrill Lynch Fixed Term Plan Series 1 K Dividend Inst. (Face value of Rs.1000/- each)	55,527.182	5,55.42	—	—
DSP Merrill Lynch Liquid Plus Instl Plan-Daily Div (Face value of Rs. 1000/- each)	311,391.876	31,14.81	—	—

Schedules Forming Part of Accounts

SCHEDULE 6 (Contd.)

INVESTMENTS:

(Long Term and fully paid up except otherwise stated)

NAME OF SCRIP	Nos.	Current Year		Previous Year	
		Cost Rs.	Nos.	Cost Rs.	Nos.
DWS Insta Cash Fund Super Institutional Daily Dividend Plan	49909382.223	50,00.92	—	—	—
DWS Insta Cash Plus Fund Instl Plan - Daily Dividend	—	—	4,994,747.342	—	5,00.4
DWS Floating Rate Fund-Daily Dividend	8,763,962.672	8,77.68	—	—	—
DWS Money Plus Fund-Instl Plan-Daily Dividend	35,203,366.056	35,23.22	—	—	—
DWS Money Plus Fund-Regular Plan-Daily Dividend	25,071,431.861	25,13.64	—	—	—
Grindlays Cash Fund- Instl Plan- B- Daily Dividend	—	—	13,035,322.770	—	13,79.35
Grindlays Floating Rate Fund-Instl Plan Daily Div	7,275,148.082	7,27.70	—	—	—
HSBC Liquid Plus Fund-Instl Plus -Daily Dividend	74,073,638.466	74,16.70	—	—	—
HSBC Cash Fund-Instl Plus -Daily Dividend	—	—	10,154,008.060	—	10,15.97
HDFC Cash Mgmt Fund-Savings Plan-DDR	11,305,081.642	12,02.45	8,507,536.242	—	9,04.90
HDFC Quarterly Interval Fund	5,000,000.000	5,00.00	—	—	—
HDFC Cash Mgmt Fund-Savings Plan-Wholesale-DDR	5,039,724.613	5,05.56	—	—	—
ING Liquid Plus-Instl-Daily Dividend	196,203,669.648	1,96,26.84	—	—	—
ING Liquid Fund-Super Instl-Daily Dividend	107,503,553.822	1,07,55.52	—	—	—
ING Liquid Fund-Instl-Daily Dividend	26,980,384.572	27,01.30	4,002,047.719	—	4,00.69
JM High Liquidity Fund- Instl Plan Daily Dividend (76)	—	—	11,565,866.001	—	11,58.43
JM High Liquidity Fund-Super Institutional Plan-Daily Dividend	46,944,273.825	47,00.79	—	—	—
JM Fixed Maturity Fund Series	5,000,000.000	5,00.00	—	—	—
JM Liquid Plus Premium Daily Div Plan	19,521,217.212	19,52.23	—	—	—
Kotak Flexi Debt Scheme-Daily Dividend	15,178,655.806	15,22.59	—	—	—
LICMF Liquid Plus Fund-Daily Dividend Plan	58,810,514.689	58,81.05	—	—	—
Lotus India Liquid Fund-Instl Daily Dividend	3,250,429.002	3,25.05	—	—	—
Lotus India Liquid Fund-Instl Plus Daily Dividend	12,227,513.259	12,22.78	—	—	—
Lotus India Liquid Plus Fund-Instl Daily Dividend	14,456,519.632	14,47.92	—	—	—
Mirae Asset Liquid Plus Fund-Institutional Dividend Plan(Daily) (Face value of Rs. 1000/- Each)	19,986.567	2,00.15	—	—	—
Mirae Asset Liquid Fund-Institutional Plan-Daily Dividend (Face value of Rs. 1000/- Each)	119,944.293	12,00.30	—	—	—
Principal Floating Rate Fund Instl Option-Div Rein	15,175,748.155	15,18.83	—	—	—
NFSTD Canfloating Rate Short Term Daily Dividend Fund	34,129,645.319	35,01.70	—	—	—
NLFID Canliquid Fund-Institutional Daily Dividend Reinvest	242,921,213.300	2,43,91.72	—	—	—
NLFIG Canliquid Fund-Institutional Growth	1062,112.329	1,50.00	—	—	—
NLPRDD Canliquid Plus-Retail Daily Dividend Fund	1,209,207.751	1,50.03	—	—	—
NLPIDD Canliquid Plus-Institutional Daily Dividend Fund	297,392,613.257	3,68,97.80	—	—	—
Principal Cash Management Fund-Liquid Option-Instl. Plan-Div.Rein. Daily	15,001,154.045	15,00.30	5,015,694.842	—	5,01.68
ICICI Prudential Inst. Liquid Plan- Daily Dividend Option	—	—	1,312,092.887	—	1,55.49
ICICI Prudential Inst. Liquid Plus Super Instl Daily Dividend	—	—	195,963,466.000	—	19,59.63
ICICI Prudential Flexible Income Plan Dividend - Daily	96,181,570.132	1,01,69.76	—	—	—
Reliance Liquidity Fund-Daily Dividend Reinvestment Option	148,980,157.592	1,49,02.63	34,298,522.947	—	34,30.92
Reliance Monthly Interval Fund Series 1 Instl Daily Div	5,091,454.872	5,09.54	—	—	—
Reliance Liquid Plus Fund-Instl Option-Daily Div (Face value of Rs. 1000/- each)	1,512,613.041	1,51,42.64	—	—	—
Standard Chartered Fixed Maturity Plan-Quarterly Series 8-Dividend	5,000,000.000	5,00.00	—	—	—
Sundaram BNP Paribas Liquid Plus Super Inst.Div	181,252,685.697	1,81,57.66	—	—	—
Sundaram BNP Paribas Money Fund Super Inst.Div	149,555,354.638	1,50,98.06	8,019,205.638	—	8,09.56
Sundaram Fixed Term Plan Series (100Days) Dividend Plan	—	—	1,017,959.800	—	1,01.80
SBI Premier Liquid Fund-Super Institutional-Daily Dividend	4,984,652.111	5,00.09	—	—	—
SBI-SHF Liquid Plus Institutional Plan-Daily Dividend	5,009,334.001	5,01.18	—	—	—
UTI Liquid Cash Plan Institutional-Daily Income Option-Reinvst (Face value of Rs. 1000/- each)	80,946.618	8,25.21	132,731.900	—	13,53.13
UTI Liquid Plus Fund Instl Plan-Daily Dividend Option (Face value of Rs. 1000/- each)	451,569.147	45,14.73	—	—	—
TITMA Super Institutional Plan-Daily Dividend Reinvestment (Face value of Rs. 1000/- each)	599,937.556	60,00.88	—	—	—
TFRIF Long Term Plan Super Institutional Option-Daily Dividend Reinvestment	60,008,869.277	60,07.22	—	—	—
TTMSHD TATA Treasury Manager Ship Daily Dividend (Face value of Rs. 1000/- each)	689,728.314	69,17.97	—	—	—
Tata Liquid Super High Investment Fund (Face value of Rs. 1000/- each)	1,770,191.924	1,97,29.14	—	—	—
TATA Floater Fund-Daily Dividend	179,781,587.089	1,80,42.16	—	—	—

- In the previous year 49,50,525 equity shares of Rs. 10/- each fully paid up of Lanco Industries Limited held by the Company as Investment were pledged for securing financial assistance granted by the Lenders to Lanco Industries Limited which have been released during the year.
- 40000 equity shares of Rs. 10/- each fully paid up of Electrosteel Integrated Limited held by the Company as Investment have been pledged for securing financial assistance granted by the Lenders to Electrosteel Integrated Limited.

Schedules Forming Part of Accounts

	Rs. in lakhs	As at 31st March,2008 Rs. in lakhs	As at 31st March,2007 Rs. in lakhs
SCHEDULE 7			
INVENTORIES:			
As taken, Valued and Certified by the Management			
Stores & Spare Parts		46,98.22	46,46.39
Raw Materials		2,08,96.39	1,39,05.39
Stock-in-trade:			
Finished Stock		32,32.67	36,71.26
Process Stock		6,29.97	7,46.64
Work in Progress	48,59.96		52,88.83
Less: Progress payments	20,44.46		25,86.64
		28,15.50	27,02.19
		3,22,72.75	2,56,71.87
SCHEDULE 8			
SUNDRY DEBTORS:			
(Unsecured and Considered Good)			
Debts outstanding for a period exceeding six months			
– Considered good	1,79,56.91		1,58,24.05
– Considered Doubtful	6,13.81		7,11.06
	1,85,70.72		1,65,35.11
Less: Provision for Doubtful Debt	6,13.81		7,11.06
		1,79,56.91	1,58,24.05
Other Debts		3,30,48.48	3,39,61.94
		5,10,05.39	4,97,85.99
SCHEDULE 9			
CASH AND BANK BALANCES:			
Cash balance on hand		37.58	8.23
Bank Balances			
With Scheduled Banks:			
Current Accounts	13,46.36		22,05.40
Fixed Deposits	1,58,43.41		2,78,41.75
(including interest accrued thereon)		1,71,89.77	3,00,47.15
With Non-Scheduled Bank:			
National Bank of Abu Dhabi			
Current Accounts		37.27	66.48
[Maximum Amount outstanding during the year Rs. 79.35 lakhs (Previous Year Rs. 96.36 lakhs)]		1,72,64.62	3,01,21.86
SCHEDULE 10			
LOANS AND ADVANCES:			
(Unsecured and Considered Good)			
Advances recoverable in cash or in kind or for value to be received [Includes Advance of Rs. Nil (Previous Year - Rs. 7,68.31 lakhs) given to Subsidiary]		4,46,01.49	81,53.00
Advance Tax including tax deducted at source (net of provision)		1,55.22	—
Balances with Government Authorities		12,26.57	12,35.55
Other Deposits		53,72.87	17,42.09
		5,13,56.15	1,11,30.64

Schedules Forming Part of Accounts

	Rs. in lakhs	As at 31st March,2008 Rs. in lakhs	As at 31st March,2007 Rs. in lakhs
SCHEDULE 11			
CURRENT LIABILITIES AND PROVISIONS:			
CURRENT LIABILITIES:			
Sundry Creditors			—
Dues of Micro enterprises and Small enterprises	0.18		—
Others	1,87,12.17		1,54,63.42
Advance From Customers	46,59.64		20,84.82
Interest accrued but not due on loans	5,20.25		7,72.72
Unclaimed Dividend*	1,13.04		12,19.95
		2,40,05.28	1,95,40.91
For Taxation (net of advance tax and tax deducted at source)	—		1,85.81
For Dividend	7,01.31		—
For Tax on Dividend	1,19.19		—
For Redemption Premium on ZCCB	10,69.98		19,03.20
For losses on derivatives transactions on mark to market basis (refer note no. 25 of schedule 17)	60,20.10		—
For Others	3,13.61	82,24.19	3,13.61
			24,02.62
		3,22,29.47	2,19,43.53

* The same is not due for payment to Investor Education and Protection Fund.

	Rs. in lakhs	Year ended 31st March,2008 Rs. in lakhs	Year ended 31st March,2007 Rs. in lakhs
SCHEDULE 12			
INCREASE/(DECREASE) IN FINISHED AND PROCESS STOCK:			
Closing Stock:			
Finished	32,32.67		36,71.26
Process	6,29.97		7,46.64
Work-in-Progress	48,59.96		52,88.83
		87,22.60	97,06.73
Less : Opening Stock:			
Finished	36,71.26		48,69.34
Process	7,46.64		7,96.16
Work-in-Progress	52,88.83		56,87.06
		97,06.73	1,13,52.56
		(9,84.13)	(16,45.83)
SCHEDULE 13			
OTHER INCOME:			
Rent		49.18	8.76
Income from Investments (Note 6(i) - Schedule 17)		22,47.37	5,43.51
Interest (Gross)		18,30.33	15,70.19
[Tax deducted at Source Rs.1,10.98 lakhs (Previous Year Rs.25.08 lakhs)]			
Profit on sale/discard of Fixed Assets (Net)		3,18.08	1,22.58
Provisions/Liabilities no longer required written back		14,74.53	1,93.67
Incentive on Exports		22,62.01	11,42.82
Miscellaneous Income		12,32.83	25,33.20
		94,14.33	61,14.73

Schedules Forming Part of Accounts

	Year ended 31st March,2008	Year ended 31st March,2007
	Rs. in lakhs	Rs. in lakhs
SCHEDULE 14		
RAW MATERIALS CONSUMED:		
Opening Stock	1,39,05.39	76,73.71
Add : Purchases	5,92,75.31	5,03,34.50
	7,31,80.70	5,80,08.21
Less : Closing Stock	2,08,96.39	1,39,05.39
	5,22,84.31	4,41,02.82
SCHEDULE 15		
MANUFACTURING AND OTHER EXPENSES:		
Stores and Spare Parts (Note 6(ii) - Schedule 17)	82,76.44	77,45.27
Handling and Transportation Charges	9,56.73	7,86.94
Power and Fuel	75,46.96	68,08.99
Excise Duty on Stock	(25.31)	(1,42.87)
Salaries, Wages, Bonus and Allowance, etc	64,64.44	56,00.65
Contribution to Provident and Other Fund	5,42.01	4,23.50
Employees' Welfare	2,33.45	1,90.70
Repairs:		
Machinery	3,39.99	2,25.65
Buildings	60.58	34.68
Others	5,21.67	5,67.19
Rates and Taxes	11,54.44	8,71.60
Rent	8,34.86	8,10.84
Insurance	2,88.12	1,31.67
Freight and Forwarding charges [net of realisation of Rs.36,92.84 lakhs (Previous Year Rs.31,43.27 lakhs)]	69,18.90	66,25.97
Commission to Selling Agents	25,39.35	27,39.40
Directors' Fees and Commission	41.10	26.95
Job charges	70,00.65	50,09.91
Miscellaneous Expenses	64,06.29	44,94.90
	5,01,00.67	4,29,51.94
SCHEDULE 16		
INTEREST AND FINANCIAL CHARGES:		
Interest		
On Debentures	10,07.41	12,98.74
On Term Loan	13,66.19	1,41.08
On Others	7,43.28	6,20.04
Financial Charges	61.75	23.54
Add/(Less): Derivative Loss/(Gain)	(5,58.11)	(24.78)
	26,20.52	20,58.62

Schedules Forming Part of Accounts

SCHEDULE 17

NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The accounts have been prepared under the historical cost convention in accordance with the provisions of the Companies Act, 1956 and accounting standards notified vide Companies (Accounting Standards) Rules, 2006. Accounting policies unless specifically stated to be otherwise, are consistent and are in consonance with generally accepted accounting principles.

B. USE OF ESTIMATES

The preparation of financial statements require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the Balance Sheet date and the reported amounts of income and expenses during the year.

Contingencies are recorded when it is probable that a liability will be incurred and the amounts can reasonably be estimated. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

C. FIXED ASSETS AND DEPRECIATION

1) Tangible Assets

(i) Gross Block:

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto. Cost of acquisition includes taxes, duties (net of cenvat availed), inward freight, installation expenses and adjustment for exchange differences wherever applicable. For major projects, interest paid on direct borrowings to finance fixed assets during construction period and pre-operative expenses, if appropriate, are capitalized. Expenditure on Blast Furnace Relining is capitalized.

(ii) Depreciation:

(a) Depreciation on Fixed Assets, except where otherwise stated, is provided as per Schedule XIV of the Companies Act, 1956 on straight line method in respect of Plant and Machinery of Ductile Iron Foundry Works, Mini Blast Furnace Plant, Captive Power Plant, Sponge Iron Plant, Coke Oven Plant and Sinter Plant and on written down value method on other assets. Certain Plant and Machinery have been considered Continuous Process Plant on the basis of technical assessment. Depreciation on upgradation of fixed assets is provided over the remaining useful life of the mother plant / fixed assets.

(b) Assets costing Rs. five thousand or less are being depreciated fully in the year of addition/acquisition.

(c) Pipe Moulds above 350 mm for Ductile Iron Foundry Works are depreciated over a period of 3 years. Pipe Moulds upto 350 mm are charged to consumption in the year of issue.

(d) Blast Furnace relining is depreciated over a period of 2 years (average expected life) as per technical assessment.

(e) Leasehold land is amortised over the period of the lease.

(f) Machinery Spares which can be used only in connection with an item of Fixed Asset and whose use is expected to be irregular are amortised over the useful life of the respective fixed assets and the amount amortised is included under stores and spares consumed.

(iii) Capital Work-in-progress includes machinery to be installed, construction and erection materials, Advances etc.

2) Intangible Assets

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software packages (ERP and others) are amortised over a period of 5 years. Amortisation is done on straight line basis.

D. INVESTMENTS

Long-term investments are stated at cost less provision, if any, for diminution in value other than temporary. Current investments are carried at lower of cost or fair value.

E. INVENTORIES

(i) Inventories are valued at lower of cost or net realisable value. Cost of inventories is ascertained on 'weighted average' basis. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

(ii) Cost in respect of raw materials and stores and spares includes expenses incidental to procurement of the same. Cost in respect of finished goods represents prime cost, and includes appropriate portion of overheads and excise duty.

Schedules Forming Part of Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

- (iii) Cost in respect of process stock represents, cost incurred upto the stage of completion.
- (iv) Cost in respect of work-in-progress represents cost of materials remaining uncertified / incomplete under the Turnkey Contracts undertaken by the Company.

F. IMPAIRMENT

Fixed assets are reviewed at each balance sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of fixed assets is determined. An impairment loss is recognized, whenever the carrying amount of assets either belonging to Cash Generating Unit (CGU) or otherwise exceeds recoverable amount. The recoverable amount is the greater of assets net selling price or its value in use. In assessing value in use, the estimated future cash flows from the use of the assets are discounted to their present value at appropriate rate. An impairment loss is reversed if there has been a change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss/reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, are allocated to its assets on a prorata basis. Subsequent to recognition of impairment loss/reversal thereof, depreciation is provided on the revised carrying amount of the asset, on a systematic basis, over its remaining useful life.

G. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates. Non-monetary items other than fixed assets, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction. The loss or gain thereon and also on the exchange differences on settlement of the foreign currency transactions during the year are recognized as income or expense and are adjusted to the profit and loss account under respective heads of account except where such liabilities and/or transactions relate to fixed assets / projects and were entered into before 1-4-2004, in which case, these are adjusted to the cost of respective fixed assets.

Revenue/expenditure earned/incurred by the overseas office is translated at the respective month end rate during which such revenue /expenditure is so earned/incurred.

In case of foreign exchange forward contracts, the difference between the forward rate and exchange rate at the date of transaction is recognized as income and expense over the life of the contract.

H. REVENUE RECOGNITION

All expenses and income to the extent considered payable and receivable respectively unless specifically stated to be otherwise are accounted for on mercantile basis.

I. SALES

Sales include excise duty, wherever applicable and rebate, discounts, claims, expenses incurred on consignment sales etc. are excluded therefrom. Sales on consignment and expenses there against are being accounted for on receipt of sales account from the respective consignee. Revenue against Turnkey Contracts undertaken by the Company is recognised progressively on the basis of percentage of completion method. Stage of completion of contracts in progress is determined by reference to the physical proportion of the contract work completed.

J. EMPLOYEE BENEFITS

Employee benefits are accrued in the year services are rendered by the employees.

Contribution to defined contribution schemes such as Provident Fund, Superannuation Fund etc. are recognized as and when incurred.

Long-term employee benefits under defined benefit scheme such as contribution to gratuity, leave etc. are determined at close of the year at present value of the amount payable using actuarial valuation techniques.

Actuarial gain and losses are recognized in the year when they arise.

K. RESEARCH AND DEVELOPMENT

Research and development cost (other than cost of fixed assets acquired) are charged as an expense in the year in which they are incurred.

L. EXPORT BENEFITS

Export benefits arising on account of entitlement for duty free imports are accounted for through import of materials. Other export benefits are accounted for as and when accrued.

M. GOVERNMENT GRANTS

Revenue grants including subsidy/rebates are credited to Profit and Loss Account under "Other Income" or deducted from the related expenses. Grants relating to fixed assets are credited to Capital Reserve Account or adjusted in the cost of such assets as the case may be, as and when the ultimate realisability of such grants are established.

Schedules Forming Part of Accounts

N. INCOME TAX

Provision for tax is made for current, deferred and fringe benefit taxes. Current tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent periods are recognized using tax rates and tax laws, which have been enacted or substantively enacted. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realized. In case of carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is "virtual certainty" that such deferred tax assets can be realized against future taxable profits.

O. DERIVATIVE INSTRUMENTS

Derivative transactions of Interest and Foreign Currency Swap and Option contracts are accounted for on their settlement and accordingly the gains/losses arising therefrom are recognised under respective heads of accounts as and when the settlement takes place in accordance with the terms of respective contracts.

P. PROVISIONS, CONTINGENCIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events, it is probable that there will be an outflow of resources and a reliable estimate can be made, of the amount of the obligation. Contingent assets are neither recognized nor disclosed in the financial statement. Contingent liabilities are not provided for and are disclosed by way of notes.

	(Rs. in lakhs)	
	Current Year	Previous Year
2. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances):	1,96,05.40	40,32.61
3. Contingent Liabilities not provided for in respect of:		
a) Various demands raised, which in the opinion of the management are not tenable and are pending with various forums / authorities:		
i) Sales Tax	4,45.29	3,62.75
ii) Excise, Custom Duty and Service tax	48,74.09	56,80.32
iii) Income Tax	3,88.59	3,88.59
iv) Provident Fund (Previous Year: net of provision of Rs.100.00 lakhs)	–	74.96
v) Others	–	19.06
b) Employee State Insurance Corporation has raised demand for contribution in respect of Gross Job Charges for the year 2001-02. In the opinion of the management demand is adhoc and arbitrary and is not sustainable legally.	65.71	82.22
c) Demand of Tamilnadu Electricity Board disputed by the Company.	8.20	8.20
d) During the year 1994 UPSEB had raised demand for electricity charges by revising the power tariff schedule applicable to the Company retrospectively from Feb'86. In the opinion of the management the revised power tariff is not applicable to the Company and accordingly the Company disputed the demand and the matter is pending before Hon'ble High Court at Allahabad.	2,61.74	2,61.74
e) Corporate guarantee issued to banks by the Company.	2,06,69.00	2,49,67.00
f) Guarantees given by bank on behalf of the Company.	1,46,28.52	1,32,05.68
g) Bills Discounted with Banks.	53,00.44	18,92.69
h) The Company has disputed downward revision in the prices affected by the purchaser subsequent to sale of certain specified materials. In the opinion of the management and also on the merit of the case, as advised legally no liability is likely to arise. The matter is subjudice and pending final judgement the amount payable, if any is not ascertainable presently.		

Note: Future cash outflows, if any, in respect of (a) to (d), and (h) is dependent upon the outcome of judgements / decisions.

Schedules Forming Part of Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

	(Rs. in lakhs)	
	Current Year	Previous Year
4. Auditors' Remuneration:		
(a) Audit Fees	7.00	6.00
(b) Other services-Certificates, etc.	4.20	5.60
5. a) Directors' Remuneration:		
(i) Managing/Jt. Managing/Whole-time Directors:		
Salary	1,51.69	1,51.96
Contribution to Provident and superannuation Funds	15.00	17.10
Gratuity & Leave	16.93	14.13
Perquisites	7.87	6.42
Commission	1,74.50	3,71.80
	<u>3,65.99</u>	<u>5,61.41</u>
(ii) Other Directors' Commission	31.50	22.00
	<u>3,97.49</u>	<u>5,83.41</u>
Sitting fees to Non-executive Directors	9.60	4.95
Total	<u>4,07.09</u>	<u>5,88.36</u>
b) Computation of Directors' Commission:		
Profit Before Taxes	50,45.42	1,58,42.03
Add: Directors' Remuneration	3,97.49	5,83.41
	<u>54,42.91</u>	<u>1,64,25.44</u>
Less:		
Profit on Sale of Investments	10,95.93	3,39.50
Profit on Sale of Fixed Assets (net)	2,74.17	1,22.58
Net Profit for the purpose of Directors' Commission	<u>40,72.81</u>	<u>1,59,63.36</u>
Managing/Joint Managing Directors' Commission	1,10.00	2,50.00
Whole-time Directors' Commission	64.50	1,21.80
Other Directors' Commission.	31.50	22.00
6. i) Income from Investments (Net) represent:		
a) Trade Investments-		
Long Term - Dividend	0.54	0.40
b) Other than Trade Investments:		
Profit on Sale of Long term Investments	10,17.95	1,01.49
Profit on Sale of Current Investments	77.97	2,38.01
Interest on Long Term Investments	-	9.05
Current Dividend	8,59.47	98.06
Long Term Dividend	2,91.44	96.50
	<u>22,47.37</u>	<u>5,43.51</u>
ii) Stores and spares consumption include pipe moulds written off	85.52	55.06
7. The company had disputed the downward revision of prices by DGS&D under its rate contract. The company had filed a case under the Arbitration and Conciliation Act and an interim stay order in favour of the company was passed by the Hon'ble High Court of Calcutta in earlier years which has been confirmed by the said Court during the year. In view of the above and based on the legal opinion obtained during the year on the matter, provision of Rs. 13,20.00 lakhs made in earlier years in relation to such matter has been written back in these accounts.		
8. No allocation has been made in respect of stores and spare parts and wages for repairs to Machinery and Building.		
9. Miscellaneous expenses include Charity and Donation of Rs.1,55.44 lakhs (Previous Year Rs. 4,17.18 lakhs), Bad Debts of Rs.71.49 lakhs (Previous Year Rs. 5.73 lakhs), Provision for Bad and Doubtful Debts Rs. nil (Previous year 3,68.63 lakhs). Provision of diminution in the value of long term - other investments is Rs. nil (Previous year 36.30 lakhs). Job charges includes Rs.1,03.54 lakhs (Previous year Rs. 1,07.90 lakhs) incurred towards insurance on Turnkey Contracts.		

Schedules Forming Part of Accounts

10. Employee Benefits

- i. Effective 1.4.2007, the Company has adopted revised Accounting Standard 15 on "Employee Benefits" (AS-15) notified in the Companies (Accounting Standards) Rules,2006. The effect of transitional liability of Rs. 2,60.47 lakhs (net of deferred tax of Rs. 1,34.12 lakhs) as required by AS-15 has been adjusted to opening balance of General Reserve of the Company.

Till previous year, the company was providing liability for leave encashment on accrual basis as estimated by the management. Such liability as per actuarial valuation as at the close of the last financial year carried out at balance sheet date in accordance with AS-15 on 'Accounting for Retirement Benefits in the Financial Statements of Employers' issued by the Institute of Chartered Accountants of India worked out to Rs. 2,62.13 lakhs. Consequently, differential excess liability of Rs. 1,95.10 lakhs as on 31.03.2007 being prior period income has been credited to profit and loss account for the current year and is included under miscellaneous income.

- ii. The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:

Defined Contribution Scheme

Contribution to Defined Contribution Plan, recognized for the year are as under :

	Rs. in lakhs
Employer's Contribution to Provident Fund	1,25.60
Employer's Contribution to Pension Fund	88.49
Employer's Contribution to Superannuation Fund	1,26.62

Defined Benefit Scheme

The employee's gratuity fund scheme managed by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Ltd. is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

	(Rs. in lakhs)
	Gratuity (Funded)
i. Change in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:	
Liability at the beginning of the year	6,76.49
Interest Cost	54.71
Current Service Cost	75.25
Actuarial (gain) / loss on obligations	39.99
Benefits paid	(64.00)
Liability at the end of the year	<u>7,82.44</u>
ii. Changes in the Fair Value of Plan Asset representing reconciliation of opening and closing balances thereof are as follows:	
Fair value of Plan Assets at the beginning of the year	4,95.76
Expected Return on Plan Assets	39.20
Contributions by the Company	68.32
Benefits paid	(64.00)
Actuarial gain / (loss) on Plan Assets	10.16
Fair value of Plan Assets at the end of the year	<u>5,49.44</u>
Total actuarial gain / (loss) to be Recognized	29.83
iii. Actual return on Plan Assets	
Expected return on Plan Assets	39.20
Actuarial gain / (loss) on Plan Assets	10.16
Actual Return on Plan Assets	<u>49.36</u>
iv. Amount Recognized in Balance Sheet	
Liability at the end of the year	7,82.44
Fair value of Plan Assets at the end of the year	<u>5,49.44</u>
Amount Recognized in the Balance Sheet	<u>2,33.00</u>

Schedules Forming Part of Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

	(Rs. in lakhs)
	Gratuity (Funded)
v. Expenses Recognized in the Income Statement	
Current Service Cost	75.25
Interest Cost	54.71
Expected Return on Plan Assets	(39.20)
Net Actuarial (gain) / loss to be Recognized	29.83
Expenses Recognized in Profit & Loss Account	1,20.59
vi. Balance Sheet Reconciliation	
Opening Net Liability	1,80.73
Expenses as above	1,20.59
Employers Contribution	(68.32)
Amount Recognized in Balance Sheet	2,33.00

Compensated Absences

The obligation for compensated absences is recognized in the same manner as gratuity. The actuarial liability of Compensated Absences (unfunded) of accumulated privileged and sick leaves of the employees of the company as at 31.03.2008 is given below:

	(Rs. in lakhs)
Particulars	31.03.2008
Privileged Leave	4,65.98
Sick Leave	1,94.19

viii. Principal Actuarial assumptions as at the Balance Sheet date

Discount Rate	7.50%
Rate of Return on Plan Assets	7.50%

Notes:

- i) Assumptions relating to future salary increases, attrition, interest rate for discount & overall expected rate of return on Assets have been considered based on relevant economic factors such as inflation, market growth & other factors applicable to the period over which the obligation is expected to be settled.
 - ii) The Company expects to contribute Rs. 1,33.00 lakhs to Gratuity fund in 2008-09. This being the first year of implementation, previous year figures have not been given.
- 11a)** In the opinion of the Board of Directors, current assets and loans and advances have the value at which these are stated in the Balance Sheet, unless otherwise stated and adequate provisions for all known liabilities have been made and are not in excess of the amount reasonably required.
- 11b)** Sundry Creditors include certain liabilities recognized based on substantial degree of estimates, related to customers or demands against the company. Any additional information in this regard can be expected to prejudice the interests of the company.
- 12.** Balance of Sundry Debtors including for Turnkey Contracts, Work-in-progress and Creditors are subject to confirmation/reconciliation and adjustments in this respect are carried out as and when amounts thereof, if any are ascertained.
- 13.** Rs.2,53.21 lakhs being net gain (Previous Year Rs 24,81.16 lakhs being net gain) on account of exchange difference has been adjusted to the respective heads of account in Profit and Loss Account.
- 14.** Power and fuel consumption is net of Rs. 1,05.95 lakhs (Previous Year Rs. 68.64 lakhs) being subsidy receivable on use of coal gas.

Schedules Forming Part of Accounts

- 15.** Disclosure of sundry creditors under current liabilities is based on the information available with the company regarding the status of the suppliers as defined under the " Micro, Small and Medium Enterprise Development Act, 2006" (the Act). There are no delays in payment made to such suppliers and there is no overdue amount outstanding as at the balance sheet date. Based on above the relevant disclosures u/s 22 of the Act are as follows:

1. Principal amount outstanding at the end of the year	Rs.0.18 lakhs
2. Interest amount due at the end of the year	NIL
3. Interest paid to suppliers	NIL

- 16.** Other deposits under Loans and Advances include Rs. 5,57.50 lakhs (Previous year Rs. 5,57.50 lakhs) with Private Limited companies in which directors are interested as a member / director.

- 17.** Fixed Deposits with Scheduled Banks include Fixed Deposit of Rs. 4.90 lakhs (Previous Year Rs. 48.78 lakhs) lodged with Government Departments and Customers.

- 18 a)** The break up of deferred tax assets and deferred tax liabilities are as given below.

	(Rs. in lakhs)			
Particulars	Opening as on 01-04-2007	Charge or Credit during the Year	Transitional Deferred Tax Asset- 01.04.2007*	Closing as at 31-03-2008
Deferred Tax Assets:				
1. Expenses Allowable on Payment Basis	2,31.22	(71.12)	1,34.12	2,94.22
2. Provision for doubtful debts and stock	3,53.43	(38.21)	-	3,15.22
3. Provision for losses on Derivatives on Mark to Market basis	-	20,46.23	-	20,46.23
4. Others	63.74	10.13	-	73.87
Deferred Tax Liabilities:				
1. Depreciation	34,24.65	7,35.05	-	41,59.70
2. Liquidated Damages and Retention money	4,86.21	68.57	-	5,54.78
Net Deferred Tax Liability	32,62.47	(11,43.41)	(1,34.12)	19,84.94

* Refer note no. 10

- 18 b)** In accordance with Accounting Standard (AS-20) on 'Earnings Per Share, computation of basic and diluted earnings per share is as under:

Particulars	Rs. in lakhs	2007-2008 Rs. in lakhs	2006-2007 Rs. in lakhs
Net profit for basic earnings per share as per profit and loss account		52,01.58	1,06,15.98
i) Adjustment for the purpose of diluted earnings per share			
Exchange gain on realignment of ZCCB and conversion rate difference	9,89.89		
Less: Tax effect	3,36.46	6,53.42	7,26.42
Net profit for diluted earnings per share		45,48.16	98,89.56
ii) Weighted average number of equity shares for calculation of basic and diluted earnings per share (Face value Re.1/- per share)			
a) Basic earnings per share		231684227	207637480
b) Diluted earnings per share		292110632	275155390
iii) Earnings per share:			
a) Basic		2.25	5.11
b) Diluted		1.56	3.59

Schedules Forming Part of Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

19. Interest during construction on direct borrowing to finance fixed assets, if appropriate, has been taken in Capital work-in-progress. Capital work-in-progress includes preoperative expenses pending allocation as follows:-

	2007-08 Rs. in lakhs	2006-07 Rs. in lakhs
Preoperative expenses brought forward	26,12.59	-
Stores & Spares Consumption	25.43	6.36
Salaries, Wages, Bonus and Allowances etc. (including contribution to Provident and other statutory payments)	3,26.70	1,92.13
Rent	23.07	0.98
Depreciation	1.00	1.15
Miscellaneous Expenses	2,34.10	3,16.73
Geological Report	-	20,95.24
Total preoperative expenses carried forward pending allocation	32,22.89	26,12.59

20. Disclosure of Loans and Advances as per the requirement of clause 32 of the listing agreement with the stock exchanges in India.

	2007-08		2006-07	
	Amount Outstanding at the year ended Rs. in lakhs	Maximum Amount Outstanding during the year Rs. in lakhs	Amount Outstanding at the year beginning Rs. in lakhs	Maximum Amount Outstanding during last year Rs. in lakhs
Loans and advances in the nature of loans to Subsidiaries and Associates:				
(a) Electrosteel Europe SA	-	-	-	-
(b) Electrosteel Algeria SPA	-	-	-	-
(c) Singardo International Pte Ltd.	-	-	-	-
(d) Lanco Industries Limited	-	-	-	30,00.00
Loans and advances in the nature of loans to Employees where there is:				
(a) Repayment Beyond Seven Years	-	-	-	-
(b) No interest or Interest below Section 372A of the Companies Act, 1956.- To employees as per general rules of the Company.	25.48	26.15	21.34	26.64
Loans and advances in the nature of loans to Firms/Companies in which Directors are interested (Refer Section 299 of the Companies Act, 1956)				
(a) Lanco Industries Ltd.	-	-	-	30,00.00
(b) Electrosteel Integrated Ltd.	-	-	-	-
(c) Electrosteel Thermal Coal Ltd.	-	-	-	-
(d) Electrosteel Thermal Power Ltd.	-	-	-	-
Loans and advance in the nature of loans and loanee has invested in :				
(a) Shares of Parent Company	-	-	-	-
(b) Shares of a Subsidiary (including sub/fellow subsidiary)	-	-	-	-

Schedules Forming Part of Accounts

21. During the previous year, pending utilization of the issue proceeds of Global Depository Receipts (GDRs) an amount of Rs. 40,75.23 lakhs had been kept invested in mutual funds. During the current year, Rs. 40,75.23 lakhs (Previous year Rs.1,36,67.77 lakhs) have been utilized for the purpose for which it was raised.

22(a) Category wise outstanding derivatives contracts entered for hedging as on March 31, 2008 are as follows :-

Sl. No.	Category	Currency	Current Year		Previous Year		UNDERLYING PURPOSE
			No. of Deals	Amount	No. of Deals	Amount	
1	Forward	USD/INR	47	9,25,00,000	23	3,01,42,000	Export
2	Forward	SGD/USD	4	10,40,270	10	42,50,000	Export
3	Forward	GBP/USD	12	56,94,521	11	55,50,000	Export
4	Forward	USD/CHF	4	10,00,000	-	-	Export
5	Forward	Euro/USD	9	1,93,83,792	-	-	Export
6	Forward	USD/INR	2	15,00,000	6	30,00,000	Import
7	Forward	USD/INR	16	2,82,50,000	22	3,58,31,574	ZCCB* Deposits
8	Forward	USD/INR	3	78,45,853	-	-	Buyer's Credit
9	Forward	USD/JPY	4	2,35,37,65,553	-	-	Buyer's Credit
10	Forward	USD/JPY	3	20,00,000	-	-	Export
11	Option	EURO	6	1,21,00,000	9	2,47,00,000	Export
12	Option	GBP	-	-	5	1,35,00,000	Export
13	Option	USD	9	5,12,73,500	9	5,26,30,000	Export
14	Option	USD	-	-	2	3,98,30,000	ZCCB*
15	Option	USD	-	-	1	35,00,000	ZCCB* Deposits
16	Option	EURO	2	20,00,000	5	1,90,00,000	Import
17	Option	GBP	-	-	1	20,00,000	Import
18	Option	USD	2	1,40,00,000	2	2,37,50,000	Import
19	Swap**	INR	1	15,00,00,000	9	1,89,33,33,333	Liabilities
20	Swap**	USD/JPY	1	25,00,000	-	-	Imports
21	Swap**	USD	-	-	2	1,30,00,000	Liabilities
22	Swap**	Euro	1	75,00,000	-	-	Liabilities

* ZCCB: Zero Coupon Convertible Bond

** Represents both Currency and Interest Rate Swaps and includes ZCCB and External Commercial Borrowings (ECB).

(B) Unhedged Foreign Currency exposures as on March 31, 2008 are as follows :-

Nature	Currency	Current Year Amount in Foreign Currency	Previous Year Amount in Foreign Currency
Imports	USD	3,82,50,562	47,94,481
Others	JPY	67,99,319	-
ZCCB Deposits (include accrued interest)	USD	49,93,285	2,47,37,055
ZCCB (include proportionate premium)	USD	2,36,17,291	3,95,57,275
ECB	USD	18,75,192	37,52,007
Export	SGD	12,64,228	-
Others	AUD	84,962	17,959
Others	EURO	-	14,000
Others	USD	7,78,142	6,80,133
Others	GBP	31,244	-
Others	SGD	1,605	-
Others	CHF	1,611	-

Schedules Forming Part of Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

23. (a) Pending utilization of the issue proceeds of Zero Coupon Convertible Bonds (ZCCBs), in earlier year, an amount of Rs. 2,77,92.97 lakhs had been kept overseas in fixed deposits with Banks. During the current year, Rs. 1,15,86.88 lakhs (Previous year Rs. 64,94.16 lakhs) have been utilized for the purpose for which it was raised and the balance unutilized amount as on the balance sheet date aggregating to Rs. 14,86.97 lakhs remains invested in mutual funds and Rs.1,31,57.72 lakhs (Previous year Rs. 2,77,92.97 lakhs) remains invested overseas in fixed deposits with Banks.
- (b) During the year, ZCCB worth US\$ 54.05 million were converted into equity shares. Accordingly, 5,71,06,536 equity shares of face value of Re. 1 each at a price of Rs. 42.44 per share have been issued to the respective bond holders resulting in increase in the paid up equity capital by Rs. 5,71.07 lakhs and share premium by Rs. 2,36,64.95 lakhs.
- (c) Premium payable on ZCCB has been provided proportionately and accordingly Rs. 5,38.36 lakhs (out of total redemption premium amounting to Rs. 28,91.85 lakhs) (Previous year Rs.19,03.20 lakhs, out of total redemption premium amounting to Rs. 1,11,95.29 lakhs) on this account has been debited to Share Premium Account. Further, due to conversion of ZCCB as aforesaid, premium payable on such converted ZCCB debited in earlier year to share premium account amounting to Rs. 13,71.57 lakhs have been credited to such account.
24. During the year, the Company had raised Rs.1,07,71.36 lakhs as detailed below through preferential issue of equity shares and convertible warrants.
- Rs.8,76.00 lakhs being 10% of the total amount due raised through the issue of 20 lakh warrants, each convertible into 10 equity shares of Re.1 each at a price of Rs 43.80 per share. Till balance sheet date, 13,75,000 warrants were converted into 137.50 lakh equity shares of face value of Re. 1 each on receipt of balance 90% amounting to Rs. 54,20.25 lakhs. Consequently, Rs. 58,85.00 lakhs have been credited to share premium account.
 - Rs.15,20 lakhs being 10% of the total amount due raised through the issue of 200 lakh warrants, each convertible into 1 equity share of face value of Re.1 each at a price of Rs. 76.00 per share.
 - Rs.5,91.60 lakhs being 10% of the total amount due raised through the issue of 87 lakh warrants, each convertible into 1 equity share of face value of Re.1 each at a price of Rs. 68.00 per share.
 - Rs.9,83.11 lakhs being 10% of the total amount due raised through the issue of 1,21,37,146 warrants each convertible into 1 equity share of face value of Re.1 each at a price of Rs. 81.00 per share.
 - Rs.13,80.40 lakhs raised through the issue of 20,30,000 equity shares of face value of Re.1 each at a price of Rs. 68.00 per share. Consequently, Rs.13,60.10 lakhs have been credited to share premium account.
- Out of the money raised as above, the Company has utilized Rs. 71,24.00 lakhs for the purpose of capital expenditure and repayment of loan and the balance unutilized amount as on the balance sheet date aggregating to Rs. 36,47.36 lakhs remains invested in mutual funds.
25. As at March 31, 2008, the Company had inter-alia outstanding derivative contracts viz. Options and Swap Contracts entered into, based on past performance/ underlying of foreign currency and other exposures including forward exchange contracts (excluding those entered into to hedge the foreign currency risk of existing assets and liabilities) to hedge the associated currency and/or interest rate risks. The Marked-to-Market losses on such derivative contract as at March 31, 2008 stood at Rs.60,20.10 lakhs. Even though such losses have not been determined and accrued during the year, keeping in view the announcement of Institute of Chartered Accountants of India dated March 29, 2008 regarding Accounting for Derivatives, the Company has accounted for such losses and have been disclosed distinctively under exceptional items in the profit and loss account for the year ended on March 31, 2008. Consequent to this, the profit after tax of the company for the year is lower by Rs. 39,73.86 lakhs.
- 26 a) The Company had investment in equity shares of Domco Private Limited (DPL), a Company incorporated in India, and has joint control (proportion of ownership interest of the Company being 50%) over DPL along with other venturers (the Venturers). During the previous year, the Venturers had filed a petition before the Company Law Board, Principal Bench, New Delhi (CLB) against the Company on various matters including for forfeiture of the Company's investment in equity shares of DPL. The Company had inter alia filed petition before the Hon'ble High Court of Calcutta and Jharkhand. The Hon'ble High Court of Jharkhand at Ranchi upheld the Company's appeal and decided that the matter would have to be referred for Arbitration. The Venturer has challenged the aforesaid judgement in the Divisional Bench of the Hon'ble High Court of Jharkhand at Ranchi. Pending final outcome on the matter with its consequential impact, if any, investments of Rs. 30.00 lakhs in DPL and advances of Rs.7,00.00 lakhs with the Venturers have been considered as good and recoverable by the management and carried forward at book value in these accounts.
- Further, due to non-availability of the financial statements of DPL, a jointly controlled entity of the Company in terms of Accounting Standard (AS) 27 on "Financial Reporting of Interests in Joint Ventures", disclosures as regards contingent liability and capital commitments, if any, aggregate amounts of each of the assets, liabilities, income and expenses related to the Company's interest in DPL has not been made in these accounts.

Schedules Forming Part of Accounts

- b) As regards construction contracts in progress as on March 31, 2008 aggregate amount of costs incurred and recognised profit (less recognized losses) upto the year end (to the extent ascertained by the management), aggregate amount of advances received and aggregate amount of retentions are Rs. 4,60,97.80 lakhs, Rs. 20,44.46 lakhs and Rs.11,49.36 lakhs respectively.(Previous year Rs.3,81,61.98 lakhs, Rs.25,86.64 lakhs and Rs.16,05.56 lakhs respectively).
27. The company has certain operating lease arrangements for office accommodations etc. with tenure extending upto 9 yrs. Term of certain lease arrangements include escalation clause for rent on expiry of 36 months from the commencement date of such lease and deposit / refund of security deposit etc. Expenditure incurred on account of rent during the year and recognized in the Profit and Loss account amounts to Rs.8,34.86 lakhs (Previous year Rs. 8,10.84 lakhs).
28. During the year, the Company has acquired 40,000 equity shares of Rs.10/- aggregating to Rs.4 lakhs in Electrosteel Integrated Limited (EIL). Further, the Company has paid Rs.3,09,96.00 lakhs to EIL towards purchase of 30,99,60,000 equity shares of Rs. 10/- each of EIL, which, pending allotment remains included under 'advances recoverable in cash or kind'. EIL would be setting up integrated steel plant in the state of Jharkhand.
29. During the year, the Company has incurred Rs.46.75 lakhs on account of research and development expenses which has been charged to profit & loss account.
30. Related party disclosure as identified by the management in accordance with the Accounting Standard (AS) 18 on "Related Party Disclosures" are as follows:
- (a) **Names of related parties and description of relationship**
- | | |
|---|--|
| 1) Subsidiary Company | Electrosteel Europe SA
Electrosteel Algeria SPA
Singardo International Pte Ltd.
Chesterfield Ductile Group Ltd. |
| 2) Associate Company | Lanco Industries Ltd.
Electrosteel Integrated Limited |
| 3) Joint Venture | Domco Private Ltd. |
| 4) Key Management Personnel (KMP) and their relatives | Mr. Umang Kejriwal (Managing Director)
Mr. Mayank Kejriwal (Joint Managing Director)
Mr. Uddhav Kejriwal (Director)
Mr. N C Bahl (Director)
Smt. Uma Kejriwal-mother of Mr. Umang Kejriwal-MD
Smt. Usha Bahl-wife of Mr. N. C. Bahl-Director |
| 5) Enterprise where KMP/Relatives of KMP have significant influence or control | Global Exports Ltd.
Badrinath Industries Ltd.
Akshay Ispat & Ferro Alloys Pvt. Ltd.
Acharya Multicon Pvt. Ltd.
Flora Constuctions Pvt. Ltd.
Highrise Multicon Pvt. Ltd.
Kabir Projects Pvt. Ltd.
New City Enclave Pvt. Ltd.
Nilmoni Developers Pvt. Ltd.
Paramount Tracom Pvt. Ltd.
Stewart Agencies Pvt. Ltd.
Tulsi Highrise Pvt. Ltd.
Wilcox Merchants Pvt. Ltd.
Nimpith Developers Pvt. Ltd.
Royal Multicon Pvt. Ltd.
Samar Properties Pvt. Ltd.
Tulip Fabicon Pvt. Ltd.
Electrosteel Thermal Power Limited
Electrosteel Thermal Coal Limited |

Schedules Forming Part of Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

30. Contd.

(B) Related Party Transaction

								(Rs. in lakhs)	
	Subsidiary	Associate	Joint Venture	KMP & Relatives	KMP have control	Total	Outstanding as on 31.03.08	Outstanding as on 31.03.07	
Sale									
Electrosteel Europe SA	18,247.04	-	-	-	-	18,247.04	13,448.55	-	
Electrosteel Algeria SPA	7,606.66	-	-	-	-	7,606.66	5,906.20	-	
Singardo International Pte Ltd.	1,520.59	-	-	-	-	1,520.59	919.38	-	
Chesterfield Ductile Group Ltd.	3,982.33	-	-	-	-	3,982.33	1,897.21	-	
Akshay Ispat & Ferro Alloys Pvt. Ltd.	-	-	-	-	7.83	7.83	75.35	-	
Lanco Industries Ltd.	-	11,560.87	-	-	-	11,560.87	5,124.93	-	
Total	31,356.62	11,560.87	-	-	7.83	42,925.32	27,371.62	-	
Previous Year									
Electrosteel Europe SA	13,262.12	-	-	-	-	13,262.12	-	9,848.79	
Electrosteel Algeria SPA	5,665.55	-	-	-	-	5,665.55	-	3,640.82	
Singardo International Pte Ltd.	1,479.38	-	-	-	-	1,479.38	-	812.35	
Chesterfield Ductile Group Ltd.	6,431.02	-	-	-	-	6,431.02	-	4,137.11	
Akshay Ispat & Ferro Alloys Pvt. Ltd.	-	-	-	-	0.68	0.68	-	-	
Lanco Industries Ltd.	-	2,923.07	-	-	-	2,923.07	-	6,718.77	
Interest Received									
Lanco Industries Ltd.	-	476.38	-	-	-	476.38	368.43	-	
Previous Year	-	111.78	-	-	-	111.78	-	-	
Purchase									
Lanco Industries Ltd.	-	10,208.38	-	-	-	10,208.38	1,839.40	-	
Akshay Ispat & Ferro Alloys Pvt. Ltd.	-	-	-	-	209.15	209.15	-	-	
Total	-	10,208.38	-	-	209.15	10,417.53	1,839.40	-	
Previous Year									
Lanco Industries Ltd.	-	7,041.03	-	-	-	7,041.03	-	1,813.43	
Akshay Ispat & Ferro Alloys Pvt. Ltd.	-	-	-	-	248.48	248.48	-	(80.00)	
Job Charges Received									
Electrosteel Integrated Limited	-	1,780.89	-	-	-	1,780.89	335.39	-	
Total	-	1,780.89	-	-	-	1,780.89	335.39	-	
Previous Year									
Lanco Industries Ltd.	-	33.98	-	-	-	33.98	-	-	
Remuneration									
Mr. Umang Kejriwal (MD)	-	-	-	94.63	-	94.63	55.00	-	
Mr. Mayank Kejriwal (JMD)	-	-	-	93.14	-	93.14	55.00	-	
Mr. Uddhav Kejriwal (Director)	-	-	-	72.54	-	72.54	36.50	-	
Mr. N C Bahl (Director)	-	-	-	105.67	-	105.67	28.00	-	
Total	-	-	-	365.98	-	365.98	174.50	-	
Previous Year									
Mr. Umang Kejriwal (MD)	-	-	-	163.76	-	163.76	-	125.00	
Mr. Mayank Kejriwal (JMD)	-	-	-	162.44	-	162.44	-	125.00	
Mr. Uddhav Kejriwal (Director)	-	-	-	126.02	-	126.02	-	103.44	
Mr. S Y Rajagopalan (Director)	-	-	-	59.53	-	59.53	-	33.80	
Others	-	-	-	62.79	-	62.79	-	23.40	
Rent									
Global Exports Ltd.	-	-	-	-	21.36	21.36	-	-	
Badrinath Industries Ltd.	-	-	-	-	13.50	13.50	-	-	
Others	-	-	-	-	106.06	106.06	-	-	
Total	-	-	-	-	140.92	140.92	-	-	
Previous Year									
Global Exports Ltd.	-	-	-	-	27.00	27.00	-	-	
Others	-	0.11	-	-	95.56	95.67	-	-	

Schedules Forming Part of Accounts

								(Rs. in lakhs)	
	Subsidiary	Associate	Joint Venture	KMP & Relatives	KMP have control	Total	Outstanding as on 31.03.08	Outstanding as on 31.03.07	
Service Charges									
Electrosteel Thermal Power	-	-	-	-	3.02	3.02	-	-	
Chesterfield Ductile Group Ltd.	24.85	-	-	-	-	24.85	24.85	-	
Global Exports Ltd.	-	-	-	-	36.95	36.95	-	-	
Total	24.85	-	-	-	39.97	64.82	24.85	-	
Previous Year									
Global Exports Ltd.	-	-	-	-	41.44	41.44	-	0.05	
Advances									
Electrosteel Integrated Limited	-	588.47	-	-	-	588.47	-	-	
Previous Year	-	-	-	-	-	-	-	-	
Chesterfield Ductile Group Ltd.	-	-	-	-	-	-	-	768.31	
Share Application Money Paid									
Electrosteel Integrated Limited	-	30,996.00	-	-	-	30,996.00	30,996.00	-	
Previous Year	-	-	-	-	-	-	-	-	
Corporate Guarantee									
Electrosteel Algeria SPA	-	-	-	-	-	-	585.98	-	
Singardo International Pte Ltd.	-	-	-	-	-	-	1,165.79	-	
Electrosteel Europe SA	-	-	-	-	-	-	4,428.86	-	
Chesterfield Ductile Group Ltd.	-	-	-	-	-	-	1,988.50	-	
Lanco Industries Ltd.	-	-	-	-	-	-	12,500.00	-	
Total	-	-	-	-	-	-	20,669.13	-	
Previous Year									
Electrosteel Algeria SPA	334.03	-	-	-	-	334.03	-	633.67	
Singardo International Pte Ltd.	1,143.76	-	-	-	-	1,143.76	-	1,143.76	
Electrosteel Europe SA	-	-	-	-	-	-	-	4,055.38	
Chesterfield Ductile Group Ltd.	2,134.19	-	-	-	-	2,134.19	-	2,134.19	
Lanco Industries Ltd.	-	10,900.00	-	-	-	10,900.00	-	17,000.00	
Investment									
Electrosteel Integrated Limited	-	4.00	-	-	-	4.00	4.00	-	
Previous Year	-	-	-	-	-	-	-	-	
Electrosteel Algeria SPA	72.78	-	-	-	-	72.78	-	520.33	
Commission									
Singardo International Pte Ltd.	6.09	-	-	-	-	6.09	3.39	-	
Previous Year	3.78	-	-	-	-	3.78	-	0.92	
Security Deposits									
Nimpith Developers Pvt. Ltd.	-	-	-	-	-	-	45.00	-	
Royal Multicon Pvt. Ltd.	-	-	-	-	-	-	47.50	-	
Samar Properties Pvt. Ltd.	-	-	-	-	-	-	50.00	-	
Electrosteel Thermal Coal Limited	-	-	-	-	230.00	230.00	230.00	-	
Tulip Fabicon Pvt. Ltd.	-	-	-	-	-	-	35.00	-	
Total	-	-	-	-	230.00	230.00	407.50	-	
Previous Year									
Nimpith Developers Pvt. Ltd.	-	-	-	-	45.00	45.00	-	45.00	
Royal Multicon Pvt. Ltd.	-	-	-	-	47.50	47.50	-	47.50	
Samar Properties Pvt. Ltd.	-	-	-	-	50.00	50.00	-	50.00	
Tulip Fabicon Pvt. Ltd.	-	-	-	-	35.00	35.00	-	35.00	
Rent Receipts									
Lanco Industries Ltd.	-	0.36	-	-	-	0.36	-	-	
Electrosteel Integrated Limited	-	46.89	-	-	-	46.89	-	-	
Previous Year	-	-	-	-	-	-	-	-	
Sundry Receipts									
Previous Year	-	-	-	-	-	-	-	-	
Lanco Industries Ltd.	-	3.20	-	-	-	3.20	-	-	
Sale of Fixed Assets									
Electrosteel Integrated Limited	-	457.40	-	-	-	457.40	-	-	
Previous Year	-	-	-	-	-	-	-	-	
Income from Consultancy									
Electrosteel Integrated Limited	-	128.00	-	-	-	128.00	-	-	
Previous Year	-	-	-	-	-	-	-	-	

Schedules Forming Part of Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

31. TURNOVER, OPENING STOCK & CLOSING STOCK:

(Rs. in lakhs)

	UNIT	OPENING STOCK		PURCHASE		TURNOVER *		CLOSING STOCK	
		Qty.	Rs.	Qty.	Rs.	Qty.	Rs.	Qty.	Rs.
a) Own Products									
i) D.I. Fittings	M.T.	110 (160)	83.16 (1,08.17)			4595 \$ (3544)	45,72.56 (38,83.72)	169 (110)	1,22.75 (83.16)
ii) C.I. Spun Pipes	M.T.	2258 (3259)	5,49.55 (7,34.30)			51262 £ (42989)	1,52,73.76 (1,15,89.79)	1499 (2258)	3,96.93 (5,49.55)
iii) D.I. Spun Pipes	M.T.	7114 (5859)	18,29.04 (17,33.09)			217572 @ (228854)	6,85,43.67 (7,15,46.66)	4498 (7114)	13,47.18 (18,29.04)
iv) Pig Iron	M.T.	589 (1515)	76.43 (2,24.46)			189566 ** (217131)	74.07 (13,47.85)	1943 (589)	3,03.95 (76.43)
v) Metallurgical Coke	M.T.	8795 (14947)	8,46.04 (17,93.87)			130595 *** (105824)	5,61.09 (3,57.43)	4326 (8795)	4,00.68 (8,46.04)
vi) Sponge Iron	M.T.	338 (1020)	38.39 (99.48)			47941 # (43987)	43,05.56 (28,67.28)	748 (338)	1,05.63 (38.39)
vii) Sinter	M.T.					701		1,163	34.75
b) Other Products									
i) Rubber Gaskets****			1,64.28 (89.96)	8,70.75 (861.93)			9.32 (19.42)		2,38.66 (164.28)
ii) Pipe Fittings****			84.37 (86.01)	4,19.49 (236.57)			1,38.72 (1,08.21)		1,10.65 (84.37)
ii) Others							73,77.64 (61,47.20)		
c) Turnkey Contracts									
							1,94,61.21 (1,43,29.92)		
d) Traded Product									
a) Purchased D. I. Pipes	M.T.			17036 (7893)	48,68.89 (21,42.69)	16635 (7893)	54,70.99 (25,44.05)	402	1,71.49
b) Iron Ore	M.T.			100349	8,22.81	100349	12,04.02	-	-
c) Coke / Coal	M.T.			198450 (39938)	1,14,67.16 (28,47.78)	198450 (39938)	1,14,49.50 (28,79.98)	-	-
d) Misc Items - Turnkey Contracts # #					33,72.97 (23,77.95)				
Total			36,71.26 (48,69.34)	2,18,22.07 (84,66.92)			13,84,42.11 (11,76,21.51)		32,32.67 (36,71.26)

* Turnover includes loss on exchange difference of Rs. 6,79.95 lakhs (Previous year Rs.2,63.23/- exchange gain).

\$ includes 152.619 MT of DI fittings (Previous year 333.02 MT) used in Turnkey Contracts.

£ includes 41.72 MT (Previous year 312.7 MT) internally consumed.

@ includes 15439.1 MT (Previous year 17536.85 MT) used in Turnkey Contracts.

** Includes 188965.900 MT (Previous year 208971.8 MT) used for Captive Consumption.

*** Includes 109704.490 MT (Previous year 96916.964 MT) used for Captive Consumption.

Includes 13186.440 MT (Previous year 15061.95 MT) used for Captive Consumption.

The corresponding turnover is included under " Turnkey Contracts".

****, # # Represent bought out components/ misc items sold without processing, the purchase and sale of such components/items ancillary to the manufacturing/turnkey activity. In view of wide variety of such items, fittings & rubber gaskets where the quantitative figure would give fair and comparable picture and hence, have not been stated.

Schedules Forming Part of Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

32. The Company operates mainly in one business segment viz. Pipes being primary segment and all other activities revolve around the main activity. The secondary segment is geographical, information related to which is given as under :

(Rs. in lakhs)

Particulars	Within India	Outside India	Total
Sales (Gross)	9,50,05.97 (7,29,16.53)	4,34,36.14 (4,47,04.98)	13,84,42.11 (11,76,21.51)
Sundry Debtors	18,78,51.12 (12,22,87.68)	3,53,22.26 (5,02,35.97)	22,31,73.38 (17,25,23.65)

The fixed assets of the Company are located in India.
(Previous year figures are shown in bracket).

33. Raw Materials Consumed:

	CURRENT YEAR		PREVIOUS YEAR	
	Quantity MT	Value Rs.in lakhs	Quantity MT	Value Rs.in lakhs
a) Iron Ore	461,292	1,55,15.05	507,518	1,19,42.98
b) Hard Coke	42,792 *	54,08.95	69,424	59,93.73
c) Coal	273,390 \$	1,19,84.01	232,242	1,01,82.41
d) Pig Iron	38,245 **	62,67.91	32,127	48,77.83
e) MS Scrap	17,208	26,93.28	14,504	20,51.29
f) C.I.Scrap	6,135	10,03.21	3,307	4,59.99
g) Ferro Silicon	2,834	12,34.07	3,192	12,64.69
h) Others#	-	81,77.83	-	73,29.90
		5,22,84.31		4,41,02.82

* Excluding 1,08,292.82 Mt (Previous year 94,591.709 Mt) internally manufactured and consumed.

* Consumption includes Rs. 5,08.85 lakhs (Previous year Rs. 6,65.27 lakhs) being cost of 5,174.6 Mt (Previous Year 7,611.684 Mt) sold during the year

\$ Consumption includes Rs.1.96 lakhs (Previous year Rs.3,24.66 lakhs) being cost of 98.20 Mt (Previous year 9,175.827 Mt) sold during the year.

** Excluding 1,87,622.5 Mt & 1,303.4 Mt (Previous year 2,07,280.10 Mt & 1,691.7 Mt) captively consumed in DIP & DI Fittings respectively.

Includes 701 Mt of sinter product internally manufactured and consumed.

34. Information in respect of Goods produced/manufactured:

(In Tonnes)

	Installed Capacity*		Production	
	As on 31-Mar-08	As on 31-Mar-07	Current Year	Previous Year
C. I. Spun Pipes	165,600	165,600	50,503	41,988
D. I. Spun Pipes	250,000	250,000	214,956	230,109
D.I. Fittings	5,000	5,000	4,654	3,453
Pig Iron**	235,000	235,000	190,920	216,205
Metallurgical Coke#	150,000	150,000	126,126	99,672
Sponge Iron ***	60,000	60,000	48,351	43,306
Sintered Product	360,000	-	1,864	

* As Certified by Management.

** Includes 1,87,662.5 Mt & 1,303.4 Mt (Previous year 2,07,280.10 Mt & 1,691.7 Mt)captively cosumed in DIP & DI Fittings respectively.

Including 1,08,292.820 Mt (Previous year 94,591.709 Mt) internally manufactured and consumed.

*** Includes 13,186.443 Mt (Previous year 15061.95 Mt) captively consumed in DIP.

Schedules Forming Part of Accounts

	Current Year Rs.in lakhs	Previous Year Rs.in lakhs
35. C.I.F. Value of Imports		
(a) Raw Materials	1,72,62.55	1,79,63.19
(b) Spare Parts & Components	17,71.46	15,96.04
(c) Capital Goods	25,03.97	9,20.89
36. Expenditure in Foreign Currency: \$		
(a) Travelling Expenses	1,56.70	3,04.84
(b) Journals & Periodicals	4.54	11.76
(c) Technical/Consultancy Fees	1,96.00	3,42.72
(d) Interest Paid	14,94.37	5,95.34
(e) Commission	3,99.57	6,56.05
(f) Others	8,59.60	4,90.19
(g) Payment of Dividend on Equity Shares in foreign currency*		
- No. of Non-Resident holders	-	1
- No. of shares held	-	1,500
- Dividend (Rs. in lakhs)	-	0.19

* Excluding Rs.4.38 lakhs (Previous Year - Rs.11.82 lakhs) remitted to 180 (Previous Year - 257) non-resident shareholder's [holding 437821 shares (Previous Year - 94542 shares)] Bankers/Mandatee in India.

\$ Excludes Rs.nil lakhs (Previous year Rs. 6,55.68 lakhs) being ZCCB issue expenses adjusted against share premium account.

37. Value of Imported & Indigenous Raw materials, Spare Parts & Components Consumed:

RAW MATERIALS

	Current Year		Previous Year	
	Rs.in lakhs	%	Rs.in lakhs	%
Imported	1,63,70.38	31.31	1,79,64.27	40.73
Indigenous	3,59,13.93	68.69	2,61,38.55	59.27
	5,22,84.31	100.00	4,41,02.82	100.00

SPARE PARTS & COMPONENTS

	Current Year		Previous Year	
	Rs.in lakhs	%	Rs.in lakhs	%
Imported	16,28.09	19.67	16,97.21	22.44
Indigenous	66,48.35	80.33	58,64.62	77.56
	82,76.44	100.00	75,61.83	100.00

38. Earnings in Foreign Exchange:

(a) FOB Value of Exports	3,80,78.95	4,03,62.89
(b) Interest	12,22.74	14,35.64
(c) Others	61,01.70	46,29.62

39. Previous Years Figures have been re-grouped/re-arranged wherever necessary.

The Schedules referred to above form an integral part of the Balance Sheet.

For and on behalf of the Board

Chairman P. K. Khaitan
 Managing Director U. Kejriwal
 Director Uddhav Kejriwal
 Chief Financial Officer Raghuvir Bhandari
 Company Secretary Jyoti Jain

Kolkata
June 23, 2008

Balance Sheet Abstract & Company's General Business Profile

I. Registration Details

Registration No.	Balance Sheet date	State Code
015-310	31st March, 2008	15

II. Capital raised during the Year (Amount Rs. in lakhs)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	7,28.87

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

Total Liabilities	Total Assets
22,31,73.36	22,31,73.36

Sources of Funds

Paid-up Capital	Share Capital Suspense	Reserves & Surplus
28,05.24	33,68.46	11,18,54.45
Secured Loans		Unsecured Loans
4,96,65.52		2,12,65.29

Application of Funds

Net Fixed Assets	Investments	
5,53,80.43	1,58,94.02	
Net Current Assets	Misc. Expenditure	Accumulated Losses
11,96,69.44	NIL	NIL

IV. Performance of Company (Amount Rs. in lakhs)

Turnover	Total Expenditure	Earnings per Share in Rs.
13,84,42.11	13,65,08.26	2.25
Profit/Loss Before Tax	Profit/Loss After Tax	Dividend rate %
50,45.42	52,01.58	125

V. Generic names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC CODE)	Product Description
73030030	C.I.PIPES
73030030	D.I.PIPES
72011000	PIG IRON

For and on behalf of the Board

Chief Financial Officer Raghuvir Bhandari
 Company Secretary Jyoti Jain

Kolkata
June 23, 2008

Section 212

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies.

	Chesterfield Ductile Group Ltd.	Singardo International Pte Ltd.	Electrosteel Europe SA	ECL Algeria SPA
1. Financial Year of Subsidiary	Twelve months ended 31st March 2008	Twelve months ended 31st March 2008	Twelve months ended 31st March 2008	Twelve months ended 31st March 2008
2. Holding Company's Interest :				
Fully paid up equity shares :				
Face value of each	£1	\$ 1	€ 10	DZD 1,000
(a) Number of Shares	1,00,000	15,00,000	80,000	82,500
(b) Extent of Holding	100%	60%	100%	100%
3. Net aggregate amount of Profits/Loss of the Subsidiary, so far as they concern members of the Holding Company.	GBP	\$	EURO	Algerian Dinars
(a) Dealt with in the accounts of Holding Company				
(i) For the said financial year of the subsidiary	Nil	Nil	Nil	Nil
(ii) For the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary	Nil	Nil	Nil	Nil
(b) Not dealt with in the Accounts of Holding Company				
(i) For the said financial year of the Subsidiary	128,917	77,359	436,029	135,074,246
(ii) For the previous financial years of the Subsidiary since it became the Holding Company's Subsidiary	(5,750)	1,82,123	4,89,797	(1,474,835)
4. Materials changes, if any, between the end of the financial year of the subsidiary company and that of the Holding Company.	NA	NA	NA	NA

For and on behalf of the Board

Chairman	P. K. Khaitan
Managing Director	U. Kejriwal
Director	Uddhav Kejriwal
Chief Financial Officer	Raghuvir Bhandari
Company Secretary	Jyoti Jain

Kolkata
June 23, 2008

Auditors' Report

TO THE BOARD OF DIRECTORS OF ELECTROSTEEL CASTINGS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ELECTROSTEEL CASTINGS LIMITED, ITS SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE.

- We have audited the attached Consolidated Balance Sheet of Electrosteel Castings Limited (the Company), its subsidiaries, joint venture and associate as at March 31, 2008 and the Consolidated Profit and Loss Account and 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. Our responsibility is to express an opinion on these financial statements based on our audit.
- 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 prepared, in all material respect, in accordance with an identified financial reporting framework and 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 and the reports of other auditors provide a reasonable basis for our opinion.
- We did not audit the financial statements of the subsidiary companies i.e. Electrosteel Europe SA, Electrosteel Algeria SPA, Chesterfield Ductile Group Limited and Singardo International Pte. Limited for the year ended March 31, 2008, whose financial statements reflect total assets of Rs. 36041.80 Lakhs as at March 31, 2008 and the total revenue of Rs. 42751.81 Lakhs for the year ended as on that date. The financial statements of these subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors.
- We did not audit the financial statements of Lanco Industries Limited and Electrosteel Integrated Limited, associates of the Company which were audited by the other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of such associates, is based solely on the reports of the other auditors.
- Attention is invited to Note No. 5 of Schedule 17 to the Consolidated Financial Statements regarding (i) various matters including *inter-alia* related to

investments and advances as stated therein carried at book value, consequential impacts whereof pending final outcome of disputes could not be ascertained and commented upon by us and (ii) non availability of financial statements of Domco Private Ltd, a jointly controlled entity, due to which these have not been consolidated in these Consolidated Financial Statements as required in terms of AS-27 on "Financial Reporting of Interests In Joint Ventures".

- Subject to Para 5 above, impact of which on the Consolidated Financial Statements could not be ascertained and commented upon by us, we report that :
 - the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS)-21 on "Consolidated Financial Statements", AS-23 on "Accounting for Investments in Associates in Consolidated Financial Statement" and AS-27 on "Financial Reporting of Interests In Joint Ventures", on the basis of the individual financial statements of Electrosteel Castings Limited, its subsidiary companies, associates and joint venture included in the aforesaid consolidation and,
 - in our opinion, based on our audit and the report of other auditors on separate financial statements, the Consolidated Financial Statements referred to above give a true and fair view of the financial position of Electrosteel Castings Limited, its subsidiary companies, associates and joint venture as at March 31, 2008 and of the results of their operations for the year then ended in conformity with generally accepted accounting principles in India:
 - In the case of the Consolidated Balance Sheet, of the consolidated state of affairs as at March 31, 2008;
 - In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations for the year ended on that date, and
 - In the case of Consolidated Cash Flow Statement, of the Cash Flows for the year ended on that date.

Place: Kolkata
Date: June 23, 2008

14, Government Place East
Kolkata- 700 069

For Lodha & Co.
Chartered Accountants

H.K. Verma
Partner
Membership No: 55104

Consolidated Balance Sheet as at 31st March, 2008

	Schedule	Rs. in lakhs	As at 31st March, 2008 Rs. in lakhs	As at 31st March, 2007 Rs. in lakhs
Sources of Funds				
Shareholders' Funds				
Capital	1	28,05.24		20,76.37
Share Warrants		33,68.46		—
Reserves and Surplus	2	11,32,53.65		8,01,56.19
Loan Funds			11,94,27.35	8,22,32.56
Secured Loans	3	5,17,90.76		2,57,81.29
Unsecured Loans	4	3,26,41.07		4,61,59.29
			8,44,31.83	7,19,40.58
Minority Interest			3,11.79	3,05.15
Deferred Tax Liabilities (Net)			19,90.74	32,73.89
			20,61,61.71	15,77,52.18
Application Of Funds				
Fixed Assets				
Goodwill on Consolidation			2,26.57	2,26.57
Gross Block	5	6,40,22.90		5,45,26.55
Less: Depreciation		2,26,10.71		1,96,68.94
Net Block		4,14,12.19		3,48,57.61
Capital Work-in-Progress		1,49,63.08		58,26.05
			5,63,75.27	4,06,83.66
Investments	6		1,79,17.14	1,74,24.85
Current Assets, Loans and Advances				
Income accrued on investments		—		27.44
Inventories	7	4,40,87.22		3,51,49.63
Sundry Debtors	8	5,23,96.51		4,56,80.92
Cash and Bank Balances	9	1,84,21.69		3,15,20.66
Loans and Advances	10	5,18,05.54		1,10,08.66
		16,67,10.96		12,33,87.31
Less:				
Current Liabilities and Provisions	11			
Liabilities		2,66,62.81		2,14,58.23
Provisions		84,05.42		25,11.98
		3,50,68.23		2,39,70.21
Net Current Assets			13,16,42.73	9,94,17.10
			20,61,61.71	15,77,52.18
Notes on Accounts	17			

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date

For Lodha & Co.
Chartered Accountants

H.K. Verma
Partner

Kolkata
June 23, 2008

For and on behalf of the Board

Chairman P. K. Khaitan
Managing Director U. Kejriwal
Director Uddhav Kejriwal
Chief Financial Officer Raghuvir Bhandari
Company Secretary Jyoti Jain

Consolidated Profit & Loss Account for the year ended 31st March, 2008

	Schedule	Rs. in lakhs	Year ended 31st March, 2008 Rs. in lakhs	Year ended 31st March, 2007 Rs. in lakhs
Income				
Sales		14,92,57.75		12,83,01.11
Less: Excise Duty		53,18.63		53,01.31
		14,39,39.12		12,29,99.80
Increase/Decrease in Finished and Process Stock	12	13,53.92		(15,69.58)
Other Income	13	95,46.11		61,44.51
			15,48,39.15	12,75,74.73
Expenses				
Purchases		2,67,19.43		1,32,34.56
Raw Materials Consumed	14	5,22,84.31		4,41,02.82
Manufacturing and Other Expenses	15	5,77,67.63		4,92,01.67
Interest	16	31,28.25		24,00.67
Depreciation		37,79.55		34,81.13
			14,36,79.17	11,24,20.85
Profit Before Taxation and exceptional items			1,11,59.98	1,51,53.88
Exceptional Items:-				
Provision for losses on mark to market basis on derivative transactions (refer note no. 25 of schedule 17)			60,20.10	—
Profit before taxation			51,39.88	1,51,53.88
Provision for Income Tax				
Current		21,71.23		44,92.16
Current-refund for earlier years		(9,72.75)		—
Deferred		(11,49.02)		7,63.08
Fringe Benefit		1,25.00		90.60
			1,74.46	53,45.84
Profit After Taxation			49,65.42	98,08.04
Less: Parent's portion of Pre-acquisition profit of a subsidiary adjusted against investments made during the year			—	(89.01)
Share in Associate (net including for share in prior period expenses Rs. 26.31 lakhs)		11,38.22		7,67.32
Less: Share of unrealised profit		(5,63.50)	5,74.72	—
Net Profit Before Minority Interest			55,40.14	1,04,86.35
Minority Interest			6.64	(14.17)
Net Profit			55,33.50	1,04,72.18
Balance Brought Forward from Previous Year			71,65.61	45,52.91
			1,26,99.11	1,50,25.09
Transfer from Debenture Redemption Reserve			15,00.00	20,00.00
Profit available for appropriation			1,41,99.11	1,70,25.09
Appropriations				
Transfer to -				
Debenture Redemption Reserve		9,00.00		9,00.00
General Reserve		20,00.00		60,00.00
Interim Dividend		26,48.27		25,95.47
Proposed Dividend		7,01.31		—
Tax on Dividend		5,69.26		3,64.01
			68,18.84	98,59.48
Balance carried to Balance Sheet			73,80.27	71,65.61
Basic Earning per Share in Rs.			2.39	5.04
Diluted Earning per Share in Rs.			1.67	3.54
Number of Shares used in computing earning per share				
Basic			23,16,84,227	20,76,37,480
Diluted			29,21,10,632	27,51,55,390
Notes on Accounts	17			

The Schedules referred to above form an integral part of the Profit & Loss Account.

As per our report of even date

For Lodha & Co.
Chartered Accountants

H.K. Verma
Partner

Kolkata
June 23, 2008

For and on behalf of the Board

Chairman P. K. Khaitan
Managing Director U. Kejriwal
Director Uddhav Kejriwal
Chief Financial Officer Raghuvir Bhandari
Company Secretary Jyoti Jain

Consolidated Cash Flow Statement for the year ended 31st March, 2008

	31st March 2008	31st March 2008	31st March 2007	(Rs.in Lakhs) 31st March 2007
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Taxes & Extraordinary Items		51,39.88		1,51,53.88
Add : Depreciation/Amortisation/Written off	38,65.07		35,36.19	
Foreign Exchange loss	30,83.87		-	
Provision for diminution in value of long term investment	-		36.30	
Bad Debt and Provisions for Doubtful debt	1,01.35		3,75.88	
Provision for losses on mark to market basis on derivative transactions	60,20.10		-	
Plant and equipment written off	-		0.40	
Interest	31,28.25	1,61,98.64	24,00.67	63,49.44
		2,13,38.52		2,15,03.32
Less: Interest Received	18,30.35		15,70.32	
Income from Investment	17,91.92		4,47.08	
Foreign Exchange gain	-		20,99.81	
Liabilities no longer required written back	14,74.53		1,93.67	
Miscellaneous Income	13.76		-	
Profit/(Loss) on sale of Fixed Assets (Net)	2,76.36	53,86.92	1,20.36	44,31.24
Operating Profit before Working Capital changes		1,59,51.60		1,70,72.08
Less: Increase/(Decrease) in Inventories	89,38.93		39,80.38	
Increase/(Decrease) in Trade Receivables	55,38.39		64,65.93	
Increase/(Decrease) in Loans & Advances	1,18,40.22		(33,00.62)	
(Increase)/Decrease in Trade Payables	(40,02.71)	2,23,14.83	(32,65.02)	38,80.67
Cash generation From Operations		(63,63.23)		1,31,91.41
Less: Direct Taxes paid (Net of Refund)		14,37.42		44,70.87
Net Cash Flow from Operating activities		(78,00.65)		87,20.54
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets/movements in Capital work in progress	(1,94,47.32)		(84,31.08)	
Share Application money paid	(3,09,96.00)		-	
Fixed Assets sold/discarded	15,06.45		4,13.90	
(Purchase)/Sale of Investment (net)	13,03.34		71,26.00	
Interest Received	25,43.10		15,59.29	
Dividend received	11,51.44	(4,39,38.99)	5,43.59	12,11.70
Net Cash Flow from Investing activities		(4,39,38.99)		12,11.70
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	74,02.90		-	
Proceeds from ZCCB Issue	-		3,44,02.50	
Proceeds/(Repayment) from borrowings	3,87,91.00		11,03.10	
Proceeds from share warrants	33,68.46		-	
Redemption of Debentures/Term Loan	(38,74.59)		(48,36.53)	
ZCCB Issue expenses	-		(6,55.68)	
Interest Paid	(33,90.19)		(26,09.36)	
Dividend paid	(26,48.27)		(51,90.94)	
Tax on Dividend	(4,50.07)	3,91,99.24	(7,28.03)	2,14,85.06
Net cash flow from Financing activities		3,91,99.24		2,14,85.06
Cash & Cash equivalents (A + B + C)		(1,25,40.40)		3,14,17.30
Cash & Cash equivalents as at 1st April		3,15,20.20*		14,77.22
Add (Less) Unrealised exchange gain/(loss) on Banks, Fixed deposits out of ZCCB proceeds (net)		(5,58.11)		(13,73.86)
Cash & Cash equivalents as at 31st March		1,84,21.69		3,15,20.66
Note : Cash & Cash equivalents represents cash in hand and deposits/balances with Banks		1,84,21.69		3,15,20.66

* During the year Rs. 0.46 lakhs have been adjusted due to sale of two subsidiaries Viz Elcast Finance Limited and Escal Finance Services

As per our report of even date

For Lodha & Co.
Chartered Accountants

H.K. Verma
Partner

Kolkata
June 23, 2008

For and on behalf of the Board

Chairman P. K. Khaitan
Managing Director U. Kejriwal
Director Uddhav Kejriwal
Chief Financial Officer Raghuvir Bhandari
Company Secretary Jyoti Jain

Schedules Forming Part of Consolidated Accounts

SCHEDULE 1 SHARE CAPITAL:

Authorised
50,00,00,000 shares of Re 1/- each
(Previous year - 5,00,00,000 shares of Rs.10/- each)

Issued, Subscribed and Paid up:
28,05,24,016 equity shares of Re 1/- each (Previous year - 2,07,63,748 equity shares of Rs.10/- each). Out of above 88,76,160 shares of Rs. 10/- each have been allotted as fully paid up bonus shares by capitalisation of Share Premium and General Reserve.

Pursuant to the Ordinary resolution passed at the Ordinary General Meeting held on August 31, 2007, the Company's equity share of face value of Rs. 10/- each have been subdivided into ten (10) equity shares of Re 1/- each.

As at 31st March,2008 Rs. in lakhs	As at 31st March,2007 Rs. in lakhs
50,00.00	50,00.00
28,05.24	20,76.37
28,05.24	20,76.37

SCHEDULE 2 RESERVES AND SURPLUS:

	Balance as at 31st March 2007 Rs. in lakhs	Additions Rs. in lakhs	Deductions Rs. in lakhs	Balance as at 31st March 2008 Rs. in lakhs
Capital Reserve				
-Capital Subsidy	66.01	-	-	66.01
Debenture Redemption Reserve	51,00.00	9,00.00	15,00.00	45,00.00
General Reserve	5,14,36.23	20,00.00	2,60.47 *	5,31,75.76
Share Premium Account	1,63,88.34	3,22,81.63	5,38.36	4,81,31.61
Profit and Loss Account	71,65.61	2,14.66	-	73,80.27
	8,01,56.19	3,53,96.29	22,98.83	11,32,53.65

* Net of charge on account of transitional provision under Accounting Standard - 15 on Employee Benefits - Gratuity (net of tax Rs. 74.20 lakhs), other long term benefits - Leave (net of tax Rs. 1,86.26 lakhs) refer note no. 18 of schedule 17

SCHEDULE 3 SECURED LOANS:

Rs. in lakhs	As at 31st March,2008 Rs. in lakhs	As at 31st March,2007 Rs. in lakhs
Debentures	90,00.00	1,20,00.00
External Commercial Borrowing from Banks	7,52.16	16,26.75
Working Capital facility from Banks:		
Indian Currency	38,44.36	8,07.22
Foreign Currency	2,65,57.50	1,12,21.77
Other Loan from Body Corporate/Banks	1,16,36.74	1,25.55
	5,17,90.76	2,57,81.29

- Debentures are Non-Convertible and secured by pari-passu charge on all immovable and movable properties present and future of the Company and consist of :
 - 11.85% Privately Placed Debentures of Rs. 1,00.00 lakhs each aggregating to Rs.50,00.00 lakhs, and are Redeemable at par in three annual installments of Rs.30.00 lakhs, Rs.40.00 lakhs and Rs.30.00 lakhs commencing on July 17, 2005. Outstanding balance Rs. Nil (Previous Year Rs. 15,00.00 lakhs).
 - 11.85% Privately Placed Debentures of Rs. 1,00.00 lakhs each aggregating to Rs.50,00.00 lakhs, and are Redeemable at par in three annual installments of Rs.30.00 lakhs, Rs.40.00 lakhs and Rs.30.00 lakhs commencing on July 25, 2005. Outstanding balance Rs. Nil (Previous Year Rs. 15,00.00 lakhs).
 - 6.10 % Privately Placed Debentures of Rs. 10.00 lakhs each aggregating to Rs. 90,00.00 lakhs, and are Redeemable at par at the end of 5 years from Deemed Date of Allotment i.e.on August 26, 2008. Outstanding balance Rs. 90,00.00 lakhs (Previous Year Rs. 90,00.00 lakhs).
- External Commercial Borrowing aggregating to US\$ 1.875 million (Previous Year- US\$ 3.75 million) is secured by way of pari-pasu charge on all immovable and movable properties present and future of the Company and are payable on March 29, 2009.
- Working Capital facilities from Banks are secured by way of joint hypothecation of inventories and book debts.Working Capital facilities of Chesterfield Ductile Group Limited is secured by way of charge over all of its assets.
- Loan from body corporate is secured by way of first pari-passu charge over all existing and future movable fixed assets of the Company.Loan from bank by Electrosteel Europe S.A. is secured by way of charge over its land.

Schedules Forming Part of Consolidated Accounts

SCHEDULE 4

UNSECURED LOANS:

	As at 31st March,2008 Rs. in lakhs	As at 31st March,2007 Rs. in lakhs
Zero Coupon Convertible Bonds (ZCCB)	84,04.09	3,25,35.00
Short Term Loans		
From Yes Bank Ltd.	50,00.00	—
From ICICI Bank Ltd.	44,67.21	40,74.93
Buyers Credit		
From Deutsche Bank	28,35.79	12,27.67
Packing Credit		
From Citibank N.A.	50,25.41	25,59.98
From HSBC Ltd.	—	37,60.34
From Deutsche Bank	—	12,60.35
Other Loans	69,08.57	7,41.02
	3,26,41.07	4,61,59.29

SCHEDULE 5

FIXED ASSETS:

(Rs. in lakhs)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 1-Apr-2007	Additions	Sales/ Adjustments	Cost as on 31-Mar-2008	Upto 31-Mar-2007	For the Year	Sales/ Adjustments	Upto 31-Mar-2008	As on 31-Mar-2008	As on 31-Mar-2007
1	2	3	4	5	6	7	8	9	10	11
Land-freehold	21,87.05	11,21.88	10,35.36	22,73.57	—	—	—	—	22,73.57	21,87.05
Land-leasehold	13,53.92	8.83	—	13,62.75	28.28	10.59	—	38.87	13,23.88	13,25.64
Buildings	73,00.61	11,28.06	—	84,28.67	24,17.60	4,08.01	—	28,25.61	56,03.06	48,83.01
Railway Siding	22.05	—	—	22.05	17.10	0.65	—	17.75	4.30	4.95
Plant and Machinery	4,24,14.01	84,40.87	9,39.99	4,99,14.89	1,65,98.67	31,51.82	7,37.85	1,90,12.64	3,09,02.25	2,58,15.34
Furniture and Fixtures	3,99.98	2,69.17	52.27	6,16.88	2,13.49	67.92	20.77	2,60.64	3,56.24	1,86.49
Vehicles	8,27.33	2,31.94	1,24.38	9,34.89	3,83.46	1,30.92	77.82	4,36.56	4,98.33	4,43.87
Intangible Assets	20.49	4,51.04	3.44	4,68.09	10.34	11.70	3.40	18.64	4,49.45	10.15
Livestock	1.11	—	—	1.11	—	—	—	—	1.11	1.11
	5,45,26.55	1,16,51.79	21,55.44	6,40,22.90	1,96,68.94	37,81.61	8,39.84	2,26,10.71	4,14,12.19	3,48,57.61
Previous Year	4,93,64.35	60,43.16	8,80.96	5,45,26.55	1,67,20.88	34,82.28	5,34.22	1,96,68.94	3,48,57.61	

Notes :

- Net Block of Plant and Machinery includes the estimated realisable value of pipe moulds scrapped Rs.38.10 lakhs (Previous year Rs.10.92 lakhs).
- Adjustment to Plant and Machinery includes Rs.57.14 lakhs(Previous Year Rs. 32.86 lakhs) on account of exchange differences.
- Plant and Machinery includes Rs. 3,30.84 lakhs (Previous year Rs.51.47 lakhs) being contribution to CESC Limited, for laying the Power line, the ownership of which does not vest with the company.
- Depreciation includes Rs.2.06 lakhs (Previous year Rs.1.15 lakhs) transferred to Pre-operative expenses.
- Leasehold Land of Rs.9,47.26 lakhs(Previous Year Rs.9,47.26 lakhs) is pending execution of lease agreement and registration thereof.
- Freehold Land acquired during the year includes Rs. 1,94.32 lakhs (Previous Year Rs. 1,54.08) in respect of which the execution of conveyance deeds is under process.

Schedules Forming Part of Consolidated Accounts

SCHEDULE 6

INVESTMENTS:

(Long Term and fully paid up except otherwise stated)

Particulars

EQUITY SHARES:

(A) Trade Investments

Quoted :

Particulars	As at 31st March 2008		As at 31st March 2007	
	Holding Nos.	Rs. in lakhs	Holding Nos.	Rs. in lakhs
Mukand Ltd (Face value of Rs.10/- each)	82	—	82	—
Mahindra Ugine Steel Co. Ltd.(Face value of Rs.10/- each)	75	0.01	75	0.01
Welcast Steels Ltd (Face value of Rs.10/- each)	25	—	25	—
R.G. Ispat Ltd (Face value of Rs.10/- each)	50	—	50	—
Saint Gobain - PAM (Face Value of Euro. 45.85)	10	0.25	—	—
Unquoted				
Rainbow Steels Ltd (Face value of Rs.10/- each)	100	0.01	100	0.01
Metal Scrap Trade Corporation Ltd.(Face value of Rs. 10/- each)	1000	0.05	1000	0.05

(B) Other Investments

Quoted:

Particulars				
Associates				
Lanco Industries Ltd (Face value of Rs.10/- each)	95,56.90	17931218	97,81.99	19301270
(Cost of acquisition including goodwill of Rs. 457190775/- (Previous year 492122877/-)				95,56.89
Add: Share of Profits/Losses for the year(net)	11,38.22		—	
Less: Dividend Received	(1,93.01)		—	
Less: Carrying value of shares sold during the year	(7,20.11)			
Unquoted				
Associates				
Electrosteel Integrated Limited (FV Rs. 10/-each)		40000	4.00	—
Joint Venture				
Domco Pvt Ltd (Face value of Rs. 100/- each)		30000	30.00	30000
30.00				30.00
Other Companies				
Electrocast Sales India Ltd.(Face value of Rs.10/- each)		1000	0.51	1000
0.51				0.51
N Marshall Hi-tech Engineers Pvt. Ltd.(Face value of Rs.10/- each)		50000	5.00	50000
5.00				5.00
Sky-B (Bangla) Pvt. Ltd.(Face value of Rs.10/- each)		4340000	4,34.50	4340000
4,34.50				4,34.50

MUTUAL FUNDS (Refer Note no.23(a) and 24 of Schedule 17)

ABN Amro FTP Series 2 Thirteen Month Plan-Growth (Purchased nil units sold 2000000 units during the year)	—	—	2000000.000	2,00.00
Birla FTP Series H-Growth (Purchased nil units sold 5000000 units during the year)	—	—	5090000.000	5,09.00
Deutsche Fixed Term Fund-Series 9-Growth Option (Purchased nil units sold 2000000 units during the year)	—	—	2500000.000	2,50.00
Deutsche Fixed Term Fund -Series 5-Growth Option (Purchased nil units sold 1016150 units during the year)	—	—	1016150.000	1,01.62
DSPML FTP Series 3A Growth (Face value of Rs.1000/-each) (Purchased nil units sold 50000 units during the year)	—	—	50000.000	5,00.00
Grindlays Fixed Maturity Plus Plan 1-B Growth (Purchased nil units sold 1000000 units during the year)	—	—	1000000.000	1,00.00
Grindlays Fixed Maturity 22nd Plan-Growth (Purchased nil units sold 1000000 units during the year)	—	—	1000000.000	1,00.00
HDFC FMP 13 March'06(1)-Institutional Plan Growth (Purchased nil units sold 5000000 units during the year)	—	—	5200000.000	5,20.00
HSBC Fixed Term Series 13 Inst Growth (Purchased nil units sold 5000000 units during the year)	—	—	5000000.000	5,00.00
JM Fixed Maturity Fund -Series li-Yearly Plan-YSA-Growth Option (Purchased nil units sold 3000000 units during the year)	—	—	3000000.000	3,00.00
Kotak FMP Series 25 -Growth (Purchased nil units sold 5000000 units during the year)	—	—	5000000.000	5,00.00

Schedules Forming Part of Consolidated Accounts

SCHEDULE 6 (Contd.)

INVESTMENTS:

(Long Term and fully paid up except otherwise stated)

Particulars	As at 31st March 2008		As at 31st March 2007	
	Holding Nos.	Rs. in lakhs	Holding Nos.	Rs. in lakhs
Principal PNB Fixed Maturity Plan-385 Days-Series (Purchased nil units sold 2000000 units during the year)	-	-	2000000.000	2,00.00
Prudential ICICI FMP Plan-Institutional-Cumulative-XXV111 (Purchased nil units sold 5000000 units during the year)	-	-	5500000.000	5,50.00
Standard Chartered Fixed Maturity-2nd Plan-Growth (Purchased nil units sold 2000000 units during the year)	-	-	2000000.000	2,00.00
Standard Chartered Fixed Maturity-1st Plan-Growth (Purchased nil units sold 1000000 units during the year)	-	-	1100000.000	1,10.00
TATA Fixed Horizon Series 3 -Scheme G -Growth (Purchased nil units sold 5000000 units during the year)	-	-	5500000.000	5,50.00
Current Investments				
Birla Cash Plus Institutional Premium Daily Dividend (Purchased 89863015.241 units sold 94875197.191 units during the year)	-	-	5012181.944	5,02.20
DSP Merrill Lynch Liquidity Fund-Institutional-Daily Dividend (Purchased 149992.962 units sold 200182.424 units during the year)	-	-	50189.462	5,02.00
HSBC Cash Fund Instl Plus-Daily Dividend (Purchased 106994432.237 units sold 114018054.617 units during the year)	-	-	7023622.377	7,02.76
Prudential ICICI Instl Liquidplan-Super Instl -Daily Dividend (Purchased 12410.996 units sold 5015464.275 units during the year)	-	-	5003053.279	5,00.30
Birla Liquid Plus Daily Dividend (Purchased 45067315.840 units sold 40063960.945 units during the year)	5003354.895	5,00.68	-	-
NIMID Canara Robeco Interval Monthly Institutional Dividend Fund (Purchased 4994206.720 units sold nil units during the year)	4994206.720	5,00.00	-	-
DWS Credit Oppportunities Cash Fund-Weekly Dividend Plan (Purchased 40326460.138 units sold 26870934.965 units during the year)	13455525.173	13,51.96	-	-
JM Money Manager Fund Super Plus Plan-Daily Dividend (Purchased 81067180.558 units sold 76061232.334 units during the year)	5005948.224	5,00.80	-	-
LICMF Floating Rate Fund-Short Term Plan-Dividend Plan (Purchased 447712333.181 units sold 425512321.496 during the year)	22200011.685	22,54.80	-	-
Mirae Asset Liquid Plus Fund-Super Institutional Dividend Plan(Daily) (Purchased 119919.380 units sold nil units during the year)	119919.380	12,00.87	-	-
Principal Liquid Plus Regular-Daily Dividend Plan (Purchased 19982148.930 units sold 6492000.944 units during the year)	13490147.986	13,51.71	-	-
		1,79,17.14		1,74,24.85
Book value of Quoted Investments		97,82.25		95,56.90
Book value of Unquoted Investments		4,74.07		4,70.07
Book value of investment in mutual funds		76,60.82		73,97.88
		1,79,17.14		1,74,24.85
Market value of Quoted Investments		73,87.92		68,52.20
NAV of investments in Mutual Funds		76,64.66		78,40.82

- In the previous year 4950525 equity shares of Rs. 10/- each fully paid up of Lanco Industries Limited held by the Company as Investment were pledged for securing financial assistance granted by the Lenders to Lanco Industries Limited which have been released during the year.
- 40000 equity shares of Rs. 10/- each fully paid up of Electrosteel Integrated Limited held by the Company as Investment have been pledged for securing financial assistance granted by the Lenders to Electrosteel Integrated Limited.

Schedules Forming Part of Consolidated Accounts

SCHEDULE 7

INVENTORIES:

As taken, Valued and Certified by the Management

Rs. in lakhs	As at 31st March, 2008 Rs. in lakhs	As at 31st March, 2007 Rs. in lakhs
Stores & Spare Parts	46,98.22	46,46.39
Raw Materials	2,08,96.39	1,39,05.39
Stock-in-trade :		
Finished Stock	1,50,47.14	1,31,47.68
Process Stock	6,29.97	7,46.64
Work-in-Progress	48,59.96	52,88.83
Less: Progress payments	(20,44.46)	(25,86.64)
	28,15.50	27,02.19
Stocks and Shares	-	1.34
	4,40,87.22	3,51,49.63

SCHEDULE 8

SUNDRY DEBTORS:

(Unsecured and Considered Good)

Debts outstanding for a period exceeding six months		
- Considered Good	1,77,50.63	1,23,05.78
- Considered Doubtful	6,40.24	7,26.88
	1,83,90.87	1,30,32.66
Less: Provision for Doubtful Debts	(6,40.24)	(7,26.88)
	1,77,50.63	1,23,05.78
Other Debts		
- Considered Good	3,46,45.88	3,33,75.14
- Considered Doubtful	31.05	-
	3,46,76.93	3,33,75.14
Less: Provision for Doubtful Debts	(31.05)	-
	5,23,96.51	4,56,80.92

SCHEDULE 9

CASH AND BANK BALANCES:

Cash balance on hand	39.27	13.62
Bank Balances		
With Scheduled Banks:		
Current Accounts	13,46.36	22,05.83
Fixed Deposits (including interest accrued thereon)	1,58,43.41	2,78,41.75
With Non-Scheduled Bank:	1,71,89.77	3,00,47.58
National Bank of Abu Dhabi Current Accounts	37.27	66.48
[Maximum Amount outstanding during the year Rs.79.35 lakhs, (Previous Year Rs. 96.36)]		
With other Banks :	11,55.38	13,92.98
	1,84,21.69	3,15,20.66

SCHEDULE 10

LOANS AND ADVANCES:

(Unsecured and Considered Good):

Advances recoverable in cash or in kind or for value to be received	4,52,06.10	80,31.02
Balances with Government Authorities	12,26.57	12,35.55
Other Deposits	53,72.87	17,42.09
	5,18,05.54	1,10,08.66

Schedules Forming Part of Consolidated Accounts

	Rs. in lakhs	As at 31st March,2008 Rs. in lakhs	As at 31st March,2007 Rs. in lakhs
SCHEDULE 11			
CURRENT LIABILITIES AND PROVISIONS:			
CURRENT LIABILITIES:			
Sundry Creditors			
Dues of Micro enterprises and Small enterprises	0.18		—
Others	2,11,70.44		1,73,80.74
Advance From Customers	48,58.90		20,84.82
Interest accrued but not due on loans	5,20.25		7,72.72
Unclaimed Dividend*	1,13.04		12,19.95
		2,66,62.81	2,14,58.23
PROVISIONS:			
For Taxation (net of advance tax and tax deducted at source)	1,81.23		2,95.17
For Dividend	7,01.31		—
For Tax on Dividend	1,19.19		—
For Redemption Premium on ZCCB	10,69.98		19,03.20
For losses on derivative transactions on mark to market basis (refer note no. 25 of schedule 17)	60,20.10		—
For Others	3,13.61		3,13.61
		84,05.42	25,11.98
		3,50,68.23	2,39,70.21

* The same is not due for payment to Investor Education and Protection Fund.

	Rs. in lakhs	Year ended 31st March,2008 Rs. in lakhs	Year ended 31st March,2007 Rs. in lakhs
SCHEDULE 12			
INCREASE/(DECREASE) IN FINISHED, PROCESS STOCK AND STOCK OF SHARES:			
Closing Stock:			
Finished	1,50,47.14		1,31,47.68
Process	6,29.97		7,46.64
Work-in-Progress	48,59.96		52,88.83
Stock and Shares	—		1.34
		2,05,37.07	1,91,84.49
Less : Opening Stock :			
Finished	1,31,47.68		1,42,69.51
Process	7,46.64		7,96.16
Work-in-Progress	52,88.83		56,87.06
Stock and Shares	—		1.34
		1,91,83.15	2,07,54.07
		13,53.92	(15,69.58)

SCHEDULE 13

OTHER INCOME:			
Rent		49.18	8.76
Income from Investments (Note 7 - Schedule 17)		17,91.92	4,47.08
Interest (Gross)		18,30.35	15,70.32
[(Tax deducted at Source Rs.1,10.98 lakhs (Previous Year Rs. 25.08 lakhs)]			
Profit on sale/discard of Fixed Assets (Net)		2,76.36	1,20.37
Provision/Liabilities no longer required written back		14,74.53	1,93.67
Incentive on Exports		22,62.02	11,42.82
Miscellaneous Income		18,61.75	26,61.49
		95,46.11	61,44.51

Schedules Forming Part of Consolidated Accounts

	Rs. in lakhs	Year ended 31st March,2008 Rs. in lakhs	Year ended 31st March,2007 Rs. in lakhs
SCHEDULE 14			
RAW MATERIALS CONSUMED:			
Opening Stock	1,39,05.39		76,73.70
Add : Purchases	5,92,75.31		5,03,34.51
		7,31,80.70	5,80,08.21
Less : Closing Stock		2,08,96.39	1,39,05.39
		5,22,84.31	4,41,02.82

SCHEDULE 15

MANUFACTURING AND OTHER EXPENSES:			
Stores and Spare Parts (Note 8 - Schedule 17)		82,92.71	75,78.66
Handling and Transportation Charges		37,90.20	31,58.09
Power and Fuel		75,82.85	68,08.99
Excise Duty on Stock		(25.31)	(1,42.87)
Salaries, Wages, Bonus and Allowance, etc		79,49.71	69,36.80
Contribution to Provident and Other Fund		7,49.02	6,05.90
Employees' Welfare		2,77.42	2,16.29
Repairs:			
Machinery		3,58.70	2,25.65
Buildings		60.58	34.68
Others		5,73.57	6,49.46
Rates and Taxes		13,26.55	10,19.95
Rent		13,02.76	11,86.83
Insurance		4,53.45	3,07.47
Freight and Forwarding charges [net of realisation of Rs.36,92.84 lakhs (Previous Year Rs.31,43.27 lakhs)]		71,05.93	66,25.97
Commission to Selling Agents		26,84.17	28,81.11
Directors' Fees and Commission		49.29	26.95
Job charges		70,00.64	50,09.91
Miscellaneous Expenses		82,35.39	60,71.83
		5,77,67.63	4,92,01.67

SCHEDULE 16

INTEREST AND FINANCIAL CHARGES:			
Interest			
On Debentures		10,07.41	12,98.74
On Term Loan		13,66.19	1,65.86
On Others		12,51.01	9,37.31
Financial Charges		61.75	23.54
Add/(Less): Derivative Loss/(Gain)		(5,58.11)	(24.78)
		31,28.25	24,00.67

Schedules Forming Part of Consolidated Accounts

SCHEDULE 17

NOTES ON ACCOUNTS:

1. SIGNIFICANT ACCOUNTING POLICIES

- a. The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard (AS) – 21 on “Consolidated Financial Statements”, AS – 23 on “Accounting for Investments in Associates in Consolidated Financial Statements” and AS – 27 on “Financial Reporting of Interest in Joint Ventures” notified vide Companies (Accounting Standards) Rules, 2006
- b. The Consolidated Financial Statements relate to Electrosteel Castings Limited (the Company), its subsidiaries, joint venture and associates (Group). The details are as given below:

Name of the subsidiaries	Country of Incorporation	Proportion of ownership interest
Electrosteel Europe SA	France	100%
Electrosteel Algeria SPA	Algeria	100%
Chesterfield Ductile Group Limited	United Kingdom	100%
Singardo International Pte Limited	Singapore	60%

Name of the Associate Companies	Country of Incorporation	Proportion of ownership interest
Lanco Industries Limited	India	45.09%
Electrosteel Integrated Limited	India	44.44%

Name of the Joint Venture Company	Country of Incorporation	Proportion of ownership interest
Domco Private Limited	India	50.00%

c. CONSOLIDATION PROCEDURE:

- i. The financial statements of the parent Company and its subsidiaries have been prepared based on a line-by-line consolidation by adding together the book value of like items of assets and liabilities, income and expenses as per the respective financial statements duly certified by the auditors. Intra group balances; intra group transactions and the unrealised profits on stocks arising out of intra group transaction have been eliminated.
- ii. For the purpose of consolidation of these accounts, Singardo International Pte Limited, a joint venture of the Company, has been consolidated as a subsidiary of the Company in terms of AS-21 read with AS-27 as aforesaid.
- iii. As far as possible, the consolidated financial statements are prepared using uniform accounting policies for similar material transactions and other events in similar circumstances otherwise as stated elsewhere.
- iv. The difference between the costs of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital reserve as the case may be.
- v. Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the Group in order to arrive at the net income attributable to the shareholders of the Company. The excess of loss over the minority interest in the equity is adjusted in majority interest.
- vi. Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated Balance Sheet separate from liabilities and the equity of the Company's shareholders.
- vii. In terms of AS – 11 on “The Effects of Changes in Foreign Exchange Rates”, foreign subsidiaries of the Company are integral to the operations of the Company. Financial statements of these subsidiaries have been translated at following exchange rates:
- (a) Revenue and expenses: At the average exchange rates during the year
- (b) Fixed Assets and inventories: At Average exchange rates in the year of purchase.
- (c) All other assets and liabilities: Closing rates prevailing at the year end.
- Any exchange difference arising on consolidation is recognised in the profit and loss account.
- viii. Investments in Associates are accounted in accordance with AS-23 on “Accounting for Investments in Associates in Consolidated Financial Statements”, under “equity method”.
- ix. The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statements as Goodwill or Capital reserve as the case may be.
- d. Investments other than in subsidiaries, joint ventures and associates have been accounted as per AS-13 on “Accounting for Investments.”

Schedules Forming Part of Consolidated Accounts

e. OTHER SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The accounts have been prepared under the historical cost convention and in accordance with the applicable accounting standards. Accounting policies unless specifically stated to be otherwise, are consistent and are in consonance with generally accepted accounting principles.

B. USE OF ESTIMATES

The preparation of financial statements require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the Balance Sheet date and the reported amounts of income and expenses during the year.

Contingencies are recorded when it is probable that a liability will be incurred and the amounts can reasonably be estimated. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

C. FIXED ASSETS AND DEPRECIATION

1) Tangible Assets

(i) Gross Block:

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto. Cost of acquisition includes taxes, duties (net of cenvat availed), inward freight, installation expenses and adjustment for exchange differences wherever applicable. For major projects, interest paid on direct borrowings to finance fixed assets during construction period and pre-operative expenses, if appropriate, are capitalized. Expenditure on Blast Furnace Relining is capitalized.

(ii) Depreciation:

[A] In case of the Company:

(a) Depreciation on Fixed Assets, except where otherwise stated, is provided as per Schedule XIV of the Companies Act, 1956 on straight line method in respect of Plant and Machinery of Ductile Iron Foundry Works, Mini Blast Furnace Plant, Captive Power Plant, Sponge Iron Plant, Coke Oven Plant and Sinter Plant and on written down value method on other assets. Certain Plant and Machinery have been considered Continuous Process Plant on the basis of technical assessment. Depreciation on upgradation of fixed assets is provided over the remaining useful life of the mother plant / fixed assets.

(b) Assets costing Rs. Five Thousand or less are being depreciated fully in the year of addition/acquisition.

(c) Pipe Moulds above 350 mm for Ductile Iron Foundry Works are depreciated over a period of 3 years. Pipe Moulds upto 350 mm are charged to consumption in the year of issue.

(d) Blast Furnace relining is depreciated over a period of 2 years (average expected life) as per technical assessment.

(e) Leasehold land is amortised over the period of the lease.

(f) Machinery Spares which can be used only in connection with an item of Fixed Asset and whose use is expected to be irregular are amortised over the useful life of the respective fixed assets and the amount amortised is included under stores and spares consumed.

[B] In case of the subsidiaries:

(a) Depreciation is provided on straight line method on the basis of estimated useful life of the assets applying the depreciation rates ranging from 3.03% to 35% per annum.

(b) In case of Singardo International Pte. Ltd., assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

(iii) Capital Work-in-progress includes Machinery to be installed, Construction and Erection Materials, Advances etc.

2) Intangible Assets

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software packages (ERP and others) are amortised over a period of 5 years. Amortisation is done on straight line basis.

D. INVESTMENTS

Long-term investments are stated at cost less provision, if any, for diminution in value other than temporary. Current investments are carried at lower of cost or fair value.

E. INVENTORIES

(i) Inventories are valued at lower of the cost or net realisable value. Cost of inventories is ascertained on ‘weighted average’ basis and in case of one subsidiary it is ascertained on moving weighted average price method. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

(ii) Cost in respect of raw materials and stores and spares include expenses incidental to procurement of the same. Cost in respect of manufactured finished goods represents prime cost, and includes appropriate portion of overheads and excise duty wherever applicable. Cost in respect of purchased finished goods comprises of procurement cost and other expenses incurred in bringing such goods to the present location and condition.

Schedules Forming Part of Consolidated Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

- (iii) Cost in respect of process stock represents, cost incurred upto the stage of completion.
 (iv) Cost in respect of Work-in-progress represents cost of materials remaining uncertified / incomplete under the Turnkey Contracts undertaken by the Company.

F. IMPAIRMENT

Fixed assets are reviewed at each balance sheet date for impairment. In case events and circumstances indicate any impairment, recoverable amount of fixed assets is determined. An impairment loss is recognized, whenever the carrying amount of assets either belonging to Cash Generating Unit (CGU) or otherwise exceeds recoverable amount. The recoverable amount is the greater of assets net selling price or its value in use. In assessing value in use, the estimated future cash flows from the use of the assets are discounted to their present value at appropriate rate. An impairment loss is reversed if there has been change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss/reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, are allocated to its assets on a prorata basis. Subsequent to recognition of impairment loss/reversal thereof, depreciation is provided on the revised carrying amount of the asset, on a systematic basis, over its remaining useful life.

G. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are accounted for at the exchange rate prevailing on the date of the transaction. Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates. Non-monetary items other than fixed assets, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction. The loss or gain thereon and also on the exchange differences on settlement of the foreign currency transactions during the year are recognized as income or expense and are adjusted to the profit and loss account under respective heads of accounts except in case of the Company where such liabilities and/or transactions relates to fixed assets / projects and were entered into before 1-4-2004, in which case, these are adjusted to the cost of respective fixed assets.

Revenue/expenditure earned/incurred by the Overseas Office is translated at the respective month end rate during which such revenue /expenditure is so earned/incurred.

In case of foreign exchange forward contracts entered into by the Company, the difference between the forward rate and exchange rate at the date of transaction is recognized as income and expense over the life of the contract.

H. REVENUE RECOGNITION

All expenses and income to the extent considered payable and receivable respectively unless specifically stated to be otherwise are accounted for on mercantile basis.

I. SALES

Sales include excise duty, wherever applicable and rebate, discounts, claims, expenses incurred on consignment sales etc. are excluded therefrom. Sales on consignment and expenses there against are being accounted for on receipt of sales account from the respective consignee. Revenue against Turnkey Contracts undertaken by the Company is recognised progressively on the basis of percentage of completion method. Stage of completion of contracts in progress is determined by reference to the physical proportion of the contract work completed.

J. EMPLOYEE BENEFITS

Employee benefits are accrued in the year services are rendered by the employees.

Contribution to defined contribution schemes such as Provident Fund, Superannuation Fund etc. are recognized as and when incurred.

In case of the company, long-term employee benefits under defined benefit scheme such as contribution to gratuity, leave etc. are determined at close of the year at present value of the amount payable using actuarial valuation techniques.

In case of Singardo International Pte. Ltd, employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made of the estimated liability for leave as a result of services rendered by employees upto the balance sheet date

Actuarial gain and losses are recognized in the year when they arise.

K. RESEARCH AND DEVELOPMENT

Research and development cost (other than cost of fixed assets acquired) are charged as an expense in the year in which they are incurred.

L. EXPORT BENEFITS

Export benefits arising to the Company on account of entitlement for duty free imports are accounted for through import of materials. Other export benefits are accounted for as and when accrued.

M. GOVERNMENT GRANTS

Revenue grants including subsidy/rebates are credited to Profit and Loss Account under "Other Income" or deducted from the related expenses. Grants relating to fixed assets are credited to Capital Reserve Account or adjusted in the cost of such assets as the case may be, as and when the ultimate realisability of such grants are established.

Schedules Forming Part of Consolidated Accounts

N. INCOME TAX

In case of the Company, provision for tax is made for current, deferred and fringe benefit taxes. Current Tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent periods are recognized using tax rates and tax laws, which have been enacted or substantively enacted. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets will be realized. In case of carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is "virtual certainty" that such deferred tax assets can be realized against future taxable profits.

In case of Foreign Companies, tax liabilities and assets are recognized in accordance with the local laws.

O. LEASES

In case of Chesterfield Ductile Group Ltd., rentals paid under operating leases are charged to income as incurred which in case of Singardo International Pte. Ltd. are charged to income statement on a straight line basis over the term of the relevant lease.

In case of Singardo International Pte. Ltd., leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

P. DERIVATIVE INSTRUMENTS

In the case of the Company, derivative transactions of interest and Foreign Currency Swap and Option Contracts are accounted for on their settlement and accordingly the gains/losses arising therefrom are recognised under respective heads of accounts as and when the settlement takes place in accordance with the terms of respective contracts.

Q. PROVISIONS, CONTINGENCIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events, it is probable that there will be an outflow of resources and a reliable estimate can be made, of the amount of the obligation. Contingent assets are neither recognized nor disclosed in the financial statement. Contingent liabilities are not provided for and are disclosed by way of notes.

(Rs. in lakhs)		
Contingent Liabilities	Current Year	Previous Year
2. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances):	196,05.40	40,32.61
3. Contingent Liabilities not provided for in respect of:		
a) Various show cause notices/demands issued/raised, which in the opinion of the management are not tenable and are pending with various fora/authorities:		
i) Sales Tax	4,45.29	3,62.75
ii) Excise, Custom Duty and Service Tax	48,74.09	56,80.32
iii) Income Tax	3,88.59	3,88.59
iv) Provident Fund (Previous Year: net of provision of Rs.100.00 lakhs)	-	74.96
v) Others	-	19.06
b) Employee State Insurance Corporation has raised demand for contribution in respect of Gross Job Charges for the year 2001-02. In the opinion of the management demand is adhoc and arbitrary and is not sustainable legally.	65.71	82.22
c) Demand of Tamilnadu Electricity Board disputed by the Company.	8.20	8.20
d) During the year 1994 UPSEB raised demand for electricity charges by revising the power tariff schedule applicable to the Company retrospectively from Feb'86. In the opinion of the management the revised power tariff is not applicable to the Company and accordingly the Company disputed the demand and the matter is pending before Hon'ble High Court at Allahabad.	2,61.74	2,61.74
e) Corporate guarantee issued to banks by the Company.	2,06,69.00	2,49,67.00
f) Guarantees given by bank on behalf of		
i) The Company	1,46,28.52	1,32,05.68
ii) Singardo International Pte Ltd.	4.04	3.96
g) Bills Discounted with Banks	5,36.03	18,92.69
h) Non-cancellable sales contracts	19,95.65	20,01.28
i) Shipping Guarantee	1.71	8.89
j) Letter of credit	29.50	39.35

Schedules Forming Part of Consolidated Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

- k) The Company has disputed downward revision in the prices affected by the purchaser subsequent to sale of certain specified materials. In the opinion of the management and also on the merit of the case, as advised legally no liability is likely to arise. The matter is subjudice and pending final judgement the amount payable, if any is not ascertainable presently.

Note: Future cash outflows in respect of (a) to (d) and (h) is dependent upon the outcome of judgements / decisions

4. The Company had disputed the downward revision of prices by DGS&D under its rate contract. The Company had filed a case under the Arbitration and Conciliation Act, and an interim stay order in favour of the Company was passed by the Hon'ble High Court of Calcutta in the earlier years, which has been confirmed by the said Court during the year. In view of the above and based on the legal opinion obtained during the year on the matter, provision of Rs. 13,20.00 lakhs made in the earlier years in relation to such matter has been written back in these accounts.
5. The Company had investment in equity shares of Domco Private Limited (DPL), a Company incorporated in India, and has joint control (proportion of ownership interest of the Company being 50%) over DPL along with other venturers (the Venturers). During the previous year, the Venturers had filed a petition before the Company Law Board, Principal Bench, New Delhi (CLB) against the Company on various matters including for forfeiture of the Company's investment in equity shares of DPL. The Company had *inter alia* filed petition before the Hon'ble High Court of Calcutta and Jharkhand. The Hon'ble High Court of Jharkhand at Ranchi upheld the Company's appeal and decided that the matter would have to be referred for Arbitration. The Venturer has challenged the aforesaid judgement in the Divisional Bench of the Hon'ble High Court of Jharkhand at Ranchi. Pending final outcome on the matter with its consequential impact, if any, investments of Rs. 30.00 lakhs in DPL and advances of Rs.7,00.00 lakhs with the Venturers have been considered as good and recoverable by the management and carried forward at book value in these accounts.

Further, due to non-availability of the financial statements of DPL, a jointly controlled entity of the Company in terms of Accounting Standard (AS) 27 on "Financial Reporting of Interests in Joint Ventures", disclosures as regards contingent liability and capital commitments, if any, aggregate amounts of each of the assets, liabilities, income and expenses related to the Company's interest in DPL has not been made in these Consolidated Financial Statements

	(Rs. in lakhs)	
	Current Year	Previous Year
6. Auditors' Remuneration:		
(a) Audit Fees	31.27	22.92
(b) Other services	7.48	5.80
7. Income from Investments (Net) represent:		
a) Trade Investments- Long Term - Dividend	0.54	0.47
b) Other than Trade Investments:		
Profit on Sale of Long term Investments	7,55.48	1,01.49
Profit on Sale of Current Investments	77.97	2,38.01
Interest on Long Term Investments	-	9.05
Current Dividend	859.47	98.06
Long Term Dividend	98.40	-
	17,91.92	4,47.08
8. Stores and spares consumption include pipe moulds written off	85.52	55.06
9. The Company operates mainly in one business segment viz Pipes being primary segment and all other activities revolve around the main activity. The secondary segment is geographical, information related to which in respect of the Group is given as under:		

	(Rs. in lakhs)		
Particulars	Within India	Outside India	Total
Sales (Gross)	9,50,05.97	5,42,51.78	14,92,57.75
	(7,29,16.53)	(5,53,84.58)	(12,83,01.11)
Sundry Debtors & Other Assets	19,14,81.13	4,97,48.81	24,12,29.94
	(12,69,45.98)	(5,47,76.42)	(18,17,22.40)
Cost Incurred for acquisition of tangible and intangible fixed assets	2,06,28.08	1,60.74	2,07,88.82
	(79,87.97)	(1,75.72)	(81,63.69)

(Previous year figures are shown in bracket)

Schedules Forming Part of Consolidated Accounts

10. The Company has sold its entire shareholding in its two wholly owned subsidiaries engaged in non-core businesses. Accordingly, Elcast Finance Ltd. and Escal Finance Services Ltd. have ceased to be subsidiaries of the Company w.e.f. 1st April, 2007. Necessary adjustments with respect to the same, having no material impact, have been carried out in these accounts.
11. No allocation has been made in respect of stores and spare parts and wages for repairs to Machinery and Building.
12. a) In the opinion of the Board of Directors, current assets and loans and advances have the value at which these are stated in the Balance Sheet, unless otherwise stated and adequate provisions for all known liabilities have been made and are not in excess of the amount reasonably required.
- b) Sundry Creditors include certain liabilities recognized based on substantial degree of estimates relating to Customers or demands against the Company. Any additional information in this regard can be expected to prejudice the interests of the Company.
13. In case of the Company, balances of Sundry Debtors including for Turnkey Contracts, Work-in-progress and Creditors are subject to confirmation/reconciliation and adjustments in this respect are carried out as and when amounts thereof, if any are ascertained.
14. Rs. 34.94 lakhs being net gain (Previous Year Rs. 19,97.35 lakhs being net gain) on account of exchange difference has been adjusted to the respective heads of account in Profit and Loss Account.
15. Power and Fuel consumption is net of Rs. 105.95 lakhs (previous year Rs. 68.64 lakhs) being subsidy receivable on use of coal gas.
16. In case of the Company, Other deposits under Loan and Advances include Rs.5,57.50 lakhs (Previous Year Rs 5,57.50 lakhs) with Private Limited Companies in which directors are interested as a member/director.
17. Fixed Deposits with Scheduled Bank include Fixed Deposit of Rs. 4.90 lakhs (Previous Year Rs. 48.78 lakhs) lodged with Government Departments and Customers.
- 18. Employee Benefits**
- i. Effective 1.4.2007, the Company has adopted revised Accounting Standard 15 on "Employee Benefits" (AS-15) notified in the Companies (Accounting Standards) Rules, 2006. The effect of transitional liability of Rs. 2,60.47 lakhs (net of deferred tax of Rs. 1,34.12 lakhs) as required by AS-15 has been adjusted to opening balance of General Reserve of the Company.
- Till previous year, the Company was providing liability for leave encashment on accrual basis as estimated by the management. Such liability as per actuarial valuation as at the close of the last financial year carried out at balance sheet date in accordance with AS-15 on 'Accounting for Retirement Benefits in the Financial Statements of Employers' issued by the Institute of Chartered Accountants of India worked out to Rs. 2,62.13 lakhs. Consequently, differential excess liability of Rs. 1,95.10 lakhs as on 31.03.2007 being prior period income has been credited to profit and loss account for the current year and is included under miscellaneous income.
- ii. The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:

Defined Contribution Scheme

Contribution to Defined Contribution Plan, recognized for the year are as under :

	Rs in lakhs
Employer's Contribution to Provident Fund	1,25.60
Employer's Contribution to Pension Fund	88.49
Employer's Contribution to Superannuation Fund	1,26.62

Defined Benefit Scheme

The employee's gratuity fund scheme managed by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Ltd. is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Schedules Forming Part of Consolidated Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

	(Rs in lakhs)
	Gratuity (Funded)
i. Change in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:	
Liability at the beginning of the year	6,76.49
Interest Cost	54.71
Current Service Cost	75.25
Actuarial (gain) / loss on obligations	39.99
Benefits paid	(64.00)
Liability at the end of the year	7,82.44
ii. Changes in the Fair Value of Plan Asset representing reconciliation of opening and closing balances thereof are as follows:	
Fair value of Plan Assets at the beginning of the year	4,95.76
Expected Return on Plan Assets	39.20
Contributions by the Company	68.32
Benefits paid	(64.00)
Actuarial gain / (loss) on Plan Assets	10.16
Fair value of Plan Assets at the end of the year	5,49.44
Total actuarial gain / (loss) to be Recognized	29.83
iii. Actual return on Plan Assets	
Expected return on Plan assets	39.20
Actuarial gain / (loss) on Plan Assets	10.16
Actual Return on Plan Assets	49.36
iv. Amount Recognized in Balance Sheet	
Liability at the end of the year	7,82.44
Fair value of Plan Assets at the end of the year	5,49.44
Amount Recognized in the Balance Sheet	2,33.00
v. Expenses Recognized in the Income Statement	
Current Service Cost	75.25
Interest Cost	54.71
Expected Return on Plan Assets	(39.20)
Net Actuarial (gain) / loss to be Recognized	29.83
Expenses Recognized in Profit & Loss Account	1,20.59
vi. Balance Sheet Reconciliation	
Opening Net Liability	1,80.73
Expenses as above	1,20.59
Employers Contribution	(68.32)
Amount Recognized in Balance Sheet	2,33.00

Compensated Absences

The obligation for compensated absences is recognized in the same manner as gratuity. The actuarial liability of Compensated Absences (unfunded) of accumulated privileged and sick leaves of the employees of the company as at March 31, 2008 is given below:

Schedules Forming Part of Consolidated Accounts

	(Rs. In lakhs)
Particulars	31.03.2008
Privileged Leave	4,65.98
Sick Leave	1,94.19
viii. Principal Actuarial assumptions as at the Balance Sheet date	
Discount Rate	7.50%
Rate of Return on Plan Assets	7.50%

Notes:

- Assumptions relating to future salary increases, attrition, interest rate for discount & overall expected rate of return on Assets have been considered based on relevant economic factors such as inflation, market growth & other factors applicable to the period over which the obligation is expected to be settled.
- The Company expects to contribute Rs.1,33.00 lakhs to Gratuity fund in 2008-09. This being the first year of implementation, previous year figures have not been given.

19 a) The break up of deferred tax assets and deferred tax liabilities are as given below.

	(Rs. in lakhs)			
Particulars	Opening as on 01-04-2007	Charge or Credit during the Year	Transitional Deferred Tax Asset- 01.04.2007*	Closing as at 31-03-2008
Deferred Tax Assets:				
1. Expenses Allowable on Payment Basis	2,31.22	(71.12)	1,34.12	2,94.22
2. Provision for doubtful debts and stock	3,53.43	(38.21)	-	3,15.22
3. Provision for losses on Derivatives on Mark to Market basis	-	20,46.23	-	20,46.23
4. Others	63.74	10.13	-	73.87
Deferred Tax Liabilities:				
1. Depreciation	34,36.07	7,29.44	-	41,65.51
2. Liquidated Damages and Retention money	4,86.20	68.57	-	5,54.77
Net Deferred Tax Liability	32,73.88	(11,49.02)	(1,34.12)	19,90.74

* Refer note no. 18

19 b) In accordance with Accounting Standard (AS-20) on 'Earnings Per Share, computation of basic and diluted earnings per share is as under:

Particulars	Rs. in lakhs	2007-2008 Rs. in lakhs	2006-2007 Rs. in lakhs
Net profit for basic earnings per share as per profit and loss account		55,33.49	1,04,72.18
i) Adjustment for the purpose of diluted earnings per share			
Exchange gain on realignment of ZCCB and conversion rate difference	9,89.89		
Less: Tax effect	3,36.46	6,53.43	7,26.42
Net profit for diluted earnings per share		48,80.06	97,45.77
ii) Weighted average number of equity shares for calculation of basic and diluted earnings per share (Face value Re.1/- per share)			
a) Basic earnings per share		231684227	207637480
b) Diluted earnings per share		292110632	275155390
iii) Earnings per share:			
a) Basic		2.39	5.04
b) Diluted		1.67	3.54

Schedules Forming Part of Consolidated Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

20. Interest during construction on direct borrowing to finance fixed assets, if appropriate, has been taken in Capital work-in-progress. Capital work-in-progress includes preoperative expenses pending allocation as follows:-

	2007-08 Rs. in lakhs	2006-07 Rs. in lakhs
Preoperative expenses brought forward	26,12.59	-
Stores & Spares Consumption	25.43	6.36
Salaries, Wages, Bonus and Allowances etc. (including contribution to Provident and other statutory payments)	3,26.70	1,92.13
Rent	23.07	0.98
Depreciation	1.00	1.15
Miscellaneous Expenses	2,34.10	3,16.73
Geological Report	-	20,95.24
Total preoperative expenses carried forward pending allocation	32,22.89	26,12.59

21. During the previous year, pending utilization of the issue proceeds of Global Depository Receipts (GDRs) an amount of Rs. 40,75.23 lakhs had been kept invested in mutual funds. During the current year, Rs. 40,75.23 lakhs (previous year Rs.1,36,67.77 lakhs) have been utilized for the purpose for which it was raised.
22. As regards construction contracts of the Company in progress as on March 31, 2008 aggregate amount of costs incurred and recognised profit (less recognized losses) unto the year end (to the extent ascertained by the management), aggregate amount of advances received and aggregate amount of retentions are Rs. - 4,60,97.80 lakhs, Rs. 20,44.46 lakhs and Rs. 11,49.36 lakhs respectively. (Previous Year Rs. 3,81,61.98 lakhs, Rs. 25,86.64 lakhs and Rs. 16,05.56 lakhs respectively).
23. (a) Pending utilization of the issue proceeds of Zero Coupon Convertible Bonds (ZCCBs), in earlier year, an amount of Rs. 2,77,92.97 lakhs had been kept overseas in fixed deposits with Banks. During the current year, Rs. 1,15,86.88 lakhs (previous year Rs. 64,94.16 lakhs) have been utilized for the purpose for which it was raised and the balance unutilized amount as on the balance sheet date aggregating to Rs. 14,86.97 lakhs remains invested in mutual funds and Rs. 1,31,57.72 lakhs (previous year Rs. 2,77,92.97 lakhs) remains invested overseas in fixed deposits with Banks.
- (b) During the year, ZCCB worth US\$ 54.05 million were converted into equity shares. Accordingly, 5,71,06,536 equity shares of face value of Re. 1 each at a price of Rs. 42.44 per share have been issued to the respective bond holders resulting in increase in the paid up equity capital by Rs. 5,71.07 lakhs and share premium by Rs. 2,36,64.95 lakhs.
- (c) Premium payable on ZCCB has been provided proportionately and accordingly Rs. 5,38.36 lakhs (out of total redemption premium amounting to Rs. 28,91.85 lakhs) (Previous year Rs.19,03.20 lakhs, out of total redemption premium amounting to Rs. 1,11,95.29 lakhs) on this account has been debited to Share Premium Account. Further, due to conversion of ZCCB as aforesaid, premium payable on such converted ZCCB debited in earlier year to share premium account amounting to Rs. 13,71.57 lakhs have been credited to such account.
24. During the year, the Company had raised Rs.1,07,71.36 lakhs as detailed below through preferential issue of equity shares and convertible warrants.
- a. Rs.8,76.00 lakhs being 10% of the total amount due raised through the issue of 20 lakh warrants, each convertible into 10 equity shares of Re.1 each at a price of Rs 43.80 per share. Till balance sheet date, 13,75,000 warrants were converted into 137.50 lakh equity shares of face value of Re. 1 each on receipt of balance 90% amounting to Rs. 54,20.25 lakhs. Consequently, Rs. 58,85.00 lakhs have been credited to share premium account.
- b. Rs.15,20 lakhs being 10% of the total amount due raised through the issue of 200 lakh warrants, each convertible into 1 equity share of face value of Re.1 each at a price of Rs. 76.00 per share.
- c. Rs.5,91.60 lakhs being 10% of the total amount due raised through the issue of 87 lakh warrants, each convertible into 1 equity share of face value of Re.1 each at a price of Rs. 68.00 per share.
- d. Rs.9,83.11 lakhs being 10% of the total amount due raised through the issue of 1,21,37,146 warrants each convertible into 1 equity share of face value of Re.1 each at a price of Rs. 81.00 per share.
- e. Rs. 13,80.40 lakhs raised through the issue of 20,30,000 equity shares of face value of Re.1 each at a price of Rs 68.00 per share. Consequently, Rs. 13,60.10 lakhs have been credited to share premium account.
- Out of the money raised as above, the Company has utilized Rs. 71,24.00 lakhs for the purpose of capital expenditure and repayment of loan and the balance unutilized amount as on the balance sheet date aggregating to Rs. 36,47.36 lakhs remains invested in mutual funds.
25. As at March 31, 2008, the Company had *inter-alia* outstanding derivative contracts viz. Options and Swap Contracts entered into, based on past performance/ underlying of foreign currency and other exposures including forward exchange contracts

Schedules Forming Part of Consolidated Accounts

(excluding those entered into to hedge the foreign currency risk of existing assets and liabilities) to hedge the associated currency and/or interest rate risks. The Marked-to-Market losses on such derivative contract as at March 31, 2008 stood at Rs.60,20.10 lakhs. Even though such losses have not been determined and accrued during the year, keeping in view the announcement of The Institute of Chartered Accountants of India dated March 29, 2008 regarding Accounting for Derivatives, the Company has accounted for such losses and have been disclosed distinctively under exceptional items in the profit and loss account for the year ended on March 31, 2008. Consequent to this, the profit after tax of the company for the year is lower by Rs. 39,73.87 lakhs.

26. The Company has certain operating lease arrangements for office accommodations etc. with tenure extending upto 9 years. Terms of certain lease arrangements include escalation clause for rent on expiry of 36 months from the commencement date of such lease and deposit / refund of security deposit etc. Expenditure incurred by the Company on account of rent during the year and recognised in the Profit and Loss account amounts to Rs. 13,02.76 lakhs (Previous year Rs. 8,10.84 lakhs).

27. (a) Category wise outstanding derivatives contracts entered by the Company for hedging as on March 31, 2008 are as follows :-

Sl. No.	Category	Currency	Current Year		Previous Year		UNDERLYING PURPOSE
			No. of Deals	Amount	No. of Deals	Amount	
1	Forward	USD/INR	47	9,25,00,000	23	3,01,42,000	Export
2	Forward	SGD/USD	4	10,40,270	10	42,50,000	Export
3	Forward	GBP/USD	12	56,94,521	11	55,50,000	Export
4	Forward	USD/CHF	4	10,00,000	-	-	Export
5	Forward	Euro/USD	9	1,93,83,792	-	-	Export
6	Forward	USD/INR	2	15,00,000	6	30,00,000	Import
7	Forward	USD/INR	16	2,82,50,000	22	3,58,31,574	ZCCB* Deposits
8	Forward	USD/INR	3	78,45,853	-	-	Buyer's Credit
9	Forward	USD/JPY	4	235,37,65,553	-	-	Buyer's Credit
10	Forward	USD/JPY	3	20,00,000	-	-	Export
11	Option	EURO	6	1,21,00,000	9	2,47,00,000	Export
12	Option	GBP	-	-	5	1,35,00,000	Export
13	Option	USD	9	5,12,73,500	9	5,26,30,000	Export
14	Option	USD	-	-	2	3,98,30,000	ZCCB*
15	Option	USD	-	-	1	35,00,000	ZCCB* Deposits
16	Option	EURO	2	20,00,000	5	1,90,00,000	Import
17	Option	GBP	-	-	1	20,00,000	Import
18	Option	USD	2	1,40,00,000	2	2,37,50,000	Import
19	Swap**	INR	1	15,00,00,000	9	189,33,33,333	Liabilities
20	Swap**	USD/JPY	1	25,00,000	-	-	Imports
21	Swap**	USD	-	-	2	1,30,00,000	Liabilities
22	Swap**	Euro	1	75,00,000	-	-	Liabilities

* ZCCB: Zero Coupon Convertible Bond

** Represents both Currency and Interest Rate Swaps and includes ZCCB and External Commercial Borrowings (ECB).

In case of Singardo International Pte. Ltd. Outstanding foreign exchange forward contracts are as follows:

	Current Year	(Rs. In lakhs) Previous Year
i) Commitment to purchase USD	61.87	70.63
ii) Commitment to purchase Yen	15.71	7.79
iii) Commitment to purchase Euro	1,19.58	4,67.29

Schedules Forming Part of Consolidated Accounts

SCHEDULE 17

NOTES ON ACCOUNTS (Contd.)

(B) Unhedged Foreign Currency exposures of the Company as on 31st March, 2008 are as follows :-

Nature	Currency	Current Year	Previous Year
Imports	USD	3,82,50,562	47,94,481
Imports	JPY	67,99,319	-
ZCCB Deposits (include accrued interest)	USD	49,93,285	2,47,37,055
ZCCB (include proportionate premium)	USD	2,36,17,291	3,95,57,275
ECB	USD	18,75,192	37,52,007
Export	SGD	12,64,228	-
Others	AUD	84,962	17,959
Others	EURO	-	14,000
Others	USD	7,78,142	6,80,133
Others	GBP	31,244	-
Others	SGD	1,605	-
Others	CHF	1,611	-

28. At the Balance Sheet date, the following are the commitments in respect of Operating lease:

(a) Operating lease:

(Rs. in lakhs)

Name of the Companies	Due with in one year	Due between one and five Year
1. Singardo International Pte. Ltd.	42.30 (41.33)	Nil (35.67)
2. Chesterfield Ductile Group Ltd.	9.54 (Nil)	77.15 89.64

(b) Finance lease:

(Rs. in lakhs)

Name of the Companies	Due with in one year	Due between one and five Year
1. Singardo International Pte. Ltd.	1.48 (9.49)	Nil (0.73)

29. Accounting policies of the Company and its subsidiaries used for preparation of these consolidated financial statements are different in respect of the following accounting areas:

Particulars	Accounting Policies		Proportion	
	Company	Subsidiaries	Amount	Percentage
Valuation of Inventory	Weighted Average Method	Moving Weighted Average Price (in case of Electrosteel Algeria SPA)	34,36.76 (46,26.29)	22.77% (35.04%)

(Previous year figures are shown in bracket)

30. In respect of unrealized profits resulting from intragroup transactions that are included in the carrying amount of inventory are eliminated in full. The aforesaid inventory is as certified by the respective management.

31. During the year, the company has acquired 40,000 equity shares of Rs. 10/- aggregating to Rs. 4 lakhs in Electrosteel Integrated Limited (EIL). Further, the company has paid Rs. 3,09,96.00 lakhs to EIL towards purchase of 30,99,60,000 equity shares of Rs. 10/- each of EIL, which, pending allotment remains included under 'advances recoverable in cash or kind'. EIL would be setting up integrated steel plant in the state of Jharkhand.

32. During the year, the company has incurred Rs. 46.75 lakhs on account of research and development expenses which has been charged to profit & loss account.

Schedules Forming Part of Consolidated Accounts

33. Related party disclosure as identified by the management in accordance with the Accounting Standard (AS) 18 on "Related Party Disclosures" are as follows:

A) Names of related parties and description of relationship

1) Associate Company

Lanco Industries Ltd.
Electrosteel Integrated Limited

2) Joint Venture

Domco Private Ltd.

3) Key Management Personnel (KMP) and their relatives

Mr. Umang Kejriwal-(Managing Director)
Mr. Mayank Kejriwal-(Joint Managing Director)

Mr. Uddhav Kejriwal (Director)
Mr. N C Bahl (Director)
Smt. Uma Kejriwal-mother of Mr. Umang Kejriwal-MD
Smt Usha Bahl- wife of Mr. N.C. Bahl-Director

4) Enterprise where KMP/Relatives of KMP have significant influence or control

Global Exports Ltd.
Badrinath Industries Ltd.
Akshay Ispat & Ferro Alloys Pvt. Ltd.
Acharya Multicon Pvt. Ltd.
Flora Constuctions Pvt. Ltd.
Highrise Multicon Pvt. Ltd.
Kabir Projects Pvt. Ltd.
New City Enclave Pvt. Ltd.
Nilmoni Developers Pvt. Ltd.
Paramount Tracom Pvt. Ltd.
Stewart Agencies Pvt. Ltd.
Tulsi Highrise Pvt. Ltd.
Wilcox Merchants Pvt. Ltd.
Nimpith Developers Pvt. Ltd.
Royal Multicon Pvt. Ltd.
Samar Properties Pvt. Ltd.
Tulip Fabicon Pvt. Ltd.
Electrosteel Thermal Power Limited
Electrosteel Thermal Coal Limited
Fusion Provida Limited

Schedules Forming Part of Consolidated Accounts

33. Contd.

B) Related Party Transaction

							(Rs. In lakhs)	
	Subsidiary	Associate	Joint Venture	KMP & Relatives	KMP have control	Total	Outstanding as on 31.03.08	Outstanding as on 31.03.07
Sale								
Akshay Ispat & Ferro Alloys Pvt. Ltd.	-	-	-	-	7.83	7.83	75.35	-
Lanco Industries Ltd.	-	11,560.87	-	-	-	11,560.87	5,124.93	-
Fusion Provida Limited	-	-	-	-	509.24	509.24	116.09	-
Total	-	11,560.87	-	-	517.07	12,077.94	5,316.37	-
Previous Year								
Akshay Ispat & Ferro Alloys Pvt. Ltd.	-	-	-	-	0.68	0.68	-	-
Lanco Industries Ltd.	-	2,923.07	-	-	-	2,923.07	-	6,718.77
Interest Received								
Lanco Industries Ltd.	-	476.38	-	-	-	476.38	368.43	-
Previous Year	-	111.78	-	-	-	111.78	-	-
Purchase								
Lanco Industries Ltd.	-	10,208.38	-	-	-	10,208.38	1,839.40	-
Akshay Ispat & Ferro Alloys Pvt. Ltd.	-	-	-	-	209.15	209.15	-	-
Total	-	10,208.38	-	-	209.15	10,417.52	1,839.40	-
Previous Year								
Lanco Industries Ltd.	-	7,041.03	-	-	-	7,041.03	-	1,813.43
Akshay Ispat & Ferro Alloys Pvt. Ltd.	-	-	-	-	248.48	248.48	-	(80.00)
Job Charges Received								
Electrosteel Integrated Limited	-	1,780.89	-	-	-	1,780.89	335.39	-
Total	-	1,780.89	-	-	-	1,780.89	335.39	-
Previous Year								
Lanco Industries Ltd.	-	33.98	-	-	-	33.98	-	-
Remuneration								
Mr. Umang Kejriwal (MD)	-	-	-	94.63	-	94.63	55.00	-
Mr. Mayank Kejriwal (JMD)	-	-	-	93.14	-	93.14	55.00	-
Mr. Uddhav Kejriwal (Director)	-	-	-	72.54	-	72.54	36.50	-
Mr. N C Bahl (Director)	-	-	-	105.67	-	105.67	28.00	-
Total	-	-	-	365.99	-	365.99	174.50	-
Previous Year								
Mr. Umang Kejriwal (MD)	-	-	-	163.76	-	163.76	-	125.00
Mr. Mayank Kejriwal (JMD)	-	-	-	162.44	-	162.44	-	125.00
Mr. Uddhav Kejriwal (Director)	-	-	-	126.02	-	126.02	-	103.44
Mr. S Y Rajagopalan (Director)	-	-	-	59.53	-	59.53	-	33.80
Others	-	-	-	62.79	-	62.79	-	23.40
Rent								
Global Exports Ltd.	-	-	-	-	21.36	21.36	-	-
Badrinath Industries Ltd.	-	-	-	-	13.50	13.50	-	-
Others	-	-	-	-	106.06	106.06	-	-
Total	-	-	-	-	140.92	140.92	-	-
Previous Year								
Global Exports Ltd.	-	-	-	-	27.00	27.00	-	-
Others	-	0.11	-	-	95.56	95.67	-	-
Service Charges								
Electrosteel Thermal Power	-	-	-	-	3.02	3.02	-	-
Global Exports Ltd.	-	-	-	-	36.95	36.95	-	-
Total	-	-	-	-	39.97	39.97	-	-

Schedules Forming Part of Consolidated Accounts

							(Rs. In lakhs)	
	Subsidiary	Associate	Joint Venture	KMP & Relatives	KMP have control	Total	Outstanding as on 31.03.08	Outstanding as on 31.03.07
Previous Year								
Global Exports Ltd.	-	-	-	-	41.44	41.44	-	0.05
Advances								
Electrosteel Integrated Limited	-	588.47	-	-	-	588.47	-	-
Previous Year	-	-	-	-	-	-	-	-
Share Application Money Paid								
Electrosteel Integrated Limited	-	30,996.00	-	-	-	30,996.00	30,996.00	-
Previous Year	-	-	-	-	-	-	-	-
Corporate Guarantee								
Lanco Industries Ltd.	-	-	-	-	-	-	12,500.00	-
Previous Year	-	10,900.00	-	-	-	10,900.00	-	17,000.00
Investment								
Electrosteel Integrated Limited	-	4.00	-	-	-	4.00	4.00	-
Previous Year	-	-	-	-	-	-	-	-
Security Deposits								
Nimpith Developers Pvt. Ltd.	-	-	-	-	-	-	45.00	-
Royal Multicon Pvt. Ltd.	-	-	-	-	-	-	47.50	-
Samar Properties Pvt. Ltd.	-	-	-	-	-	-	50.00	-
Electrosteel Thermal Coal Limited	-	-	-	-	230.00	230.00	230.00	-
Tulip Fabicon Pvt. Ltd.	-	-	-	-	-	-	35.00	-
Total	-	-	-	-	230.00	230.00	407.50	-
Previous Year								
Nimpith Developers Pvt. Ltd.	-	-	-	-	45.00	45.00	-	45.00
Royal Multicon Pvt. Ltd.	-	-	-	-	47.50	47.50	-	47.50
Samar Properties Pvt. Ltd.	-	-	-	-	50.00	50.00	-	50.00
Tulip Fabicon Pvt. Ltd.	-	-	-	-	35.00	35.00	-	35.00
Rent Received								
Lanco Industries Ltd.	-	0.36	-	-	-	0.36	-	-
Electrosteel Integrated Limited	-	46.89	-	-	-	46.89	-	-
Total	-	47.25	-	-	-	47.25	-	-
Previous Year								
-	-	-	-	-	-	-	-	-
Sundry Receipts								
Previous Year	-	-	-	-	-	-	-	-
Lanco Industries Ltd.	-	3.20	-	-	-	3.20	-	-
Sale of Fixed Assets								
Electrosteel Integrated Limited	-	457.40	-	-	-	457.40	-	-
Previous Year	-	-	-	-	-	-	-	-
Income from Consultancy								
Electrosteel Integrated Limited	-	128.00	-	-	-	128.00	-	-
Previous Year	-	-	-	-	-	-	-	-

35. Figures pertaining to the subsidiary Companies have been reclassified, wherever necessary to bring them in line with the parent Company's financial statements.

36. Previous Years Figures have been re-grouped/re-arranged wherever necessary.

The Schedules referred to above form an integral part of the Consolidated Balance Sheet and Profit and Loss Account.

As per our report of even date

For Lodha & Co.
Chartered Accountants

H.K. Verma
Partner

Kolkata
June 23, 2008

For and on behalf of the Board

Chairman P. K. Khaitan
Managing Director U. Kejriwal
Director Uddhav Kejriwal
Chief Financial Officer Raghuvir Bhandari
Company Secretary Jyoti Jain

Statement Pursuant to Exemption received under Section 212(8) of the Companies Act, 1956 relating to Subsidiary Companies.

Sl. No.	Name of the Subsidiary	Reporting Currency	Exchange Rate	Capital Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit Before Tax	Provision for Taxation	Profit after Taxation	Proposed dividend	Country
1	Electrosteel Algeria SPA*	DZD	0.62	511.09	679.29	7706.20	7706.20	8778.27	927.91	148.36	779.55	0.00	Algeria
2	Chesterfield Ductile Group Limited	GBP	79.54	79.54	97.97	4932.39	4932.39	7730.32	103.12	45.90	57.22	0.00	United Kingdom
3	Electrosteel Europe S. A.	EURO	63.27	506.16	585.76	22199.86	22199.86	25190.45	278.14	143.40	134.74	0.00	France
4	Singardo International Pte. Limited	SGD	29.14	728.62	75.63	2007.09	2007.09	3247.79	22.75	1.39	21.36	0.00	Singapore

Notes: 1. Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, are based on the exchange rates as on March 31, 2008.

2. * The financial year of the company ends on December 31. However, the results given are as of March 31, 2008.