



LLOYDS STEEL INDUSTRIES LIMITED

**36th
Annual Report
2005 - 2006**

BOARD OF DIRECTORS

CHAIRMAN MUKESH R GUPTA

MANAGING DIRECTOR RAJESH R. GUPTA

DIRECTORS

B. L. AGARWAL

B. RAVINDRANATH (IDBI NOMINEE)

S. K. SINGHAI (IFCI NOMINEE)

SAMEER PHUTANE (ICICI BANK NOMINEE)

BANKERS

CENTRAL BANK OF INDIA

STATE BANK OF INDIA

STATE BANK OF HYDERABAD

CREDIT AGRICOLE INDOSUEZ

THE FEDERAL BANK LIMITED

PUNJAB NATIONAL BANK

STATE BANK OF TRAVANCORE

PUNJAB AND SIND BANK

ABU DHABI COMMERCIAL BANK LIMITED

INDUSIND BANK LIMITED

BANK OF INDIA

ORIENTAL BANK OF COMMERCE

AUDITORS

TODARWAL & TODARWAL

REGISTRAR & SHARE TRANSFER AGENTS

BIGSAHRE SERVICES PRIVATE LIMITED

E-2/3, Ansa Industrial Estate,

Sakivihar Road, Saki Naka

Andheri (E), Mumbai- 400 072.

REGISTERED OFFICE :

Modern Centre,

'B' Wing, 2nd Floor,

Sane Guruji Marg, Mahalaxmi,

Mumbai- 400 011.

WORKS

Steel Plant :-

Lloyds Nagar,

Bhugaon Link Road, Wardha,

Maharashtra, India.

Engg. Plant :-

Plot No. A-5/5 & A6/3,

MIDC Industrial Area,

Murbad. Dist. Thane.

Maharashtra, India.

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NOTICE

NOTICE is hereby given that the 36th Annual General Meeting of the Members of M/s. Lloyds Steel Industries Limited will be held at Half of Harmony, Nehru Centre, Dr Annie Besant Road, Worli, Mumbai - 400 018, on **Saturday, the 5th day of August, 2006** at 11.00 a.m. to transact the following business :-

ORDINARY BUSINESS :

1. To consider, approve and adopt the Profit and Loss Account of the Company for the year ended on 31st March, 2006 and the Balance Sheet as on that date, together with the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri Mukesh R Gupta, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modification/s, the following resolution as a Special Resolution :

RESOLVED THAT pursuant to and in accordance with the provisions of Section 80, 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and all other applicable laws and regulation including the Securities and Exchange Board of India Guidelines, the Reserve Bank of India Guidelines, the relevant provisions of the Memorandum and Articles of Association of the Company and the provisions of the Listing Agreement (s) with Stock Exchanges, on which the Shares of the Company are listed or may hereafter be listed (including any amendment thereto or re-enactment of all or any of the aforesaid) and subject to all such approvals, permissions, sanctions and consents as may be required under applicable laws and regulations and of concerned Authorities, Bodies and Agencies and subject to such conditions and modifications as may be prescribed by any of the above said authorities, bodies and agencies and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof which the Board may have or may hereafter constitute, to which all or any of the powers hereby conferred on the Board by this Resolution, have been or may hereafter at any time be delegated), the consent, authority and approval of the Company be and is hereby accorded to the Board to create, issue, offer and allot, from time to time in one or more tranches, Redeemable Preference Shares (RPS) of Rs. 10/- (Rupees Ten) each fully paid-up at par to be redeemed with a premium of 11.5% commencing from Financial Year 2016 not exceeding Rs. 1,29,54,200/- (Rupees One Crore Twenty Nine Lacs Fifty Four Thousand Two Hundred only) (the "Preference Shares") to Financial Institutions which have provided the loans and advances to the Company by conversion of part of their existing loans and advances under and by way of preferential issue on private placement basis through offer letter and/or circular and/or information memorandum and/or such documents/writings, in such manner and on such terms and conditions as may be determined by the Board in its absolute discretion with power to settle details as to the form and terms of issue of the Preference Shares and all other terms, conditions and matters connected therewith including to accept any modifications thereto or therein as may be required by persons involved with any such issue of Preference Shares subject, however, to all applicable laws and regulations."

RESOLVED FURTHER THAT without prejudice to the generality of the foregoing, the Board be and is hereby authorised to prescribe in its sole discretion with respect to the aforesaid issue of the Preference Shares all or any of the terms or any combination of terms including but not limited to conditions in relation to offer, issue and allotment of Preference Shares, redemption or early redemption of the Preference Shares."

RESOLVED FURTHER THAT the Preference Shares so issued shall be subject to the Memorandum and Articles of Association of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and any offer, issue and allotment of securities, the Board of Directors of the Company be and is hereby authorised to take all such actions, give such directions and to do all such acts, deeds, matters and things as may be necessary, desirable or incidental thereof and matters connected therewith and settle all questions and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of securities as it may in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members."

By order of the Board

Place : Mumbai
Dated : 25th May, 2006

S N Tiwari
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER.
2. Proxy Form and Attendance Slip are enclosed. Proxies, in order to be valid, must reach the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.
3. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
4. Documents referred to in Notice are open for inspection at the Registered office of the Company on all working days between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from **Monday the 24th day of July, 2006 to Saturday, the 5th day of August, 2006** (both days inclusive).
6. Members desiring any information as regards to Accounts are requested to write 7 days in advance to the Company before the date of the meeting to enable the Management to keep full information ready.
7. Members who have multiple accounts in identical names or joint accounts in the same order are requested to send all the Share Certificate (s) to the Registrar & Transfer Agent, M/s. Bigshare Services Pvt. Ltd., Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072, for consolidation of all such Shareholdings into one account to facilitate better services.
8. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividend upto financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government, Members who have not encashed their dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, Hakoba Mill Compound, 2nd Floor, Dattaram Lad Path, Kala Chowky, Mumbai - 400 033.
9. Consequent upon amendment in Section 205 A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment Act, 1999), the amount of the dividend remaining unclaimed for a period of seven years pertaining to financial year ended 31st March, 1996 has been transferred to the Investors Education and Protection Fund.
10. Members are requested to notify any changes in their address to the Company's Registrar & Transfer Agent, M/s. Bigshare Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400 072.

INFORMATION REQUIRED TO BE FURNISHED AS PER THE LISTING AGREEMENT

As required under the Listing Agreement, the particular of Directors who is proposed to be re-appointed is given below :

Name : Shri Mukesh R Gupta
Age : 48 years
Qualifications : B.Com.
Expertise : Having over two decades of vast and varied experience in Steel Industry. He has rich experience in the field of implementation of projects, finance, marketing and procurement of material.
Other Directorship : Lloyds Metals & Engineers Ltd., Vidarbha Power Ltd.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 4

The Company has arrived at a negotiated settlement with its existing Lender (Financial Institution who have provided loans and advances to the Company) for conversion of part of their existing debt into Redeemable Preference Shares (RPS) in the Company as part of restructuring of the Company's debt.

The Main terms of the Preference Shares proposed to be issued are as under :-

- i) The RPS will be redeemed with a premium of 11.5% in 6 annual installments commencing from Financial Year 2016.
- ii) RPS shall be having face value of Rs.10 per share.
- iii) The RPS will not carry any right to dividend.

Section 81 of the Companies Act, 1956 and Listing Agreement with Exchanges, provides, inter-alia, that where it is proposed to increase the subscribed capital of the Company by allotment of further Shares, such further Shares shall be offered to the persons who at the date of offer are holders of the Equity Shares of the Company in proportion to the capital paid-up on those Shares as of that date, unless the shareholders in general meetings decides otherwise. The Special Resolution seeks, the consent of the Shareholders authorising the Board of Directors to issue / allot Redeemable Preference Shares (RPS) on preferential basis through Private Placement.

The Board of Directors recommends the resolution(s) set out at Item No.4 of the accompanying Notice for approval of the Members. None of the Directors of the Company is, in any way, concerned or interested in the said resolution(s).

By order of the Board

Place : Mumbai
Dated : 25th May, 2006

S N Tiwari
Company Secretary

DIRECTORS' REPORT

The Directors present their 36th Annual Report on the business and operations of your Company and Audited Statement of Accounts for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

	Current Year 2005-06 (Rs. In Lacs)	Previous Year 2004-05 (Rs. In Lacs)
Sales :	158648.23	151799.39
Other Income	1118.85	95.04
Total Income :	159767.08	151894.43
Profit / (Loss) before Interest, Depreciation, Exceptional Item & Tax	2651.45	18215.23
Less : Finance Charges	3932.46	2309.35
Depreciation	10907.11	10925.89
Profit / (Loss) before exceptional items & taxes	(12188.12)	4979.99
Add: Exceptional items (Net)	5904.27	7155.23
Profit/(Loss) before tax	(6283.85)	12135.22
Tax Provision	36.80	0.00
Profit/(Loss) after Tax	(6320.65)	12135.22
Add: Prior Period Income	67.40	68.73
Net Profit/ (Loss)	(6253.25)	12203.95
Profit / (Loss) b/f from previous year	(108860.94)	(121064.88)
Balance Carried Forward	(115114.19)	(108860.94)

DIVIDEND

In view of the accumulated losses, the Directors have not recommended any Dividend for the year ended 31st March, 2006.

OPERATIONS & OVERALL PERFORMANCE

During the year under review, the steel prices has seen a steep fall of almost 30% following the fall in International Steel Prices. In the face of rising input costs and falling realisations the performance of the Company was affected adversely. The Company achieved a Turnover of Rs. **1586.48** crores as against Rs.1517.99 crores in the previous year, showing a marginal rise of 5%.

The pressure on prices continued throughout the year coupled with increase in input costs which kept moving up unabated. The area of satisfaction for the Company was, however on productivity front where it could record better volumes during the year. The Company, incurred a net Loss at **Rs.63.21** crores during the year as compared with previous year Profit of Rs.121.35 crores after providing depreciation of **Rs.109.07** crores (Previous year Rs.109.26 crores).

DEBT RESTRUCTURING

On the restructuring/settlement of debts with the Financial Institutions and Banks, the Company made reasonable progress. During the year, debt liabilities of over Rs.154 crores has been restructured which resulted in a reduction of debt of over Rs.84 crores for the Company bringing down further the debt servicing cost. The Company has paid off Rs.73.21 crores during the year towards past Debt liabilities. The Restructuring proposals are under various stages of discussion with remaining lenders.

During the year, Company has issued Redeemable Preference Shares at par of Rs.234.98 Crores against part conversion of its debt to IDBI as per the approval of Members at the last Annual General Meeting. As per the Debt Restructuring arrangement with IDBI, Company has to further issue preference shares at par of Rs.1.29 crore against part conversion of debt liabilities. These Preference Shares will be redeemed with a premium of

11.5 % commencing from 2016. The necessary resolution is incorporated in the Notice convening the Annual General Meeting for approval of the members. Your Directors are of the view that the conversion of debt into preference shares is beneficial to the Company as this will strengthen the Networth of the Company.

Steel Products

During the year under review, the Steel Products Sales has reached a figure of **Rs.1458.61 crores** as against the previous year figure of Rs.1447.40 crores. With domestic steel industry grappling with a problem of falling realisations, the Company could not pass on constantly rising input cost to its customers, the main reason for poor show of the Company during the year. The Export during the year was at **Rs.127.28 Crores** as against Rs.158.49 crores recorded during the previous year.

During the year, the Company for balancing various product sections, has installed a new slab caster and a new galvanising Line apart from installation of some other equipments with a view to optimise the product mix.

Engineering Products

The Engineering Products, during the year under review has recorded sales at **Rs.127.87 crores** as compared to the previous year of Rs.70.59 crores. The increase in sales is due to revival of the industry and successful completion of many jobs. The Company during the year has successfully executed jobs for Welspun Power & Steel Ltd., GAIL India Ltd; HPCL, Chennai Petroleum Ltd; IOC amongst others. The Company has secured orders from Welspun Stahl Rohren Ltd. for supply of side guards and cooling bed and IOC for supply of Marine Loading Arms. The Company is presently executing a major order for setting up a Pelletization Plant at Orissa. The Company continue to support in supply of spares and services to Navy, Coast Guard, Mumbai Port Trust, GRSE and major Oil and Gas sector companies.

MANAGEMENT DISCUSSION AND ANALYSIS

The core business of the Company is manufacturing and marketing Iron and Steel products and manufacturing capital equipments and turnkey projects. The Management discussions and analysis is given hereunder:-

- Industry structure and development :** Globally, Steel prices started firming up about three years ago and remained strong till 2004. However in 2005, steel prices dipped affecting the steel industry. The Engineering Products of the Company has been approved for its engineering skills/works/services by various premier consulting companies and inspection agencies. The company has further been approved by Industrial Boiler Regulatory Authority. The development of engineering industry depends on the development of core sectors.
- Opportunities and threats:** High economic growth and infrastructure development in the country would offer opportunities and the Company would continuously try to remain competitive to take advantage of opportunities coming its way. For Engineering Products Company has entered into Tie up arrangements and Teaming Agreements with various Foreign Entities for manufacturing and supply of Critical Spares and Systems in India.
- Segment-wise performance:** The Company is mainly in the business of manufacturing Steel and Capital Equipments and Turnkey Projects. The Company has no activity outside India except export of steel products manufactured in India. Segment wise performance is given at Note No.17 of Schedule Q i.e. Notes on Accounts.
- Outlook:** The outlook for the steel industry depends on global steel prices which have recently shown some signs of improvement after remaining dull throughout the previous year. A strong domestic economic growth and a global revival will give impetus to growth of the industry. For Engineering Industry, the Current year appears to be more encouraging and promising. The Company is participating in the tenders of major public sector undertaking amongst various other companies.
- Risk and concerns:** The year under review has been a lack lustre one for the Indian steel industry. The Company's market development, order procurement and supply management have been re-engineered and new practices adopted at all levels. Technological obsolescence is an inherent business risk and fast adaptability to change is crucial

for survival of business. The Company undertakes continuous modernisation programme to maintain efficient operations.

- f) **Internal control system:** The Company maintains adequate internal control systems, which provide adequate safeguards and proper monitoring of the transactions. The Company has appointed an Internal Auditor who reports to the Managing Director and Audit Committee of the Board. The Internal Auditor conducts monthly audits to ensure that the Company's control systems are adequately followed and all statutory requirements are complied with.
- g) **Discussion on financial performance with respect to operating performance:** The operating performance of the Company has been discussed in Directors Report under the head 'Financial Highlights and Operations and Overall Performance' in the current year.
- h) **Human resources and industrial relations:** During the year under review the Employee/Industrial relations at all units and job sites remained cordial. Steps were taken continuously by the Company for training its employees in various disciplines. Despite continuing working capital constraints, morale of the employees remained high. Number of employees as on 31st March, 2006 was 1305.
- i) **Cautionary Statement:** The Management Discussions and Analysis describe Company's projections, expectations or predictions and are forward looking statements' within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand and supply and price conditions in domestic and international market, changes in Government regulations, tax regimes, economic developments and other related and incidental factors.

RESEARCH AND DEVELOPMENT

The Company undertakes on a continuous basis, various activities such as the development of new products and processes, cost reduction, improvement in quality and productivity and import substitution.

REFERENCE TO BIFR

The Company has filed a reference before the Hon'ble BIFR on 29th June 2001. The reference came to be registered as Case Number 278/2001 as per their communication No. 3(L-7) BC/2001 dated 11th July 2001.

The Hon'ble BIFR vide its order dated 1st March, 2006, after hearing the matter has declared the Company as a sick industrial company in terms of section 3 (1) (o) of SICA and appointed ICICI Bank Ltd. as the Operating Agency to prepare a Draft Rehabilitation Scheme (DRS).

The Company has submitted a Draft Rehabilitation Scheme (DRS) to the ICICI Bank Ltd., OA and the copy of the same is forwarded to the BIFR. After convening lenders meeting and eliciting their view, DRS will be submitted to BIFR.

INVESTOR SERVICES

The Company and its Registrars M/s. Bigshare Services Private Limited who is looking after the physical as well as Demat work and also shareholders correspondence in terms of SEBI direction, for having a common Registrar and Share Transfer Agent, endeavored their best to service the Investors satisfactorily.

DIRECTORS

Shri P C Soni, Director of your Company, has resigned from Board/ Committees of the Company w.e.f. 25th May, 2006 due to his preoccupation.

The Board hereby places on record its sincere appreciation for the valuable guidance and meaningful contribution made by Shri. P C Soni as member of the Board, Audit Committee and Managerial Remuneration Committee during the period of his association with the Company.

Shri Mukesh R. Gupta, Director of the Company, retire by rotation and being eligible, offer himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that :

1. In the preparation of annual accounts for the financial year ended 31st March 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
3. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. Final accounts have been prepared on going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchanges with which the Company is listed are complied with.

A separate report on Corporate Governance and the Auditor's Certificate on its compliance are annexed hereto and forms part of this Annual Report.

ENVIRONMENT & SOCIAL OBLIGATION

The Company's plants comply with all norms set up for clean and better environment by the competent authorities. The Company undertakes regular checks / inspections including certification for the maintenance of the environment, health and safety. The Company values environmental protection and safety as the major considerations in its functioning. The Company has adequate effluent Treatment Plants to prevent pollution.

The Company is continuously endeavoring to improve the quality of life in the communities surrounding its industrial complex.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year.

AUDITORS & AUDITORS' REPORT

The members are requested to appoint Auditors and fix their remuneration. As regards qualification at Sr.No.4 (e) in the Auditors' Report, Directors wish to state that in view of the ongoing discussion for restructuring of the debt and interest liability, the Company has not provided for interest on some loans. Auditors' observations in Clause No. 9, 10 & 11 in the Annexure Audit Report (CARO Report) are self explanatory and do not require further explanation.

PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Information in accordance with Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure 'A' forming part of this report.

ACKNOWLEDGEMENT:

Your Directors would like to express their grateful appreciation for the assistance and continued co-operation extended by the Financial Institutions, Banks, Government Authorities, Clients and Suppliers during the year under review. The Directors wish to place on record their deep sense of appreciation for the devotion and sense of commitment shown by the employees at all levels and acknowledges their contribution.

For and on behalf of the Board of Directors

Place : Mumbai
Dated : 25th May, 2006

Mukesh R Gupta
Chairman

ANNEXURE - A

STATEMENT PURSUANT TO SECTION 217(1)(E) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

(A) CONSERVATION OF ENERGY

Engineering Products

Form "A" is not applicable at its' activities does not fall under the list of Industries specified in the Schedule attached to Rule 2.

Steel Products

- Steel melting process time reduction and reduction in electrical power consumption by 10% after installation of Supersonic Jet Lances for Oxygen and Carbon.
- Use of carbide in steel making has reduced LF time and LF power.
- CCM segment management has been improved to reduce incidents of caster breakouts.
- Installation of non-ox furnace in CGL-2 by using high velocity LPG burners resulted in reduced LPG consumption.
- Installation of AC Drive in CGL-2 resulted into saving in power consumption.
- Modification of Galvanising Line-1 to increase Line speed, which resulted into saving of power.

(B) RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

Research & Development (R & D)

Steel Products

Sr. Particulars

No.

1 Specified areas in which R & D carried out by the Company

- CCM Water flow control and mould renewal have been introduced to produce slabs free from transverse cracks.
- Introduction of Jet Box techniques have resulted in foamy slag practice and consequently allowed use of low grade DRI.
- Improvement in Wear Resistant Steel Grade used for DRI silos, coal washeries and coal handling chutes, has resulted in zero complaint regime.
- Installation of Oxygen PPM Analyser at battery limit.
- Developed special grade of GP products i.e. SS GR 80/ SS GR 50.

2 Benefits derived as a result of R & D

- Development of Wear Resistant Steel.
- Lower consumption of electrical power in steel making.
- Prevention of CCM breakouts.
- Improvement in surface quality of galvanized products and productivity.

3 Future plan of action for R & D.

- Development of API SL X 80 grade.
- Use of coolant oil for reduction in rolling electrical power

4 Expenditure on R & Ds

Expenses on R & D Rs 4.06 lacs

1) Technology Absorption, Adaptation and Innovation :

Installation of Supersonic Jet Boxes in EAF-1 & 2.

2) Benefit :

- Saving in power and increase of productivity
- Increased flexibility of rolling of HR

3) NOT APPLICABLE

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of Foreign Exchange Earnings and Outgo are as under :

(Rs In Lacs)

	2005-06	2004-05
(a) Earnings		
a. Brokerage and Commission	Nil	16.25
b. Exports including Deemed and Third Party	14788.55	18053.64
(b) Outgo		
Travelling/Books Periodicals	110.88	61.36
Imported Raw Materials, Stores & Spares, etc.	24580.39	18189.08
Interest	2541.11	433.70
Brokerage & Commission	313.66	23.62
Repairs & Maintenance	14.10	54.54
Others	24.34	Nil

For and on behalf of the Board of Directors

FORM 'A'

Form for Disclosure of Particulars with respect to Conservation of Energy :

	UNIT	2005-06	2004-05
A. Power & Fuel Consumption			
1 Electricity			
a) Purchased			
Units	Kwh	502872630	441635172
Total Amount	Rs.	1619555405	1404947449
Rate/Unit	Rs/kwh	3.22	3.18
b) Own Generation			
i) Through Diesel Generator			
Units	Kwh	7808	3804
Units per ltr. of Diesel Oil	Kwh/ltr	2.17	2.08
Cost/Unit	Rs/kwh	15.46	18.28
ii) Through Steam Turbine / Generator			
Units		NIL	NIL
Units per ltr. of Fuel Oil/Gas		NIL	NIL
Cost/Unit		NIL	NIL
2 Coal			
Quantity	Ton	NIL	NIL
Total Cost	Rs.	NIL	NIL
Average Rate	Rs/Ton	NIL	NIL
3. Fuel Oil			
a) Furnace Oil			
Quantity	Kl	27509	23950
Total Amount	Rs.	415111938	252760198
Average Rate	Rs/Kl	15090	10554
b) LDO			
Quantity	Kl	2407	2346
Total Amount	Rs.	62314285	48737204
Average Rate	Rs/Kl	25888	20772
4 Others/Internal Generation			
Quantity		NIL	NIL
Total Cost		NIL	NIL
Rate/Unit		NIL	NIL
B. Consumption per unit of production			
1 HR PRODUCTS			
- Electricity	kwh/mt	908	937
- Furnace Oil	ltr/mt	56	54
- LDO	ltr/mt	2.36	3
2 GP/GC PRODUCTS			
- Electricity	kwh/mt	1349	1387
- Furnace Oil	ltr/mt	62	61
- LDO	ltr/mt	10	11
3 CR PRODUCTS			
- Electricity	kwh/mt	1284	1304
- Furnace Oil	ltr/mt	62	61
- LDO	ltr/mt	10	11

For and on behalf of the Board of Directors

Place : Mumbai
Dated : 25th May, 2006

Mukesh R Gupta
Chairman

Place : Mumbai
Dated : 25th May, 2006

Mukesh R Gupta
Chairman

CORPORATE GOVERNANCE

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Board of Directors of Lloyds Steel Industries Limited

We have reviewed implementation of Corporate Governance procedure set by Lloyds Steel Industries Limited ("The Company") for the year ended 31st March, 2006 with the relevant records and documents maintained by the Company and furnished to us for our review.

Based on our verification and information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges.

For Todorwal & Todorwal
Chartered Accountants

Place : Mumbai

Sunil Todorwal

Dated : 25th May, 2006

Partner

CORPORATE GOVERNANCE :

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to maintain highest level of Corporate Governance with transparency & Corporate Accountability in its actions & operations and to pursue objective that are in the best interest of the Company and its shareholders.

2. BOARD OF DIRECTORS

The Board of Directors of the Company is comprised of :-

Promoter Directors	3
Non-executive – Nominee Directors	
Representing IDBI, IFCI & ICICI Bank Ltd	3
Non-executive Independent Director	1

Attendance of each Director at the Board of Directors meetings and the last AGM is as follows.

Director	No. of Attended meeting held	Last AGM Attended	No. of Directorship in other public Company	Remarks
Mr. Mukesh R. Gupta	4	4	Yes	2
Mr. Rajesh R. Gupta	4	4	Yes	2
Mr. B. L. Agarwal	4	4	Yes	3
Mr. P. C. Soni	4	4	Yes	1 Resigned w.e.f 25.5.2006
Mr. B Ravindranath	4	4	No	1 Appointed w.e.f. 30.05.2005
Mr. Sameer Phutane	4	3	No	2
Mr. S K Singhai	4	2	No	4
Mr. T. B. Ananthanarayanan	4	0	No	- Ceased to be a Director w.e.f. 30.5.2005

Number of Board of Directors meeting held and the dates on which held:
4 (Four) Board Meetings were held during the year. The dates on which the meetings were held were 30th May 2005, 29th July 2005, 28th October 2005 and 27th January 2006.

CODE OF CONDUCT :

The Board of Directors has adopted the Code of Business Conduct and Ethics for Directors and Senior Management. The said code has been communicated to the Directors and the Members of the Senior Management. The Code has also been posted on the Company's website at www.lloydsgroup.com

3. AUDIT COMMITTEE :

a) Terms of Reference :

The broad terms of reference of Audit Committee are as follows :-

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.

- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services.
- Reviewing with management the annual financial statements before submission to the Board.
- Reviewing with the management, the adequacy of internal control and audit system.
- Discussing with internal auditors any significant findings and follow up on such issues.
- Reviewing the findings of any internal investigations by the internal auditors in matters where there is suspected fraud or irregularity, or a failure of internal control systems of a material nature, and then reporting such matters to the Board.
- Discussing with external auditors before the audit commences on the nature and scope of audit as well as having post audit discussion to ascertain any area of concern.
- Review of financial and risk management policies and practices.

b) Composition, Name of Members and Chairperson :

As on 31st March, 2006, the Company had re-constituted Audit Committee comprising of 4 Directors with 3 Independent Non-executive Directors, including 2 Nominee Directors as follows :

Mr. P. C. Soni - Chairman	Independent Director	Resigned w. e.f 25.5.2006
Mr. B. L. Agarwal	Promoter Director	-
Mr. Sameer Phutane	ICICI Bank Nominee Director	-
Mr. B. Ravindranath	IDBI Nominee Director	-

c) Meetings and attendance during the year

The Committee has met 4 times during the financial year ended March 31st 2006 i.e. 30th May 2005, 29th July, 2005, 28th October, 2005 and 27th January, 2006. The attendance of the members are as under :-

Name of Director	No. of Meetings held	No. of Meetings Attended	Remark
Mr. B L Agarwal	4	4	-
Mr. P C Soni	4	4	-
Mr. B Ravindranath	4	4	-
Mr. Sameer Phutane	4	3	-

However, Mr. P C Soni has resigned from the Committee w.e.f. 25th May, 2006.

4. REMUNERATION COMMITTEE :

The Remuneration of Director in all the cases is decided by the Board subject to necessary approval of shareholder and other applicable approvals, if any. Save and except , Mr. Rajesh R Gupta, Managing Director, no other director is drawing remuneration.

The Company has constituted a Remuneration Committee of the Board comprising of three (3) Non-executive Independent Directors. The Committee shall have powers to determine remuneration packages of Working Directors and the Company's policy on remuneration and any other compensation related matters. However, Mr. P C Soni has resigned from the Committee w.e.f. 25th May, 2006.

During the year Mr. Rajesh R Gupta, Managing Director has been paid as per schedule XIII of the Companies Act, 1956 aggregate remuneration of Rs.25: 44 Lacs by way of Salary, Remuneration & contribution to Provident Fund. The remuneration paid to Managing Director from 1st January, 2005 onwards is subject to the approval of Central Government for which necessary application has been made.

All the Directors except Managing Director, are in receipt of sitting fees of Rs.1000/- per meeting attended by them. This is as per the Articles of Association of the Company.

5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

The Company has constituted the Share Transfer & Investor Grievance Committee comprising of 3 Directors. Mr. Mukesh R. Gupta, Mr. B. L. Agarwal and Mr. Rajesh R Gupta are the members of this committee. The committee is headed by Mr. B L Agarwal, a non executive director.

The Committee oversees the performance of the Registrar and Transfer Agents', recommend measures to improve the level of investor services and matters pertaining to shareholders' complaints and grievances.

The Board has designated Mr. S. N. Tiwari, Company Secretary, as the Compliance Officer.

The Committee meets fortnightly for the approval of the share transfers/issue of duplicate shares/replacements etc.

The total number of complaints received and replied to the satisfaction of the shareholders during the year are as follows:-

Description	Received	Replied
Consumer Forum	0	0
Bombay Stock Exchange	32	32
SEBI Complaints	69	69
Legal Notice	0	0
Misc.	202	202

6. GENERAL BODY MEETING :

a. Location & Time for last 3 Annual General Meeting were :

Year	Location	Date	Time
2002-2003	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018.	27.09.2003	11.00 a.m.
2003-2004	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018.	25.09.2004	11.00 a.m.
2004-2005	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018.	06.08.2005	11.00 a.m.

b. Whether any special resolution was passed in the previous 3 AGMs: Yes
 c. Whether any special resolution passed last year through Postal Ballot: Not Applicable

7. DISCLOSURE :

a) Disclosure on Materially Significant Related Party Transaction i.e. Transactions of the Company of material nature, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. That may have potential conflicts with the interest of the Company at large:
 There are no such transactions during the year.

b) Details of Non-Compliance by the Company, Penalties, Strictures imposed on the Company by Stock exchanges or SEBI or any Statutory Authority on any matter related to Capital Markets during the last three years:
 None

c) Whistle Blower Policy and Affirmation that No Personnel has been denied access to the Audit Committee:
 No Personnel has been denied access to the Audit Committee.

d) Details of Compliance with Mandatory requirements and Adoption of the Non-mandatory requirements of this clause:
 The Company has complied with all the Mandatory requirements. As regards the Non-mandatory requirements, they have been complied with to the extent possible.

8. As provided under Clause 49 of the Listing Agreement with the Stock Exchanges the Managing Director of the Company has certified to the Board in compliance with the Clause 49 (V) regarding CEO/CFO certification.

9. MEANS OF COMMUNICATION :

The Quarterly/Half yearly and the Annual Results are published in Navshakti and Free Press Journals and put on the Company's website at www.lloydsgrp.com.

10. GENERAL SHAREHOLDER INFORMATION :

1. Annual General Meeting	
Date	5th August, 2006
Venue	Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai- 400 018.
2. Financial Calendar (tentative)	
Results for quarter ending 30.06.2006	Fourth Week of July 2006
Results for quarter ending 30.09.2006	Fourth week of October 2006
Results for quarter ending 31.12.2006	Fourth week of January 2007
Results for quarter ending 31.03.2007	Fourth week of May 2007
3. Book Closure Date	Monday, 24th July, 2006 to Saturday, 5th August, 2006 (both-days inclusive)
4. Dividend Payment date	Not declared
5. Listing of Equity Shares on Stock Exchanges at	Mumbai and National Stock Exchange
6. Stock Code	500254- Bombay Stock Exchange LLOYDSTEEL - National Stock Exchange of India ISIN No. : INE292A01015

	Bombay Stock Exchange (BSE)		BSE Sensex Close
	High	Low	
April 2005	19.85	15.30	6154
May 2005	19.70	17.00	6715
June 2005	19.00	12.80	7194
July 2005	17.45	12.80	7635
Aug. 2005	22.70	14.45	7805
Sept. 2005	23.75	17.55	8634
Oct. 2005	18.60	11.00	7892
Nov 2005	13.68	11.31	8789
Dec. 2005	12.40	10.00	9398
Jan. 2006	11.86	9.15	9920
Feb.2006	10.80	8.25	10370
Mar. 2006	12.30	9.16	11279

8. Registrar and Transfer Agents (share transfer and communication regarding share certificates, dividends and change of address)

Bigshare Services Private Limited.
E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai- 400 072.

9. Share Transfer System

Share transfer requests are registered within an average period of 25 to 30 days from the date of receipt.

Share transfer requests received in physical form with demat request have been discontinued from February 2004 in terms of SEBI directive.

10. Distribution of shareholding as on 31st March, 2005

Promoters	20.18
Indian Financial Institutions	04.71
Banks/MFs	01.95
FI	03.80
Others	69.36

No. of Shares Held	No. of Shareholders Total	% of Total	No. of Shares Held Total	% of Total
1 - 500	151764	84.12	32601551	16.94
501 - 1000	18428	10.21	14373714	7.46
1001 - 2000	5606	3.11	8593912	4.46
2001 - 3000	1485	0.82	3862493	2.01
3001 - 4000	674	0.37	2458269	1.28
4001 - 5000	739	0.41	3571729	1.85
5001 - 10000	873	0.48	6816758	3.54
10001 and Above	861	0.48	120274266	62.46
Total	180430	100.00	192552692	100.00

11. Dematerialisation of Shares

Over 80.41 % of the outstanding shares have been dematerialised upto 31st March, 2006.

Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 08.05.2000 as per notification issued by the Securities and Exchange Board of India.

Company's Shares are actively traded on the Mumbai Stock Exchange & National Stock Exchange of India Limited.

Liquidity

Not Applicable

12. Outstanding Warrants and convertible Bonds, Conversion date and likely impact on the Equity

13. Plant Locations

Steel Plant:-

Lloyds Nagar, Bhugaon Link Road, Wardha- 442 001.

Engg. Plant:-

Plot No. A-5/5 & A6/3, MIDC Industrial Area, Murbad, Dist. Thane.

Bigshare Services Private Limited

E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai- 400 072.
Tel No. 2-847 3474/3747/ 2-847 0652-53
Fax No 2-847 5207
e-mail bigshare@bom7.bsnl.net.in

14. (i) Investor Correspondence For transfer/dematelisation of shares, payment of dividend on shares, interest and redemption of debentures, and any other query relating to the shares and debentures of the Company.

Secretarial Department
Modern Centre,
'B' Wing, 2nd Floor, Sane Guruji Marg, Mahalaxmi, Mumbai- 400 011.
Tel. No. 3041 8111
Fax No. 3041 8260

(ii) Any query on Annual Report

DECLARATION

As provided under clause 49 of the listing Agreement with the Stock Exchanges, the Board Members and Senior Management Personnel have confirmed compliance with the Code of Conduct for the year ended March 31, 2006.

For Lloyds Steel Industries Ltd.

Place : Mumbai
Dated : 25th May, 2006

B L Agarwal
Director

AUDITORS' REPORT

TO THE MEMBERS OF LLOYDS STEEL INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Lloyds Steel Industries Limited as at March 31, 2006 and the related Profit and Loss Account and Cash Flow for the year ended on that date, annexed thereto, both of which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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 Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, of India (the Act) and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act;
 - (e) *The company has not provided interest amounting to Rs. 13888.13 lacs (till date Rs. 48947.48 lacs). Had the same been considered the loss for the year after taxation would have been Rs. 20208.80 lacs (as against the reported figure of loss of Rs. 6320.67 lacs) and the accumulated*

loss would have been Rs. 129002.33 lacs (as against the reported loss of Rs. 115114.20 lacs)

- (f) In view of the foregoing paragraphs, in our opinion and to the best of our information and according to the explanations given to us, and subject to point 4 (e) above the Balance Sheet, Profit and Loss Account and Cash flow together with the Notes thereon and attached thereto, give in the prescribed manner, the information required by the Act and also give, a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006; and
 - ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.
 - iii) In the case of the Cash Flow Statement of the Cash Flow of the Company for the year ended on that date.
- (g) On the basis of the written representations received from the Directors and taken on record by the Board of Directors of the Company, none of the Directors is disqualified as on March 31, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

For Todarwal & Todarwal
Chartered Accountants

Place : Mumbai
Dated : May 25th 2006.

Sunil Todarwal
Partner

ANNEXURE

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.
- (b) All the fixed assets have been verified during the year, and according to the information and explanations given to us, there is 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. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.
- (c) During the year, no substantial part of fixed assets has been disposed off by the Company.
2. (a) The physical verification of inventory has been conducted at reasonable intervals by the management.
- (b) The procedures followed by the management for physical verification of inventory are reasonable and adequate in relation to the size of the company and the nature of business.

- (c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. The Company has not taken secured or unsecured loans from companies, firms, parties covered in the register maintained under Section 301 of the Act. The Company has not granted loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
 4. In our opinion and according to information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods.
 5. (a) On the basis of our examination of the books of account, we are of the opinion that the transactions that need to be entered in the register in pursuance of Section 301 of the Act have been entered in the said register.
(b) In our opinion, the transactions exceeding Rs. 500,000 in respect of any party during the financial year have been made at prices which are reasonable, having regard to the prevailing market price for such goods and materials or prices at which transaction for similar goods or material have been made with other parties.
 6. In our opinion and according to the information and explanation given to us, the company has complied with the provisions of section 58A of the Companies Act, 1956 and rules framed there under, with regard to the deposits accepted by the company.
 7. In our opinion and according to information and explanation given to us, the Company's present internal audit system is commensurate with its size and the nature of its business.
 8. We have Broadly reviewed the books of accounts maintained by the company in respect of Steel division, where, pursuant to the rules made by the Central Government, the maintenance of Cost Records have been prescribed u/s. 209(1) (d) of the Companies Act, 1956. We are of the view that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
 9. (a) According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also Management representations, undisputed statutory dues in respect of provident fund, profession tax, income tax and wealth tax have been regularly deposited by the Company during the year with the appropriate authorities in India.
(b) According to the records of the Company, the disputed dues in respect of Excise Duty of Rs. 402.74 lacs (Previous year Rs. 15.11 Lacs) and Sales Tax of Rs. 60.68 lacs (Previous year Rs. 28.65 lacs) as at March 31, 2006 have not been deposited with appropriate authorities.
 10. The Company's accumulated losses at the end of the financial year are not less than fifty percent of its net worth and it has incurred cash losses in the financial year under audit, however, in the immediately preceding financial year the Company has not incurred cash losses.
 11. According to the records of the Company, and as informed to us, a part of the dues to Lenders has been restructured during the year and the remaining dues are under various stages of restructuring process. Amount of default aggregating to Rs. 327.59 crores is outstanding since 1996-97.
 12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
 13. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to it.
 14. As informed to us, the Company has not given any guarantee for the loans taken by others from banks or financial institutions during the year.
 15. As per information given to us no fresh term loans have been taken by the Company during the year.
 16. On the basis of review of utilisation of funds on an overall basis, related information as made available to us and as represented to us by the Management, no funds has been raised on short term basis by the company during the year.
 17. In our opinion and according to information and explanation given to us, the Company has not made any preferential allotment of shares during the year.
 18. In our opinion and according to information and explanation given to us, the Company has not issued any fresh debentures during the year.
 19. In our opinion and according to information and explanation given to us, the Company has not raised any money by public issue during the year.
 20. During the course of our examination of the books of account carried in accordance with the generally accepted auditing standards in India, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of such case by the Management.

For **Todarwal & Todarwal**
Chartered Accountants

Place : Mumbai
Dated : May 25th 2006.

Sunil Todarwal
Partner

BALANCE SHEET

AS AT 31ST MARCH, 2006

(Rupees In Lacs)

PARTICULARS	Schedule	AS AT	AS AT
		31.03.2006	31.03.2005
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Capital	'A'	42419.49	18862.03
(b) Reserves & Surplus	'B'	41490.60	38749.91
		83910.09	57611.94
2. LOAN FUNDS			
(a) Secured Loans	'C'	140813.69	155883.57
(b) Unsecured Loans	'D'	2185.37	25669.82
		142999.06	181553.39
TOTAL		226909.15	239165.33
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	'E'		
Gross Block		221671.96	214749.32
Less: Depreciation		99028.66	88128.80
Net Block		122643.30	126620.52
2. INVESTMENTS	'F'	1000.02	1000.02
3. CURRENT ASSETS, LOANS & ADVANCES	'G'		
(a) Inventories		23616.57	21888.81
(b) Sundry Debtors		10666.93	6161.69
(c) Cash & Bank Balances		1785.19	1214.66
(d) Loans & Advances		9378.41	14491.76
		45447.10	43756.92
Less : Current Liabilities & Provisions	'H'	58189.16	42307.60
NET CURRENT ASSETS		(12742.06)	1449.32
4. MISCELLANEOUS EXPENDITURE	'I'	893.70	1234.53
5. PROFIT & LOSS ACCOUNT		115114.19	1060.94
TOTAL		226909.15	239165.33
Notes forming part of Accounts.	'Q'		

As per our Report of even date attached

For **TODARWAL & TODARWAL**
Chartered Accountants

SUNIL L. TODARWAL
Partner

Place : Mumbai
Date : 25th May, 2006

S. N. TIWARI
Company Secretary

For and on behalf of the Board

B. L. AGARWAL
Director

MUKESH R. GUPTA
Chairman

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST, MARCH, 2006

(Rupees In Lacs)

PARTICULARS	Schedule	Current Year 31.03.2006	Previous Year 31.03.2005
INCOME			
(a) Sales including job work		158648.23	151799.39
(b) Other Income	'J'	1118.85	95.04
		159767.08	151894.43
EXPENDITURE			
(a) Raw Materials Consumed/Sold & Other Materials	'K'	109170.34	96509.37
(b) Excise Duty		18781.93	12052.20
(c) Personnel	'L'	2735.94	2278.84
(d) Manufacturing & Asset Maintenance	'M'	17922.67	15803.42
(e) Administrative Expenses	'N'	1041.29	951.46
(f) Selling & Distribution Expenses	'O'	6991.19	5637.93
(g) Preliminary / Issue / Deferred Expenses Written Off		472.27	445.99
		157115.63	133679.20
PROFIT / LOSS (-) BEFORE INTEREST, DEPRECIATION, EXCEPTIONAL ITEM & TAX		2651.45	18215.23
Interest & Financial Charges (Net)	'P'	3932.46	2309.35
PROFIT / (LOSS) BEFORE DEPRECIATION, EXCEPTIONAL ITEM & TAX		(1281.01)	15905.88
Depreciation		10907.11	10925.89
PROFIT / (LOSS) BEFORE EXCEPTIONAL ITEM & TAX		(12188.12)	4979.99
Add: EXCEPTIONAL ITEMS (Net)		5904.27	7155.23
PROFIT / (LOSS) BEFORE TAX		(6283.85)	12135.22
Provision for Taxation		36.80	—
PROFIT / (LOSS) AFTER TAX		(6320.65)	12135.22
Add : Prior period income (net)		67.40	68.73
		(6253.25)	12203.95
Add : Profit / Loss (-) B/F from previous year.		(108860.94)	(121064.88)
BALANCE CARRIED TO BALANCE SHEET		(115114.19)	(108860.94)
Basic & Diluted Earning Per Share (Rs.)		(6.33)	2.59
Notes forming part of Accounts.	'Q'		

As per our Report of even date attached

For **TODARWAL & TODARWAL**
Chartered Accountants

SUNIL L. TODARWAL
Partner

Place : Mumbai
Date : 25th May, 2006

S. N. TIWARI
Company Secretary

For and on behalf of the Board

B. L. AGARWAL
Director

MUKESH R. GUPTA
Chairman

SCHEDULES

SCHEDULES "A TO Q" ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2006 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rupees In Lacs)

SCHEDULE A : SHARE CAPITAL

AUTHORISED

20,00,00,000 Equity Shares of Rs.10/- each
(Previous Year 20,00,00,000 Equity Shares of Rs.10/- each)
25,00,00,000 Preference Shares of Rs.10/- each
(Previous Year 2,50,00,000 Preference Shares of Rs.10/- each)

TOTAL

ISSUED, SUBSCRIBED & PAID-UP

Equity Share Capital

19,21,06,371 Equity Shares of Rs.10/-each fully paid up
(P.Y.19,21,06,371 Equity Shares of Rs.10/-each fully paid up)
Less: Calls - in - Arears
Add : 446321 Forfeited Shares (Amount originally received)

Preference Share Capital

23,49,80,000 Redeemable Preference Shares
of Rs.10/- each fully paid up (Previous Year Nil)

TOTAL

Note: The Redeemable Preference Shares will be redeemed with a premium of 11.50% in 6 (Six) Annual Instalments commencing from financial year 2016

SCHEDULE B : RESERVES & SURPLUS

Capital Reserve

Balance as per last Balance Sheet
Add : Transfer during the year

Debenture Redemption Reserve

Balance as per last Balance Sheet

Share Premium Account

Balance as per last Balance Sheet
Less : Calls - in - Arrears

TOTAL

SCHEDULE C : SECURED LOANS

1. Long Term Loans

(a) From Banks :

Rupee Loan
Foreign Currency Loan

(b) From Financial Institutions

Rupee Loan

(c) Interest Accrued and Due

2. (a) Debentures (Non Convertible)

- (i) 150000 14% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1989
(ii) 200000 14% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1990
(iii) 500000 18.5% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1993
(iv) 2500000 18.5% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1995
(v) 700000 19 % Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1998

	AS AT 31.03.2006	AS AT 31.03.2005
SCHEDULE A : SHARE CAPITAL		
AUTHORISED		
20,00,00,000 Equity Shares of Rs.10/- each (Previous Year 20,00,00,000 Equity Shares of Rs.10/- each)	20000.00	20000.00
25,00,00,000 Preference Shares of Rs.10/- each (Previous Year 2,50,00,000 Preference Shares of Rs.10/- each)	25000.00	2500.00
TOTAL	45000.00	22500.00
ISSUED, SUBSCRIBED & PAID-UP		
Equity Share Capital		
19,21,06,371 Equity Shares of Rs.10/-each fully paid up (P.Y.19,21,06,371 Equity Shares of Rs.10/-each fully paid up)	19210.64	19210.64
Less: Calls - in - Arears	308.08	367.54
Add : 446321 Forfeited Shares (Amount originally received)	18.93	18.93
Preference Share Capital		
23,49,80,000 Redeemable Preference Shares of Rs.10/- each fully paid up (Previous Year Nil)	23498.00	—
TOTAL	42419.49	18862.03
SCHEDULE B : RESERVES & SURPLUS		
Capital Reserve		
Balance as per last Balance Sheet	74.44	74.44
Add : Transfer during the year	2586.00	—
	2660.44	74.44
Debenture Redemption Reserve		
Balance as per last Balance Sheet	1902.00	1902.00
Share Premium Account		
Balance as per last Balance Sheet	37728.50	37728.50
Less : Calls - in - Arrears	800.34	955.03
TOTAL	36928.16	36773.47
SCHEDULE C : SECURED LOANS		
1. Long Term Loans		
(a) From Banks :		
Rupee Loan	40715.90	40895.09
Foreign Currency Loan	5078.16	7403.66
	45794.06	48298.75
(b) From Financial Institutions		
Rupee Loan	26082.08	26245.02
(c) Interest Accrued and Due	4751.13	4515.51
	76627.27	79059.28
2. (a) Debentures (Non Convertible)		
(i) 150000 14% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1989	46.40	52.00
(ii) 200000 14% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1990	100.00	100.00
(iii) 500000 18.5% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1993	500.00	500.00
(iv) 2500000 18.5% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1995	2100.00	2500.00
(v) 700000 19 % Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1998	700.00	700.00

SCHEDULES

(Rupees in Lacs)

- (vi) 400000 18% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1998
- (vii) 5000000 17% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1999
- (viii) 1600000 17% Privately Placed Secured Redeemable Non-Convertible Debentures of Rs.100/-each issued in the year 1999

Add: Interest Accrued and Due

(b) Optinally Fully Convertible Debenture

3. Working Capital from Banks

Cash Credit / Working Capital Demand Loan

TOTAL

	AS AT 31.03.2006	AS AT 31.03.2005
	125.00	125.00
	5000.00	5000.00
	1600.00	1600.00
	10171.40	10577.00
	6132.14	6366.29
	16303.54	16943.29
	5100.00	5100.00
	42782.88	54780.99
	140813.69	155883.56

NOTES TO SCHEDULE C :

1. a. Long Term Loans referred to in 1(a) and 1(b) above, are secured by way of hypothecation of all the movables except book debts, including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and/or to be created in favour of the Company's Bankers for Working Capital facilities.
- b. (i) Long Term Loans referred to in 1(a) and 1(b) above, to the extent of **Rs.58539.38 lacs**, are also secured by way of first mortgage and charge on Company's immovable properties, both present and future (excluding Staff Quarters at Dombivili/ Wardha), ranking pari passu with other First Charge holders, subject to prior charge on specific equipments hypothecated to Banks for deferred credits and SBI Home Finance Limited for housing colonies for the employees at Wardha and specified movables, both present and future, hypothecated to Banks for Working Capital.
- (ii) Long Term Loans referred to in 1(a) and 1(b) above, to the extent of **Rs.2858.78 lacs**, are also secured by way of first mortgage and charge on Company's immovable properties situated at Wardha, both present and future (excluding Staff Quarters at Dombivili/ Wardha), ranking pari passu with other First Charge holders, subject to prior charge on specific equipments hypothecated to Banks for deferred credits and SBI Home Finance Limited for housing colonies for the employees at Wardha and specified movables, both present and future, hypothecated to Banks for Working Capital.
- c. Long Term Loans referred to in 1(a) and 1(b) above, to the extent of **Rs.10124.01 lacs**, are to be secured by way of first mortgage and charge on Company's immovable properties, both present and future (excluding Staff Quarters at Dombivili/ Wardha), ranking pari passu with other First Charge holders, subject to prior charge on specific equipments hypothecated to Banks for deferred credits and SBI Home Finance Limited for housing colonies for the employees at Wardha and specified movables, both present and future, hypothecated to Banks for Working Capital.
- d. The Term Loans of **Rs.353.97 lacs** from SBI Home Finance Limited are secured by exclusive mortgage of the housing colony situated at Wardha.
2. a. Non-Convertible Debentures/ Bonds referred to in 2 above are secured / to be secured by way of first mortgage and charge on Company's immovable properties, both present and future (excluding Staff Quarters at Dombivili/ Wardha), ranking pari passu with other First Charge holders, subject to prior charge on specific equipments hypothecated to Banks for deferred credits and SBI Home Finance Limited for housing colonies for the employees at Wardha and specified movables both present and future, hypothecated to Banks for Working Capital.
- b. (i) The Debentures referred in 2 (a) (i) above are redeemable in five equal annual instalments beginning from the end of the fifth year from the date of Allotment i.e. August 08, 1989. The premium of 5% is payable alongwith the third instalment at the end of seventh year from the date of Allotment.
- (ii) The Debentures referred in 2 (a) (ii) above are redeemable in five equal annual instalments beginning from the end of the fifth year from the date of Allotment i.e. June 29, 1990. The premium of 5% is payable alongwith the third instalment at the end of seventh year from the date of Allotment.
- (iii) The Debentures referred in 2 (a) (iii) above are redeemable in five equal annual instalments beginning from the end of the fifth year from the date of Allotment i.e. November 30, 1993. The premium of 5% is payable alongwith the third instalment at the end of seventh year from the date of Allotment.
- (iv) The Debentures referred in 2 (a) (iv) above are redeemable in three equal annual instalments commencing from the end of the sixth year from the date of Allotment as below :

Date of Allotment	Amount In Lacs
December 12, 1995	125.00
January 1, 1996	900.00
January 2, 1996	75.00
January 4, 1996	100.00
January 16, 1996	500.00
May 16, 1996	400.00

NOTES TO SCHEDULE C :

- (v) The Debentures referred in 2 (a) (v) above are redeemable in 4 equal yearly instalments from the end of 3rd year from the date of allotment i.e. April 3, 1998 and ending on 6th year of allotment.
- (vi) The Debentures referred in 2(a)(vi) above are redeemable in 32 equal quarterly instalments from March 15, 2002 to Dec 15, 2009.
- (vii) The Debentures referred in 2(a)(vii) above are redeemable in 32 equal quarterly instalments from April 2002 to January 2010.
- (viii) The Debentures referred in 2(a)(viii) above are redeemable in 32 equal quarterly instalments from April, 2002 to January 2010.
- (ix) The Optionally Fully Convertible Debentures referred to in 2(b) above are redeemable in three equal instalments in the 7th, 8th and 9th year from the date of allotment with

an option to the lender to convert the OFCDs into preference shares within 18 months of allotment. i.e. (a) Rs 27 crores allotted on 28th April, 1999 (b) Rs 12 crores allotted on 30th September, 1999 and (c) Rs 12 crores allotted on 15th January, 2000.

- c. Debentures referred to in 2(a) above include debentures of Rs.6187.93 lacs matured for redemption.
- 3. Cash Credit from Bank is secured against hypothecation of Raw Materials, Work-in-process, Finished Goods, Stores & Spares, Book Debts etc., and by way of Second Charge on Company's immovable properties and also guaranteed by some of the Directors of the Company.
- 4. i) The loan mentioned in 1 above includes non interest bearing loans of Rs.32433.59 lacs as per the loan restructuring terms.
- ii) The loans Mentioned in 3 above includes non interest bearing loans of Rs 9300.25 lacs as per the loan restructuring term.

SCHEDULE D : UNSECURED LOANS

(a) From Financial Institutions

- (i) U T I (STL)
- (ii) IDBI
- (iii) Capital Subsidy Loan (SICOM)
- (iv) Sales Tax Deferral Loan (SICOM)
- (vii) Interest Accrued and Due

(b) From bodies corporate

TOTAL

(Rupees In Lacs)

	AS AT 31.03.2006	AS AT 31.03.2005
	561.45	561.45
	129.54	23498.00
	36.33	36.33
	651.22	762.50
	1378.54	24858.28
	706.83	682.13
	2085.37	25540.41
	100.00	129.41
	2185.37	25669.82

Notes :

- i) Short Term Loan from Unit Trust of India Rs.561.45 lacs (Previous year Rs.561.45 lacs) is guaranteed by some of the Directors of the Company.
- ii) Loan from IDBI of Rs.129.54 lacs is pending conversion into preference share capital, subject to necessary approvals. As the process of conversion has been initiated hence the loan has been shown as Unsecured.
- iii) Amount repayable within one year Rs.781.49 lacs (Previous year Rs.690.86 lacs)

SCHEDULE E : FIXED ASSETS

(Rupees In Lacs)

Sl. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2005	Additions during the year	Discarded/Sold during the year	As at 31.03.2006	Provided Upto 01.04.2005	Provided during the year	Written back during the year	Total upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
1	Land	432.86	3.00	0.00	435.86	0.00	0.00	0.00	0.00	435.86	432.86
2	Building	4597.41	34.24	0.00	4631.65	927.42	89.35	0.00	1016.77	3614.88	3669.99
3	Plant & Machinery	202260.05	7919.68	0.97	210178.76	85562.97	10672.44	0.92	96234.49	113944.27	116697.08
4	Computers	715.75	27.20	0.00	742.95	618.55	43.14	0.00	661.69	81.26	97.20
5	Electrical Installations	86.57	0.00	0.00	86.57	65.58	3.80	0.00	69.38	17.19	20.99
6	Office Equipment	302.32	3.85	2.82	303.35	154.68	14.77	0.86	168.59	134.76	147.64
7	Furniture & Fixtures	501.23	1.40	0.03	502.60	309.51	30.89	0.02	340.38	162.22	191.72
8	Motor Vehicles	80.36	10.73	8.42	82.67	19.21	7.20	5.44	20.97	61.70	61.15
10	Railway Siding	958.15	0.00	0.00	958.15	470.88	45.51	0.00	516.39	441.76	487.27
	Total	209934.70	8000.10	12.24	217922.56	88128.80	10907.10	7.24	99028.66	118893.90	121805.90
	Capital Work in-Progress	4814.62	6829.64	7894.86	3749.40	—	—	—	—	3749.40	4814.61
	Total	214749.32	14829.74	7907.10	221671.96	88128.80	10907.10	7.24	99028.66	122643.30	126620.51
	Previous Year	212929.21	1895.34	75.24	214749.31	77220.40	10925.89	17.51	88128.78	126620.53	—

SCHEDULES

(Rupees In Lacs)

SCHEDULE F : INVESTMENTS (At Cost)

Shares (Unquoted) -

10000000 Equity Shares of Rs.10/-each of Aristo Realty Developers Ltd
(Previous Year 10000000 Equity Shares
of Rs. 10/- each)

Other Investments :

National Savings Certificates

TOTAL

SCHEDULE G : CURRENT ASSETS, LOANS AND ADVANCES

(a) INVENTORIES

Stores and Spare Parts

Fuel & Gases

Stock-in-Trade :

Raw Materials

Finished Goods

Work in Process/Semi Finished

Scrap Materials

(b) SUNDRY DEBTORS

(Unsecured, considered good)

Exceeding six months

Others

(c) CASH & BANK BALANCES

Cash balance on hand

Bank Balance :

With Scheduled Banks

1. In Current accounts

2. Margin Account

3. Cheques on hand / Remittance in Transit

(d) LOANS & ADVANCES

(Unsecured and Considered good)

Advances recoverable in cash or in kind or for value to be received

Deposits with Govt.Dept.and others

Advance Income Tax and Income Tax deducted at source

TOTAL

SCHEDULE H : CURRENT LIABILITIES

Sundry Creditors

Acceptances

Advances against orders received

Current Account Overdrawn

Other liabilities

TOTAL

SCHEDULE I : MISCELLANEOUS EXPENDITURE

(To the extent not adjusted or w/off)

Equity / Debenture Issue Expenses

Deferred Revenue Expenditure

TOTAL

	AS AT 31.03.2006	AS AT 31.03.2005
	1000.00	1000.00
	0.02	0.02
	1000.02	1000.02
	4445.12	4317.89
	87.30	130.08
	3065.78	4710.79
	4334.12	3763.17
	11154.98	8847.09
	529.27	119.79
	23616.57	21888.81
	1251.33	983.40
	9415.60	5178.29
	10666.93	6161.69
	19.20	13.26
	529.08	277.87
	382.68	269.63
	854.23	653.90
	1785.19	1214.66
	7237.12	12894.53
	2137.79	1583.20
	3.50	14.03
	9378.41	14491.76
	45447.10	43756.92
	33098.18	21366.37
	1977.90	1122.73
	21118.86	17906.67
	217.18	175.59
	1777.04	1736.24
	58189.16	42307.60
	848.12	1143.37
	45.58	91.16
	893.70	1234.53

SCHEDULES

(Rupees In Lacs)

SCHEDULE J : OTHER INCOME

	Current Year 31.03.2006	Previous Year 31.03.2005
Rent Receipts	5.97	0.98
Dividend Income	4.46	—
Sundry Balance Write Back / Write off (Net)	298.89	—
Miscellaneous Receipts	809.53	94.06
TOTAL	1118.85	95.04

SCHEDULE K : RAW MATERIALS CONSUMED / SOLD & OTHER MATERIALS

	Current Year 31.03.2006	Previous Year 31.03.2005
Consumption of :		
Raw Materials	87367.80	80038.41
Production Consumables, Stores & Spares	17072.40	15554.23
Petroleum Products (Fuel)	8018.46	4911.68

(Increase)/ Decrease in Stocks

Opening Stock :

Finished Goods	3763.17	555.79
Work in Process/Semi finished Goods	8847.09	8042.80
Scrap	119.79	136.51
Total	12730.05	8735.10

Closing Stock :

Finished Goods	4334.12	3763.17
Work in Process/Semi finished Goods	11154.98	8847.09
Scrap	529.27	119.79
Total	16018.37	12730.05

(Increase) / Decrease in Stocks

TOTAL

	(3288.32)	(3994.95)
TOTAL	109170.34	96509.37

SCHEDULE L : PERSONNEL

Salaries, Wages, & Bonus	2549.67	2104.41
Employer's Contribution to Provident Fund and Other Funds	136.57	122.02
Staff Welfare Expenses	49.70	52.41
TOTAL	2735.94	2278.84

SCHEDULE M : MANUFACTURING & ASSET MAINTENANCE

Electricity & Water Charges	16231.87	14316.60
Repairs & Maintenance -		
Plant & Machinery	318.63	466.21
Buildings	3.83	12.93
Others	17.54	18.07
Engineering & Processing charges	489.16	312.22
Insurance (Net)	259.29	100.26
Freight, Transport, Clearing	54.20	61.07
Misc. expenses for production	548.15	516.06
TOTAL	17922.67	15803.42

SCHEDULE N : ADMINISTRATIVE EXPENSES

Travelling & Conveyance Expenses	234.30	220.20
Postage, Telephone & Telex	83.04	80.43
Printing & Stationery	32.08	31.23
Professional Fees	231.90	157.14
Rent	7.02	5.25
Rates & Taxes	22.04	14.73
Auditors' Remuneration :		
For Audit	2.25	1.76
For Tax Audit	0.75	0.44
For Other services	1.64	0.40
Sitting Fees to Directors	0.36	0.45
Vehicle Hire & Maintenance Charges	65.60	38.61
Sundry Expenses	358.96	380.96
Investment Depletion A/c	—	6.00
Loss on Sale of Fixed Assets (Net)	0.98	12.14
Charity & Donation	0.37	1.72
TOTAL	1041.29	951.46

SCHEDULE O : SELLING & DISTRIBUTION EXPENSES

Commission & Brokerage	388.50	322.20
Freight Outwards	6558.29	5254.90
Other Selling Expenses	44.40	60.82
TOTAL	6991.19	5637.92

SCHEDULES

(Rupees In Lacs)

SCHEDULE P : INTEREST & FINANCIAL CHARGES

Finance Charges:

	Current Year 31.03.2006		Previous Year 31.03.2005	
Guarantee Charges	—		2.71	
Lease Rent	—		0.03	
Bills Discounting Charges	336.35		110.32	
Bank Charges & Commission	143.78		99.78	
Forex Difference	22.94		110.20	
Others	359.86		139.88	
	862.93		462.90	

Interest :

On Term Loans	1590.12		611.49	
On Working Capital	1163.13		832.09	
On Others	619.86		683.13	
	3373.11		2126.71	

Less:Interest Received

	4236.04		2589.61	
	303.58		280.26	

TOTAL

	3932.46		2309.35	
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SCHEDULE Q : NOTES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2006, AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE.

(1) Significant Accounting Policies :

- (a) The Company follows the mercantile system of accounting. The Company accrues individual items of income/expenses above Rs.5000/- per item. The accounts are prepared on going concern basis.
- (b) Sales :
Sales/Income in case of contracts/orders spreading over more than one financial year are booked to the extent of work billed. Sales include export benefits. Export benefits accrue on the date of export, which are utilised for custom duty free import of material / transferred for consideration.
- (c) Inventories :
Inventories are valued as under :-
- Tools equipments at cost or disposable value whichever is less.
 - Engineering Plant Finished Goods at contract price.
 - Steel Plant Finished Goods at cost price or market value whichever is lower.
 - Finished Goods at the end of trial run at net realisable value.
 - Scrap material at net realisable value.
 - Stores and spares, raw materials, work-in-process/semi-finished goods at cost.
- (d) Depreciation :
- Depreciation on the assets acquired prior to 2nd April, 1987 is provided on the straight line method as prescribed under Section 205 (2)(b) of the Companies Act, 1956, prior to the amendment enacted vide the Companies (Amendment) Act, 1988. Accordingly, in respect of all the assets acquired prior to 2nd April, 1987, the depreciation is provided for the year as per equivalent straight line method rates based on the depreciation rates prescribed under the Income Tax rules prevalent at the relevant time.
 - In respect of the assets acquired after 2nd April, 1987 and upto 19th December, 1993, the depreciation has been provided on straight line method as per Schedule XIV of the Companies Act, 1956. In respect of Plant & Machinery acquired after 19th December, 1993, the depreciation has been provided on straight line method as per Amendment to Schedule XIV vide Notification No. G.S.R. 756 (E), dated 16/12/93 issued by the Department of Company Affairs.
- (iii) Depreciation provided in respect of assets put to use during implementation of ongoing projects have been included in pre-operative expenses.
- (e) Lease Rentals :
Lease rentals are expensed with reference to lease terms.
- (f) Research and Development :
Research and Development costs (other than cost of fixed assets acquired) are expensed in the year in which they are incurred.
- (g) Gratuity :
Provision for Gratuity is made on the basis of actuarial valuation.
- (h) Leave Salaries :
Provision is made for value of unutilized leave due to employees at the end of the year.
- (i) Fixed Assets :
 - Fixed Assets are valued at cost net of Modvat, unless revalued, for which proper disclosure is made.
 - All expenditure, including advances given and interest cost during the project construction period, are accumulated and shown as Capital Work-in-Progress until the project/assets commences commercial production. Assets under construction are not depreciated. Expenditure/Income arising out of trial run is part of pre-operative expenses included in Capital Work-in-Progress.
- (j) Investments :
Long term investments are carried at cost less provision for permanent diminution in value. Current investments are carried at lower of cost or fair value.
- (k) Deferred Revenue Expenses :
Share / Debenture issue expenses are amortised over a period of ten years from the commencement of commercial production and other deferred revenue expenses are amortised over a period of five years, depending upon the nature and benefit of such expenditure in the future.
- (l) Foreign Currency Transactions :
Assets and Liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at contract rates, when covered by foreign exchange contracts and at year-end rate in other cases. Realised gains and losses of foreign exchange transactions other than those relating to fixed assets are recognized in Profit and Loss Account. Realized gains or losses on translation of long-term liabilities incurred to acquire fixed assets are treated as an adjustment to the carrying cost of such fixed assets.

(m) **Provision for doubtful debts :**

The management reviews on a periodical basis the outstanding debtors with a view to determine as to whether the debtors are good, bad or doubtful after taking into consideration all the relevant aspects. On the basis of such review and in pursuance of other prudent financial considerations the management determines the extent of provision to be made in the accounts.

(n) **Contingent Liability :**

Unprovided Contingent Liabilities are disclosed in the accounts by way of notes giving the nature and quantum of such liabilities.

(2) **Contingent Liabilities not provided for :**

(a) In respect of guarantees issued by Banks :

This includes expired bank guarantees of Rs.611.87 Lacs out of which bank guarantees of Rs.111.40 lacs have been invoked, the encashment of which has been stayed by a Court of Law.

(b) Corporate Guarantees issued by the Company

(c) i) Claims against the Company not acknowledged as debt.

ii) Show cause notices under hearing in respect of excise duty which is disputed by the Company

iii) Sales Tax

(3) Amount held in Margin/Fixed Deposit accounts with Banks having lien for Letters of Credit opened and Guarantees provided.

(4) a) Managing Directors remuneration :

i) Salary

ii) Contribution to Provident Fund

iii) Perquisites

Total

Since minimum remuneration has been paid to the Managing Director, the computation of net profit under Section 349 of the Companies Act, 1956 is not given.

Remuneration paid to Managing Director from January 2005 onwards is subject to Central Government approval for which necessary application has been made.

Miscellaneous expenses include Directors' sitting fees

(5) i) Expenses pertaining to previous year debited to Profit & Loss Account

ii) Income pertaining to previous year credited to Profit & Loss Account

(6) (a) The company does not envisage any liability for Income Tax for the current year in absence of Taxable income. The assessment of the company has been completed up to assessment year 2004-05.

(b) In the event of carry forward losses and unabsorbed depreciation no Deferred Tax Liability / Asset has been created for the financial year ending 31.03.2006 as per the Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

(7) Sales include :

a) Engineering Plant sales to Steel Plant at cost price amounting to Rs.1939.64 Lacs (Previous Year Rs.898.40 Lacs) out of which Rs.1098.60 lacs (Previous Year Rs.45.96 Lacs) are Capitalised

b) Steel Plant sales to Engineering Plant at selling price amounting to Rs.490.95 Lacs (Previous Year Rs.560.62 Lacs).

(8) Assets aggregating Rs.2442.37 Lacs at cost (Previous year Rs.2442.37 Lacs) have been acquired on lease finance. The obligation for future lease rentals amounts to Rs.2037.61 Lacs. (Previous year Rs.2037.61 lacs).

(9) Some balances of Debtors, Loans & Advances, Creditors and Bank dues are subject to Confirmation by the parties. Differences, (if any), shall be accounted on such reconciliation.

(10) The Company has no information as to whether any of its suppliers constitute small scale industrial undertakings and therefore, the amount due to such suppliers has not been identified.

(11) The amount of exchange differences :

a) charged to Profit and Loss Account is Rs.22.94 Lacs (net) (Previous Year Rs.110.20 Lacs)

b) included in the carrying amount of fixed asset is Rs.4.45 lacs (Previous Year Rs.2.23 Lacs)

(12) There are 446321 forfeited Equity Shares pending reissue at the year end (Previous Year 446321 shares).

(13) In view of accumulated losses, Debenture Redemption Reserve (Cumulative Rs.791.75 Lacs) is not created.

(14) The Company has filed a reference before the Hon'ble BIFR on 29th June 2001. The reference came to be registered as Case Number 278/2001 as per their communication No.3(L-7)BC/2001 dated 11th July 2001. The Hon'ble BIFR after hearing the matter on 1st March 2006 has declared the Company as sick industrial company in terms of Section 3(1) (o) of SICA and appointed ICICI Bank Limited as the Operating Agency (OA) to prepare a Draft Rehabilitation Scheme (DRS). The Company has submitted DRS to the OA with copy of the same to the BIFR After convening lenders meeting and eliciting their view, DRS will be submitted to the BIFR.

As at 31.03.2006 (Rs. In Lacs)	As at 31.03.2005 (Rs. In Lacs)
1071.05	1033.88
282.87	394.55
625.17	785.91
402.74	15.11
60.68	28.65
382.65	269.63
19.20	19.20
1.44	1.44
4.80	4.80
25.44	25.44
0.36	0.45
12.91	64.74
80.31	133.47

(15) Information pursuant to the provisions of Paragraph 3 and 4C of Part II Schedule VI of the Companies Act, 1956.

(A) PRODUCTION

		Unit	Licenced Capacity	Installed Capacity	Actual Production
1.	a) Fabrication of Chemical, Pharmaceutical & Other Machinery and Structural	M.T.	N.A. (N.A.)	13855 (13855)	See Notes Below
	b) Steel Structural	M.T.	N.A. (N.A.)	7000 (7000)	See Notes Below
2.	Ship sets of Steering Gears & Stabilizers each	Nos.	N.A. (N.A.)	8 (8)	(—)
3.	Steel Pipes and Tubes	M.T.	N.A. (N.A.)	10000 (10000)	See Notes Below
4.	Silos	M.T.	N.A. (N.A.)	10000 (10000)	(—)
5.	Marine Loading Arms/Truck And Rail Loading Arms	Nos.	N.A. (N.A.)	200 (200)	See Notes Below
6.	Hot Rolled Coils/Plates/Sheets	M.T.	N.A. (N.A.)	600000 (600000)	498921 (425405)
7.	Cold Rolled Coils/Sheets	M.T.	N.A. (N.A.)	350000 (350000)	167996 (147157)
8.	GP Coils/Sheets & GC Sheets	M.T.	N.A. (N.A.)	250000 (125000)	160061 (112951)
9.	Power Plants	Nos.	N.A. (N.A.)	5 (5)	— (—)

NOTES :

- N.A. - Not Applicable in terms of Government of India's Notification No. S.O. 477(E), dated 25th July, 1991.
- Considering the nature of business of fabrication of Chemical, Pharmaceutical and Other Machinery and Structural, Steel Pipes and Tubes, Marine Loading Arms production details are not available in M.T.
- The above figures are certified by Managing Director and accepted by the Auditors.
- Saleable Production excluding conversion work and captive consumption is as under :

- Hot Rolled Coils & Plate
- Cold Rolled Coils
- Galvanised Plain Coils

	Current Year	Previous Year
	318500	288746
	7948	23427
	159662	121532

(B) FINISHED GOODS :

		Sales		Opening Stock		Closing Stock	
		Qty.	Value (Rs. In Lacs)	Qty.	Value (Rs. In Lacs)	Qty.	Value (Rs. In Lacs)
1	Fabrication of Chemicals Pharmaceutical, Machinery, Structural, Marine Loading Arms & Engineering Services	NA (NA)	12757.57 (7058.91) (—)	(—)	(—)	(—)	(—)
2	HR Coils/Plates/Sheets (MTS)	315371 (284537)	87798.66 (89885.00)	4921 (712)	1507.35 (167.67)	8050 (4921)	1980.63 (1507.35)
3	CR Coils/Sheets (MTS)	9282 (21737)	2709.09 (6928.38)	1766 (76)	552.08 (19.94)	432 (1766)	95.54 (552.08)
4	GP Coils/Sheets & GC Sheets (MTS)	156514 (118038)	50013.53 (40800.00)	4636 (1142)	1703.73 (368.18)	7784 (4636)	2257.95 (1703.74)
5	Scrap & Others	— (—)	** 5346.76 (7012.22)	— (—)	— (—)	— (—)	— (—)
	Net Sales		* 158625.61 (151684.51)				

* The above sales does not include Trading Sales shown separately in note below.

** The above sales includes job charges received.

(C) (a) COST OF RAW MATERIAL CONSUMED / SOLD

	Current Year			Previous Year		
	Qty.		Value (Rs. In Lacs)	Qty.		Value (Rs. In Lacs)
i. Melting Scrap (HMS)	191354.33	MT	26430.28	135471.37	MT	19228.29
ii. HBI/Sponge Iron	359187.90	MT	38522.34	344954.00	MT	40962.11
iii. Pig Iron	57810.00	MT	7684.98	43250.00	MT	6902.32
iv. Zinc & Alloys	6856.28	MT	5712.52	5337.04	MT	3192.25
v. HR Coil	7664.81	MT	1904.19	13153.36	MT	3562.17
vi. Iron & Steel	7232.24	MT	1625.83	8305.06	MT	2431.39
(including M.S. & S.S.)						
vii. Pipes & Tubes	6444.02	MTR	67.78	5852.30	MTR	36.87
viii. Fabrication Items			5397.33		MI	3644.77
ix. Trade Items - Steel						
Others			22.55			78.23

(b) DETAILS OF TRADED GOODS

Particulars	Steel 2005 - 06		Others 2005 - 06		Steel 2004 - 05		Others 2004 - 05	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Op. Stock	—	—	—	—	—	—	—	—
Purchases	19.82	4.21	1545.20	18.34	—	—	3.086	78.23
Sales	19.82	4.28	1545.20	18.34	—	—	3.086	114.88
Closing Stock	—	—	—	—	—	—	—	—

	Value Rs. In Lacs	Percentage
(D) PRODUCTION CONSUMABLES, STORES & SPARE PARTS AND COMPONENTS CONSUMED		
a) Imported	2465.40	14.44
	(1898.11)	(9.78)
b) Indigenous	14607.00	85.56
	(13656.12)	(90.22)
(E) RAW MATERIAL CONSUMED		
a) Imported	26163.54	29.95
	(16886.61)	(21.10)
b) Indigenous	61204.26	70.05
	(63151.79)	(78.90)
(F) C.I.F./VALUE OF IMPORTS		
a) Raw Material	22343.37	
	(16063.20)	
b) Production Consumables, Stores & Spares	2237.02	
	(2125.88)	
(G) EXPORTS		
a) Direct	5359.63	
	(956.68)	
b) Deemed	2060.07	
	(2204.98)	
c) Third Party	7368.85	
	(14891.98)	
(H) EXPENDITURE IN FOREIGN CURRENCY		
a) Travelling, Books & Periodicals	110.88	
	(61.36)	
b) Interest paid	2541.11	
	(433.70)	
c) Brokerage and Commission	313.66	
	(23.62)	
d) Engineering & Design	Nil	
	(14.25)	
e) Conference & Training Expenses	24.34	
	(Nil)	
f) Repairs & Maintenance	14.10	
	(54.54)	
(I) EARNING IN FOREIGN CURRENCY		
Brokerage & Commission	Nil	
	(16.25)	

(17) Segment Reporting :

Yearly Reporting of Segment wise Revenue, Results and Capital Employed, under Clause 41 of the Listing Agreement.

(Rs. In Lacs)

	Year Ended 31-03-2006	Year Ended 31-03-2005
1 Revenue (Net sale / Income from each segment)		
a) Steel Products	145872.75	144754.90
b) Engineering Products	13794.97	7139.53
Total	159667.72	151894.43
Less : Inter Segment Revenue	2430.59	1459.02
Net Sales / Income from operations	157242.53	150435.41
2 Results (Profit (+) / Loss (-) before tax and interest from each segment)		
a) Steel Products	(10200.17)	8408.30
b) Engineering Products	2469.60	(524.14)
Total	(7730.57)	7884.16
Less : i) Interest	3932.46	2309.35
ii) Other un-allocable expenditure net off un-allocable income	525.09	594.81
iii) Exceptional Items - Net	(5904.27)	(7155.23)
Total Profit (Loss) Before Tax	(6283.85)	12135.23
Other Information		
3 Segment Assets - Steel Products	150563.14	148160.89
- Engineering Products	13730.41	11876.70
- Common	3776.85	8938.43
4 Segment Liabilities - Steel Products	48027.23	31807.33
- Engineering Products	9812.80	8511.57
- Common	349.13	522.04
5 Capital Expenditure - Steel Products	6894.80	1799.66
- Engineering Products	29.39	34.74
- Common	10.69	19.43
6 Depreciation - Steel Products	10856.86	10782.56
- Engineering Products	40.88	135.44
- Common	9.36	7.90
7 Non cash Expenses other than Depreciation	0.00	0.00

(18) As part of the Restructuring process of debt with some of the Lenders, the total outstanding amount (Principal plus Interest) as per books is Rs. 15446.66 lacs has been restructured and settled for Rs. 6956.39 lacs. An amount of Rs. 2586.00 lacs representing the Principal amount has been credited to Capital Reserve and the balancing amount of Rs. 5904.27 lacs has been credited to profit & loss account as Interest Provision W/Back and upto that extent there is a decrease in loss of the company.

(19) The Company has not made provision for interest on various loans of institutions and banks in view of the likely restructuring of the loans, amounting to Rs. 13888.13 Lacs. (Cumulative Rs. 48947.48 lacs)

(20) Previous year's figures have been re-grouped and recast wherever necessary to make them comparable with the current year.

(21) Figures in brackets pertain to the previous year.

Signatures to Schedules "A" to "Q".

As per our Report of even date attached

For TODARWAL & TODARWAL

For and on behalf of the Board

Chartered Accountants

SUNIL L. TODARWAL

S. N. TIWARI

B. L. Agarwal

Mukesh R. Gupta

Partner

Company Secretary

Director

Chairman

Place : Mumbai

Date : 25th May, 2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details	<u>APPLICATION OF FUNDS</u>	(Rs In Thousands)
Registration No. 14621	Net Fixed Assets	12264330
State Code 11	Investments	100002
Balance Sheet Date 31/03/2006	Net Current Assets	(1274206)
II. Capital Raised during the year (Rs. In Thousands)	Miscellaneous Exps.	89370
Public Issue NIL	Accumulated Losses	11511419
Rights Issue NIL	IV. Performance of Company (Rs In Thousands)	
Bonus Issue NIL	Turnover	15864823
Private Placement 2355746	Total Expenditure	17195520
III. Position of Mobilisation and Deployment of Funds (Rs. In Thousands)	Profit / (Loss) Before Tax	(628385)
<u>SOURCES OF FUNDS</u>	Profit / (Loss) After Tax	(632065)
Total Liabilities 22690915	Earning Per Share in Rs.	(6.33)
Total Assets 22690915	Dividend rate %	NIL
Paid-up Capital 4241949	V. Generic Names of Three Principal (As per Monetary terms) Products/Service of Company.	
Reserves & Surplus 4149060	1. Item Code No. (ITC Code) 72 - 08 - 31	
Secured Loans 14081369	Product Description Hot Rolled Coils	
Unsecured Loans 218537	2. Item Code No. (ITC Code) 72 - 10 - 49	
	Product Description Hot Dipped Galvanised Coils/Sheets	
	3. Item Code No. (ITC Code) —	
	Product Description Turnkey Projects	

As per our Report of even date attached

For TODARWAL & TODARWAL
Chartered Accountants

For and on behalf of the Board

SUNIL L. TODARWAL
Partner

S. N. TIWARI
Company Secretary

B. L. AGARWAL
Director

MUKESH R. GUPTA
Chairman

Place : Mumbai
Date : 25th May, 2006



CASH FLOW STATEMENT

PURSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rs. In Lacs)

A. CASH FLOW FROM OPERATION ACTIVITIES:

Net Profit before tax and extraordinary items

Adjustments for:

Depreciation

Profit on Sale of Fixed Assets(Net)

Interest Expense(Net)

Foreign Exchange variation

Depletion of Investment

Misc.Expenditure W/Off

Dividend Income

Misc. Receipts

Operating Profit before working capital changes

Adjustments for:

Trade and Other Receivables

Inventories

Trade Payables

Cash generated from operations

Income Tax Refund Received

Taxes Paid - FBT

Cash Flow before extraordinary items

Extraordinary Items:

Prior Period Income

Exceptional Item (Net)

Misc.Expenditure W/Off

Dividend Income

Misc. Receipts

Foreign Exchange variation

Net cash from operating activities :-

	2005-2006		2004 - 2005
Net Profit before tax and extraordinary items	(12188.13)		4979.99
Adjustments for:			
Depreciation	10907.11	10925.89	
Profit on Sale of Fixed Assets(Net)	0.98	12.16	
Interest Expense(Net)	3909.51	2199.14	
Foreign Exchange variation	22.94	110.20	
Depletion of Investment	0.00	6.00	
Misc.Expenditure W/Off	472.28	445.99	
Dividend Income	(4.46)	0.00	
Misc. Receipts	(809.53)	(94.06)	13605.32
Operating Profit before working capital changes	2310.70		18585.31
Adjustments for:			
Trade and Other Receivables	597.57		19043.83
Inventories	(1727.76)		(8242.68)
Trade Payables	15881.55		3611.56
Cash generated from operations	17062.06		32998.02
Income Tax Refund Received	10.54		4.05
Taxes Paid - FBT	(36.80)		—
Cash Flow before extraordinary items	17035.80		33002.07
Extraordinary Items:			
Prior Period Income	67.40		68.73
Exceptional Item (Net)	5904.27		7155.23
Misc.Expenditure W/Off	(131.44)		0.00
Dividend Income	4.46		0.00
Misc. Receipts	809.53		94.06
Foreign Exchange variation	(22.94)		(110.20)
Net cash from operating activities :-	23667.08		40209.89

(Rs. In Lacs)

B. CASH FLOW FROM INVESTING ACTIVITIES:

Purchase of Fixed Assets

(6934.88)

(1853.82)

Sale of Fixed Assets

4.02

4.06

Investment

0.00

0.10

Interest Received

303.58

280.27

Net cash used in investing activities :-**(6627.28)****(1569.39)****C. CASH FLOW FROM FINANCING ACTIVITIES:**

Proceeds from Issue of Share Capital

23712.15

0.00

Proceeds from Working Capital Borrowing

(11998.11)

(40136.93)

Proceeds from Other Borrowings (net)

(26556.22)

4575.09

Reduction in Loans

2586.00

0.00

Interest

(4213.10)

(2479.43)

Net cash from financing activities :-**(16469.28)****(38041.27)****Net increase in cash and cash equivalents :-****570.52****599.23**

Cash and cash equivalents as at 1.4.2005

(1214.66)

(615.43)

Cash and cash equivalents as at 31.03.2006

1785.18

1214.66

Net increase in cash and cash equivalents :-**570.52****599.23****Notes :**

1. Cash Flow statement has been prepared following the indirect method except in case of dividend paid/received and taxes paid which have been considered on the basis of actual movements of cash.
2. Purchases of Fixed Assets includes movements of Capital Work-in-process between the beginning and end of the year.
3. Proceeds from long-term and other borrowings are shown net of repayments.
4. Cash and cash equivalents represent cash and bank balances only.
5. Previous year's figures have been regrouped/reclassified wherever applicable.
6. Figures in brackets represent outflows.

As per our Report of even date attached

For TODARWAL & TODARWAL

Chartered Accountants

For and on behalf of the Board**SUNIL L. TODARWAL**

Partner

S. N. TIWARI

Company Secretary

B. L. AGARWAL

Director

MUKESH R. GUPTA

Chairman

Place : Mumbai

Date : 25th May, 2006

FINANCIAL HIGHLIGHTS

	(Rs. In Lacs)									
	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99	1997-98	1996-97
Sales	158648.22	151799.39	86281.18	64576.55	34666.26	49489.69	53883.05	87652.89	126239.04	126118.48
Other Income	1118.84	95.04	1051.51	304.72	695.90	847.63	724.44	507.92	1167.19	625.68
TOTAL INCOME	159767.08	151894.43	87332.69	64881.27	35362.16	50337.32	54607.49	88160.81	127406.23	126744.16
Manufacturing & Other Expenses	157115.65	133679.20	81781.42	63591.15	37915.89	53018.21	52734.30	83546.20	113410.12	104502.64
OPERATING PROFIT / (LOSS) FOR THE YEAR	2651.43	18215.23	5551.27	1290.12	(2553.73)	(2680.89)	1873.19	4614.61	13996.11	22241.52
Interest & Financial Charges	3932.45	2309.35	876.77	11753.05	8552.49	28883.06	21481.67	17774.20	13767.25	14508.44
Depreciation	10907.11	10925.89	10963.99	10921.31	11086.23	9087.31	6870.86	6626.96	6110.77	7651.29
PROFIT / (LOSS) FOR THE YEAR	(12188.12)	4979.99	(6289.49)	(21384.24)	(22192.45)	(40651.26)	(26479.34)	(19786.55)	(5881.91)	81.79
Exceptional Items	5904.27	7155.23	5843.22	(2023.50)	(2265.09)	-	-	-	-	-
Adjustment in respect of earlier years	67.40	68.73	338.40	(37.64)	1248.46	(158.27)	(2926.63)	(1322.78)	2043.24	26.91
PROFIT BEFORE TAX	(6216.45)	12203.95	(107.87)	(23445.38)	(23209.08)	(40809.53)	(29405.97)	(21109.33)	(3838.67)	108.70
Taxation	36.80	-	-	-	-	-	-	3.25	3.50	17.00
PROFIT AFTER TAX	(6253.25)	12203.95	(107.87)	(23445.38)	(23209.08)	(40809.53)	(29405.97)	(21112.58)	(3842.17)	91.70
Profit / (Loss) b/f from last year	(108860.94)	(121064.89)	(120957.02)	(97511.64)	(74302.56)	(33493.03)	(4087.06)	1144.19	5206.36	5745.66
Appropriations										
(a) Dividend Amount Percentage										
(b) Transfer to Reserves/Surplus/P & L								(15881.33)	220.00	631.00
BALANCE CARRIED TO BALANCE SHEET	(115114.19)	(108860.94)	(121064.89)	(120957.02)	(97511.64)	(74302.56)	(33493.03)	(4087.06)	1144.19	5206.36
WHAT THE COMPANY OWNED										
Fixed Assets										
Gross Block	221671.96	214749.32	212929.21	212324.47	212285.37	212276.51	204951.89	189551.43	166203.17	140298.54
Less : Depreciation	99028.66	88128.80	77220.41	66264.07	55372.63	44337.75	33545.66	23975.29	18482.18	14377.63
Net Block	122643.30	126620.52	135708.80	145060.40	156912.74	167938.76	171406.23	165576.14	147720.99	125920.91
Investment	1000.02	1000.02	1006.12	1006.13	1163.48	1163.48	1163.48	1163.48	1196.21	1193.35
Current Assets	45447.10	43756.92	53962.89	54111.92	58071.62	65600.28	64140.04	73128.11	88276.06	81381.45
Miscellaneous Expenditure	893.70	1234.53	1680.52	2135.26	2363.35	2773.76	3072.21	3258.68	3704.63	4006.82
	169984.12	172611.99	192358.33	203313.71	218511.19	237476.28	239781.96	243126.41	240897.89	212502.53
WHAT THE COMPANY OWED										
Secured Loans	140813.89	155883.56	213281.02	226032.09	212408.19	202894.34	162140.80	124976.20	111575.93	80995.91
Unsecured Loans	2185.37	25735.08	3899.48	5214.10	8465.92	13676.77	11472.05	16115.95	9830.49	9994.12
Current Liabilities & Provisions	58189.16	42242.35	38630.78	35412.59	37536.77	37595.82	42050.22	48511.26	44855.89	43041.53
	201188.22	223860.99	255811.28	266658.78	258410.88	254166.93	215663.07	189603.41	166262.31	134031.56
NET WORTH OF THE COMPANY										
Equity Share Capital	42419.49	18862.03	18862.03	18862.03	18862.03	18861.99	18861.99	18861.65	18861.66	18859.77
Reserves & Surplus	41490.60	38749.91	38749.91	38749.91	38749.91	38749.91	38749.91	38748.39	55773.92	59611.20
SHAREHOLDERS FUND	83910.09	57611.94	57611.94	57611.94	57611.94	57611.90	57611.90	57610.04	74635.58	78470.97
Profit & Loss Account	(115114.19)	(108860.94)	(121064.89)	(120957.01)	(97511.63)	(74302.55)	(33493.01)	(4087.04)	-	-
NET WORTH OF THE COMPANY	(31204.11)	(51249.00)	(63452.95)	(63345.07)	(39899.69)	(16690.65)	24118.89	53523.00	74635.58	78470.97

LLOYDS STEEL INDUSTRIES LIMITED

Regd. Office : Modern Centre, 'B' Wing, 2nd Floor, Sane Guruji Marg, Mahalaxmi, Mumbai - 400 011.

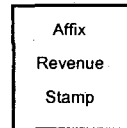
DP ID *	
Client ID *	

PROXY FORM

Folio No.	
No. of Shares	

I / We
of
being a Member/s of **LLOYDS STEEL INDUSTRIES LIMITED**, hereby appoint
of or failing him
of as my/ our proxy to vote for me / us on my / our behalf at the 36th Annual General Meeting of the Company to be held on Saturday, the 5th August, 2006 at 11.00 a.m. at Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018 and at any adjournment thereof.

Signed at this day of 2006.



Note : The form duly completed and signed must be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.

* Applicable for investors holding shares in electronic form.

Tear Here

Tear Here

LLOYDS STEEL INDUSTRIES LIMITED

Regd. Office : Modern Centre, 'B' Wing, 2nd Floor, Sane Guruji Marg, Mahalaxmi, Mumbai - 400 011.

36th Annual General Meeting

DP ID *	
Client ID *	

ATTENDANCE SLIP

(To be handed at the entrance of the Meeting Hall)

Folio No.	
No. of Shares	

I hereby record my presence at the 36th Annual General Meeting of the Company to be held at Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018 on Saturday, the 5th August, 2006 at 11.00 a.m.

Full Name of Member (in BLOCK LETTERS)

Name of PROXY (in BLOCK LETTERS)
(To be filled in if the Proxy attends instead of the Member/s)

Member's / Proxy's Signature

* Applicable for investors holding shares in electronic form.

BOOK - POST

If undelivered please return to :

BIGSHARE SERVICES PRIVATE LIMITED

(Unit : Lloyds Steel Industries Limited)

E-2/3, Ansa Industrial Estate, Sakivihar Road,

Saki Naka, Andheri (East),

Mumbai - 400 072.

Phone : 2847 3474 / 3747 / 2847 0652 / 53

Fax : 2847 5207