



ADITYA ISPAT LIMITED

Regd. Office : Plot No. 20, Phase V, IDA, Jeedimetla, Hyderabad - 500 055.

Report  Junction.com

15th ANNUAL REPORT 2005-2006

Board of Directors :

Shri Satya Bhagwan Chachan
Shri H.M. Dugar
Shri Sanjay Solanki
Shri Swamy S.B. Das

Chairman
Director
Director
Director

Auditors :

M/s. Dagliya & Company
Chartered Accountants
5-5-9/13, 2nd Floor, Srinivasa Building,
Ranigunj, Secunderabad - 500 003.

Registered Office & Works :

Plot No. 20, Phase V,
IDA, Jeedimetla,
Hyderabad - 500 055.

Bankers :

Allahabad Bank
Balanagar Branch
Hyderabad - 500 018.

Registrar & Share Transfer Agents :

M/s. XL Softech Systems Private Limited
3 Sagar Society, Road No. 2,
Hyderabad - 500 034.
Tel : 040-23545913/14/15, Fax : 23553214
ISIN NO. INE037E01016

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of Aditya Ispat Limited will be held on Friday, the 29th September, 2006 at 10.30 AM at Agrasen Hall Trust, Near Hotel Emerald Bhavan, Abids Road, Hyderabad – 500 001 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended 31st March, 2006 and the Balance Sheet as on that date together with the reports of the Auditors and Directors thereon.
2. To appoint a director in place of Shri. Sanjay Solanki, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Shri S.B. Chachan, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint the auditors and fix their remuneration and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that M/s. Dagliya & Co, Chartered Accountants, Secunderabad the retiring auditors of the Company be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration to be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without the modifications, the following resolution as an Ordinary resolution

"RESOLVED THAT Shri. H.M Dugar who was appointed as Additional Director of the Company by the Board of Directors and who holds office as per Section 260 of the Companies Act, 1956, up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By order of the Board of Directors

Place: Hyderabad.

Date : 31.08.2006

S.B CHACHAN
CHAIRMAN

Notes:

- i. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies to be effective must be received by the Company not less than 48 hours before the commencement of the meeting.
- ii. Members who hold shares in dematerialized form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
- iii. The Register of Members and Share transfer books of the Company will remain closed from 27th September, 2006 to 29th September, 2006 (both days inclusive).
- iv. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form No.2B in duplicate to the Company.
- v. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No. 5 is attached hereto.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956

Item no: 5

The Board of Directors of the Company appointed Mr. H.M Dugar as Additional Director of the Company during the period and his term of office expires on the date of ensuing Annual General Meeting. Company has received a notice from a member of the Company proposing his appointment as a Director of the Company under Section 257 of the Companies Act, 1956.

No Director other than the appointees is concerned or interested in the said Resolution.

Brief profile of Shri H.M Dugar is attached elsewhere in the Annual Report.

Your Directors recommend the Resolutions in item no 5 for approval.

Place : Hyderabad.

By order of the Board of Directors

Date : 31.08.2006

S.B. CHACHAN
CHAIRMAN

BRIEF PROFILES OF DIRECTORS SEEKING RE-APPOINTMENT / APPOINTMENT**1. Shri Sanjay Solanki:**

Shri Sanjay Solanki is a qualified Chartered Accountant engaged in practice with some distinguished clientele. He has specialized in matters relating to financial restructuring and BIFR matters. In addition to the academic achievements, Shri Sanjay Solanki has developed a model for financial restructuring for Indian corporate.

2. Shri S.B Chachan :

Shri S.B.Chachan is a qualified Chartered Accountant and promoter of the company. He has gained vast experience of Bright Steel Bar industry.

3. Shri H.M Dugar:

Shri H.M.Dugar is a qualified Chartered Accountant engaged in practice. He is specialized in Companies Act and Income Tax matters.

DIRECTORS' REPORT

To
The Members of Aditya Ispat Limited,
Hyderabad

Your Directors take pleasure in presenting the Fifteenth Annual Report on the affairs of the Company for the financial year 2005-2006 together with the Audited Financial Statements and Report of the Auditors thereon.

BUSINESS PERFORMANCE:

Financial Results:

The overall performance of the Company for the financial year 2005-06 is summarised as under:

(Rs. in Lakhs)

S.No.	Particulars	2005-2006	2004-2005
1.	Sales (Gross)	526.51	439.86
	Less : Excise Duty	—	6.58
	Sales (Net)	526.51	433.28
2.	Other Income	14.69	14.63
	Total Revenue	541.20	447.91
3.	Gross Profit before Interest, Depreciation, Preliminary & Public Issue exp. & taxation	16.53	15.22
4.	Interest	1.75	1.16
5.	Depreciation	7.96	7.44
6.	Preliminary & Public Issue Exp. W/Off	3.44	3.39
7.	Profit before tax	3.38	3.23
	Less: Provision for current tax	0.70	0.25
	Less : Provision for Deferred Tax	0.80	(10.16)
	Net Profit(loss) after tax	1.88	13.14
	Add: Balance from previous year	22.94	9.80
	Surplus carried to Balance Sheet	24.82	22.94

BUSINESS REVIEW

During the year 2005-06, the Company has posted a turnover of Rs 526.51 lakhs as against Rs. 439.86 lakhs in previous year and has earned a net profit of Rs. 3.38 lacs previous year's netprofit of Rs. 3.23 lakhs. Lower profitability is attributable to the frequent changes in the raw material prices. Due to the inadequate profits, the Board has not recommended any dividend.

FUTURE OUTLOOK:

The Steel industry in general continues to see huge demand being created due to exponential growth in infrastructure sector with major initiatives from both Government and Private sectors. The Company has also witnessed a spurt in demand in the financial year and sales have shown improvement over last year. The capacity expansion also helped the Company to explore new markets to spread its wings to other geographical areas for garnering higher

revenues and better profitability. These initiatives are likely to show results in current fiscal. The competition from smaller players in unorganized sector continues to result into lower profits to the sector and also to the Company.

FINANCIAL RESOURCES

The company has increased its financial resources with enhanced support from bankers with increase in working capital limits.

DIRECTORS:

Shri Sanjay Solanki and Shri S.B Chachan retire by rotation and being eligible offers themselves for reappointment. During the year under review, Shri H.M Dugar has been appointed as Additional director to hold office until the conclusion of the ensuing Annual General meeting. Shri S.K Jain has resigned w.e.f 31.08.2006. The Board places on record its appreciation for the services rendered during his tenure.

Your Directors recommend reappointment of the Directors.

DIRECTORS' RESPONSIBILITY STATEMENT:

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state:

1. That the accounting standards to the extent applicable to the Company have been followed in the preparation of the annual accounts. There are no material departures there from.
2. That the accounting policies selected by the Board for the purpose of preparation and presentation of the financial statements have been and are being applied consistently and reasonable and prudent judgments and estimates (wherever applicable) have been made for the said purpose, so as to give a true and fair view of the affairs of the Company as at the end of the financial year under review and of the profit and loss for the said year.
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities.
4. That the annual Accounts have been prepared on a going concern basis.

AUDITORS:

M/s. Dagliya & Company, Chartered Accountants, Secunderabad, the Auditors of the company retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Board recommends their reappointment. The observations of the Auditors read with the Notes on Accounts are self explanatory and do not require any comments from the Directors.

LISTING :

The shares of your company are listed on Mumbai, Kolkata and Hyderabad Stock Exchanges.

EMPLOYEES:

There are no employees whose particulars are required to be disclosed pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956.

FIXED DEPOSITS:

During the year under review, the company has not accepted any deposits under Section 58A of the Companies Act 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information regarding Energy Conservation, Technology Absorption, Foreign Exchange Earnings and outgo 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, forming part of the Directors Report for the year ended 31st March, 2006 is as follows:

1. Conservation of Energy : The company's operations require low energy consumption. Adequate measures are taken to conserve energy wherever possible. The details required are attached herewith.
2. Technology Absorption:
 - a. Research & Development
There is no specific Research and Development activity carried out by the Company during the year.
 - b. Technology Absorption
NIL
3. Foreign Exchange Earning and Outgo
NIL

CORPORATE GOVERNANCE:

The Company has implemented the revised Code for Corporate Governance as stipulated under Clause 49 of the Listing Agreement. A separate report on Corporate Governance is annexed to this report.

DEMATERIALISATION OF SHARES:

M/s. X.L Softech Services Limited, Hyderabad were appointed as Depository Registrars for dematerialization of shares and for physical shares also the transfer work was entrusted to them.

The ISIN of dematerialized share of the Company allotted by NSDL and CDSL is "INE570801012."

ACKNOWLEDGEMENTS:

The Board takes this opportunity to express its deep gratitude for the continued co-operation and support received from its Bankers, State and Central Governments, the customers, share holders, business associates and employees during the year under review.

On behalf of the Board of Directors

Place: Hyderabad.
Date : 31.08.2006

Sd/-
S.B CHACHAN
CHAIRMAN

ANNEXURE - A TO THE DIRECTOR'S REPORT**CONSERVATION OF ENERGY, TECHNOLOGY & FOREIGN EXCHANGE**

Information required under section 217(1)(e) of the Companies Act, 1956 read the Companies (disclosure of particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters.

	for the year ended 31.03.06	for the year ended 31.03.05
CONSERVATION OF ENERGY		
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased		
Units	46326	39367
Amount (Rs.)	294087	226077
Rate per Unit (average)(Rs.)	6.35	5.74
b. Own Generator		
i. Through diesel Generator		
Units	Nil	Nil
Units per litre of Diesel	Nil	Nil
Cost per Unit	Nil	Nil
ii. Through Steam turbine/generator		
Units	Nil	Nil
Units per litre of fuel Oil/Gas	Nil	Nil
Cost per Unit	Nil	Nil
2. COAL (Specify quality and where used)		
Quantity (Tonnes)	Nil	Nil
Total Cost	Nil	Nil
Average Rate	Nil	Nil
3. FURNACE OIL		
Quantity	Nil	Nil
Total Cost	Nil	Nil
Rate Per Unit	Nil	Nil
4. OTHERS/INTERNAL GENERATION		
Quantity	Nil	Nil
Total Cost	Nil	Nil
Rate Per Unit	Nil	Nil
5. CONSUMPTION PER UNIT OF PRODUCTION		
Production (Units) (MT)	1687.634	1359.418
Electricity (Rs)	174.26	166.30
Coal	Nil	Nil
Furnace Oil	Nil	Nil
Others	Nil	Nil

for and behalf of the Board of Directors.

Place : Hyderabad
Date : 31-08-2006

(S.B.CHACHAN)
Chairman

ANNEXURE - B**A. Industry Structure And Developments :**

AIL is a leading manufacturer of Bright Bars at Hyderabad and has produced 1687.634 Tons Bright Bars during the year under review.

B. OUTLOOK – Global Steel Industry

The Steel industry in general continues to see huge demand being created due to exponential growth in infrastructure sector with major initiatives from both Government and Private sectors. The Company has also witnessed a spurt in demand in the financial year and sales have shown improvement over last year. There has been substantial increase in Steel exports from India due to heavy demand.

There have been price corrections but the buoyancy has been maintained and is expected to continue for the FY 2006-2007. The Indian economy is also witnessing the surge in demand with growth targets of 8% in GDP which the Company also expects to capitalize with increased business operations and capacity.

C. OPPORTUNITIES & THREATS**OPPORTUNITIES:**

- The Company's core competence in manufacture of Bright Bars instills various advantages in maintaining its leadership in local markets.
- With additional capacities of production the revenues are likely to improve significantly in the current year.
- Demand fuelled by growth can be capitalized by spreading the areas of operations into other parts of the country.

THREATS:

- The Company's dependence on public sector Steel companies for raw material and increase in prices by them have posed threat to the bottom line of the Company in the past and continues to be so. Efforts to develop alternative sources are proving costlier for the company.
- Due to lower realizations, the company continues to suffer with lower accruals. Financial resources continue to be strained.

D. RISKS & CONCERNS :

- The expected growth rate of Indian economy may be an ambitious target with Government facing severe Budget deficits leaving little room for infrastructure growth.
- Dynamic pricing of steel products have loomed large on the Company's pricing policy thereby reducing margins. The efforts for cost reduction are likely to bring some benefits in the current year.

E. INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY :

The Company has adequate internal control procedures with all safeguards for protection of assets and that all transactions are authorized, reported and recorded properly. The internal control procedures stem from continuous perusal of records and procedures by the Internal Auditors and the Audit Committee of Directors who meet regularly. There are adequate Budgetary control mechanism established and practiced by the Company.

F. FINANCIAL POSITION

- The Company has generated sales of Rs. 526.51 lacs from manufacturing and trading revenues which is higher than last fiscal. The trend is expected to continue in current fiscal with increased capacity and newer geographical areas of operations.
- The cost reduction initiatives which were initiated last year will start to reap benefits in current year and the same will continue even with additional capacity which is likely to bring the economies of scale also.
- The Company has added fixed assets of Rs. 4.20 lacs. The Gross block stood at Rs. 218.87 lacs with Net block of Rs. 162.77 lacs after depreciation.

- Company has not raised any resources from Public or Rights issue of shares in the year under review.

REPORT ON CORPORATE GOVERNANCE:

Aditya Ispat Limited has implemented the revised Corporate Governance Code in accordance with the SEBI directives and has been consistently following the good governance practices in its day to day working.

The information to be furnished under the Code is placed hereunder for the information of the stakeholders:

Company's philosophy on Corporate Governance:

Aditya Ispat Limited (AIL) philosophy of Corporate Governance stems from its belief that the Company's business strategy and plans should be consistent with the welfare of all its stakeholders including shareholders. Good Corporate Governance practice enables a company to attract financial and human capital and leverage these resources to maximize long term shareholders value while preserving the interest of multiple stakeholders, including society at large.

BOARD OF DIRECTORS:

Composition of the Board:

As on 31st August, 2006, the Board of Directors consist of Four Directors. All the Directors are non executive and Three are independent. As 75 per cent of the Board consist of independent Directors, the composition of the Board is in consonance with revised Clause 49 of the Listing Agreement. Details of the Composition of the Board are given hereunder.

THE BOARD MEMBERS:

Sl. No.	Director	Category	Directorships	No. of Members in Board Committees
1.	Sri.S.B.Chachan	Non-executive	3	-
2.	Sri.S.K.Jain*	Non-executive	5	2
3.	Sri.Sanjay Solanki	Non-executive	1	2
4.	Sri.Swamy S.B. Das	Non-executive	1	2
5.	Shri.H.M. Dugar**	Non executive	6	-

* Resigned w.e.f 31.08.2006

** Appointed w.e.f 31.08.2006

The Board formulates strategies, regularly reviews the performance of the Company and ensures that the targeted objectives are met on a consistent basis.

3. Board Meetings:

During the year 2005-2006, the Board of Directors met Five times on 29th April, 2005, 29th July, 2005, 2nd September, 2005, 31st October, 2005 and 31st January, 2006. The longest gap between any two successive Board Meetings did not exceed 4 months.

4. Directors Attendance:

Name of the Director	Board Meetings	Annual General Meeting
Shri.S.B Chachan	5	1
Shri S.K Jain	3	1
Shri Sanjay Solanki	4	1
Swamy S.B Das	4	-
Shri H.M Dugar	-	-