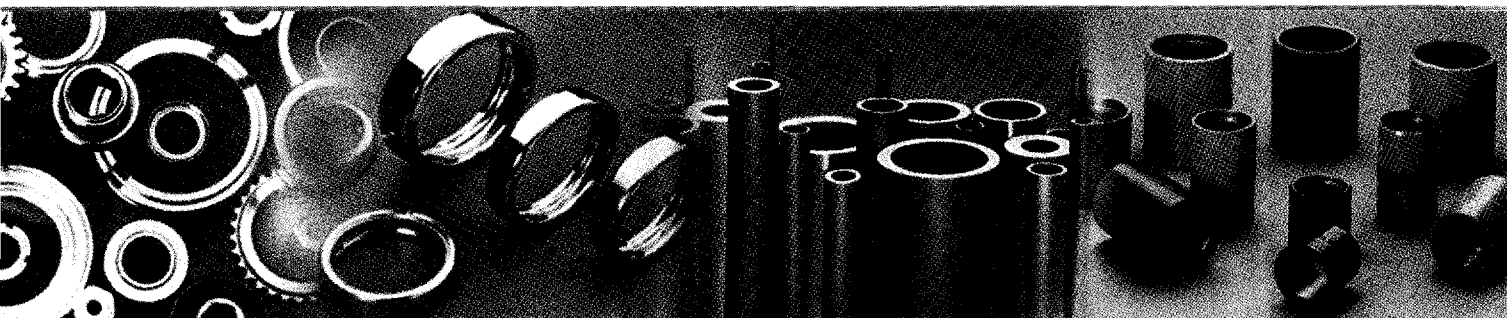


# ISMT LIMITED

## 7th Annual Report 2004-05

Report Junction .com



Automotive Bearings General Engineering Energy Mining O&G

## Vision Statement

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

## We Value

- ◆ Integrity
- ◆ Honesty
- ◆ Fairness
- ◆ Secularity
- ◆ Diversity
- ◆ Our Environment

## Mission

- ◆ To produce the highest quality seamless tubes, tubular products and steel for Bearing, Automotive, Mining, General Engineering, Energy and High Value OCTG Sectors and to build significant market share globally in these sectors;
- ◆ To provide the best value proposition to our customers in the industry;
- ◆ To do so through a wholehearted commitment to the Quality Systems;
- ◆ To maximize the utilization of our assets;
- ◆ To create a working environment that encourages creativity, empowers people, creates accountability and rewards performance;
- ◆ To create a self-learning organization that reacts quickly to customer expectations and to other changes in the environment; and
- ◆ To play a pro-active and responsible role in social development and in environmental protection within our sphere of influence.

## LETTER FROM THE CHAIRMAN

Dear Shareholder,

At the outset I welcome the shareholders of The Indian Seamless Metal Tubes Limited, who, together with the existing shareholders comprise the ISMT family.

ISMT Limited, the merged Company, is a large and strong financial entity and this is evident from the following:

- Turnover Rs. 892 Crore
- Networth of Rs 357 Crore
- Gross Assets of Rs 941 Crore

The Company's performance during the current year has been excellent and the half year results reported a pre-tax profit of Rs 61 Crore (260% higher than the previous period) on the sales of Rs 515 Crore (28% increase over previous period). The market capitalization of the Company in the last one year has multiplied four times to about Rs 1,000 Crore.

Large number of shareholders are still holding their shares in physical form and the shareholders cannot trade their physical shares at the Stock Exchanges due to compulsory dematerialisation. In your own interest, I urge upon you to convert your holding in the demat form, which will also enable you to get dividend in future directly credited to your account. **You can now open a demat account free of cost with any bank or other depository participant.**

Wish you a Very Happy and Prosperous New Year.

Thanking you

Yours faithfully



B R Taneja

November 29<sup>th</sup>, 2005

**ISMT LIMITED****NOTICE**

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of ISMT Limited will be held on Saturday the 31<sup>st</sup> day of December 2005, at 11.00 a.m. at Le-Meridien, Pune, to transact the following business:

**Ordinary Business:**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2005, the Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Rear Admiral D V Taneja (Retd.), who retires by rotation and does not offer himself for re-appointment.
3. To appoint M/s P.G. Bhagwat, Chartered Accountants and J. K. Shah & Co., Chartered Accountants, as Joint Auditors and to fix their remuneration.

**Special Business:**

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

"RESOLVED that in modification of the resolution passed at the last Annual General Meeting and pursuant to the Scheme of Arrangement as sanctioned by Hon'ble High Court, Bombay, M/s P.G. Bhagwat, Chartered Accountants and J. K. Shah & Co., Chartered Accountants, be and are hereby appointed as Joint Auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company to audit the Books of Account of the Company for the financial year 2004-05 on such remuneration to be decided by the Board of Directors in consultation with them."

5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. B. R. Taneja, who was appointed as an Additional Director pursuant to the provision of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company not liable to retirement by rotation."

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. N. Chandra, who was appointed as an Additional Director pursuant to the provision of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation."

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. R. Goel, who was appointed as an Additional Director pursuant to the provision of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation."

8. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. A. K. Jain, who was appointed as an Additional Director pursuant to the provision of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation."

9. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. V. Kapoor, who was appointed as an Additional Director pursuant to the provision of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation."

10. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. K. Rustumji, who was appointed as an Additional Director pursuant to the provision of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation."

11. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. J. P. Sureka, who was appointed as an Additional Director pursuant to the provision of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation."

12. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. S. Taneja, who was appointed as an Additional Director pursuant to the provision of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation."

13. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof and subject to such approvals/consents, if any, approval of the Company be and is hereby accorded to the appointment of Mr. B. R. Taneja as Whole Time Director designated as Chief Executive Officer of the Company, for a period of 2 (two) years with effect from 1st December, 2005 on the terms, conditions including remuneration and perquisites as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions and / or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

14. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof and subject to such approvals/consents, if any, approval of the Company be and is hereby accorded to the appointment of Mr. N. Chandra as Whole Time Director designated as President (International Business & Product Development) for a period of 3 (three) years with effect from 1st December, 2005 on the terms, conditions including remuneration and perquisites as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board



of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions and / or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

15. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof and subject to such approvals/consents, if any, approval of the Company be and is hereby accorded to the appointment of Mr. R. Goel as Whole Time Director designated as Chief Financial Officer of the Company, for a period of 3 (three) years with effect from 1st December, 2005 on the terms, conditions including remuneration and perquisites as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions and / or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

16. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof and subject to such approvals/consents, if any, approval of the Company be and is hereby accorded to the appointment of Mr. O. P. Kakkar as Whole Time Director designated as Managing Director of the Company, for a period of 3 (three) years with effect from 1st December, 2005 on the terms, conditions including remuneration and perquisites as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions and / or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

17. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or

re-enactment thereof and subject to such approvals/consents, if any, approval of the Company be and is hereby accorded to the appointment of Mr. S. Taneja as Whole Time Director designated as President (Corporate Strategy & Development) for a period of 3 (three) years with effect from 1st December, 2005 on the terms, conditions including remuneration and perquisites as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions and / or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

18. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution.

"RESOLVED that pursuant to Section 309 of the Companies Act, 1956 and the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, the consent of the Company be accorded for payment upto a maximum of Rs. 10,000 (Rupees Ten Thousand Only) as sitting fees for each meeting of the Board of Directors and the Committees thereof, attended by the Non-Executive Directors of the Company or such amount as may be approved by the Board of Directors from time to time subject to the ceiling prescribed under the Companies Act, 1956, or rules framed thereunder, as amended."

19. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution.

"RESOLVED that pursuant to Sections 258 and 259 of the Companies Act, 1956 and subject to the approval of the Central Government, consent of the members be and is hereby given for increasing the maximum number of Directors of the Company from 12 to 15."

20. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution.

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby altered as under:

In Articles 140 the words and figures "shall not be less than 3 and not more than 12" be replaced by the words and the figures "shall not be less than 3 and not more than 15"

21. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution

"RESOLVED that in supersession to the Resolution passed at the Annual General Meeting held on 30<sup>th</sup> August 2002 consent of the Company be and is hereby accorded under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company ("the Board", which term shall include any committee which the Board may constitute to exercise its powers including the powers conferred under this Resolution) for Mortgaging, Hypothecating, Charging and Pledging and / or creating a Floating Charge and / or also to create liens, charges and all other encumbrances of whatsoever nature, on all or any of the Company's assets and properties whether immovable, movable, current assets or stock-in-trade and the whole or substantially the whole of all or any of the undertakings of the Company,

**ISMT LIMITED**

wheresoever situate, both present and future, in such form and in such manner as the Board may think fit and proper, in favour of any Financial Institutions / Banks / Bodies Corporate / other agencies / Trustees for the holders of the Debentures / Bonds / other instruments / and / or person or persons for securing any financial facilities up to an aggregate amount not exceeding Rs. 1,000 Crore only (Rupees One Thousand Crore only) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment, or on redemption, costs, charges, expenses and all other monies payable by the Company to the aforesaid parties or any of them under the agreements / arrangements entered into / to be entered in to by the Company in respect of the said Loans, Debentures, Bonds or other instruments as the case may be.

RESOLVED FURTHER, THAT, the Board be and is hereby authorised to finalise with the aforesaid parties or any of them, the documents for creating the Mortgages / Hypothecations / Charges / Pledges and accepting or making any alterations, changes, variations to or in terms and conditions, to do all such acts deeds matters and thing and to execute all such further and other documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

22. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution

"RESOLVED that pursuant to the provisions of Section 293(1)(d) and other applicable provisions of the Companies Act, 1956 ("the Act"), and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board", which term shall include any committee which the Board may constitute to exercise its powers including the powers conferred under this Resolution) to borrow any sum(s) of monies, from time to time, where the monies to be borrowed, together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed, at any time, the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose), provided that the total amount so borrowed shall not at any time exceed Rs. 1000 Crore only (Rupees One Thousand Crore only) and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such moneys borrowed/ to be borrowed, from time to time, as to interest, repayment, security or otherwise howsoever as it may deem fit, as also to execute all such deeds and documents as may be necessary, usual or expedient for this purpose;

RESOLVED FURTHER, that, the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be considered necessary, usual or expedient to give effect to this Resolution".

23. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution

"RESOLVED that pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines - 2003, and subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities Contracts (Regulation) Act, 1956 and the rules framed thereunder, listing agreements and all other applicable rules, regulations and guidelines and subject to approval, consent, permission or sanction of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and any other appropriate authorities, institutions, or regulators, as may be necessary and subject to the necessary conditions and modifications, if any as may be prescribed or imposed by any authority while granting such approvals, permissions,

and sanctions, 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 for the time being exercising powers conferred on the Board by the Resolution) the consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company from the Pune Stock Exchange Ltd., at such time as the Board may decide;

RESOLVED FURTHER that the Board be and is hereby authorised to take all necessary steps in this regard in order to comply with the legal and/or procedural formalities, including authorising any Committee of Directors or any of the Directors/Officers/Executives of the Company to do all such acts, deeds or things to give effect to the above."

24. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution :

"RESOLVED THAT in accordance with the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, including relevant circulars notifications issued by the Reserve Bank of India ("RBI"), the relevant provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time issued by the Securities and Exchange Board of India ("SEBI"), the relevant provisions of the Memorandum and Articles of Association of the Company and subject to such other rules, regulations and guidelines that may be issued by SEBI and/or such other authorities, from time to time and subject to the approvals, consents, permissions and/or sanctions as may be required from appropriate regulatory authorities/ institutions or bodies and subject to such terms and conditions as may be prescribed/ imposed, the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board", which term shall include any Committee which the Board may constitute to exercise its powers including the powers conferred by this Resolution), to create issue, offer and allot Equity Shares of the aggregate nominal value not exceeding Rs. 1,25,00,000 (Rupees One Crore Twenty Five Lacs Only) or such adjusted numbers for any bonus, stock splits or consolidation or other re-organization of the capital structure of the Company as may be applicable from time to time to the present and future permanent employees and directors of the Company, whether working in India or abroad (hereinafter referred to as "employees"), under Employee Stock Option Scheme(s) ("ESOS") and on such terms and conditions and in such tranches as may be decided by the Board in its absolute discretion.

RESOLVED FURTHER, that, without affecting the generality of the above but subject to the terms mentioned in the explanatory statement to this Resolution, which are hereby approved by the members, or any amendment or modification thereof, the Board be and is hereby authorised to formulate Employee Stock Option Scheme (ESOS) detailing all the terms for granting of employees stock option (including terms relating to eligibility of the said employees under the ESOS) to grant the options under the said ESOS (detailing the terms of the option) at such time or times as it may decided in its absolute discretion and is also authorised to determine, in its absolute discretion, as to when the said equity shares are to be issued, the number of shares to be issued in each tranche, the terms or combination of terms for shares issued at various points of time the conditions under which options vested in employees may lapse, terms relating to specified time within which the employee should exercise his option in the event of his termination or resignation, terms relating to dividend on the shares to be issued and all such other terms as could be applicable to the offerings of similar nature.

RESOLVED FURTHER, that, subject to the terms stated herein, the Equity Shares allotted pursuant to the aforesaid resolution shall in all

respects rank pari passu inter se and shall also in all respects rank pari passu with the existing Equity Shares of the Company;

RESOLVED FURTHER, that, the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in relation to the formulation and implementation of the ESOS (including to amend or modify any of the terms thereof) and to the shares issued herein without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this Resolution.;

RESOLVED FURTHER, that, the Board be and is hereby authorised to vary, amend, modify or alter the terms of the ESOS in accordance with

the SEBI ESOS Guidelines and any other guidelines or regulations that may be issued by an appropriate authority

RESOLVED FURTHER, that, for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary in relation thereto;

RESOLVED FURTHER, that, the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or Director(s) or any Officer(s) of the Company to give effect to the aforesaid Resolution".

#### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. 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.
3. The Register of Members and Share Transfer Book of the Company will remain closed from 27<sup>th</sup> day of December 2005 to 31<sup>st</sup> day of December 2005 (both days inclusive).
4. The Members can avail facility of nomination in terms of the legal provisions in this regard. On request, the necessary forms can be obtained from the Transfer Agent.
5. Pursuant to provisions of Section 205A (5) and 205C of the Companies Act, 1956 unclaimed / unpaid dividend of the erstwhile The Indian Seamless Metal Tubes Limited (ISMTL) for the year 1996-97 is transferred to "The Investor Education & Protection Fund" (IEPF). The unclaimed/unpaid dividend, if any, for the year 1997-98 and 1998 will become due for transfer to the said fund on 13/12/2005 and 12/12/2006 respectively i.e. at the end of seven years. The Members of erstwhile ISMTL, who have not encashed dividend warrant(s) for the year 1997-98 and 1998 may please contact the Company for payment of such unclaimed / unpaid dividend. As per Section 205 C of the Companies Act, 1956, after such transfer no person will be entitled to any money transferred to the said fund.

Unpaid / Unclaimed redemption instalment of the Debentures of the Company made on 19<sup>th</sup> September, 1999 will be due for transfer to the said fund on 17<sup>th</sup> October, 2006. The debenture holders of erstwhile ISSAL who have not encashed the said redemption warrant may please contact our transfer agent M/s. Sharepro Services (I) Pvt. Ltd. or the Company for payment of such unclaimed / unpaid redemption. As per

Section 205 C of the Companies Act, 1956, after such transfer no person will be entitled to any money transferred to the said fund.

#### 6 Members are further requested to;

- Intimate changes, if any, in their registered addresses / bank mandate to the Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
- Quote Ledger folio number / DP-ID / Client ID in all the correspondence.
- Intimate about consolidation of folios, if shareholdings are under multiple folios to the Transfer Agents.
- Members may kindly note that as per the SEBI / Stock Exchanges guidelines the Companies shares are traded in compulsory Demat form. As per the recent guideline issued by SEBI there are no Demat Account opening charges. In view of this Members are requested to convert their existing physical Share Certificate in Demat form.
- Direct all correspondence to the Company at an early date seeking any information with regard to accounts so as to enable the management to keep the information ready, and
- Bring their copies of the Annual Report and the Attendance Slips with them at the Annual General Meeting.
- Shareholders holding share certificate of erstwhile ISSAL in physical form and not surrendered so far are requested to submit/send the same immediately. Kindly note that as advised by The Bombay Stock Exchange Ltd., the new share certificate(s) would be issued only against surrender of old share certificate(s).

By Order of the Board of Directors

Jayan Nair

Place : Mumbai

Date : 29<sup>th</sup> November, 2005

Chief Group Counsel &  
Company Secretary



**ISMT LIMITED****EXPLANATORY STATEMENT PURSUANT TO  
SECTION 173 (2) OF THE COMPANIES ACT, 1956****Item No. 4**

The Scheme of Arrangement sanctioned by the Hon'ble High Court, Bombay, provided that consequent to the Scheme becoming effective, M/s J K Shah & Co., Chartered Accountants, the Statutory Auditors of The Indian Seamless Metal Tubes Limited and M/s P G Bhagwat, Chartered Accountants, the Statutory Auditors of the Indian Seamless Steels & Alloys Limited (ISSAL) shall function as the joint Statutory Auditors of ISSAL. Accordingly, J K Shah & Co and M/s P G Bhagwat, shall be the joint Auditors of the Company pursuant to the said Scheme for the Financial Year 2004-05. Accordingly, the Resolution is proposed for consideration of the Members.

**Item 5 to 12**

Pursuant to the Scheme of Arrangement, The Indian Seamless Metal Tubes Limited (ISMTL) has merged with Indian Seamless Steels & Alloys Limited (ISSAL). The Hon'ble High Court, Bombay has approved the Scheme of Arrangement vide its order dated 7th October, 2005. The Board at its Meeting held on 29th November, 2005 has appointed Mr. B. R. Taneja, Mr. N. Chandra, Mr. R. Goel, Mr. A. K. Jain, Mr. V. Kapoor, Mr. K. Rustumji, Mr. J. P. Sureka and Mr. S. Taneja, as Additional Directors pursuant to Article 148 of the Article of Association of the Company and Section 260 of the Companies Act, 1956 and they hold the office upto the date of this Annual General Meeting. The Company has received notices in writing from Members under Section 257 of the Companies Act, 1956 alongwith requisite deposit of Rs.500 each signifying their intention to propose the candidature of the above persons as Directors of the Company. A brief resume of the said Directors as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is given herein below.

**Mr. B. R. Taneja**, aged around 69 years had promoted The Indian Seamless Metal Tubes Limited (ISMTL) in 1977 primarily for making seamless tubes, which were not being made in India. Under the stewardship of Mr. Taneja, ISMTL has grown rapidly over the years to become the market leader in Seamless Tubes. Mr. Taneja also promoted Taneja Aerospace & Aviation Ltd (TAAL). It is the first and only private sector company in India to manufacture civil aircrafts. Mr. B. R. Taneja is a Director in Taneja Aerospace & Aviation Ltd., Knox Investments Pvt. Ltd., Klapa Investments Pvt. Ltd. and Farmers Bazar Pvt. Ltd.

**Mr. N. Chandra**, aged 57 years, is associated with the Indian Seamless Group right from inception. Mr. N. Chandra is a Graduate in Mechanical Engineering. He is having more than 35 years experience in Steel/Tube Industry in various functional areas such as marketing, purchase, administration, production and planning. Mr. N. Chandra was the Managing Director of The Indian Seamless Metal Tubes Limited.

**Mr. R. Goel**, aged 52 years, is a qualified Chartered Accountant and Company Secretary with more than 27 years of industrial experience. He has extensive exposure in Fund Management, Accounts, Company Law, Administration, Mergers and Acquisitions etc. He has been associated with the Indian Seamless Group of Companies right from its inception. Mr. R. Goel is also a Director in Indian Seamless Enterprises Limited (ISEL) and Indian Seamless Inc. USA and is also a Member of the Audit Committee of ISEL. Mr. R. Goel was the Executive Vice Chairman of The Indian Seamless Metal Tubes Limited.

**Mr. A. K. Jain**, aged 52 years, is a graduate in Arts. He is an industrialist with business interests in mining and mineral processing of iron ore, China clay, graphite etc. in Bihar, Orissa and West Bengal. Mr. Jain is also on the board of Taneja Aerospace & Aviation Limited, Misrilal Mines Limited, Misrilal Dharmchand Pvt. Ltd., R. Mc Dill & Co. Pvt. Ltd., Misrilal Properties Pvt. Ltd., The Jain China Clay Mines Pvt. Ltd. and

Tulika Films Pvt. Ltd. and also a Member of Audit Committee and Shareholders / Investors Grievance Committee of Taneja Aerospace & Aviation Limited.

**Mr. V. Kapoor**, aged 66, joined RBI as Probationary Officer in 1963 and was selected to join IDBI in 1966. He held important portfolios in various departments of IDBI viz. Project Finance, Rehabilitation Finance, Corporate Accounts, Resource Management, Merchant Banking, Management Services, Secretariat, Personnel and Administration. Mr. Kapoor was promoted to the top management cadre of IDBI in 1987 in the rank of General Manager, re-designated as Chief General Manager. He retired as Executive Director from IDBI on 31<sup>st</sup> December, 1997.

**Mr. K. Rustumji**, aged about 66 years, is B. Tech (Hons) from IIT, Kharagpur and has to his credit working experience for 44 years. He started his career with Standard Vacuum Oil Company of the US thereafter, worked with Tata Group for 10 years in various senior capacities. Later he worked with an international financial services organisation based in the UK and attained position of Directorship. Mr. Rustumji has immense knowledge and international experience in the fields of marketing, legal, insurance, management and administration. He is the Chairman of Taneja Aerospace & Aviation Ltd. and is also a Member of its Audit Committee, Remuneration Committee and Shareholders / Investors Grievance Committee.

**Mr. J. P. Sureka**, aged 64 years, is a Commerce Graduate. He has varied business interests in steel, chemicals, financial services and tea plantation. Mr. Sureka is also on the board of Taneja Aerospace & Aviation Limited, Shentracon Chemicals Limited and Prismo (I) Limited and he is also a Member of Audit Committee and Shareholders / Investors Grievance Committee of Taneja Aerospace & Aviation Limited.

**Mr. S. Taneja**, aged about 38 years holds a degree of B.Sc. in Mechanical Engineering from Case Western Reserve University, Ohio, USA and Master in Business Management specialising in finance and marketing from Yale University, USA. Mr. Salil Taneja has been associated with Taneja Aerospace & Aviation Ltd. (TAAL), Bangalore. While instrumental in bringing up the aviation business for the past seven years, Mr. Salil Taneja has and is also been involved in other group activities. Mr. Salil Taneja is also the Vice Chairman in Taneja Aerospace & Aviation Ltd, Director in Indian Seamless Inc. USA and Farmers Bazar Pvt. Ltd.

Mr. N. Chandra, Mr. R. Goel, Mr. A. K. Jain, Mr. V. Kapoor, Mr. K. Rustumji and Mr. J. P. Sureka are concerned or interested in respective Resolutions relating to their appointment. None of the other directors is concerned or interested in any of these resolutions. In respect of appointment of Mr. B. R. Taneja and Mr. S. Taneja, they may be considered as concerned and interested in both the Resolutions, they being related to each other.

The Notices received by the Company are available for inspection to the Members at the Registered Office of the Company on any working day till the date of the ensuing Annual General Meeting during business hours.

**Item No. 13 - 17**

The Board at its Meeting held on 29<sup>th</sup> November, 2005 had resolved to appoint Mr. B. R. Taneja, Mr. N. Chandra, Mr. R. Goel and Mr. S. Taneja as Whole Time Directors (hereinafter referred to as 'Whole Time Directors') of the Company with effect from 1<sup>st</sup> December 2005 for a period of two years for Mr. B.R. Taneja & three years for Mr. N. Chandra, Mr. R. Goel and Mr. S. Taneja.

Mr. O. P. Kakkar was appointed as Vice Chairman & Managing Director of the Company on 24<sup>th</sup> April, 2003 for a period of 3 (Three) years by the Board, which was approved by the Members in Annual General Meeting held on 19<sup>th</sup> September, 2003 and his appointment expires on 23<sup>rd</sup> April, 2006. The Board at its Meeting held on 29<sup>th</sup> November, 2005 had resolved to re-appoint Mr. O. P. Kakkar, as Whole Time Director of the Company for a period of 3 (three) years with effect from 1<sup>st</sup> December 2005.



The Remuneration payable to the Whole Time Directors has been approved by the Remuneration committee at its Meeting held on 29th November, 2005.

The terms & conditions and the remuneration payable to Whole Time Directors is subject to the approval of the Members at the forthcoming Annual General Meeting and such other approvals as may be required.

Agreements with Whole Time Directors will be executed incorporating the terms and conditions of their appointment.

The main terms and conditions of appointment of Whole Time Directors as under:

1. Period of appointment

2 (Two) years for Mr. B.R. Taneja & 3 (three) years for others with effect from 1<sup>st</sup> December 2005.

2. Remuneration

In terms of Schedule XIII to the Companies Act, 1956 read together with Section 198 & 309 of the Companies Act, 1956 and subject to the approval of the Central Government and such other approvals as may be required, Whole Time Directors shall be paid the following remuneration.

i) Salary:

The Company shall pay to Whole Time Directors salary as fixed by the Remuneration Committee of the Board of Directors, from time to time, in the scale of

i) Mr. B. R. Taneja	Rs. 2,00,000 - 3,00,000 per month
ii) Mr. N. Chandra	Rs. 1,00,000 - 2,00,000 per month
iii) Mr. R. Goel	
iv) Mr. O. P. Kakkar	
v) Mr. S. Taneja	

ii) Perquisites:

In addition to the above each Whole Time Director shall be entitled to the following perquisites subject to a limit of 125% of his Annual Salary with an option to the said Whole Time Director to receive the perquisites in any lawful combination as mutually agreed between him and the Board.

A) Housing

The expenditure by the Company on hiring unfurnished accommodation will be subject to a ceiling of Sixty percent of the salary, over and above ten percent payable by Whole Time Directors.

OR

In case the accommodation is owned by the Company, ten percent of the salary shall be deducted by the Company.

OR

In case no accommodation is provided by the Company, Whole Time Directors shall be entitled to house rent allowance subject to the ceiling specified above.

B) The expenditure incurred by the Company on gas, electricity, water and furnishings, etc. shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten percent of his salary.

C) Reimbursement of Medical Expenses incurred for self and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

D) Leave Travel Assistance for self and his family once in a year incurred in accordance with the rules specified by the Company.

E) Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

F) Personal accident insurance, group health insurance, group saving linked insurance and life insurance coverage for self / family as may be fixed by the Board from time to time.

G) Contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites, to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

H) Earned Leave on full pay and allowance as per the Rules of the Company, but not exceeding one month's leave for every eleven months of service. Encashment of leave at the end of the tenure as per the rules of the Company and the same will not be included in the computation of the ceiling on perquisites.

I) Provision of company car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Whole Time Directors.

"Family" means the spouse, the dependent children and dependent parents of Whole Time Directors.

iii) Commission

The amount of commission, based on the net profits of the Company in a particular year, shall be subject to the overall ceiling laid down in Sections 198 and 309 of the Act, and shall be further subject to a ceiling of 1% of the Net Profits to Mr. B. R. Taneja and 0.25% each to other Whole Time Directors, with effect from 1<sup>st</sup> April, 2005.

iv) Performance Linked Bonus/Ex-gratia payment

As may be decided by the Board of Directors in a particular year but not exceeding Annual Salary of Whole Time Directors.

v) Remuneration in the event of loss, etc.

Notwithstanding anything contained herein, in the event of any loss, absence or inadequacy of profits in any financial year, during the term of office of Whole Time Directors, the remuneration by way of salary and perquisites, commission, performance linked bonus and other benefits shall not, without the approval of the Central Government (if required) exceed the limits prescribed under the Act and Rules made thereunder or any amendment, modification, variation or re-enactment thereof.

The draft Agreements to be entered into by the Company with Whole Time Directors, will remain open for inspection by the Members at the Registered Office of the Company during 10.00 a.m. to 1.00 p.m. on all working days till the date of the forthcoming Annual General Meeting

Mr. N. Chandra, Mr. R. Goel, and Mr. O. P. Kakkar, other Directors are interested in the respective Resolutions regarding their appointment as Whole Time Directors. Mr. B. R. Taneja and Mr. S. Taneja may be considered as concerned and interested in both the Resolutions regarding their appointment as Whole Time Directors, they being related to each other. None of the other Directors are, in any way, concerned or interested in the Resolution.

The explanatory statement together with accompanying notice be treated as an abstract under Section 302 of the Companies Act, 1956 in respect of the appointment and remuneration payable to Whole Time Directors.

Item No. 18

At present, the Company is paying sitting fees of Rs. 2000 each to all Non-Executive Directors of the Company, for attending each Meeting of the Board of Directors and the Committees thereof.

**ISMT LIMITED**

In terms of to Section 309 of the Companies Act, 1956 and revised Clause 49 of the Listing Agreement, the approval of the Members is required for the payment of sitting fees to all the Non-Executive Directors of the Company.

The Directors recommend the passing of the Resolution as an Ordinary Resolution.

All the Non executive Directors of the Company may be considered to be concerned or interested in this item of business.

**Item No. 19 & 20**

In order to further broad base the Board of Directors, in view of the merger of The Indian Seamless Metal Tubes Ltd. (ISMTL) with Indian Seamless Steels & Alloys Ltd. (ISSAL), it is proposed to increase the maximum number of Directors from 12 to 15. Article 140 of the Articles of Association of the Company restricts the number of Directors "be not less than 3 and not more than 12". For increasing the maximum number of Directors, Articles 140 needs to be altered. It is therefore proposed to appropriately amend Article 140 of the Articles of Association of the Company.

Section 259 of the Companies Act, 1956 requires the approval of the Members and the Central Government to increase the number of Directors.

Directors commend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution.

**Item No. 21**

At the Extra-Ordinary General Meeting held on 30<sup>th</sup> August 2002, Board of Directors was authorised for creation of charge and to mortgage both movable and immovable properties and assets of the Company, both present and future, and the whole of the undertaking, to secure one or more securities to be issued to the extent of Rs.450 crores.

Subsequent to the merger of ISMTL with the Company, the fund based and non-fund based limits of both the companies are merged. Hence it is proposed to increase the limit upto Rs. 1,000 Crore only.

Section 293(1)(a) of the Companies Act, 1956 inter-alia provides that the Board of Directors of a public company shall not, except with the consent of the Company in general meeting lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking. Accordingly, the consent of the Company is being obtained.

None of the Directors of the Company is concerned or interested in this resolution.

**Item No. 22**

At the Extra-Ordinary General Meeting held on 30<sup>th</sup> August 2002, consent of the Members was obtained for authorising the Board of Directors to borrow money upto Rs. 450 crores. In view of the growing requirements of the Company due to merger of ISMTL with ISSAL, it is proposed to increase the said limit upto Rs. 1500 crore.

The resolution is being proposed in view of the provisions contained in section 293(1)(d) of the Companies Act, 1956.

None of the Directors of the Company is concerned or interested in this resolution.

**Item No. 23**

At present, the Company's equity shares are listed on The Bombay Stock Exchange Ltd. (BSE), and Pune Stock Exchange Ltd. (PSE) Securities and Exchange Board of India (SEBI) has issued guidelines

viz. SEBI (Delisting of Securities) Guidelines - 2003 (the guidelines), allowing the delisting of the shares by the Company voluntarily. The guidelines do not require the Company to provide exit opportunity to shareholders, if the shares are listed and traded on the Stock Exchanges having nationwide trading terminals.

In view of the above and there being virtually no trading of the Company's shares on PSE, for last 3 years as also for reducing the operational cost without causing any prejudice to the investors, it has been proposed to delist the securities of the Company from PSE. The Board of Directors has already approved the delisting of shares from PSE at its meeting held on July 30, 2004. Pursuant to the guidelines, the Company shall obtain the approval of the shareholders by way of a special resolution for the purposes of delisting of its securities from the Stock Exchange.

The Company has proposed this resolution as set out in Item No.23 to enable it to delist its equity shares from PSE at an appropriate time in future.

The proposed delisting of the Company's equity shares from PSE, as and when it takes place will not affect the investors since the Company's equity shares will continue to be listed on BSE, having spread of nationwide online terminals.

Your Directors recommend the resolution for your approval. None of the Directors of your Company is in any way concerned or interested in the said resolution.

**Item No. 24**

In view of the ever increasing competitive business environment, it has become necessary that the Company adopts requisite means for attracting and retaining qualified, talented and competent personnel. Further, with the objective of rewarding and motivating employees, the Company proposes to grant stock options to its present and future permanent employees and directors, subject to certain eligibility criteria as may be determined by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include the Committee of the Board of Directors under Employee Stock Option Scheme(s) ("ESOS) to be formulated by the Board as per the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as amended from time to time subject to other applicable laws.

In accordance with the terms of this resolution and the ESOS (to be formulated by the Board for granting employee stock option), the options would be granted in one or more tranches as may be decided by the Board from time to time.

The Board of Directors recommends the resolution for approval of the Members.

Since the shares under the ESOS could be also offered and issued to the directors of the Company, all the Directors are deemed to be concerned and interested in the said resolution No. 25 of the Notice.

The Members approval in accordance with this resolution inter-alia is also being sought for authorising the Board to do acts stated in the resolutions hereinabove where they would be the beneficiaries

By Order of the Board of Directors

Jayan Nair

Chief Group Counsel &  
Company Secretary

Place : Mumbai

Date : 29<sup>th</sup> November, 2005