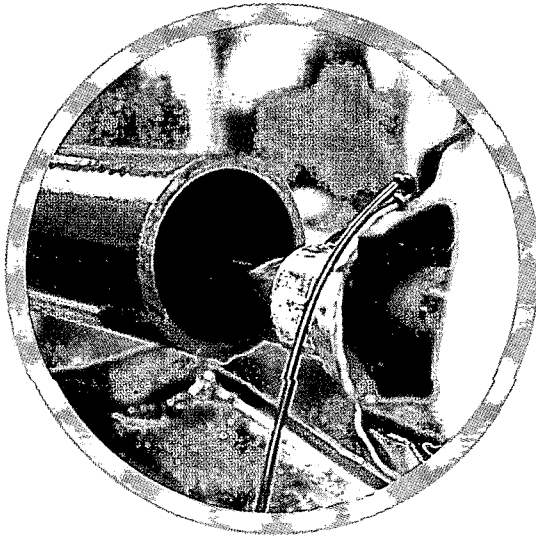
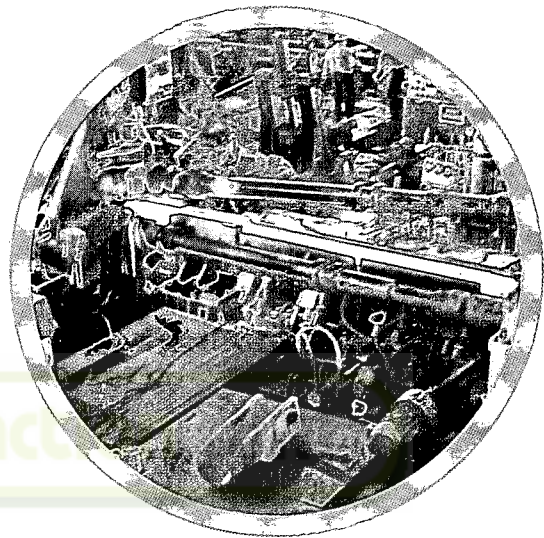


IS MT LIMITED

Annual Report 2006-07



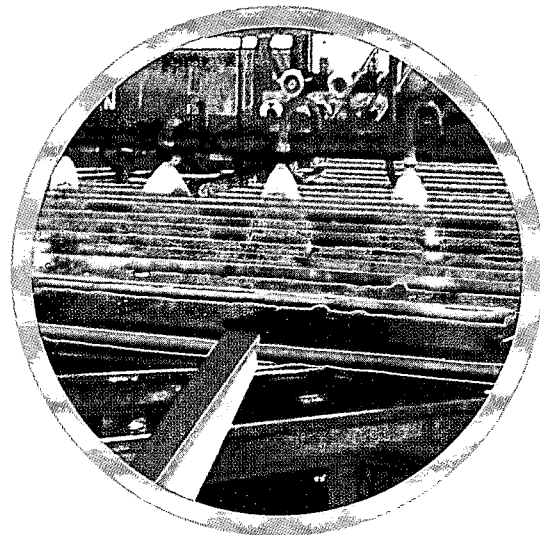
Structo, Sweden - 2007



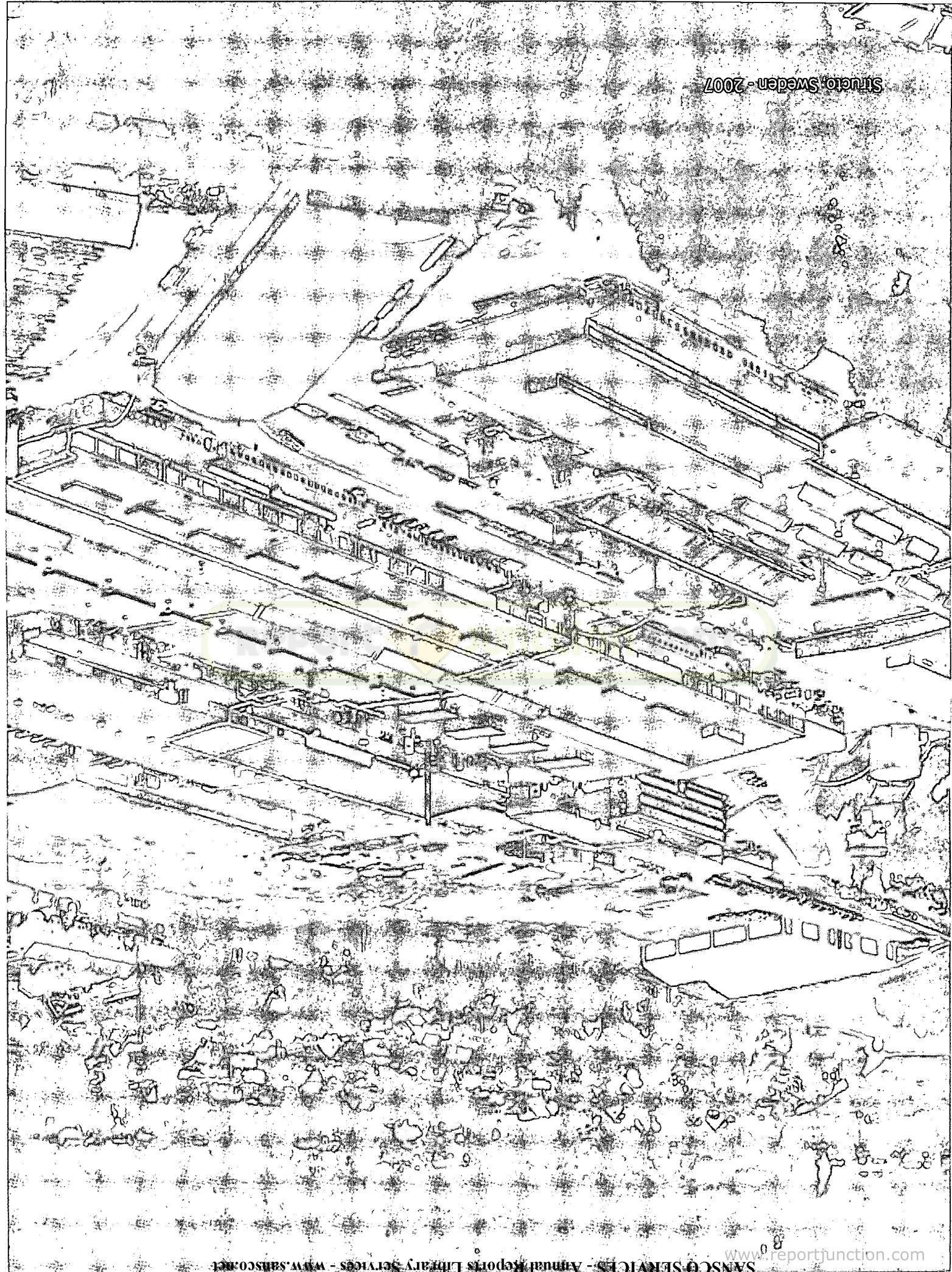
Baramati - 2000

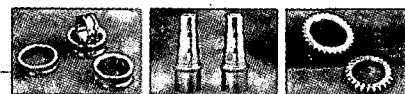


Jejuri - 1995



Ahmednagar - 1980





Board of Directors

KHUSHROO RUSTUMJI Chairman (upto July 31, 2007)	B R TANEJA Chief Executive Officer
V BALASUBRAMANIAN Joint Managing Director	A K JAIN
NIRMAL CHANDRA President (Projects & Product Development)	VIRENDRA KAPOOR
SALIL TANEJA President (Corporate Strategy & Development)	J P SUREKA
O P KAKKAR Managing Director	K D HODAVDEKAR IDBI Nominee
	K K RAI ICICI Nominee
	RAJIV GOEL Chief Financial Officer

Company Secretary

JAYAN NAIR

Auditors

M/s P G BHAGWAT
Chartered Accountants

J K SHAH & CO
Chartered Accountants

Financial Institutions & Banks

Industrial Development Bank of India Limited	Bank of Baroda
ICICI Bank Limited	Bank of India
IFCI Limited	Bank of Maharashtra
Life Insurance Corporation of India	Indian Overseas Bank
International Finance Corporation (Washington)	State Bank of India

Registered Office

Lunkad Towers, Viman Nagar, Pune-411 014

Transfer Agent

Sharepro Services (India) Private Limited

Works

MIDC Industrial Area
Ahmednagar-414111

MIDC Industrial Area
Baramati-413133

Jejuri-Morgaon Road
Jejuri-412303

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Annual General Meeting at Taj Blue Diamond, Pune on Tuesday, November 27, 2007 at 11.00 a.m.

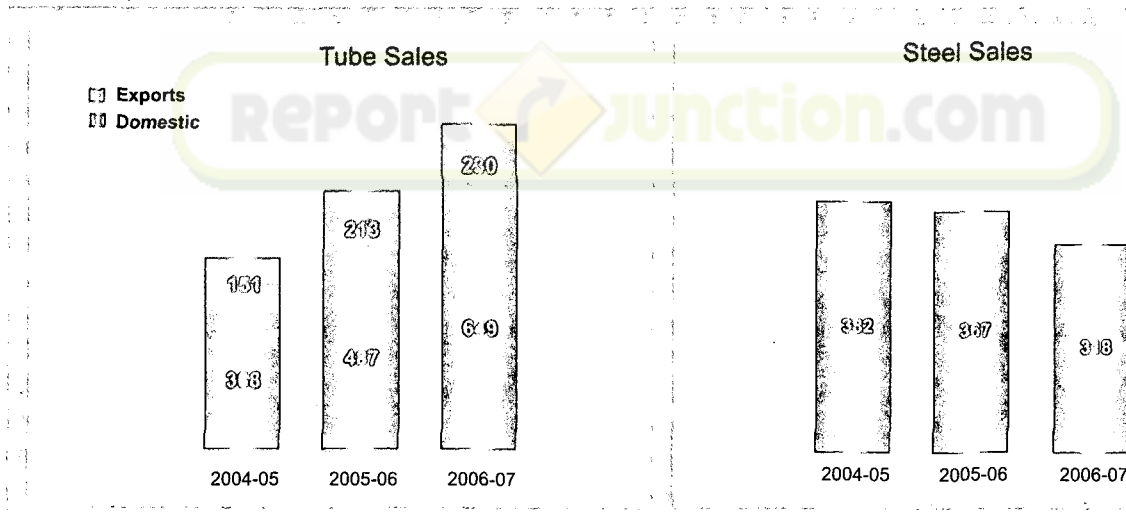
Physical Highlights

(Tonnes)

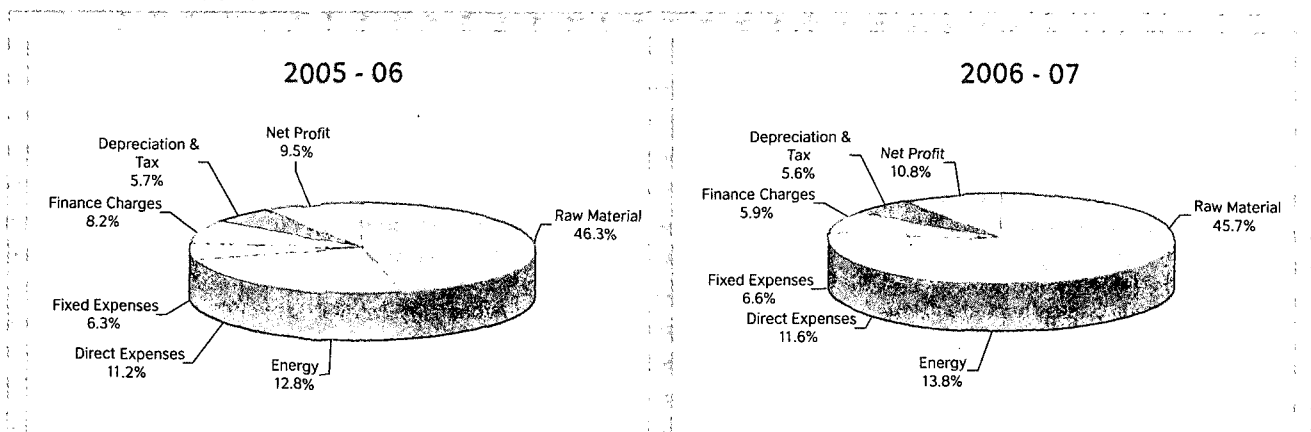
	2004 - 05		2005 - 06		2006 - 07	
	Tube	Steel	Tube	Steel	Tube	Steel
Capacity	158000	250000	158000	250000	158000	250000
Production	110184	213303	135635	234707	161181	247351
Capacity Utilisation	69.7%	85.3%	85.8%	93.9%	102.0%	98.9%
Sales	110526	214399	132794	228078	163315	245096
Captive	11621	109091	17068	131968	17175	160985
External of Which	98905	105308	115726	96110	146140	84111
- Domestic	74878	102961	82481	95263	112833	83510
- Exports	24027	2347	33245	847	33307	601

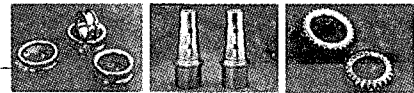
External Sales

(Rs in Crore)



Revenue Breakdown





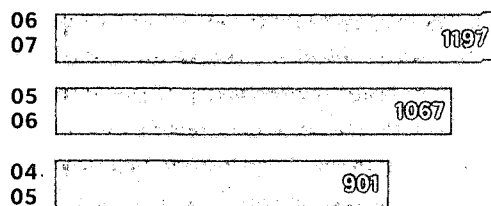
Key Parameters

(Rs in Crore)

	2004 - 05	2005 - 06	2006 - 07
Operations			
- Sales	900.73	1067.11	1197.14
- Export Sales	160.62	216.62	232.22
- Raw Material (% of Sales)	52.7%	46.5%	45.9%
- Energy Cost (% of Sales)	12.3%	12.9%	13.8%
Profitability			
- EBIDTA	158.67	251.19	268.55
- Operating Profit (EBIDTA) Margin	17.6%	23.5%	22.4%
- Cash Profit Margin	8.5%	15.6%	15.3%
- Net Profit Margin	3.7%	10.8%	10.9%
- Return on Networth	9.4%	27.3%	28.2%
Finance			
- Interest Cost (% of Sales)	10.4%	8.2%	5.9%
General			
- Average Market Capitalisation	164.97	888.24	1154.48
- Share Price during the year			
- High (Rs)	41.9	112.45	124.90
- Low (Rs)	3.05	27.00	62.00
- Earning Per Share (Rs)	2.33	7.96	9.01

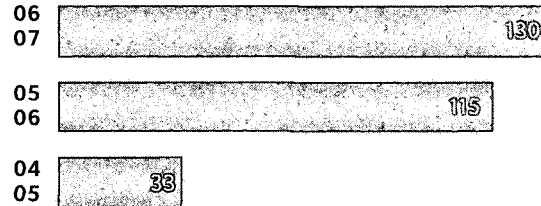
Net Sales

Rs in Crore



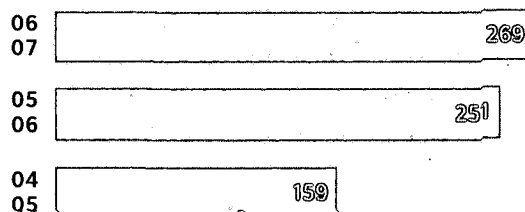
PAT

Rs in Crore



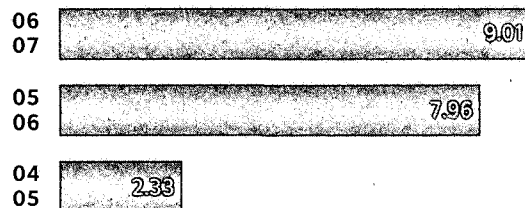
EBIDTA

Rs in Crore



EPS

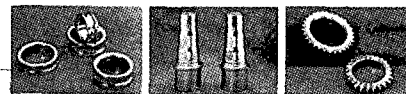
Rs/Share



Three Year Financial Summary

(Rs in Crore)

	2004-05	2005-06	2006-07
A) Profitability			
Net Sales & Other Income	910	1085	1201
Raw Material	475	497	549
Energy Cost	111	137	165
Other Direct Expenses	101	120	138
Personnel Cost	42	52	63
Administrative Expenses	17	15	17
Profit from Operations (EBIDTA)	164	264	269
Finance Cost	94	88	71
Depreciation & Amortisation	44	51	60
Taxation	(7)	10	8
Net Profit	33	115	130
Cash Accruals	77	166	183
B) Balance Sheet			
Sources of Funds			
Share Capital	155	119	72
Reserves & Surplus	202	310	398
Net Worth	357	429	470
Term Debt	558	533	476
Working Capital Borrowings	158	140	141
Unsecured Loans	83	111	217
Total	1156	1213	1304
Application of Funds			
Net Fixed Assets	858	823	810
Current Assets	474	533	691
Current Liabilities	(273)	(242)	(257)
Net Current Assets	201	291	434
Deferred Tax Asset & Miscellaneous Expenditure	97	99	60
Total	1156	1213	1304



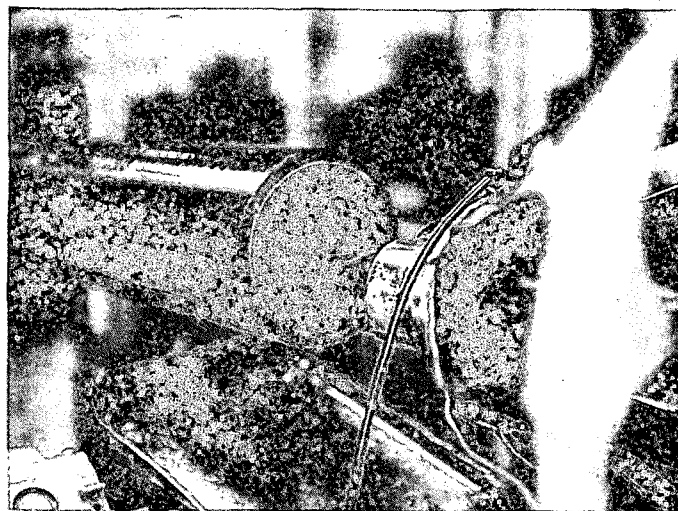
The Road Ahead



PQF Mill

Expansion Project at Baramati on Schedule

- Seamless tube capacity to become three fold.
- Capacity addition at low capital cost.
- Enhanced product range of thin walled tubes upto 38 mm outside diameter and wall thickness of 3.2 mm.
- Significant savings in material & process cost to improve competitive position of the Company.
- Large fiscal benefits from 'Mega Project' status.



Structo Acquisition – A major step towards utilising increased capacity

- Market leader in Finished hydraulic cylinders segment in Europe.
- Ability to scale up production from present 25,000 tpa to 40,000 tpa.
- Extensive marketing network in Europe.
- Complete product range of cold drawn seamless tubes, skived and roller burnished tubes & components for hydraulic cylinders.
- Acquisition would lead to increased captive demand and establish a strong foothold in Europe.

CEO's Statement



The performance parameters of ISMT Limited in the last couple of years have clearly established its capabilities to achieve continuously higher operating efficiencies to meet the dynamic market forces. I am happy to mention that in the last two years, we have been able to align our business processes to position the Company as an integrated specialized seamless tube manufacturing company.

As I shared with you last year, we have embarked upon an expansion plan that would increase our tube making capacity to 475,000 tpa (from a current level of 155,000 tpa) and our steel making capacity to 350,000 tpa (from a current level of 250,000 tpa).

The Company, through its new project, is in the process of acquiring unmatched capabilities in manufacturing application-based sophisticated products at reduced manufacturing costs. This would help us to penetrate into markets that were not available to us earlier. And, this would be true for both domestic as well as international markets. We are already operating at full capacity utilization and considering the demand pull that we are experiencing, we are confident that the production from the additional capacity would be ramped up sooner than what had been anticipated. In the last one year we have carried out extensive market research in the domestic as well as the international markets and our findings clearly validate our assumption that the growth drivers for us would be power, hydraulic cylinders, oil exploration and automobile sectors.

To speed up the process of realizing our vision, we have acquired Structo Hydraulics AB, Sweden (along with the Structo trademark) – a leading manufacturer of precision seamless tubes and components for

hydraulic cylinders in Europe. This acquisition, in addition to generating a substantial captive market (the Company has the ability to use up to 45,000 tpa) would, also, help us improve market penetration in Europe through Structo's extensive marketing setup. With this synergistic acquisition we are sitting on a platform which will provide enormous fillip to the growth of value added tube business in India and abroad. It is our intention to replicate that business in India for supplies to domestic consumers as also to international customers in the Asia Pacific Region and this should happen in the immediate future.

It is our endeavour to become one of the major specialized seamless tube manufacturers in the world. Towards this end we have started reinforcing and scaling up our capabilities in managing our processes and further re-aligning our customer management approach so that we are able to meet and exceed the expectations of the most discerning domestic as well as international customers. While we have adopted a strong process based approach to management, we have created an organizational culture that promotes out of the box thinking, experimentation and risk taking abilities while focusing at creating a better value for our customers.

I must mention here that our knowledge capital is absolutely unparalleled and it is this, along with our commitment to teamwork, which will take us to the next milestone we have set out to reach - to be one of the largest integrated specialized seamless tube manufacturing companies in the world.

I am glad to mention that the Company increased its Net Sales by 12% to Rs 1197 Crore and its Net Profit by 27% to 130 Crore. Given the robust fundamentals of the economy and the consequent growth in demand for our products and our expanding capacity we are confident of a bright future.

I take this opportunity to express my gratitude to our Customers, Banks, Financial Institutions, Business Associates, and Shareholders for their continued support.

My confidence in achieving results is, of course, based solely on the abilities of our people and the passion they display in doing better than others. I salute them.

Thank you.

B.R. Taneja



Directors' Report

To the Members of ISMT Limited

Your Directors are pleased to present the Annual Report and the Audited Accounts for the year ended March 31, 2007.

Financial Highlights

Particulars	(Rs in Crore)	
	Financial Year 2006-07	2005-06
Gross Sales	2056.06	1813.14
Profit before Finance Charges, Depreciation, Amortisation & Tax (EBIDTA)	268.55	264.12
Gross Profit	197.41	176.32
Profit Before Tax	137.65	125.40
Taxation (Net)	7.54	10.35
Net Profit	130.12	115.05
Add : Balance brought forward from Previous Year	57.13	8.24
Less: Transferred to Profit & Loss Account	-	6.21
Add : Transferred from Debenture Redemption Reserve	42.31	-
Balance available for Appropriations	230.56	117.08
Appropriations		
Proposed Dividend	7.22	-
Tax on Dividend	1.23	-
Debenture Redemption Reserve	-	14.77
Capital Redemption Reserve	46.92	33.68
General Reserve	100.00	11.50
Balance carried to Balance Sheet	75.19	57.13

Dividend

Your Directors are pleased to recommend maiden dividend of 10% for the year. We sincerely thank the shareholders for their support during the initial difficult years of the Company.

Operations

Plant efficiencies were high with all the three plants operating at near 100% capacity utilization. The yields at both the tube plants have improved whereas steel plant was successful in attaining upto 17 heats per day against 15 heats per day in the previous year.

Market

Tube sales witnessed a strong growth of 25% across segments largely led by domestic demand.

The increase in sales to Power segment was especially encouraging with sales going up by about 45%. The planned growth in power generating capacity in the country shall lead to a quantum jump in demand for seamless tubes.

The penetration in export market has widened and deepened and the recent European acquisition is expected to provide a big fillip to our exports.

Expansion

The expansion project at Baramati is moving rapidly towards commissioning. Civil construction is at an advanced stage, equipments both Imported and Indigenous have started arriving at site and after assembly and erection, the commissioning trials are slated to commence by end March 2008.

The expansion project at Baramati has been accorded 'Mega Project' status by the Government of Maharashtra which entitles the Company to incentive upto Rs 195 Crore on VAT payable to the State Government over a period of Seven years.

The Company is also augmenting the steel manufacturing capacity from the present 2,50,000 tpa to 3,50,000 tpa by adding a new Ladle refining furnace and related balancing equipments.

Capital and Finance

Your Company raised USD 20 million through Issue of Zero coupon Foreign Currency Convertible Bonds, convertible at an average price of Rs.105 per share. The Company has also availed export credit of EURO 15.9 million on competitive terms, repayable over ten years to finance the import of equipments from Germany.

There has been a significant reduction in both the quantum and the cost of debt during the financial year.

Acquisition

With the objective of moving towards its goal of being a global leader in precision seamless tube manufacturing, the Company in June 2007, has acquired Structo Hydraulics AB, Sweden, a leading producer of precision seamless tubes and components for hydraulic cylinder in Europe. The acquisition will lead to a multi fold increase in off take

Directors' Report (contd.)

of seamless tubes both by Structo and by other European markets and would also help meet the demand of fast growing construction equipment industry in India.

Research & Development

Ongoing product development and use of innovative processes has over the years been deeply embedded in the work culture at ISMT.

Development of certain special grades of steel which find critical applications in Power Sector was the major achievement during the year.

The R & D activities undertaken are enumerated in Annexure I to this Report.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr R Goel, Mr A K Jain and Mr V Kapoor retire by rotation and being eligible offer themselves for re-appointment.

The nomination of Mr N D Pinge was withdrawn by ICICI Bank Limited on August 02, 2006 and Mr Khushroo Rustumji resigned as Director of the Company with effect from July 31, 2007. The Board places on record its sincere appreciation of their services during their tenure with the Company.

Mr K K Rai has been nominated as Director by ICICI Bank Limited with effect from October 31, 2006.

Auditors

Both M/s P G Bhagwat and J K Shah & Co. retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Fixed Deposits

There are no outstanding fixed deposits as on March 31, 2007 except the unclaimed Deposits of the erstwhile The Indian Seamless Metal Tubes Limited.

Corporate Governance Report and Management Discussion and Analysis

A separate section on Corporate Governance and Management Discussion and Analysis together with a Certificate from the Company's Auditors on compliance is attached to this report.

Disclosure Particulars

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology

Absorption, Foreign Exchange Earnings and Outgo is provided in Annexure I forming part of this Report.

The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 forming part of this Report are given in Annexure II to this Report.

Directors' Responsibility Statement

As required by Section 217 (2AA) of the Companies Act, 1956 the Directors' Responsibility Statement is given hereunder :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departure;
- ii) that the Directors have selected such accounting policies and applied them consistently and the Director made judgements and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2007 and of the profits of the Company for the year on that date;
- iii) 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 the Company and for preventing and detecting fraud and other irregularities;
- iv) that the annual accounts have been prepared on going concern basis.

Acknowledgement

The Board of Directors take this opportunity to thank customers & suppliers, stakeholders and Joint Venture Partners/Associates for their continued co-operation and support to the Company. The Directors also wish to place on record their sincere appreciation of employees at all levels for their hard work, dedication and commitment.

For and on behalf of the Board of Directors

B R Taneja **O P Kakkar**
Chief Executive Officer Managing Director

Regd. Office:
Lunkad Towers,
Viman Nagar, Pune 411014
Pune, October 29, 2007