



ISM T LIMITED

Annual Report 2007-08



Baramati Plant

Board of Directors

S C GUPTA Chairman (w.e.f. August 25, 2008)	B R TANEJA Chief Executive Officer
V BALASUBRAMANIAN Joint Managing Director (upto April 30, 2008)	A K JAIN VIRENDRA KAPOOR J P SUREKA
NIRMAL CHANDRA President (Project & Product Development)	K D HODAVDEKAR IDBI Nominee
SALIL TANEJA Joint Managing Director (w.e.f. April 30, 2008)	K K RAI ICICI Nominee
O P KAKKAR Managing Director	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

ICICI Bank Limited	Bank of Baroda
IDBI Bank Limited	Bank of India
State Bank of India	Bank of Maharashtra
IKB Deutsche Industriebank Aktiengesellschaft	Indian Overseas Bank

Registered Office

Lunkad Towers, Viman Nagar, Pune - 411 014

Transfer Agent

Sharepro Services (India) Pvt. Ltd.

Works

MIDC Industrial Area
Ahmednagar - 414 111

MIDC Industrial Area
Baramati - 413 133

Jejuri - Morgaon Road
Jejuri - 412 303

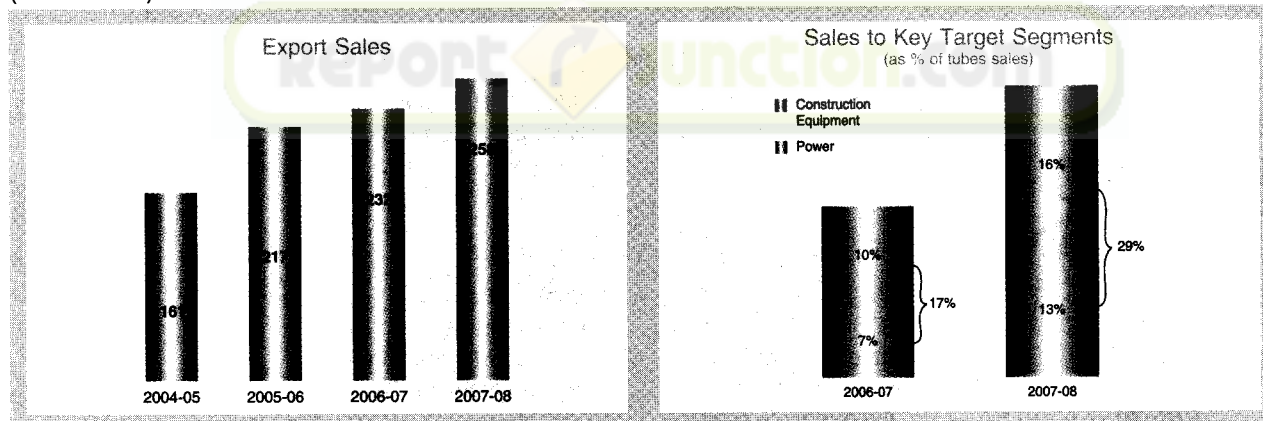
Structo Hydraulics AB
STORFORS, Sweden

Annual General Meeting at Sun-N-Sand, Pune on September 29, 2008 at 11.00 a.m.

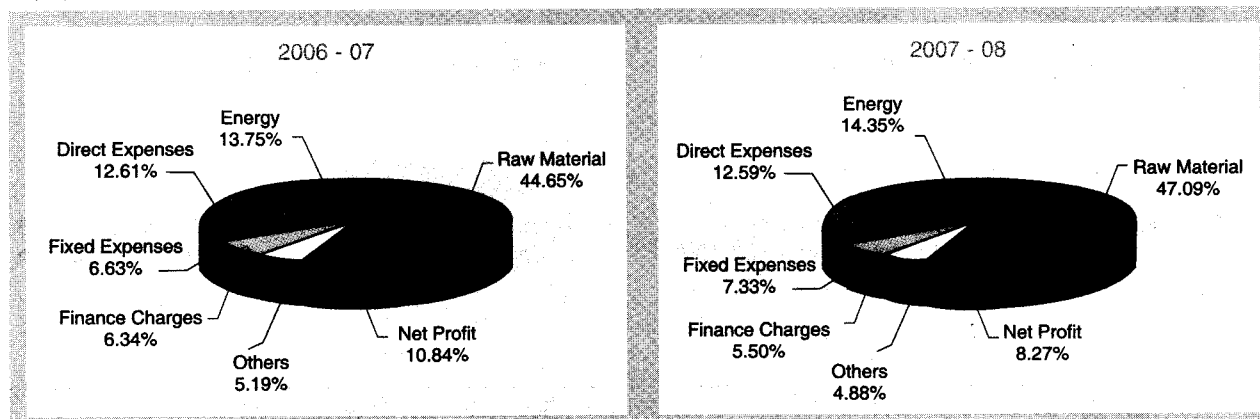
Physical Highlights

	2004-05		2005-06		2006-07		2007-08	
	Tube	Steel	Tube	Steel	Tube	Steel	Tube	Steel
Capacity (Tonnes Per Annum)	158000	250000	158000	250000	158000	250000	158000	250000
Production (Tonnes)	110184	213303	135635	234707	161181	247351	162276	237914
Capacity Utilisation (%)	69.7%	85.3%	85.8%	93.9%	102.0%	98.9%	102.7%	95.2%
Sales (Tonnes)	110526	214399	132794	228078	163315	245096	159062	244684
Captive	11621	109091	17068	131968	17175	160985	19150	157862
External of Which	98905	105308	115726	96110	146140	84111	139912	86822
- Domestic	74878	102961	82481	95263	112833	83510	101208	86320
- Exports	24027	2347	33245	847	33307	601	38704	502
Revenue (Rs. In Crore)								
Domestic	367.59	372.52	486.84	363.65	648.85	316.07	581.95	351.17
Exports	150.98	9.64	213.08	3.54	229.80	2.42	256.33	2.09
Total	518.57	382.16	699.92	367.19	878.65	318.49	838.28	353.26

External Sales (Rs. in Crore)



Revenue Breakdown



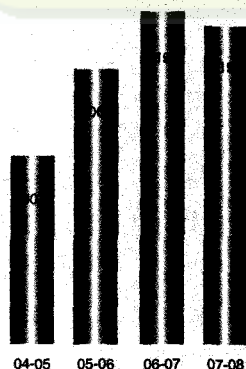
Key Parameters

(Rs. in Crore)

	2004-05	2005-06	2006-07	2007-08
Operations :				
- Sales	900.73	1067.11	1197.14	1191.54
- Export Sales	160.62	216.62	232.22	258.42
- Raw Material (% of Sales)	51.3%	45.1%	44.8%	47.8%
- Energy Cost (% of Sales)	12.3%	12.9%	13.8%	14.6%
Profitability :				
- EBITDA Margin	18.0%	24.3%	22.4%	18.6%
- Cash Profit Margin	8.7%	15.4%	14.9%	12.0%
- Net Profit Margin	3.6%	10.6%	10.8%	8.3%
- Return on Net worth	9.4%	27.3%	28.2%	18.8%
Finance :				
- Interest Cost (% of Sales)	10.2%	8.0%	6.4%	5.6%
General :				
- Average Market Capitalization	184.97	888.24	1154.48	1288.92
- Share Price during the year				
- High (Rs)	41.90	112.45	124.90	140.00
- Low (Rs)	3.05	27.00	62.00	49.00
- Earning Per Share (Rs)	2.33	7.96	9.01	6.92

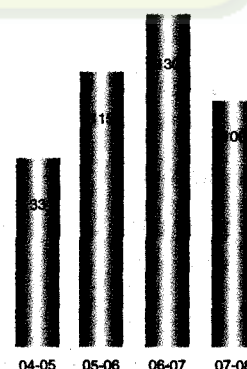
Net Sales

Rs. in Crore



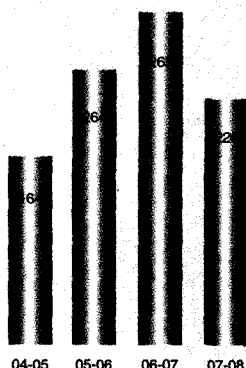
PAT

Rs. in Crore



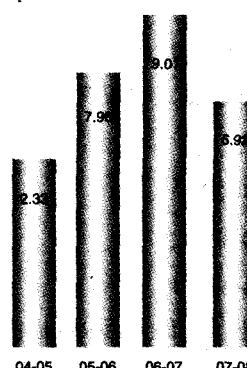
EBIDTA

Rs. in Crore



EPS

Rs / Share



Four Year Financial Summary

(Rs. in Crore)

	2004-05	2005-06	2006-07	2007-08
A) Profitability				
Gross Sales & Income from Operations	1450	1813	2056	2063
Net Sales & Other Income	910	1085	1201	1210
Raw Material	475	497	536	570
Energy Cost	111	137	165	174
Other Direct Expenses	101	120	151	152
Personnel Cost	42	52	63	73
Administrative Expenses	17	15	17	15
EBIDTA	164	264	269	226
Finance Cost	92	86	76	67
Depreciation & Amortization	44	51	60	55
Foreign Exchange (Gain) / Loss	2	2	(5)	(22)
Tax	(7)	10	8	26
Net Profit	33	115	130	100
Cash Profit	77	166	183	164
B) Balance Sheet				
Sources of Funds				
Share Capital	155	119	72	73
Convertible Warrants	—	—	—	5
Reserves and Surplus	202	310	398	463
Net Worth	357	429	470	542
Term Borrowings	558	533	476	608
Working Capital Borrowings	158	140	141	96
Unsecured Loans	83	111	217	204
Total	1156	1213	1304	1451
Application of Funds				
Net Fixed Assets & CWIP	858	823	810	1047
Investments	0	0	0	19
Current Assets	474	533	691	685
Current Liabilities	(273)	(242)	(257)	(313)
Net Current Assets	201	291	434	372
Deferred Tax & Miscellaneous Expenditure	97	99	60	13
Total	1156	1213	1304	1451

CEO's Statement



Last year has been a challenging one for ISMT. On the one hand we have been faced with relentlessly increasing input costs while on the other we have been grappling with a largely OEM customer base where prices tend to be sticky and where price increases come through only with a time lag. In this situation, I believe ISMT has done well to strike a balance between the need to maintain and build customer relationships and the need to continue to meet financial benchmarks.

Much more importantly, throughout this challenging period the Company has been able to keep sight of and pursue its long term objectives. Our Vision, as I have reiterated a number of times, is to establish ourselves as the most sought after, efficient, profitable and respected producer globally of precision seamless tubes and alloy steels.

I am happy to report that in this year, consistent with our Vision, we have made significant progress towards becoming an application orientated company. Through a process of re-organization, realignment and a renewed focus on training, technology development, and quality improvements ISMT has been able to make notable breakthroughs in a number of key industry sectors. As a result of these efforts, during this year, we have not only strengthened relationships with our existing customers but also developed a number of new ones. While many of these initiatives will take time to

translate fully into financial results, we believe that they will clearly lead the Company towards its eventual goal.

On another very important front, we are now close to commissioning the expansion of our tube making capacity at Baramati - trials are already underway. As I have shared with you earlier, our total tube making capacity is increasing from 155,000 MT/annum to 475,000 MT/annum. This increase in scale is a vital part of our strategy to realize our corporate vision. In the last two years we have already been operating at full capacity. In order to project our capabilities and our leadership position globally it is imperative that we increase this capacity. With the PQF in operation we will meet this objective fully.

A few weeks ago we inaugurated the ISMT Centre of Excellence (ICE), a full scale, in-house, residential training center located on a 20 acre independent campus that will cater to the training needs of the entire company. Once again, we believe that this training institute will be central to the success of our growth plans.

The sectors that we are focused on and which will drive the company's growth are Energy, Construction, Oil & Natural Gas, Bearings, General Engineering and Mining. Fortunately all of these sectors are doing well and will, likely, continue to do so in spite of the general industrial slow down.

While on this positive note, I would like to take the opportunity to express my gratitude to our Customers, Banks, Financial Institutions, Business Associates, and Shareholders for their continued support.

Thank you

B. R. Taneja

Directors' Report

To the Members of ISMT LIMITED

Your Directors have the pleasure of presenting the Annual Report 2007-08 and Audited Accounts for the year ended March 31, 2008

Financial Highlights

(Rs. in Crore)

Particulars	Financial Year	
	2007-08	2006-07
Gross Sales	2063.07	2056.06
Profit before Finance Charges, Depreciation, Amortization & Tax (EBIDTA)	225.63	268.55
Gross Profit	181.39	197.41
Profit Before Tax	126.10	137.66
Taxation	26.06	7.54
Net Profit	100.04	130.12
Add : Balance brought forward from previous year	75.19	57.13
Add : Transferred from Debenture Redemption Reserve	—	43.31
Balance available for Appropriation	175.23	230.56
Appropriations		
Dividend (Interim+Proposed)	14.55	7.22
Tax on Dividend (Interim+Proposed)	2.47	1.23
Capital Redemption Reserve	—	46.92
General Reserve	100.00	100.00
Balance carried to Balance Sheet	58.21	75.19

Dividend

The Directors declared an Interim Dividend of Rs. 0.50 per Equity Share of Rs. 5/- each on October 29, 2007.

The Directors recommend a Final Dividend of Rs. 0.50 per Equity Share of Rs.5/- each subject to the approval of the Members at the ensuing Annual General Meeting.

Operations

Despite major dislocations arising out of the ongoing expansion project at Baramati, both Ahmednagar and

Baramati operated at full capacity. The Steel plant also operated at near full capacity utilization in a rather difficult environment where both continual increases in cost as well as the availability of raw material were a challenge.

Market

The market for tubes continued to be buoyant through the year and while, given the capacity constraints, it was not possible to increase the overall sales volume, we still managed to align the product mix with future growth drivers. Thus sales of Boiler Tubes for the Power Sector and Hydraulic Cylinder Tubes for the construction sector went up by over 50 per cent. Both these sectors have huge long term potential and are expected to take up large part of the incremental capacity.

Expansion

Your Directors are pleased to report that the Tube expansion project at Baramati has been successfully completed and commissioning trials are underway. Baramati capacity will consequently go up from 90,000 tonnes p.a. to 4,00,000 tonnes p.a. apart from building significant technical and commercial strengths.

Implementation of the steel expansion to 350,000 tonnes p.a. is proceeding as per schedule and we expect to complete it by March 2009.

Finance

Over 75% of the Company's long term borrowings were converted into foreign currency (USD) which helped the Company lower its interest cost during the year. The Company allotted 57,50,000 Warrants to the Promoters on a preferential basis with an option to convert the Warrants into Equity Shares of Rs. 5/- each at a price of Rs. 91.80 per share at any time within 18 months from the date of allotment. On account of the exercise of conversion rights by Warrant Holders in terms of the Scheme of Arrangement, the Company allotted 21,08,627 fresh Equity Shares during the period under report.

Research & Development

There was a concerted effort in moving towards a more application orientated approach to both manufacturing as well as sales. Development of new grades of tubes for the Energy sector, mainly high alloy tubes meant for super critical boiler applications

Directors' Report (contd.)

continued to be a thrust area. In addition, the Company also made significant advances in the development of special application tubes for the Energy, Mining and OCTG sectors. The plants also managed to achieve substantial process improvements that resulted in lower rejections, rework and therefore in higher yields.

Details of 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. O P Kakkar, Mr. J.P. Sureka and Mr Salil Taneja retire by rotation and being eligible, offer themselves for re-appointment.

As a result of his resignation at the Board Meeting held on April 30, 2008, Mr V Balasubramanian ceased to be a Director of the Company. The Board places on record its sincere appreciation of the services rendered by Mr. V Balasubramanian during his tenure.

Mr. S. C. Gupta was appointed as an Additional Director of the Company at the Board Meeting held on July 31, 2008. He will hold office up to the date of the ensuing Annual General Meeting (AGM) of the Company. Members' approval has been sought in the notice convening AGM for his appointment as a Director of the Company.

Mr. S C Gupta was appointed as Chairman of the Board on August 25, 2008.

Auditors

M/s P G Bhagwat and J K Shah & Co. Joint Statutory Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Subsidiaries

Your Company has the following Subsidiaries as on March 31, 2008.

Sr.	Name of Subsidiary Company
1.	ISMT Enterprises SA (Luxembourg)
2.	Structo Hydraulics AB (Sweden)
3.	Structo (UK) Limited (United Kingdom)
4.	Structo Hydraulics India Limited (India)
5.	ISMT Europe AB (Sweden)

The Company is awaiting approval from the Central Government, for seeking exemption from attaching the individual financial statements and related reports of its Subsidiary Companies for the year ended March 31, 2008.

However, a statement containing brief financial details of the subsidiaries of the Company for the year ended March 31, 2008 is included in the Annual Report. The annual accounts of the said subsidiaries will be made available to the Members for inspection at the Registered Office of respective Subsidiary Companies and at the Registered Office of the Company.

In accordance with Accounting Standard - 21 on Consolidated Financial Statements, your Directors have pleasure in attaching the audited Consolidated Financial Statements, which form part of this Annual Report.

Fixed Deposits

There are no outstanding fixed deposits as on March 31, 2008 except the unclaimed Deposits of the erstwhile The Indian Seamless Metal Tubes Limited.

Corporate Governance Report And Management Discussion And Analysis

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance and Management Discussion and Analysis together with a Certificate from the Company's Auditors on compliance, forming part of the Directors' Report is attached to this report.

Disclosure Particulars

The Particulars in respect of energy conservation, technology absorption and foreign exchange earnings outgo, etc as required under Section 217(1) (e) of the Companies Act, 1956 are given in Annexure - I to 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 along with proper explanation relating to material departures;

Directors' Report (contd.)

- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates, that are 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 March 31, 2008 and of the Profit of the Company for that period.
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts on a going concern basis.

Exchanges and other regulatory agencies. The Board would like to acknowledge the continued support of its bankers, vendors, clients and investors. The Directors also wish to place on record their gratitude and appreciation of the employees' hard work, dedication, team work and professionalism which made the substantial growth possible year after year.

For and on behalf of the Board of Directors

S C Gupta
Chairman

Acknowledgements

The Board expresses its sincere gratitude for the continued support and guidance received by the Company from the Government of India, Government of Maharashtra, the Reserve Bank of India, Stock

Registered Office:
Lunkad Towers, Viman Nagar,
Pune - 411014
August 25, 2008

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