

Board of Directors

S C Gupta	–	Chairman
Salil Taneja	–	Chief Executive Officer
Rajiv Goel	–	Chief Financial Officer
Nirmal Chandra	–	President – (Project & Product Development)
B R Taneja	–	Director
A K Jain	–	Director
J P Sureka	–	Director
K K Rai	–	Director (from July 29, 2010)
Vinod Sethi	–	Director
V Gourishankar	–	Nominee of IDBI Bank Limited

Company Secretary

Jayan Nair

Auditors

M/s. P G Bhagwat	J K Shah & Co
Chartered Accountants	Chartered Accountants

Advocates & Solicitors

Amarchand & Mangaldas & Suresh A Shroff & Co.
HSB Partners, Chennai
Lindahl, Sweden

Bankers

Andhra Bank	Bank of Baroda
Bank of India	Bank of Maharashtra
Central Bank of India	ICICI Bank Limited
IDBI Bank Limited	IKB Deutsche Industriebank Aktiengesellschaft
Indian Overseas Bank	State Bank of India
Handelsbanken - Sweden	

Registered Office

Lunkad Towers, Viman Nagar, Pune - 411 014

Registrar & Share Transfer Agents

Sharepro Services (India) Private Limited

Works

MIDC Industrial Area Ahmednagar - 414111	MIDC Industrial Area Baramati - 413133	Jejuri Morgaon Road Jejuri - 412303	Structo Hydraulics AB STORFORS, Sweden
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12th Annual General Meeting at Le Meridien, Pune on November 15, 2010 at 11.00 AM

PHYSICAL SUMMARY

(Tonnes Per Annum)

	TUBE SEGMENT					
	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Capacity	158000	158000	158000	158000	158000	158000
Production	135782	145429	162276	161181	135635	110184
Capacity Utilisation (%)	85.9%	92.0%	102.7%	102.0%	85.8%	69.7%
Sales	132156	144242	159062	163315	132794	110526
Captive	14652	16025	19150	17175	17068	11621
External of Which	117504	128217	139912	146140	115726	98905
- Domestic	92363	86422	101208	112833	82481	74878
- Exports	25141	41795	38704	33307	33245	24027

* Seamless Tube Capacity Stands increased to 4,75,000 TPA w.e.f 8th May 2010.

(Tonnes Per Annum)

	STEEL SEGMENT					
	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Capacity	250000	250000	250000	250000	250000	250000
Production	231395	202392	237914	247351	234707	213303
Capacity Utilisation (%)	92.6%	81.0%	95.2%	98.9%	93.9%	85.3%
Sales	227866	201601	244684	245096	228078	214399
Captive	133976	145394	157862	160985	131968	109091
External of Which	93890	56207	86822	84111	96110	105308
- Domestic	93390	55865	86320	83510	95263	102961
- Exports	500	342	502	601	847	2347

* Steel Capacity Stands increased to 3,50,000 TPA w.e.f 27th September 2010.

FINANCIAL SUMMARY

(Rs in Crore)

	2009 – 10	2008-09	2007-08	2006-07	2005-06	2004-05
A) Profitability						
Gross Sales	1922	2324	2063	2056	1813	1450
Net Sales & Other Income	1205	1314	1210	1201	1085	910
Raw Material	501	644	570	536	497	475
Energy Cost	215	171	174	165	137	111
Other Direct Expenses	173	157	152	151	120	101
Personnel Cost	82	77	73	63	52	42
Administrative Expenses	16	14	15	17	15	17
EBIDTA	218	251	226	269	264	164
Finance Cost	79	82	67	76	86	92
Depreciation & Amortization	56	56	55	60	51	44
Foreign Exchange (Gain) / Loss	(9)	57	(22)	(5)	2	2
Tax	17	-	26	8	10	(7)
Net Profit	75	56	100	130	115	33
Dividend – Rs. Per Share	1.00	1.00	1.00	0.50	-	-
B) Balance Sheet						
Sources of Funds						
Net Worth	579	532	542	470	429	357
Term Borrowing	672	693	550	476	533	558
Working Capital Borrowings	109	100	120	141	140	158
Unsecured Loans	219	219	204	217	111	83
Deferred Tax Liability	42	15	-	-	-	-
Total	1621	1559	1416	1304	1213	1156
Application of Funds						
Net Block & Capital Work In Process	1187	1148	1021	810	823	858
Investments	36	26	19	-	-	-
FC Translation Reserve	5	40	-	-	-	-
Current Assets	986	799	689	691	533	474
Current Liabilities	(595)	(457)	(327)	(257)	(242)	(273)
Net Current Assets	391	342	362	434	291	201
Deferred Tax Asset & Misc. Expenditure	2	3	13	60	99	97
Total	1621	1559	1416	1304	1213	1156

KEY PARAMETERS

(Rs. In Crore)

	2009 – 10	2008 – 09	2007-08	2006-07	2005-06	2004-05
Operations :						
- Net Sales	1193.27	1300.25	1191.539	1197.14	1067.11	900.73
Tube Sales	785.54	995.96	838.28	878.65	699.92	518.57
Steel Sales	407.73	304.29	353.26	318.49	367.19	382.16
- Exports	183.71	369.80	258.41	232.22	216.62	160.62
- Imports	267.71	194.75	60.25	89.67	131.98	100.41
- Raw Material (% of Sales)	42.0%	49.5%	47.8%	44.8%	45.1%	51.3%
- Energy Cost (% of Sales)	18.0%	13.1%	14.6%	13.8%	12.9%	12.3%
Profitability :						
- EBIDTA margin	18.1%	19.1%	18.6%	22.4%	24.3%	18.0%
- Net Profit Margin	6.2%	4.3%	8.3%	10.8%	10.6%	3.6%
- Return on Net worth	12.9%	10.6%	18.8%	28.2%	27.3%	9.4%
- Return on Capital Employed	15.3%	12.5%	16.4%	18.5%	19.9%	15.9%
Finance :						
- Term Debt	672	693	550	476	533	558
- FC Debt (% of Term Debt)	67.9%	65.4%	76.0%	50.8%	31.9%	13.3%
- Finance Charges (% of Sales)	6.6%	6.3%	5.6%	6.4%	8.0%	10.2%
General :						
- Average Market Capitalization	635.51	466.90	1288.92	1154.48	888.24	164.97
- Share Price during the yr.- High (Rs)	64.90	68.10	140.00	124.90	112.45	41.90
- Low (Rs)	19.10	14.10	49.00	62.00	27.00	3.05
- Book Value (Rs. Per Share)	39.42	36.11	36.41	31.90	29.20	33.24
- Earning Per Share (Rs)	5.09	3.84	6.92	9.01	7.96	2.33



CEO's Statement

The fiscal year that has just ended and the one that is currently running are crucial years for ISMT. I expect that in the years to come we will look back upon this period as an inflection point for the company. The start of a rapid transition from being a niche producer of specialized seamless tubes and alloy steels to becoming a global leader in these products. In other words, the unfolding of our 'Vision' to be the most sought after, efficient, profitable and respected producer globally of precision seamless tubes and alloy steels.

One of the key enablers for this expected change is the PQF mill that has been commissioned during the year and which has positively impacted multiple facets of our business. Firstly, our installed seamless tube manufacturing capacity has increased from 155,000 MT per annum to 475,000 MT per annum. Secondly, our costs of producing various products within the seamless tube segment have reduced. Thirdly, as a result of the cost reductions, various markets that were outside our competitive area have now become addressable. The combination of these elements has made our business model very robust and has laid a secure foundation for growth.

The other enablers are various internal process changes that we have made, and initiatives that we have launched, to complement the introduction of the PQF product line, the commensurate increase in the scale of our production and in the diversity of our products; and to cope with a very dynamic price environment. All these initiatives, aimed at moving decision making down the line, improving the

response time of the organization, and improving customer interactions, will undoubtedly yield sustained positive results.

The third and vital cornerstone of our strategy is product development, which allows us to move sales volumes from the commodity category to the value added sections of the market. During this year we have identified various such products and launched them successfully. These include new grades of seamless tubes as well as engineering steels for the Powergen and Automotive markets. While these markets are relatively difficult and slow to penetrate, we will reap the rewards in the future in terms of business stability and margin growth.

One of our strengths is that our products are consumed across a very diverse industry group ranging from oil & gas exploration, automotive, construction, Powergen, and mining. It is also very fortunate for us that many of these sectors are witnessing rapid growth particularly in India. In many of these sectors ISMT is strongly positioned and in others efforts are on to secure a sound footing. This is not to say that our industry is without its challenges.

Today the key uncertainty that grips the seamless tube markets worldwide is created by the overcapacity in China, by the consequent price cutting by Chinese enterprises, and by the response of nations to these dynamics. As we speak, the U.S., Europe, Canada, Argentina, and Mexico have either levied or are in various stages of levying anti-

dumping duty on Chinese seamless tubes. This has created both a serious threat as well as some opportunities.

Faced with mounting duties in the developed markets China is now dumping seamless tubes in the remaining parts of the world including the Middle East, North Africa, South-East, and India with renewed, unbridled aggression. Selling seamless tubes in these regions is now extremely difficult, if not impossible. On the other hand, demand for Indian tubes has jumped up in countries like the U.S. and Europe, where anti-dumping duty has been levied on Chinese product.

Our response to this situation is threefold. We have filed a petition for anti-dumping duty, believing firmly, that it is the duty of the Indian Government to protect our industry from unfair competition. We hope and expect that the Indian Government will act fairly and vigorously to safeguard our interests. We have also taken steps to increase our exports to the U.S., Europe, and other regions where duty has been imposed on Chinese products. Finally, we have accelerated our efforts to shift our product portfolio

in favour of more sophisticated and value added products where competition from Chinese products is less severe. With these actions, we have hedged ourselves against all outcomes in the best possible manner.

As they say, the proof of the pudding is in the eating. A robust, steadily growing bottom line is the only true test of a successful business model. I believe that your company is well poised to stand up to this test and I look forward to our shared future with optimism.

I would like to take this opportunity to express my gratitude to our customers, banks, and business associates, for their continued support and for the trust they have reposed in us.

Thank you

A handwritten signature in black ink, appearing to read 'Salil Taneja', is written over a light blue rectangular background.

Salil Taneja

Directors' Report

To the Members of ISMT LIMITED

The Directors have pleasure in presenting their Annual Report and Audited Accounts for the year ended March 31, 2010.

FINANCIAL HIGHLIGHTS (Rs. in Crore)

Particulars	Financial Year	
	2009 - 10	2008-09
Gross Sales	1922.33	2324.14
Profit before Finance Charges, Depreciation, Amortization & Tax (EBIDTA)	217.81	251.21
Gross Profit	82.71	112.93
Profit Before Tax	91.23	55.98
Taxation	16.62	(0.25)
Net Profit	74.61	56.23
Add : Balance brought forward from previous year	47.30	58.21
Balance available for Appropriation	121.91	114.44
Appropriations		
Dividend	14.65	14.65
Tax on Dividend	2.43	2.49
General Reserve	50.00	50.00
Balance carried to Balance Sheet	54.83	47.30

DIVIDEND

The Board has recommended a Dividend of Re1.00 per Equity Share of Rs. 5/- each (20 % of face value) for the financial year ended March 31, 2010 and is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

OPERATIONS

During the first half of FY 2009-10, as a result of subdued demand, the steel plant as well as the tube plants operated at below optimal capacity. However, in the second half of the year, following market recovery in the automotive sector, particularly within the domestic markets, both steel as well as tube volumes improved.

While operations at Structo Hydraulics AB, continued to bear the brunt of the slowdown in Europe, aggressive cost reduction measures started yielding results during the second half and as a result, the cash break even level of Structo Hydraulics AB, has significantly reduced.

On May 8, 2010 ISMT commenced commercial production of its Tube expansion project at Baramati. At the same time, incremental steel making capacity at the steel plant in Jejuri also started commercial production on 27th September, 2010.

The 40 MW captive power project at Chandrapur district in Maharashtra is at an advance stage of completion. Key approvals, including the Environmental Clearance is already in place and the majority of equipment has already arrived at the project site. We expect the project to be operational by end of this financial year.

MARKET

Due to the global recession exports suffered severely in the first half of the year. However, during the second half of the year the drop in export volumes was partially offset by a demand recovery in the domestic markets. We continued to focus our efforts on developing new customers and new products both in the domestic as well as international markets with significant success on this front. Steel sales increased 34% as a result of increased demand in the automotive and bearing sectors within India.

FINANCE

On the accounting front, the Company continued to exercise its option under the Accounting Standard (AS 11) to recognize the valuation difference on long-term monetary items arising out of changes in Foreign Exchange rates. As a result, the favorable rupee movement against the US Dollar during the year helped company recover most of its notional losses on account of mark to market of long term liabilities; and the balance in the 'Foreign currency translation difference account' now stands reduced at Rs. 5 Crore. With respect to its term loans and working capital borrowings, the Company benefited from lower LIBOR rates prevailing during the year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr S C Gupta and Mr Rajiv Goel retire by rotation and being eligible offer themselves for re-appointment.

Mr K K Rai was appointed as an Additional Director of the Company on July 29, 2010. He holds office up to the date of the ensuing Annual General Meeting (AGM) of the Company. Member's approval has been sought in the notice convening AGM for his appointment as a Director of the Company liable to retire by rotation.

Directors' Report (contd.)**AUDITORS**

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

SUBSIDIARIES

As on date of this report, the company has seven subsidiary companies. The Company has applied to the Government of India for seeking exemption u/s 212 (8) of the Companies Act, 1956 from attaching the Audited Accounts, Directors' Report and Auditor's Report of these subsidiary companies. The Annual Accounts of these subsidiary companies and other relevant information shall be made available for inspection at the Company's Registered Office.

In accordance with the Accounting Standard (AS 21), the audited consolidated financial statement of the Company forming part of this report is attached hereto.

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

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 hereto.

RESEARCH & DEVELOPMENT

As part of ISMT's overall strategy, throughout the year the Company remained focused on developing value added products for all its market segments including the Energy, OCTG, Bearing, Auto and Mining Sectors. R & D activities also focused on process cost reductions through an increase in yields.

Details of the R & D Activities undertaken are enumerated in Annexure I 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 ;
- 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, 2010 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.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express its sincere gratitude for the continued support and co-operation received by the Company from the Government of India, Government of Maharashtra, Reserve Bank of India, Stock Exchanges, other regulatory agencies and the shareholders. The Board would also like to acknowledge the continued support of its bankers, vendors, clients and investors. The Directors also wish to place on record their appreciation of all the employees for their dedication and team work.

For and on behalf of the Board of Directors

Pune
September 28, 2010

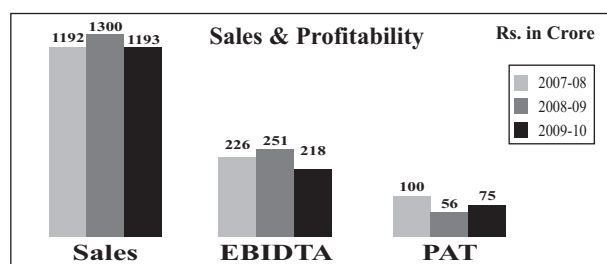
S C Gupta
Chairman

Management Discussion and Analysis

OVERVIEW

2009/2010 was a mixed bag for ISMT. During the first half of the year we faced the brunt of the recession with demand for our products falling sharply. In the second half of the year sales recovered primarily on the back of increased demand from the domestic automotive and general engineering industries.

The Company ended the year with Sales of Rs. 1193.27 Crore while Net Profit & Earning Per Share stood at Rs. 74.61 Crore and Rs. 5.09 per share respectively.



Lower realisations on back of lower raw material prices along with lower exports led to an overall reduction in net sales by over 8%.

	2009-10	2008-09	% Change
Net Sales (Rs. Crore)	1193	1300	(8%)
Avg. Realisations (Rs./MT);			
- Tube	66843	75088	(11%)
- Steel	43426	54137	(20%)

A decline of over 50% in exports was partially compensated by an increase in domestic sales by over 9%.

	(Rs. In Crore)		
	2009-10	2008-09	% Change
Domestic	1009.56	930.46	9%
Exports	183.71	369.80	(50%)

Throughout the year we remained focused on our strategy of adding new customers and developing new products. In particular, there was a renewed emphasis on increasing steel sales and developing new customers in this segment. While these efforts will continue to pay dividends over the years, the increased focus on steel sales fetched good results with external steel sales increasing by 67% in volume terms.

As part of our strategy to expand our geographical coverage we added a number of new sales representatives in the U.S. to market our products there.

2009-10 2008-09 % change

External Steel Sales;

- Volume (MT)	93,890	56,207	67%
- Amount (Rs. In Crore)	408	304	34%

The 40 MW captive power plant being set up at Chandrapur is progressing satisfactorily. Once operational, we expect our power costs to come down substantially.

The overall slowdown in the European auto and construction equipment industry continued to impact sales of ISMT's Swedish subsidiary, Structo Hydraulics AB., adversely. However, aggressive cost cutting measures that we had instituted started showing positive results, particularly during the second half of the year.

Our approach to Treasury continued to remain conservative and to focus on hedging the overall foreign exchange exposure without placing bets on any particular view of market movements. Like in previous years, the hedging strategy that the Company adopted was to balance expected inflows (through continuing exports) in foreign currencies with borrowings in the same currency, rather than by covering each order received by the Company through a forward contract.

INDUSTRY STRUCTURE AND DEVELOPMENTS

Very broadly speaking, the global Seamless Tube players are divided into two categories, the OCTG & Pressure tube manufacturers dominated by Vallourec, Tenaris, Sumitomo and a number of East European and relatively recent Chinese manufacturers and the Specialized seamless tube manufacturers which would include Benteler, Ovako, Timken and ourselves. While ISMT does produce tubes for the OCTG industry its focus remains on the specialized engineering sectors such as Mining, Construction (Hydraulic Cylinders), Bearings, General Engineering and Automotive. Within this specialized seamless tube sector ISMT is a very substantial player and is focusing its strategies on establishing leadership position in selected applications. The addition of the PQF mill will play a key roll in unfolding this business plan and allowing ISMT to extend the leadership position that it already enjoys in the domestic market to other parts of the world.

One of your company's key strengths is that its products are consumed across a very diverse industry and customer base. No individual customer or market segment dominates the purchases from the Company. We remain committed to this strategy and are therefore focused on constantly expanding our customer base both within India as well as internationally.

Management Discussion and Analysis (contd.)

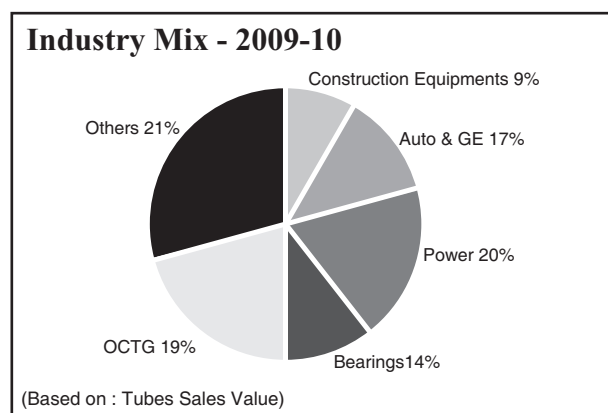
MARKET

As mentioned above, ISMT's target markets include Mining, Construction, Bearings, Energy, Automotive, General Engineering and OCTG. Of these, the Automotive and OCTG markets have been most severely impacted by the recession while the Energy sector saw the lowest drop in sales.

The uncertainty that grips the seamless tube markets worldwide today is created by the overcapacity and price-cutting by Chinese enterprises. The U.S., Europe, Canada, Argentina, and Mexico have either levied or are in various stages of levying anti-dumping duty on Chinese seamless tubes. Faced with mounting duties in the developed markets China is now dumping seamless tubes in the remaining parts of the world including India with renewed, unbridled aggression. On the other hand, demand for Indian tubes has jumped up in countries like the U.S and Europe, where anti-dumping duty has been levied on Chinese product.

We are presently dealing with the Government of India for imposing anti-dumping duty and we believe that it is the duty of the Indian Government to protect our industry from unfair competition. We have also taken steps to increase our exports to the U.S., Europe, and other regions where duty has been imposed on Chinese products. Finally, we have accelerated our efforts to shift our product portfolio in favour of more sophisticated and value added products where competition from Chinese products is less severe.

Export Sales during the year decreased by over 50% to Rs. 184 Crore. The U.S.A. & Europe continued to remain the dominant export revenue earners for the Company. USD & Euro denominated sales accounted for nearly 71% and 22% of total Export sales respectively.



OPPORTUNITIES & THREATS

Opportunities

In the near and medium term the key opportunities for ISMT relate to the tube expansion project that has been commissioned during the year and which will positively impact multiple facets of our business. Firstly, our installed seamless tube manufacturing capacity has increased from 155,000 MT per annum to 475,000 MT per annum. Secondly, our costs of producing various products within the seamless tube segment will reduce. Thirdly, as a result of the cost reductions, various markets that were outside our competitive arena will now become addressable. The combination of these elements promises to make our business model very robust and to create a secure foundation for growth.

The commissioning of the Tube Expansion Project increases the size of the 'economically' addressable market available to the Company. As a result of substantially reduced production costs ISMT can now target the Powergen sector as well as specific segments of the OCTG, Bearing and Automotive sectors that were outside its grasp in previous years.

In addition to the above, the development of new products, which has seen substantial progress last year, has opened up new and sizeable markets to the Company within each industry segment. The exploitation of these markets present a great opportunity to ISMT in the coming years.

Threats

As elaborated above, the most significant threat faced by any seamless tube manufacturer today is the threat of Chinese dumping.

Your Company continues to actively lobby the Indian Government to take similar action to protect the domestic market from Chinese dumping. ISMT believes that there is a very strong and just cause for the levy of anti-dumping duty on Chinese seamless tubes coming into India.

SEGMENT / PRODUCT INFORMATION

Your Company is engaged in manufacturing Seamless Tubes and Engineering Steels. Seamless Tube accounted for 66% of ISMT's total external sales while Steel accounted for 34%. 59% of the steel produced was used to make tubes while 41% was sold to the external market.