

ANNUAL REPORT

2015-16

ISMT LIMITED

Solutions You Can Trust

History

1977- 1980

ISMT began life as 'The Indian Seamless Metal Tubes Limited'. Incorporated on 29th July 1977 as a public limited company, raised Rs. 45 lacs through Initial Public Offering and commenced production of Seamless Tubes in the year 1980 with an installed capacity of 15,000 MTPA.

1985

Seamless Tube manufacturing capacity increased to 30,000 MTPA.

1992

Seamless Tube manufacturing capacity further increased to 50,000 MTPA.

Promoted 'Indian Seamless Steels and Alloys Ltd.' (ISSAL) to produce Alloy Steel giving the Company better control over product quality as well as deliveries.

Successfully completed Public Issue of ISSAL which was hugely oversubscribed.

1993-1994

Rights issue of Rs. 28 Crore in the year 1993 followed by rights issue of Rs. 58 Crore.

Seamless Tubes & Technologies (India) Ltd, a group Company amalgamated with the Company.

'Indian Seamless Steels and Alloys Ltd.' (ISSAL) commenced commercial production of Steel Rounds.

1998

Steel manufacturing capacity at ISSAL increased to 190,000 MTPA.

1999

Merged into Kalyani Seamless Tubes Ltd., (KSTL), a competing Seamless Tube manufacturer with 90,000 MTPA capacity. The combined entity, which retained the name The Indian Seamless Metal Tubes Ltd., not only had a larger capacity (1,58,000 MTPA) but also a much wider size range (from 6 mm to 273 mm).

2004-2005

Steel manufacturing capacity at ISSAL increased from 190,000 MTPA to 250,000 MTPA.

'The Indian Seamless Metal Tubes Ltd.' and 'Indian Seamless Steels and Alloys Ltd.' merged to form 'ISMT Limited'.

Exports cross Rs. 100 Crore mark.

2006 - 2007

Raised USD 20 Million through Foreign Currency Convertible Bonds issue.

Acquired Structo Hydraulics AB (based in Storfors, Sweden), Europe's leading supplier of tubes and engineering products for the hydraulic cylinder industry.

2010

ISMT added a PQF Mill, increasing its tube making capacity to 465,000 MTPA.

Simultaneously, Steel making capacity was increased from 250,000 MTPA to 350,000 MTPA.

2011

Exports cross Rs. 500 Crore mark.

Redeemed Foreign currency convertible Bonds (FCCB's) amounting to USD 20 Million along with redemption premium.

2012

Commissioned 40 MW Captive Power Plant located at Chandrapur district (Maharashtra).

COMPANY INFORMATION

Board of Directors

S C Gupta	- Chairman
B R Taneja	- Managing Director
Rajiv Goel	- Whole-time Director & Chief Financial Officer
O P Kakkar	- Director
Deepa Mathur	- Director (w.e.f. August 10, 2015)
Shyam Powar	- Additional Director (w.e.f. November 13, 2015)
K K Rai	- Director (upto November 20, 2015)
J P Sureka	- Director
Ajit Ingle	- Nominee Director of IDBI Bank Limited

Company Secretary

Jaikishan Pahlani	- (w.e.f. February 13, 2016)
Nilesh Jain	- (upto November 30, 2015)

Auditors

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

Cost Auditors

M/s. Dhananjay V. Joshi & Associates, Cost Accountants
M/s. Parkhi Limaye & Co., Cost Accountants

Bankers

Indian Overseas Bank
Bank of Baroda
IDBI Bank Limited
Andhra Bank
Central Bank of India

Bank of India
Bank of Maharashtra
ICICI Bank Limited
State Bank of India
IKB Deutsche Industrie Bank AG

Registered Office

Lunkad Towers,
Viman Nagar, Pune - 411014
Tel: +91-20-4143 4100/ 6602 4901
Fax: +91-20-26630779
E-mail ID: secretarial@ismt.co.in
Website: www.ismt.com
CIN: L27109PN1999PLC016417

Works

Tube - MIDC Industrial Area, **Ahmednagar** - 414111
MIDC Industrial Area, **Baramati** - 413133
Structo Hydraulics AB, Storfors, **Sweden**
Steel - Jejuri-Morgaon Road, **Jejuri** - 412303
Power - Village Kurla, Warora, **Chandrapur** - 422910

Registrar & Share Transfer Agent

Karvy Computershare Private Limited

PHYSICAL SUMMARY

(Tonnes Per Annum)

A. TUBE DIVISION										
Particulars	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Production	72854	113982	147180	138571	185976	167187	135782	145429	162276	161181
Sales	74624	115910	145052	141980	183194	165662	132156	144242	159062	163315
Captive	2807	4802	5007	13539	21553	19992	14652	16025	19150	17175
External	71817	111108	140045	128441	161641	145670	117504	128217	139912	146140
of which:										
- Domestic	60058	81074	107783	83695	104355	101499	92363	86422	101208	112833
- Exports	11759	30034	32262	44745	57286	44171	25141	41795	38704	33307

(Tonnes Per Annum)

B. STEEL DIVISION										
Particulars	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Production	123601	203932	244888	216319	268638	254070	231395	202392	237914	247351
Sales	122638	208054	246410	214796	267296	256347	227866	201601	244684	245096
Captive	41567	116910	165222	137255	157913	148990	133976	145394	157862	160985
External	81071	91144	81189	77541	109383	107357	93890	56207	86822	84111
of which:										
- Domestic	81052	90938	80995	77497	108975	107174	93390	55865	86320	83510
- Exports	19	206	194	44	408	183	500	342	502	601

KEY PARAMETERS

Rs. in Crore										
Particulars	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Operations :										
Gross Sales	1,331	2,320	2,563	2,513	2,981	2,553	1,914	2,308	2,051	2,049
Net Sales	968	1,463	1,495	1,511	1,879	1,602	1,185	1,285	1,180	1,190
- Tube Sales	566	979	1,072	1,098	1,302	1,071	777	980	827	872
- Steel Sales	402	484	424	413	578	532	408	304	353	318
- Exports	110	282	291	412	501	328	176	354	247	225
- Imports	177	443	566	492	551	364	268	195	60	90
- Exports (% of Total Tube sales)	19.4%	28.8%	27.1%	37.5%	38.5%	30.7%	22.6%	36.1%	29.8%	25.9%
Raw Material (% of Net Sales)	54.6%	55.2%	50.0%	49.9%	51.1%	46.3%	42.3%	50.1%	48.3%	45.0%
Energy Cost (% of Net Sales)	19.6%	20.7%	21.3%	19.6%	18.3%	18.1%	18.1%	13.3%	14.7%	13.9%
Profitability :										
EBIDTA	34	46	103	179	265	275	218	251	226	269
- EBIDTA margin	3.4%	3.0%	6.5%	11.1%	13.5%	16.5%	18.1%	19.1%	18.6%	22.4%
Net Profit / (Loss)	(382)	(221)	(170)	(100)	29	75	75	56	100	130
- Net Profit / (Loss) Margin	-38.1%	-14.6%	-10.8%	-6.2%	1.5%	4.5%	6.2%	4.3%	8.3%	10.8%
Net worth	(64)	279	304	490	582	618	578	529	533	461
Finance :										
Total Debt	1,999	1,578	1,446	1,200	1,087	925	871	895	726	704
Term Debt	1,111	1,119	981	878	972	853	762	795	630	563
Total Finance Costs	280	226	184	153	121	91	79	82	67	76
- Total Finance Costs (% of Net Sales)	19.0%	15.5%	12.3%	10.1%	6.4%	5.7%	6.6%	6.4%	5.6%	6.4%
- Foreign Currency Debt (% Term Debt)	26.4%	38.2%	63.8%	85.2%	78.1%	61.6%	79.7%	78.2%	88.7%	58.4%
Net Block	1,524	1,577	1,340	1,388	1,427	1,361	1,223	1,148	1,021	810
General :										
Average Market Capitalization	118	230	151	317	500	766	636	467	1,289	1,154
Book Value (Rs. Per Share)	(4.35)	19.02	20.78	33.43	39.72	42.16	39.42	36.11	36.41	31.90

Directors' Report

To the Members of ISMT Limited

The Directors have pleasure in presenting the 18th Annual Report and Audited Financial Statements of the Company for the year ended March 31, 2016.

FINANCIAL HIGHLIGHTS

Rs. in Crore

Particulars	Financial Year	
	2015-16	2014-15
Gross Sales	1331.28	2320.15
Profit/ (Loss) before Finance Charges, Depreciation, Amortization & Tax (EBIDTA)	33.65	46.17
Cash Profit/ (Loss)	(300.99)	(250.70)
Gross Profit/ (Loss)	(246.47)	(180.17)
Profit/ (Loss) Before Tax	(372.82)	(220.99)
Taxation	(9.39)	-
Net Profit/ (Loss)	(382.21)	(220.99)
Add : Balance brought forward from Previous Year	(472.19)	(245.27)
Balance carried to Balance Sheet	(854.40)	(472.19)

DIVIDEND

Your Directors are unable to recommend a dividend for the year ended on March 31, 2016 in view of the loss.

RESERVES

No amount was proposed to be transferred to Reserves.

OPERATIONS

The already low production at both the Tube Plants and in the Steel Plant further suffered a large drop during the year on account of continuing cheap imports (mainly from China) and economic slowdown resulting in lower capacity utilization at all three plants.

MARKET

The markets of the Company continued to suffer from excess capacity. Further low priced imports and all time low oil prices led to steep drop in domestic and export markets.

FINANCE

The lenders of the Company had constituted a Joint Lenders Forum (JLF) and undertaken a Corrective Action Plan (CAP) for the Company during the year 2014-15, which could not be effective on account of steep decline in volumes during latter part of the year 2014-15 due to weak domestic / export demand and dumping of Chinese imports. The JLF on June 13, 2015 agreed in principle for restructuring the debt of the Company and initiated various steps as per JLF guidelines culminating into an agreed Restructuring Scheme on January 5, 2016. After Lead Bank's approval, the scheme will require approval of the Independent Evaluation Committee (IEC) before implementation by respective Banks.

REFERENCE TO BIFR

The net worth of the Company has been totally eroded by its accumulated losses as per the audited Financials (Standalone) for the year ended March 31, 2016. As such, the Company has become a Sick Industrial Company in terms of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). Consequently, the Board of Directors are statutorily required to file a Reference with the Board for Industrial and Financial Reconstruction (BIFR) in accordance with Section 15(1) and the other applicable provisions under SICA for determination of measures for revival of the Company. The Company is taking necessary steps to comply with the said provisions.

CAPTIVE POWER

The Company had appealed to Appellate Tribunal (APTEL) against MERC order which appeal has been dismissed by the APTEL. The Company's appeal against this order has already been admitted by the Supreme Court. The Company is yet to receive Rs. 39.53 Crore from Maharashtra State Electricity Distribution Company Limited (MSEDCL) towards excess energy charges paid on account of non-availability of banking facility.

SALE OF NON CORE ASSETS

The Company has been aggressively working for sale of its non core assets viz., Port and Power Project in Tamil Nadu and Captive Power Project in Chandrapur District, Maharashtra, for quite some time. Despite engaging Advisors and approaching all the likely prospects, the Company has not succeeded to find a buyer purely because of complete lack of investment appetite.

ANTI DUMPING DUTY

The Company along with Industry have been pursuing with Directorate General of Anti-Dumping & Allied Duties (DGAD) for imposition of Anti-Dumping Duty for last many months. Based on the recommendation of DGAD, Ministry of Finance vide its notification dated May 17, 2016 has imposed a provisional Anti-Dumping Duty on the imports of the seamless tubes and pipes originating in or exported from China. The Company is now pursuing imposition of the final Anti-Dumping Duty.

A unique feature of this provisional duty is that it has been imposed by way of reference price to make the duty really effective. Further, separate prices have been fixed for respective category of tubes.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Shyam Powar was appointed as an Additional Director on November 13, 2015 to hold office until conclusion of the ensuing Annual General Meeting. The term of office of Independent Directors Mr. S. C. Gupta and Ms. Deepa Mathur also ends at the conclusion of the ensuing Annual General Meeting. It is now proposed to appoint Mr. S. C. Gupta, Mr. Shyam Powar and Ms. Deepa Mathur as Independent Directors of the Company for a period of two years.

Mr. K. K. Rai, Independent Director of the Company has resigned w.e.f. November 20, 2015. The Board places on record its sincere appreciation of the services rendered by Mr. K. K. Rai during his tenure as Director of the Company.

In accordance with the provisions of the Companies Act, 2013 ('Act') and the Articles of Association of the Company, Mr. Rajiv

Directors' Report (Contd.)

Goel retires by rotation and being eligible, offers himself for re-appointment.

Mr. Rajiv Goel, whose term as a Whole-time Director expired on November 30, 2015, was re-appointed as a Whole-time Director designated as the Chief Financial Officer of the Company for the period from December 1, 2015 to September 30, 2016 subject to approval of the Members of the Company at the ensuing Annual General Meeting. Further, the Board of Directors has approved his re-appointment as a Whole-time Director of the Company for a further period of one year from October 1, 2016 subject to approval of the Members of the Company at the ensuing Annual General Meeting.

Mr. B.R. Taneja whose term as Managing Director of the Company is upto November 30, 2016, has been re-appointed as Managing Director of the Company for a period of two years w.e.f. December 1, 2016 subject to approval of the Members of the Company at the ensuing Annual General Meeting.

Seven (7) meetings of the Board of Directors were held during the year. Detailed information is given in the Corporate Governance Report.

The Independent Directors of the Company had given declaration pursuant to Section 149 (7) of the Act.

Performance evaluation of Independent Directors, Board, Committees and other individual Directors have been done by the Board of Directors.

The details of familiarisation Programme of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company www.ismt.com.

Mr. Nilesh Jain, Company Secretary, resigned from the services of the Company w.e.f. November 30, 2015. The Board has appointed Mr. Jaikishan Pahlani as Company Secretary of the Company w.e.f. February 13, 2016.

AUDITORS

Pursuant to Section 139 of the Companies Act, 2013 and the Rules framed thereunder, the members of the Company at the 16th Annual General Meeting (AGM) held on September 26, 2014, approved the appointment of M/s. P. G. Bhagwat and J. K. Shah & Co., as Joint Statutory Auditors of the Company to hold office for a period of 3 (three) consecutive years till the conclusion of 19th Annual General Meeting, subject to ratification of the re-appointment at every Annual General Meeting. Accordingly, members are requested to ratify their said appointment at the ensuing AGM.

In respect of the Qualified Opinion and Emphasis of Matter by the Auditors on the Standalone and Consolidated Financial Statements, it has been explained in the Notes forming part of said Financial Statements which are self-explanatory and therefore do not call for any further comments.

COST AUDITORS

Pursuant to Section 148 of Companies Act, 2013 read with The

Companies (Audit and Auditors) Rules, 2014, your Directors had, on recommendation of the Audit Committee, approved the appointment and remuneration of the following Cost Auditors for the Financial Year 2015-16:

- (i) M/s. Dhananjay V. Joshi & Associates and
- (ii) M/s. Parkhi Limaye & Co.

The payment of remuneration for FY 2015-16 to the aforesaid Cost Auditors is subject to ratification by the Members in the ensuing Annual General Meeting.

The Cost Audit Report for FY 2014-15 was filed within the prescribed time limit as per the Companies (Cost Records and Audit) Rules, 2014.

SUBSIDIARIES

As on date of this report, the Company continued to have eleven direct and indirect subsidiary companies. A report on the performance and financial position of each of the subsidiary companies is provided in the Financial Statements forming part of this Annual Report.

The Company has framed a Policy for determining Material Subsidiaries which is available on its website www.ismt.com.

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

RESEARCH & DEVELOPMENT

As part of the Company's overall strategy, throughout the year the Company remained focused on developing value added products for all its market segments including Energy, OCTG, Bearing, Auto and Mining Sectors. R & D activities also focused on process cost reductions. Details of the R&D activities undertaken are enumerated in Annexure attached to this Report.

MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE REPORT

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate section on Management Discussion and Analysis and Corporate Governance Report is forming part of this Report.

The Managing Director and CFO have certified to the Board with regard to the financial statements and other matters as required under regulation 17 (8) of the above Regulations.

Certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance is annexed to this Report.

EXTRACT OF ANNUAL RETURN

The extract of the Annual Return in Form MGT-9 is forming part of this Report as Annexure 'A'.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The information required under Section 134 (3)(m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 is forming part of this Report as Annexure 'B'.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, your Directors make the

Directors' Report (Contd.)

following statement:

- 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, 2016 and of the Loss 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, 2013 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;
- v) That the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- vi) That the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

NOMINATION AND REMUNERATION POLICY

The Nomination and Remuneration Policy of the Company on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters is available on the website of the Company www.ismt.com

The criteria for performance evaluation as laid down by Nomination and Remuneration Committee has been defined in the Nomination and Remuneration Policy.

Details pertaining to remuneration of Directors and employees required under Section 197(12) of the Companies Act, 2013 read with Rules framed thereunder are forming part of this Report as Annexure 'C'.

SECRETARIAL AUDIT REPORT

Pursuant to Section 204 of the Act and Rules made thereunder the Board has appointed M/s. MRM Associates, Company Secretaries in Practice as Secretarial Auditors to undertake the Secretarial Audit of the Company for the financial year ended March 31, 2016. The Report of the Secretarial Auditors in Form MR-3 is forming part of this Report as Annexure 'D'.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Particulars of Loans, Guarantees and Investments covered under Section 186 of the Act has been mentioned in the Notes to the Financial Statements forming part of this Annual Report.

RISK MANAGEMENT

The Company has constituted a Risk Management Committee to address organization wide risks including credit, security, property, regulatory and other risks. The Committee is assisting the Board in ensuring that there is adequate risk management policy in place capable of addressing those risks.

INTERNAL FINANCIAL CONTROLS

The existing internal financial control systems are being further

enlarged and strengthened to meet the requirements in terms of the new Guidelines.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pursuant to Section 135 of the Companies Act, 2013 a CSR Committee constituted by the Board of Directors consists of three Directors including one Independent Director.

In view of losses during three immediately preceding financial years, the Company was not required to spend on CSR activities in the year 2015-16.

AUDIT COMMITTEE AND VIGIL MECHANISM

Pursuant to Section 177 of the Companies Act, 2013 an Audit Committee constituted by the Board of Directors consists of three directors with independent directors forming a majority.

The Whistle Blower Policy/ Vigil Mechanism of the Company was established by the Board of Directors and is available on the website of the Company www.ismt.com.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which were either not on an arm's length or not in the ordinary course of business and further could be considered material in accordance with the policy of the Company on materiality of related party transactions.

Hence, there is no information to be provided in Form AOC-2 while the particulars of all Related Party Transactions in terms of AS-18 are forming part of the financial statements.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website www.ismt.com

GENERAL

1. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
2. Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their 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
August 10, 2016

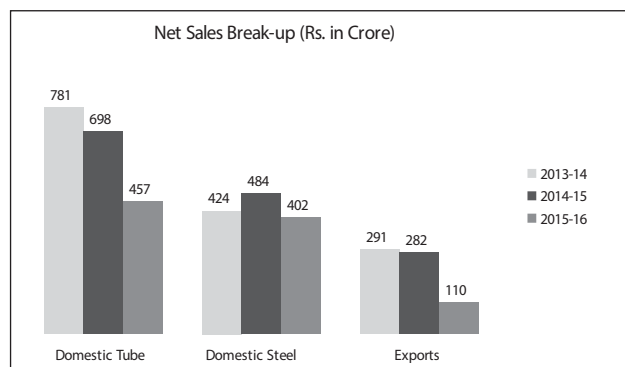
S C Gupta
Chairman

Management Discussion and Analysis

There was further steep drop in demand during the year for both domestic and export segments. The economy did not revive and oil prices stayed all time low during the year. This was further aggravated by continued imports from China.

Company Performance:

Total Revenue	: Rs. 1003.76 Crore
EBDITA	: Rs. 33.65 Crore
Profit/ (Loss) after Tax	: Rs. (382.21) Crore



The Steel sales volumes dropped by 17%. There was also a drop in Seamless Tube volumes by 35% over previous year. Export sales during the year also saw a steep drop by 61% over previous year.

Rs. in Crore			
Particulars	2015-16	2014-15	% Change
Net Sales	968	1463	(34%)
Domestic			
- Tube	456	697	(35%)
- Steel	402	484	(17%)
Tube Exports	110	282	(61%)

INDUSTRY STRUCTURE AND DEVELOPMENTS

Seamless Tubes Industry

Seamless Tube is a capital intensive industry and deploys high end technology. While the industry competes with other types of pipes and tubes in certain applications, it clearly is a preferred choice when it comes to better surface finish, machine-ability, strength to weight ratio and longer life. Seamless Tubes find applications in Oil and Gas exploration industry, Power Sector, Automotive, Construction Equipment, Bearing, Material handling equipments, Structural Components and host of other Mechanical applications. The seamless Tube consumption is largely dependent on economic developments and with expected long term economic growth, the Company is assured of a secular market in future.

The domestic Boiler and Mining sectors which looked promising for the seamless tubes industry, few years back, failed to pick up due to lack of investments. There has, however, been an up tick in Auto Industry off-take. The Oil Exploration sector globally is

the largest market for Seamless Tubes. Oil prices continued to be below USD 50 per barrel in most of the year resulting in drastic cut back in further exploration activity in United States and other parts of the world and export demand for Seamless Tubes was negligible.

Anti Dumping

Though the absolute volume of exports came down on account of falling demand, China continued to account for bulk of this imports and nearly half of the domestic market. The volume injuries further compounded by import of Seamless Tubes at very low prices and many cases below their cost of production leading to further drop in market prices and all round losses for the industry.

The Domestic Industry has already lost several opportunities in the form of tenders floated by PSUs / other private projects in the fields of oil exploration, etc. to China exporters. It is likely that similarly further opportunities may be lost to imports from China increasing the losses suffered by the Domestic Industry.

The table gives details of imports and domestic demand for last 4 years:

(Tonnes)				
Particulars	2014*	2013-14	2012-13	2011-12
Total Imports	292,548	352,804	375,581	439,409
Imports from China	247,131	291,002	259,758	325,865
% of Chinese Imports to Total Imports	84.5%	82.5%	69.2%	74.2%
Total Domestic Demand	476,730	564,729	605,947	748,101
% of Chinese Share to Total Domestic Demand	51.8%	51.5%	42.9%	43.6%

* January 2014 to December 2014

Steel Industry

ISMT is predominantly engaged in the manufacturing of specialty alloy and bearing Steel. The end user segments are largely Bearing, Automotive, Engineering and Forging Customers apart from some customers requiring steel for specialized application. The raw material prices have shown a reducing trend in the later part of the year, however the forex volatility has impacted the prices of imported raw material in the short term.

ISMT has Steel Plant which uses the Electric arc furnace technology to produce high quality Steel.

Captive Power Plant

The operations of the Captive Power Plant remained suspended during the year due to denial of Energy Banking by MSEDCL and non-availability of Coal Linkage. The low and irregular production of Steel and Seamless Tubes also prevented the Power

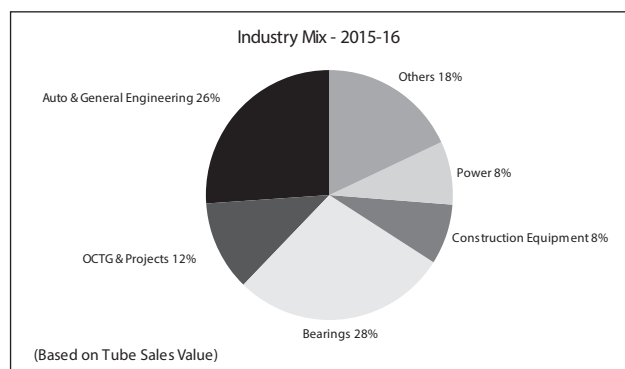
Management Discussion and Analysis (Contd.)

Plant being run on sustained basis.

MARKET

ISMT is a diversified value added Seamless Tube supplier catering to following major industries:

- | | |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| a. Oil and gas | : As casings & Tubings during oil/gas exploration. |
| b. Power | : In Boilers & Heat Exchangers |
| c. Construction Equipment | : In mining and earth moving equipments |
| d. Automotive & General Engineering | : Applications in two wheeler to four wheeler as front forks, axel, Steeling columns, Air bag system etc. |
| e. Bearings | : Inner and outer races of Bearings |
| f. Others | : In greenfield projects for fluid transportation, Construction of Stadiums and airports, gas cylinders, crane booms etc. |



Your Company continues to be a leading supplier of value added Seamless Tubes to Bearing Industry both in the domestic and international market where the share in total tube sales increased to 28% in current year from 23% in FY 2014-15 and 19% in FY 2013-14. Similarly sales to Auto & General Engineering increased by 6% as compared to previous year. Drop in international oil prices affected sales to oil and gas sector and the same dropped by 4% over previous year. Delay in implementation of power and infrastructure projects resulted in drop in sales by 2% for both, Power and Construction Equipment Industry as compared to previous year.

OPPORTUNITIES & THREATS

Opportunities

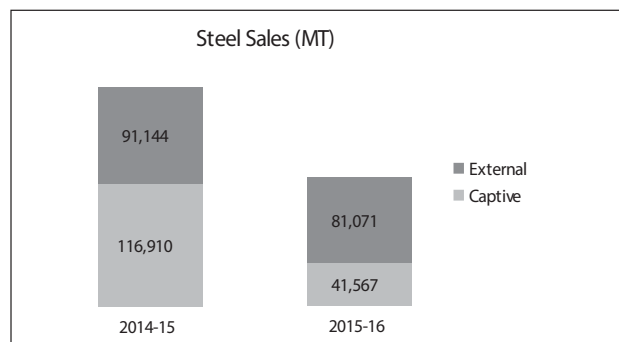
The imposition of provisional Anti-Dumping Duty by way of reference prices will in the short run create additional demand and also reduce pressure on exports. However, the domestic investment climate and demand will have to improve to sustain this on long term basis.

Threats

The underutilised capacity due to lack of demand and increasing imports in the domestic Seamless Tube market continue to pose the biggest threat. Denial of energy banking has already impacted the viability of the Captive Power Plant.

SEGMENT-WISE / PRODUCT-WISE PERFORMANCE

Your Company is engaged in manufacturing Seamless Tubes and Engineering Steels. Seamless Tube accounted for 58% of ISMT's total external sales value while Steel accounted for the balance 42%. Captive consumption of steel decreased to 34% against 56% last year on back of lower seamless tube production.



As a result of further weakening of domestic demand scenario & dumping of seamless tubes (mainly from China) the domestic seamless tube sales dropped by 35% over previous year. Domestic steel sales too dropped during the year due to weak demand. Exports sales volumes were substantially affected and dropped drastically due to weak global economic scenario, drop in international oil prices and anti dumping duty by United States.

