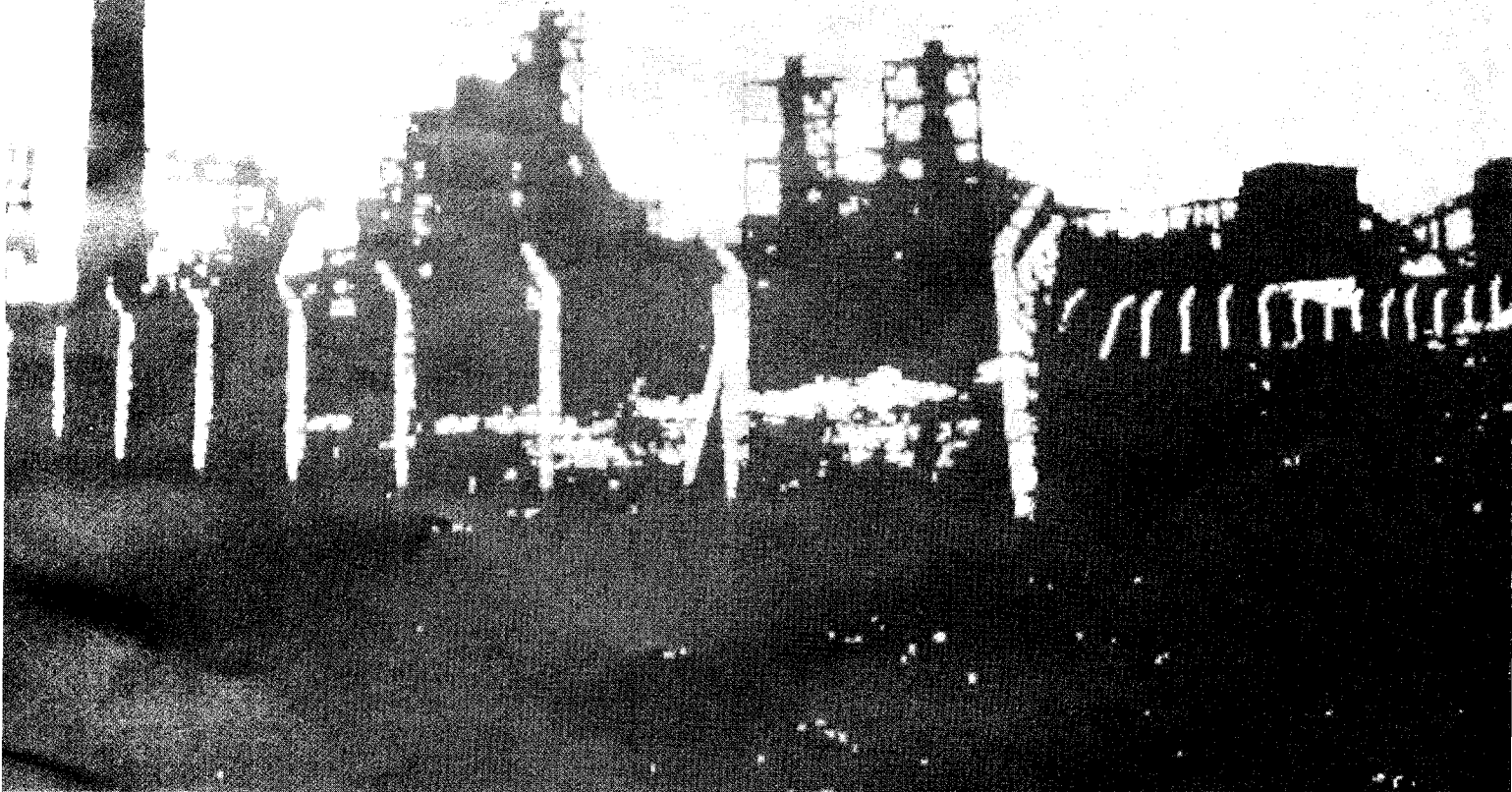
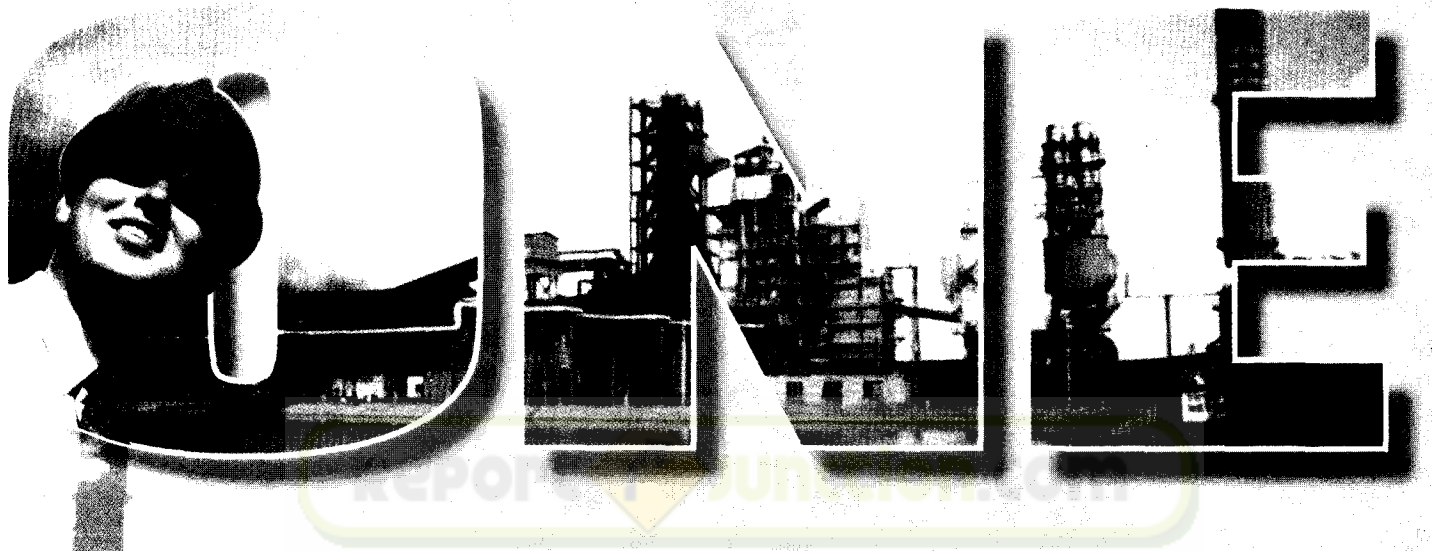


The Power of



Consolidating competencies to rise up the value chain.

It's a coming together of strategy and passion, of planning and foresight, of present capacities and future potential.

The merger of Monnet Power Limited with Monnet Ispat Limited will cover the complete range of steel making – Sponge Iron, Steel & Coal Mining added to Power & Ferro Alloys.

As Monnet rises on the value chain, it opens up a whole world of possibilities...

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Exec. Vice- Chairman & Managing Director's Message

“Even more than competing in the marketplace, we are constantly challenging our own limits.”

Dear shareholder,

At Monnet Ispat, we are driven by the belief that the real race for excellence is the one that you run against yourself. And therefore, even more than competing in the marketplace, we are constantly challenging our own limits.

Having pursued 'total integration' as a sacrosanct policy since inception, I am pleased to report that your company has made visible progress towards this direction in the year gone by. The integration of Monnet Power with the parent company is an emphatic case in point.

Taking cognisance of last year's performance, the striking feature has been a significant rise in the company's market capitalization, a result of both cost rationalisation and reduction attributed to integration of the operations and enhancement of capacities- the very basis of our business strategy. This augurs well for our mission to constantly strive towards enhancing stakeholders' value.

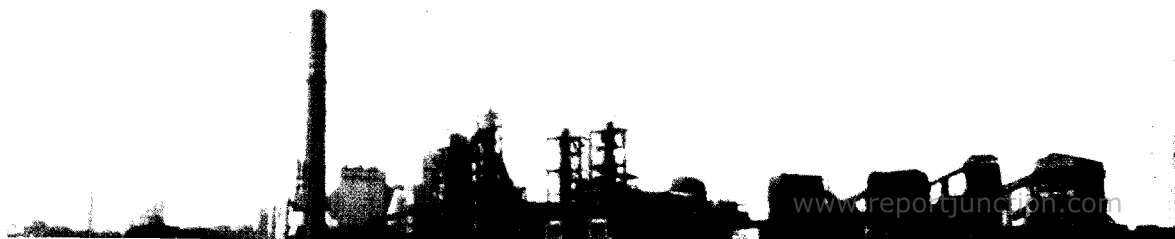
Today, we stand on the threshold of a brilliant future, focused on the mission to be a globally competitive, fully integrated Sponge Iron and Steel maker with total control over the entire input value chain that impacts our current and future product lines. The information contained in this annual report will update you on what those initiatives are.

I conclude my note with the firm assurance that your company will consciously pursue quality and cost leadership in order to continuously exceed your expectations.

Warm regards,

Sandeep Jajodia

Exec. Vice- Chairman & Managing Director



Our Vision

- ▶ **To achieve holistic leadership in terms of cost, quality and customer satisfaction in a systematic & planned manner.**
- ▶ **A symbol of corporate excellence with strong focus for benefitting stakeholders and society at large.**

Our Mission

- ▶ **To achieve total integration in operations with global cost & quality standards with the use of latest technology and to be perceived as the "preferred" choice of our customers.**
- ▶ **To build a team of motivated and dedicated workforce, with high work ethos.**
- ▶ **To strive to emerge as an ideal corporate citizen.**

Spreading wings towards new horizons...



The last one year has been a period of major strategic developments and realization of the benefits of earlier initiatives towards integration. With the merger of Monnet Power with the parent company, the Group has leveraged the tremendous power of one- one vision, one mission: leadership through integration.

The coal mining at Raigarh is at an advanced stage and the company would start consuming the captive coal fully by January, 2005. As the market prices and transportation costs of coal continue to rise, this strategic move is expected to result in spectacular cost savings.

At Raigarh, the destination for future mega- expansion, development is on an

overdrive! The implementation of first phase of 0.5 Million TPA of Sponge Iron project has started and is scheduled to be completed by 31.12.2005.

With these initiatives Monnet Ispat is on course to emerge as one of the most competitive players on the national and global scenario.



B o a r d o f D i r e c t o r s

Board of Directors

Shri M.S. Gujral

Chairman

Shri P.L. Nene

Director

Shri G.C. Mrig

Director

Shri Ajay Relan

Director

Shri Hari Pandey

Director

Shri Sandeep Jajodia

Exec. Vice-Chairman
& Managing Director**Bankers**

Punjab National Bank

State Bank of India

State Bank of Patiala

State Bank of Bikaner & Jaipur

Registered Office & WorksMonnet Marg, Mandir Hasaud,
Raipur - 492101 (Chhattisgarh)**Auditors**M/s. O.P. Bagla & Co.
New Delhi**Corporate office**Mohta Building, 3rd Floor,
4, Bhikaji Cama Place,
New Delhi-110066**Shares Listed with Exchange**


National Stock Exchange of India Ltd.

The Stock Exchange Mumbai

Madhya Pradesh Stock Exchange

The Calcutta Stock Exchange
Association Ltd.

D i r e c t o r s ' R e p o r t



Directors' Report

TO THE MEMBERS

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

[Rs. in Lacs]

	2003-2004	2002-2003
Sales (Net of Excise) & Other Income	31272.15	19346.92
Profit before depreciation	5915.29	2373.74
Depreciation	941.92	554.35
Profit for the year	4973.37	1819.38
Provision for taxation	493.00	144.00
Provision for deferred taxation	1646.84	167.69
Income tax adjustment	18.95	7.22
Profit after taxation	2814.58	1500.48
Cash Profit	5403.34	2222.52
Profit brought forward from previous year	3322.09	2179.24
Profit available for appropriation	6136.67	3679.72
Dividend 25% (2002-2003 - 12%)	500.83	229.00
Tax on Dividend	64.18	28.62
Transfer to General Reserve	500.00	100.00
Surplus carried to Balance Sheet	5071.65	3322.09

AMALGAMATION OF MONNET POWER LTD. WITH MONNET ISPAT LTD.

Consequent to the approval of merger of Monnet Power Ltd. with Monnet Ispat Ltd. by the Board of Directors of both the Companies, the Scheme of Amalgamation was filed with the Hon'ble High Court of Chhattisgarh at Bilaspur. The Scheme was subsequently approved by the shareholders and creditors as per the directions of the Court. The Hon'ble High Court finally approved the scheme in its hearing on 24th September, 2004. Thus, the merger of Monnet Power Ltd. with Monnet Ispat Limited is formalized w.e.f. 1st January, 2004. The copy of the order of the Court has been filed with the Registrar of Companies, Madhya Pradesh & Chhattisgarh and formalities for giving effect to the merger is in process.

ISSUE OF SHARES ON PREFERENTIAL BASIS

The Company, in the Extra-ordinary General Meeting held on 29th May, 2004, had obtained the permission of its shareholders under Section 81 (1A) of the Companies Act, 1956, for allotment of 3527373 equity shares of Rs. 10/- each at premium of Rs. 90/- per share on preferential basis to Citicorp International Finance Corporation. Subsequently, the Company has made allotment of 3527353 equity shares on 3rd June, 2004.

D i r e c t o r s ' R e p o r t

ISSUE OF WARRANTS

The Company, in the Extra-ordinary General Meeting held on 29th May, 2004, had obtained the permission of its shareholders under Section 81 (1A) of the Companies Act, 1956, for allotment on preferential basis to the promoters of the Company of 2000000 warrants of Rs. 120/- each convertible into an equal number of equity shares of Rs. 10/- each fully paid-up. Subsequently, the Company has made allotment of 2000000 warrants on 3rd June, 2004.

PROJECTS COMPLETED

During the year 2003-04, the company has completed the expansion in the sponge iron capacity from 2,30,000 TPA to 3,00,000 TPA. The capacity of the steel has also been raised from 67,000 TPA to 3,00,000 TPA during the year. The expanded capacities came into operations from 3rd quarter of the year under review.

Besides, Monnet Power Ltd., merged with Monnet Ispat Ltd. since 01.01.2004, also completed expansion in Power from 7.5 MW to 45 MW and Ferro Alloys from 12000 TPA to 36000 TPA.

OPERATIONAL REVIEW

Since major capacity addition in Sponge Iron, Steel, Power and Ferro Alloys were completed in 3rd quarter of the financial year 2004, as such were in operation fully only for the last quarter in the previous year.

During the year under review, your Company produced 204248 MT of Sponge Iron and 70682 MT of M.S. Products as against production of 195141 MT of Sponge Iron and 62863 MT of M.S. Products in the immediately preceding year.

The production of Ferro Alloys is 9098 MT and of Power was 58295161 KW. These figures pertain to three months period of Jan. 2004 to March, 2004 since these divisions were part of Monnet Power Ltd. before its merger w.e.f. 1-1-2004.

PROJECTS UNDER IMPLEMENTATION

Your company has started the proposed implementation of the expansion of sponge iron capacity at Raigarh, Chhattisgarh, close to the coalmine of the Company. The financial closure of the project has already been achieved. The Company has received the approval for allotment of the land from the Government and the physical mobilization at the site is being commenced. The project is likely to start



D i r e c t o r s ' R e p o r t



the operation from the last quarter of the fiscal 2005-06. This new project is located in close proximity to the coalmine at Raigarh. The expanded facility will also have the advantage of being closer to the sources of raw materials and the eastern markets, which is intended to be exploited after the commercial operations of the plant. Apart from the savings from the coal through captive sources, the company will have significant savings in the inward freight of both coal as well as iron ore. The expansion in the capacity will establish the position of the company as the 2nd largest coal based producer of sponge iron in the industry.

The company has completed the 1st phase of expansion, which incidentally completed the integration of the operations in line with the basic business strategy of the Company to integrate the operations from raw material to finished goods. However, the Company is yet to tie-up for the Iron Ore Mine. The company is quite active for the identification and acquisition of iron ore mines, which is



currently the only missing link in the total value chain of integration of the operations of the company. The company has made significant progress in the process of these acquisitions and expects to formally close the acquisition in the current financial year.

The expanded operations are running successfully which is visible as per the performance achieved by the company in the first six months of the current financial year. The company is

D i r e c t o r s ' R e p o r t



now consolidating the capacity of sponge iron by undertaking the expansion so as to raise the capacity from 3,00,000 TPA to 0.80 million TPA.

DIVIDEND

The Board of Directors, in its meeting held on 20th October, 2003, declared an interim dividend of 15% and in its meeting held on 17th April, 2004, declared another interim dividend of 10% which have been paid to the shareholders. Your directors recommend that interim dividends paid may be treated as final dividend for the financial 2003-04.

DEPOSITORY SYSTEM

As on 31st March, 2004, about 88.97 % of the shares of your Company have been dematerialized. Since the Securities and Exchange Board of India (SEBI) has made trading in the Company's shares mandatorily in dematerialized form, those members who are still holding their shares in physical form are advised to dematerialize their shareholding.

LISTING**Listing on National Stock Exchange**

Your directors are pleased to announce that for the benefit of its shareholders and investing public, Company had sought listing on The National Stock Exchange. Subsequent to Company's application, The National Stock Exchange, vide its letter No. NSE/LIST/3120-L dated June 10, 2004 has granted listing.

Listing of Preferential Issues

- a) Listing and Trading approval in respect of 950000 equity shares allotted to the promoters on 15-9-2003 on preferential basis was granted by Madhya Pradesh Stock Exchange vide its letter No. MPSE/141/05/2004 dated 31st May, 2004, and The Stock Exchange, Mumbai vide its letter No. List/sg/sm/sum/2004 dated 29th May, 2004.
- b) Listing and Trading approval in respect of 3527353 equity shares allotted to Citicorp International Finance Corporation on preferential basis was granted by Madhya Pradesh Stock Exchange vide