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More capacity

More dimensions

More value

Meet the new Monnet

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From Iron ore to Sponge Iron to Steel.

From Steel to Power to Coal Mining.

From forward to backward integration.

And soon, from a power consumer
to a power supplier!

Indeed, the well strategised and multi dimensional growth of the Monnet Group towards infrastructure and energy sectors has helped it emerge as an entirely new entity, with a 'steel-solid' business model contributing to nation building.

A transformation, that definitely merits the creation of a special symbol of solidity.

The new Monnet symbol. The epitome of solid commitment to excellence.

Executive Vice Chairman and Managing Director's Message

Dear shareholder,

The plans and strategies chalked out by your company, focusing on integration and scalability of operations, has taken concrete shape. We draw satisfaction from the fact that today your company is set to be the second largest integrated sponge iron producer in the country.

When we started many years ago, we strongly believed that the key to profitability was in achieving economies of scale. Using indigenous technology with systematic backward and forward integration, your company developed a unique business model that has proved its effectiveness time and again.

The increased contribution of coal mining activity and power business necessitated the inclusion of the word 'Energy' to the existing name of the company reflecting the wider gamut of activities under the Monnet umbrella. Yet, this is a small initiative with a very big agenda, starting from the setting up of a full-fledged IPP Power plant in Orissa.

Your Company is also aiming to capitalize on the growth of the infrastructure sector by venturing into the manufacture of metallic structures with wide applications, by joining hands with a foreign collaborator. At the same time, your company will be integrating the said operations with the grade, specification and types of steel proposed to be produced at Raigarh.

I'm certain you will find your association with Monnet enriching in more ways than one.

Sandeep Jajodia



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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.

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Corporate Update

Raising the benchmark of excellence

At Monnet Ispat and Energy Limited, the magic of synergy is transforming our business model in more ways than one. Emerging as an integrated steel major with the additional power to light up India, Monnet is on a spectacular growth path.

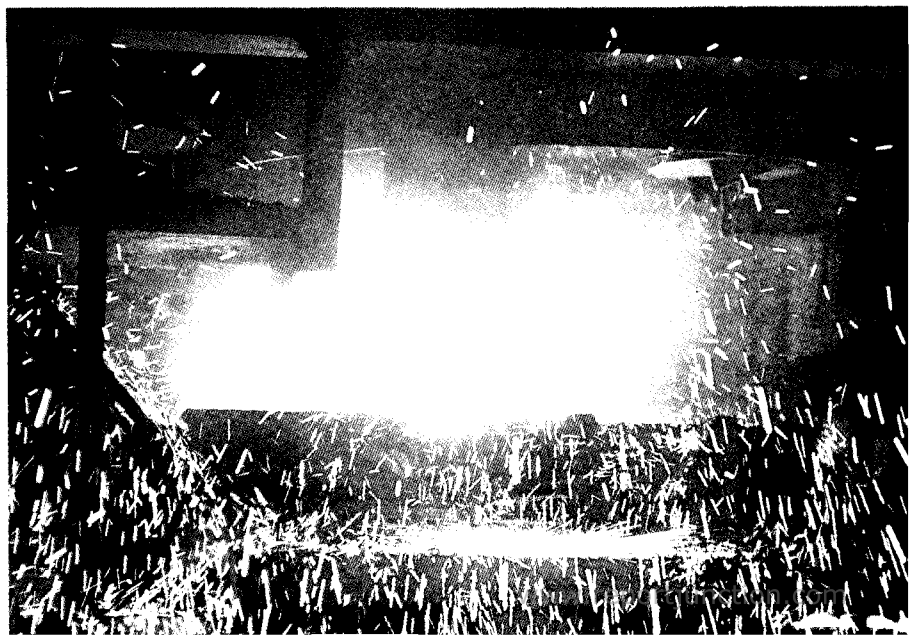
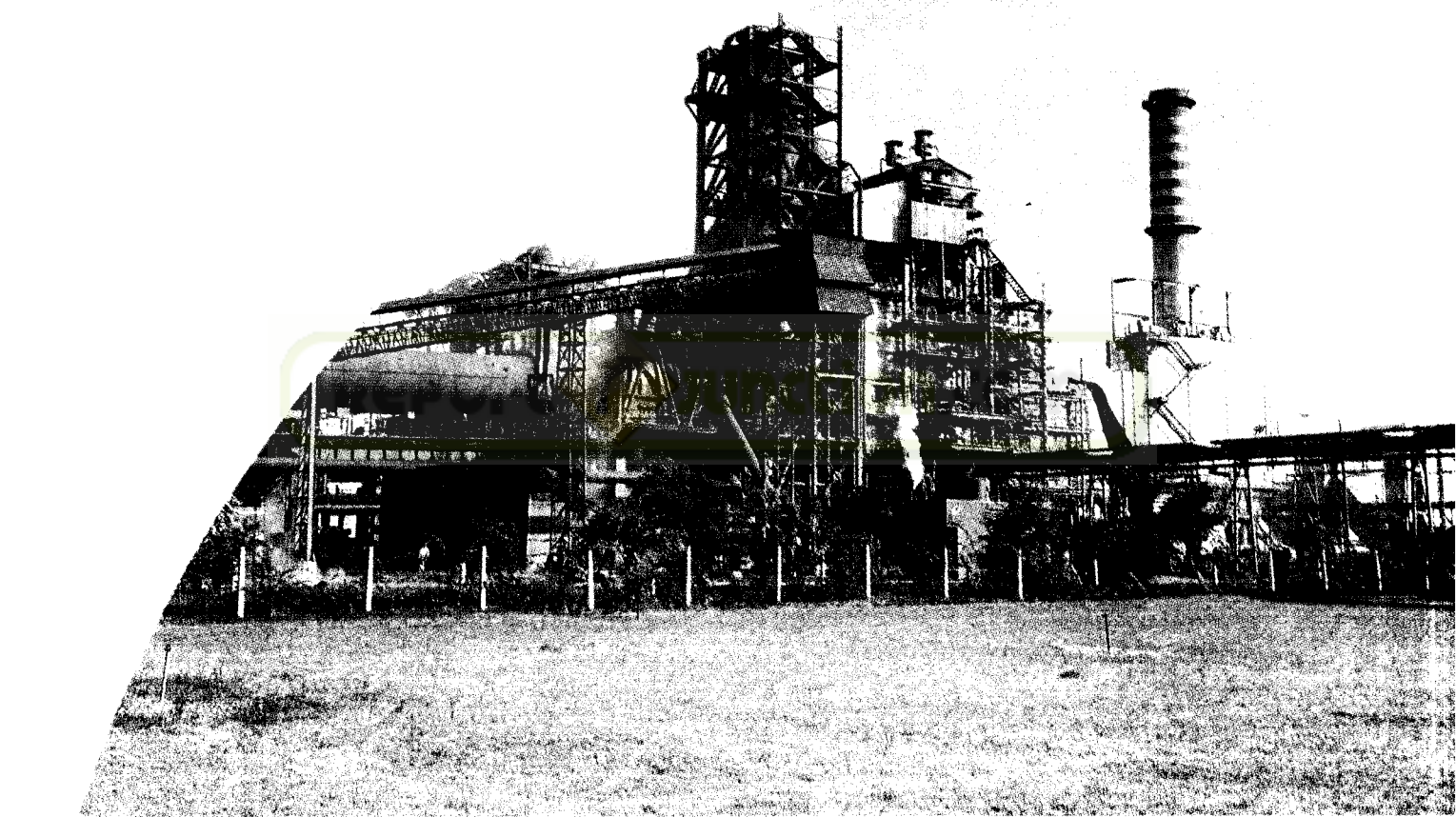
More capacity

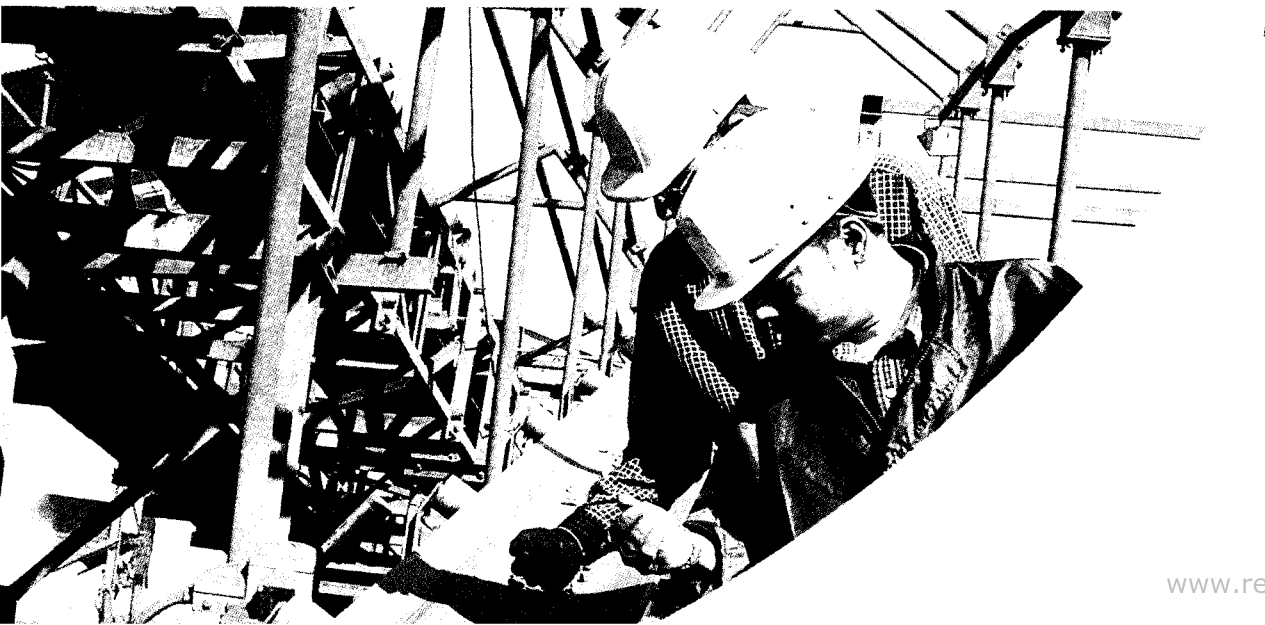
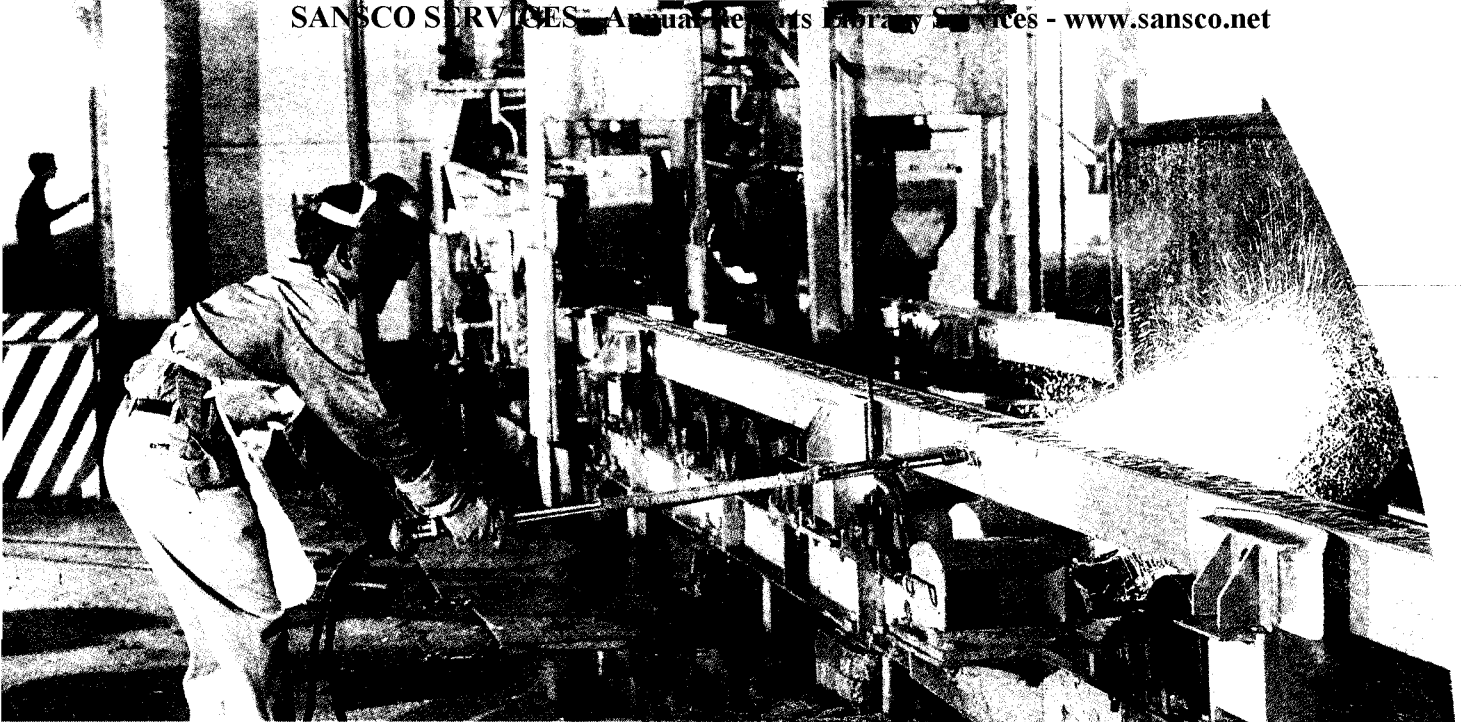
Starting in 1994 with 1 lac TPA Sponge Iron Plant at Raipur in Chhattisgarh, Monnet is evolving into an integrated steel major with a 1 million tonne capacity steel complex coming up in Raigarh. The project will have a capacity of 0.5 million TPA Sponge Iron, 1 million TPA of Steel and 90 MW of Power. This will make Monnet the second largest coal based Sponge Iron player in the country. The Sponge Iron and Power capacities are materializing in the current financial year.

In the process of achieving unprecedented economies of scale, Monnet has truly perfected its business model with its emphasis on forward and backward integration. Today, with well-honed competencies on everything ranging from captive coal mining and power to the production of sponge iron, steel and ferro alloys, the company is moving ahead on 'fast forward' mode.

More dimensions

From Iron ore to Sponge Iron to steel. From Steel to Power to Coal Mining. From Backward to Forward Integration. And soon, from a Power Consumer to Power Supplier. At Monnet, Energy in a much larger dimension would be the new portfolio, shaping up in the form of the first IPP at Orissa. This would be the beginning of a long journey in this sector. Besides, the company will continue with its basic business philosophy of integrated approach to operations by setting up a steel facility at Raigarh which will cater and become the input for metallic structures being set up





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in joint venture with an Italian Company. This strategic move will enable Monnet to capture the benefits of the infrastructure sector.

Monnet has recently entered into a technical collaboration with Italian firm Scandiuzzi SRL to set up a steel engineering and fabrication facility in Haldia. The plant, which will produce critical infrastructure material such as railway bridges, transmission towers and port cranes, aims to tap a huge export market.

More Value

Through an integrated set of operations, working on economies of scale and upping the value chain to engineering products, Monnet is constantly creating an enduring value for all stakeholders. By making the most of its expertise in steel making, Monnet is also contributing to the infrastructure sector.

Monnet's value creation is not only directed to monetized objectives but to society as well. To that extent, Monnet's environment policy envisages the highest quality standards for safe effluent emission. Every project leads to overall development of the plant area and its residents.

Every day, as it develops on its core strengths, Monnet successfully moves up the value chain.

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Directors' Report

TO THE MEMBERS

Your Directors have pleasure in presenting the Sixteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS

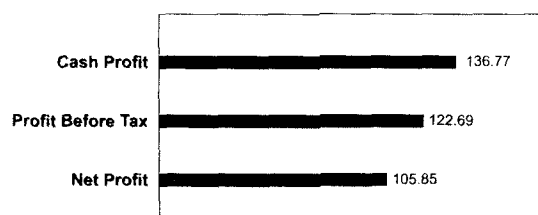
[Rs. in Crore]

	2005-2006	2004-2005
Sales (Net of Excise) & Other Income	542.04	521.95
Profit before depreciation	147.57	153.78
Depreciation	24.88	21.61
Profit for the year	122.69	132.18
Provision for taxation	10.13	10.37
Provision for deferred taxation	6.03	0.00
Provision for FBT	0.36	0.00
Income Tax Adjustment	(0.31)	0.34
Profit after taxation	105.85	121.81
Cash Profit	136.77	143.77
Profit brought forward from previous year	140.13	50.71
Profit available for appropriation	245.98	172.86
Dividend 45% (2004-2005 - 60%)	14.60	16.91
Tax on Dividend	2.05	2.32
Transfer to General Reserve	10.60	13.50
Surplus carried to Balance Sheet	218.74	140.13

CHANGES IN SHARE CAPITAL DURING THE YEAR

ISSUE OF SHARES UPON 2ND TRANCHE OF CONVERSION OF WARRANTS

- The Company had allotted 2000000 warrants to the promoters on preferential basis on 3rd June, 2004 out of which 50% were converted on 31st March, 2005 and Balance 50% were to be converted on or before 2nd December, 2005. Accordingly, the Company had converted 1000000 warrants into equal number of equity shares on 30th November 2005. In respect of these shares the Company has obtained listing and trading approvals from the Stock Exchanges.



2. ISSUE OF SHARES UPON EXERCISE OF CONVERSION OPTION BY FCCB HOLDERS

The Company had received request for conversion of FCCBs amounting to USD 10 Million into equity shares of the Company out of the total FCCB outstanding of USD 120 Million in the month of April, 2006. These shares were converted at a price of Rs.236.944 per Share with the fixed exchange rate of Rs.43.68 = 1 USD.