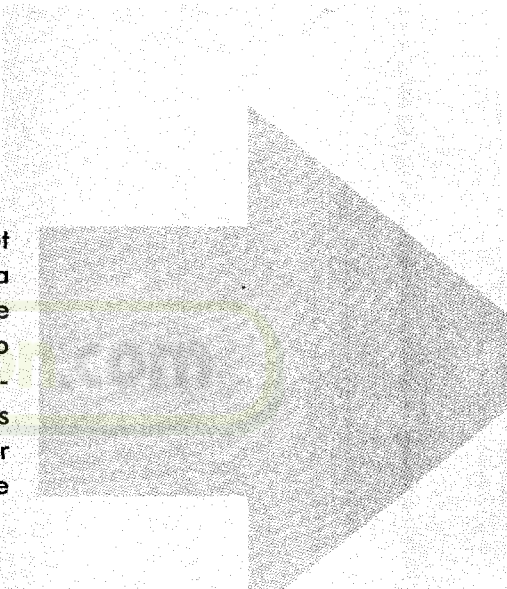


Enterprise without limits ...



MONNET ISPAT & ENERGY LIMITED

ANNUAL REPORT 2006-07



Being the second largest coal based integrated sponge iron producer is not enough. Achieving phenomenal economies of scale is not enough. To be a leader in our chosen sphere of expertise is not enough. At Monnet, we believe in enterprise without limits! From Sponge Iron to Steel, from Ferro Alloys to Coal Mining, from a power consumer to a power supplier - Monnet has a significant presence in every activity it undertakes, thanks largely to its successful forward and backward integration. We believe our breadth of vision takes us beyond the ordinary, pushing us to explore limitless frontiers of enterprise.

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.

Executive Vice-Chairman & Managing Director's Message

Dear Shareholder,

I believe success is the ability to constantly do better, what you do best. Achievement isn't a goal; it is always a starting point for the next leap.

At Monnet, we thrive in developing and expanding upon our core competence - of steel making. To that end, our existing plant in Raipur and the 1 MT integrated steel complex coming up in Raigarh are proceeding as per the growth blueprint. The activities at our Sponge Iron Plant at Raigarh and soon-to-be-operational Power Plant will catapult the company to cross the Rs.1000 crore turnover mark in the coming financial year. This will translate into rewarding times ahead for all those associated with the company.

The Company's proven expertise in the field of Power Generation is now being further leveraged under the banner of your Company's subsidiary, Monnet Power Company Limited at Angul, Orissa where a 1005 MW Integrated Power Plant is being set up.

As your Company goes about the business of creating enduring value for all stakeholders, it is apparent that the "will to achieve, and win" continues to remain the main driver of its success.

Sandeep Jajodia



Report  Junction

Corporate Update

Taking every milestone as a footstep ahead

What next? The next peak. The next destination. The next venture.

That is the spirit with which each new project at Monnet has been set up. Improving, improvising and innovating with every new project, Monnet has honed its core competencies in the field of Steel making. From Iron Ore to Sponge Iron to Steel. From Steel to Power to Coal Mining. Monnet has emerged as an integrated steel major and today ranks as the country's second largest producer of Sponge Iron through the coal route.

Emerging as an integrated Steel Major

With steely resolve and iron will, Monnet has put its expansion plans in fast forward mode.

The Company's initiatives at Raigarh, where the company is putting up the 1 MT Integrated Steel Complex have begun to yield results. The 5 lakh tonne Sponge Iron Plant is already operational and the 90 MW Power Plant will shortly go on stream. This initiative will catapult the Company to cross the Rs. 1000 crore turnover mark in the coming financial year. The 1 MT Steel Plant which is expected to become operational in the coming year would place Monnet at a much higher pedestal - resulting in rewarding times ahead for all those associated with the Company.

Adding 'Power' to the Portfolio

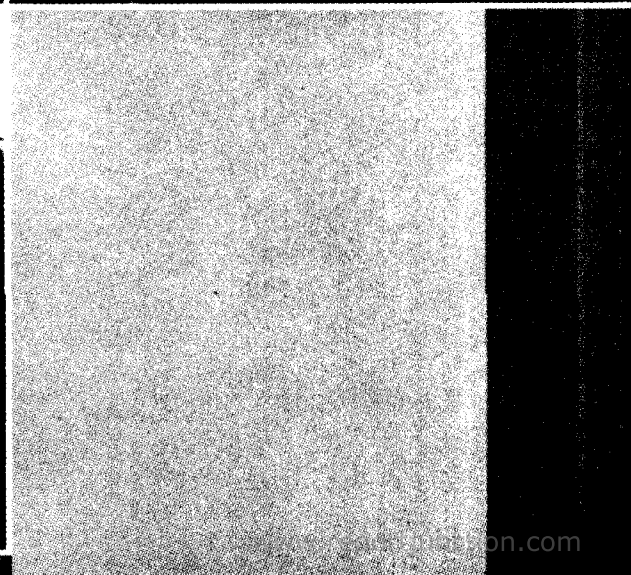
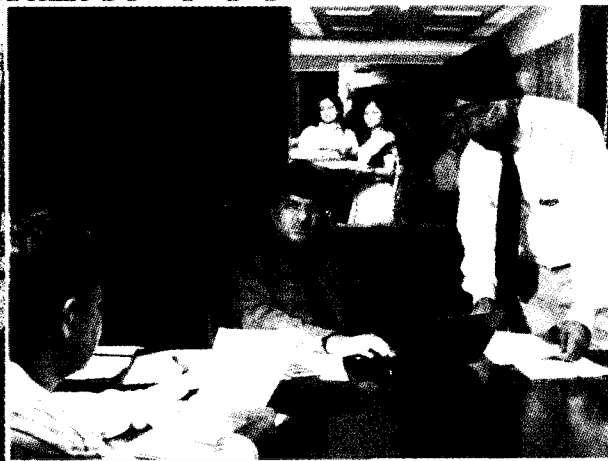
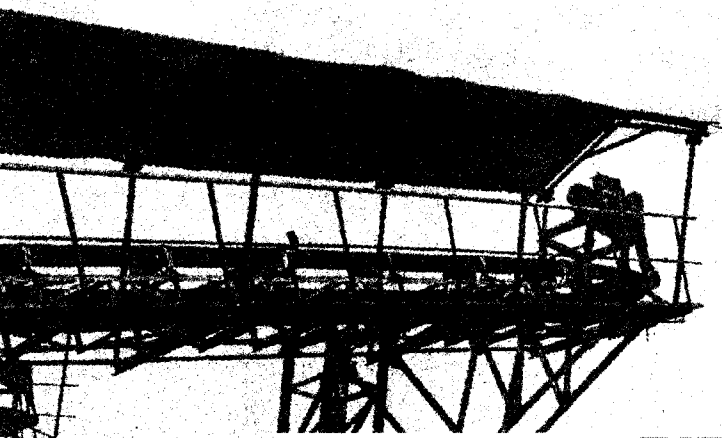
Merging backward integration & forward integration in one stroke, power is the next priority area for the organization.

Under the Umbrella of Monnet Power Company Limited, a subsidiary of Monnet Ispat & Energy Limited, a 1005 MW integrated Power Plant is being set up at Angul, Orissa at a project cost outlay of Rs. 4200 crore. The basic ground work for the project is already over. The project which is being set up in very close proximity of the raw material supply will truly fit in with the guidelines of Government of India for setting up Pithead Power Plants. The project would boast of low fuel cost, thereby generating power at amongst the lowest cost and would be a unique project by its merits in the IPP Power Space in the country.

The future is in Infrastructure

India is on the threshold of exciting times with its footprint on the globe.

The economy is booming, having achieved a growth rate of 9.5%. The major bottleneck encountered by the Indian economy is that of a good infrastructure back-up. To support such growth rates, a strong and viable infrastructure is a must and that is where Monnet envisions its future growth. Through an integrated set of operations, working on economies of scale and deriving the benefit of synergy by transforming its business model, Monnet is set to make a visible contribution to the infrastructure development of the country.



Financial Highlights

	(Rs. In Crores)			
	2003-2004	2004-2005	2005-2006	2006-2007
Equity Capital	20.03	31.49	32.49	34.34
Sales	247.08	518.14	532.27	637.80
EBITDA (Profit Before Dep., Int. & Tax)	70.58	183.07	147.85	198.86
EBITDA Margin (%)	28.57	35.23	27.77	31.18
Net Profit after Tax	28.15	122.15	105.85	134.79
Cash Profit	54.03	143.75	136.76	180.41
Dividend (%)	25	60	45	45
Earning per share (in Rs.)	14.36	40.87	33.28	39.36
Book value per share (in Rs.)	57.55	94.83	126.19	166.25
Shareholders' Funds	150.47	310.09	410.09	570.94

Board of Directors

Shri M.S. Gujral	Chairman
Shri P.L. Nene	Non Executive Director
Shri G.C. Mrig	Non Executive Director
Shri Ajay Relan	Non Executive Director
Shri J.P. Lath	Non Executive Director
Shri V.N. Kedia	Non Executive Director
Shri Sandeep Jajodia	Executive Vice-Chairman & Managing Director

Board Committees

Audit Committee

Shri M.S. Gujral, Chairman
Shri P.L. Nene, Member
Shri G.C. Mrig, Member
Shri Ajay Relan, Member
Shri M.P. Kharbanda, Secretary

Finance Committee

Shri Sandeep Jajodia
Shri Ajay Relan
Shri J.P. Lath

Remuneration Committee

Shri M.S. Gujral
Shri G.C. Mrig
Shri J.P. Lath

Company Secretary

Shri M.P. Kharbanda

Registered Office

Monnet Marg, Mandir Hasaud,
Raipur - 492101 (Chhattisgarh)

Works

Raipur Plant

Monnet Marg, Mandir Hasaud,
Raipur - 492 101 (Chhattisgarh)

Raigarh Plant

Village - Naharpali,
Tehsil Kharsia, Dist. Raigarh
Chhattisgarh

Corporate Office

MONNET HOUSE,
11, Masjid Moth, Greater Kailash Part-II
New Delhi-110048
MIEL Corporate Website : www.monnetgroup.com

Investors' Grievance/

Shareholders Committee

Shri M.S. Gujral
Shri Sandeep Jajodia
Shri J.P. Lath

Executive Committee

Shri Sandeep Jajodia
Shri J.P. Lath

Share Transfer Committee

Shri J.P. Lath
Shri V. N. Kedia
Shri M.P. Kharbanda

Bankers

ABN AMRO Bank N.V.
Bank of Baroda
Barclays Bank PLC
Chinatrust Commercial Bank Ltd.
Citibank N.A.
HDFC Bank Ltd.
Hongkong and Shanghai Banking Corp. Ltd.
IDBI Bank Ltd.
IndusInd Bank Ltd.
ING Vysya Bank Ltd.
Jammu & Kashmir Bank Ltd.
JP Morgan Chase Bank N.A.
Punjab National Bank
Standard Chartered Bank
State Bank of Bikaner & Jaipur
State Bank of India
State Bank of Indore
State Bank of Mysore
State Bank of Patiala
State Bank of Travancore
Syndicate Bank
UCO Bank
Yes Bank Ltd.

Auditors

M/s. O.P. Bagla & Co.
New Delhi

Shares Listed with Exchange

National Stock Exchange of India Ltd.
Bombay Stock Exchange Limited
Madhya Pradesh Stock Exchange

Investor Services Centre (ISC)

MONNET HOUSE
11, Masjid Moth
Greater Kailash Part-II
New Delhi-110048.
Ph-011-29218542-46, Fax-011-29218541
e-mail : isc_miel@monnetgroup.com

Directors' Report

To the Members

Your Directors submit their report for the financial year ended 31st March, 2007.

Sales, Profits, Dividends & Retention

	[Rs. in Crore]	
	2007	2006
Sales (Net of Excise) & Other Income	637.80	532.37
Profit before depreciation	199.11	147.50
Depreciation	33.05	24.88
Profit for the year	166.06	122.62
Provision for taxation	18.31	10.13
Provision for deferred taxation	12.58	6.03
Provision for FBT	0.42	0.36
Income Tax Adjustment	-0.01	-0.31
Profit after taxation	134.74	105.79
Cash Profit	180.37	136.70
Profit brought forward from previous year	218.67	140.14
Profit available for appropriation	353.41	245.93
Dividend	15.45	14.60
Tax on Dividend	2.17	2.05
Transfer to General Reserve	13.50	10.60
Surplus carried to Balance Sheet	322.29	218.68

Company Performance

Your Company has completed yet another year of strong performance and robust growth. Your Company now boasts of multiple drivers that are key factors behind growth in profits across entire value chain. Effective utilization of capacities in Coal Division and Power Division also contributed to the growth in profits. The Company had equal emphasis on cutting down of costs, which impacted the margins positively during the year. The expansions that are under implementation would further boost sales and revenues in the coming years.

During the year, the production of sponge iron increased by 20% from 301084 MT to 361660 MT. The production of steel division was 186728 MT which included the marginal production of structural steel. The structural steel mill commenced production in the last quarter of financial year, 2007. The production of steel was lower during the year on account of realignment with the structural steel mill for which the operations of steel divisions were temporarily suspended couple of times. The production of Ferro Alloys grew by 26% from 29344 MT to 37154 MT and Power Generation stood at 300398743 units. The mining of coal also witnessed an increase of 52% from 438844 MT to 667564 MT. As a result of the above, the net profits grew by 27% to Rs. 134.74 crores and the

