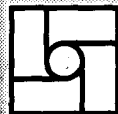


5-276

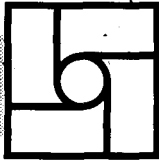
45th
Annual Report
2005-2006



For Sharda Ispat Ltd.

[Signature]
Director

SHARDA ISPAT LIMITED
Nagpur



SHARDA ISPAT LIMITED, Nagpur

BOARD OF DIRECTORS

SHRI J.K.SARDA	:	Chairman
SHRI N.K.SARDA	:	Vice - Chairman
SHRI G.D.SARDA	:	Whole-Time Director
SHRI H.K.DAS	:	Director
SHRI A.K.MUKHERJEE	:	Director
SHRI J.C.SABOO	:	Director

AUDITORS	:	LOYA BAGRI & CO. Chartered Accountants, Gandhibagh, Nagpur 440002
-----------------	---	-------------------------------------------------------------------------

INTERNAL AUDITOR	:	M. M. Jain, Chartered Accountants, Kingsway, Nagpur 440 001.
-------------------------	---	--------------------------------------------------------------------

BANKER	:	STATE BANK OF INDIA
---------------	---	---------------------

REGISTERED OFFICE	:	Kamptee Road, Nagpur - 440026
--------------------------	---	-------------------------------

PLANT	:	1. Kamptee Road, Nagpur 440026
	:	2. T- 1/1, MIDC, Hingna Road, Nagpur - 440016

ADDRESS FOR CORRESPONDENCE TO SHARE DEPARTMENT	:	M/s LIGHT HOUSE SYSTEMS Plot No. 14/4 & 17/4, I.T. Park, Parsodi, Nagpur - 440022.
---------------------------------------------------------------	---	------------------------------------------------------------------------------------------



45th Annual Report

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 45th Annual General Meeting of the Members of **SHARDA ISPAT LIMITED** will be held on Saturday, the 30th day of September, 2006 at 10.00 a.m at the Registered Office of the Company at Kamptee Road, Nagpur - 440026 to transact the following business:

ORDINARY BUSINESS:

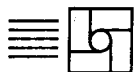
- 1) To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2006 and the Reports of the Directors and Auditors thereon.
- 2) To appoint a Director in place of Shri J.C. Saboo who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Shri A. K. Mukherjee who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
- 4) To appoint auditors and to fix their remuneration.

Registered Office :
Kamptee Road,
Nagpur 4400026

By Order of the Board,

Date : 16.08.2006

N.K.Sarda
Vice - Chairman

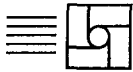


NOTES

- 1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
- 2) The Register of Members and Share Transfer Books of the company will remain closed from 29th September, 2006 to 30th September, 2006 (both days inclusive)
- 3) Members are requested to:
 - a) Intimate to the company the changes, if any, in their registered addresses along with **Pin Code Number**.
 - b) Quote their **Folio Number**.
- 4) Members who have multiple folios with identical order of names are requested to intimate to the Company these folios to enable the Company to consolidate all shareholdings into one folio.
- 5) A blank proxy form is sent herewith.
- 6) The instrument appointing proxy should be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for the meeting.
- 7) The Members / Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.
- 8) Members are requested to make all correspondence relating to share department at the following address :

LIGHTHOUSE SYSTEMS

PLOT NO. 14/4 & 17/4,
I. T. PARK, PARSODI,
NAGPUR - 440022



DIRECTORS' REPORT

To the Members of SHARDA ISPAT LIMITED

Your Directors are pleased to present the 45th Annual Report and the Audited Statement of Accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS:

	Rs.	Rs.
SALES AND SERVICE CHARGES		102,85,63,553
Gross Profit before interest, Depreciation, Taxation Provisions & other adjustments		3,01,01,043
Add / Less:		
Depreciation	(-) 1,44,57,354	
Interest	(-) 2,44,58,141	
Taxation Provision / Adjustment	(-) 2,01,300	
Prior Period Adjustment (Net)	(-) 7,175	(-) 3,91,23,970
Net Loss After Taxation Provision		90,22,927
Add : Brought forward balance of P/L Account		24,75,71,436
Balance of loss carried to Balance Sheet		25,65,94,363

2. REVIEW OF OPERATIONS :

Due to consistent losses being incurred by the Company during the previous years, there was an acute shortage of working capital and thereby there has been underutilization of production capacity by the Company. Consequently, the Company incurred heavy loss during the year under review.

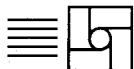
During the period, the production of Rolled Products and By Products made by the Company aggregately in own account and conversion account was 64711 MT as against 59757 MT during the last year.

Accordingly, the Company in its own account posted sales turnover of Rs. 11013.05 Lacs as against Rs. 15141.27 Lacs during the last year. The decline in production and consequently in sales turnover of own account has been due to shortage of working capital as aforesaid.

After providing Rs. 144.57 Lacs for depreciation and Rs. 244.58 Lacs towards interest, the Company incurred net loss of Rs. 88.14 Lacs as against Rs. 90.31 Lacs during the previous year. Taking into account the prior period adjustment and fringe benefit tax, the net loss after taxation of the Company is Rs. 90.23 Lacs.

3. DIRECTORS :

During the period under review, Shri. V. P. Agrawal ceased to be Director of the Company by resignation which was duly accepted by the Board at their meeting held on 07.11.2005. Shri J. C. Saboo and Shri A.K. Mukherjee retire by rotation and being eligible, offer themselves for reappointment.



45th Annual Report

During the current year, the tenure of five years of appointment of Shri. J. K. Sarda and Shri N. K. Sarda as Managing Director and Joint Managing Director of the Company respectively has been expired on 31.07.2006.

Further, the Board of Directors of the Company at their meeting held on 31.07.2006 has appointed respectively Shri. J. K. Sarda and Shri N. K. Sarda as Chairman and Vice-Chairman of the Board of Directors of the Company for the period till otherwise decided, effective from 01.08.2006.

4. **FIXED DEPOSITS :**

The Company did not accept any fixed deposits during the year under review. No deposits were outstanding as on 31.03.2006.

5. **AUDITORS' REPORT & AUDITORS :**

The Auditor's Report and its Annexures are self-explanatory. M/s Loya Bagri & Co. Chartered Accountants retire as statutory Auditors of the Company at the conclusion of 45th Annual General Meeting and are eligible for reappointment.

6. **LISTING OF SECURITIES :**

The Shares of the Company are presently listed at the stock exchanges namely Mumbai, Ahmedabad, Kolkata, and Pune. The Company has made the due payment of the listing fees to all Stock exchanges in respect of the financial year 2006-2007.

7. **PARTICULARS OF EMPLOYEES :**

The particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not furnished as none of the employees was in receipt of remuneration exceeding the prescribed limits.

8. **ENERGY, TECHNOLOGY, FOREIGN EXCHANGE :**

The information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption, foreign exchange earnings and outgo, is given in the Annexure forming part of the report.

9. **DIVIDEND :**

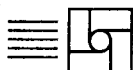
Due to losses incurred by the Company, your Directors express their inability to recommend any dividend for this year.

10. **CORPORATE GOVERNANCE :**

A section on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is given herein after separately and form part of this Annual Report.

11. **DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to section 217 (2AA) of the Companies Act, 1956 your Directors to the best of their



45th Annual Report

knowledge and belief hereby confirm that :

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departure.
- ii) Appropriate accounting policies have been selected and applied consistently and have 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 as at 31.03.2006 and of the loss of the Company for the year ended 31.03.2006.
- iii) Proper and sufficient care has been taken 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) The annual accounts have been prepared on a 'going concern' basis;

12. REFERENCE TO THE BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION (BIFR) :

The Company is a sick industrial Company under the Sick Industrial Companies. (Special Provisions) Act, 1985. As already reported, as per the directives of BIFR the Company has already done One Time Settlement with IDBI Bank by making arrangement for payment in installments. The necessary funds to repay the outstanding loan dues owed to IDBI Bank are going to be arranged during the current year. Besides, the Company is also in talk with IFCI Ltd. and State Bank of India for their respective One Time Settlement of outstanding loan dues.

13. ACKNOWLEDGEMENT:

Your directors are grateful to various Government Departments, Banks, Financial Institutions and Business Associates for their continued co-operation and guidance extended to the Company during the year.

The Directors express their thanks for the sincere and dedicated efforts put in by the workers, staff and officers during the year. The Director also thank the share holders for their continued faith in the Company.

For and on behalf of the Board of Directors

Place : Nagpur
Date : 16th August , 2006

(J.K. SARDA)
(Chairman)



ANNEXURE FORMING PART OF THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY :

The Company lays great emphasis on savings in the cost of energy consumption. Therefore achieving reduction in per unit consumption of energy is an ongoing exercise in the Company. Effective measures such as improved operational and maintenance practices have been taken to minimize the loss of energy as far as possible.

B. TECHNOLOGY ABSORPTION : RESEARCH & DEVELOPMENT

The technology used for the existing project is fully indigenous. The production department of the Company are always in pursuit of finding ways and means to improve the performance, quality and cost effectiveness of products. The consistent efforts are made for the updation of technology being used by the Company as a continuous exercise. The Company does not have a separate Research & Development activity.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

- i. The company has not effected any import or export during the year ended 31.03.2006.
- ii. The inflow of foreign exchange is NIL
- iii. The outflow of foreign exchange is Rs. 4,52,500/- (\$10000)

FORM 'A'

(See Rule 2)

(Form for Disclosure of Particulars with respect to Conservation of Energy)

	March 2006	March 2005
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased : Units	95,73,035	8,954,010
Total Amount (Rs.)	38,189,074	36,528,562
Average Rate /Unit (Rs.)	3.989	4.080
b) Own Generation	NIL	NIL
2. Steam Coal :		
Quantity (Tonnes)	6106	6,561
Total Cost (Rs.)	18,615,360	15,642,228
Average Rate / Tonne (Rs.)	3048.70	2,384.123
3. Furnace Oil :		
Quantity (K. Ltrs.)	1,506	1,200
Total Amount (Rs.)	24,653,511	16,950,203
Average Rate / K.Ltrs. (Rs.)	16370.19	14,125.17
4. Other / Internal Generation	NIL	NIL
5. Consumption per MT of production (Standards if any)		
Products (with details) unit	---	---
Rolled Iron & Steel (in MT)	64711	59757
Electricity (in Units)	147.935	149.840
Furnace Oil (Secondary Fuel) (in Ltrs.)	23.273	20.081
Coal (Steam Coal 'B' Grade) (in MT)	0.094	0.110
Excluding Shell & dust Other (Specify)	NIL	NIL

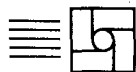
For and on behalf of the Board of Directors

Place : Nagpur

Date : 16th August, 2006

(J.K. SARDA)

(Chairman)



REPORT ON CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Company conducts its business under the governance of the set of principles and beliefs through its "brain-trust", the Board. The Board being the "Sparking Chamber" of the Company plays its crucial role in the conduct of the business of the Company adhering to certain ethics viz., truth, honesty, promptness, accountability and transparency within the legal frame with aim to achieve consistent growth of the Company maximizing the shareholders' value.

A) Code of Conduct For Members of Board :

- 1) The members of the Board shall exercise their powers in good faith, honestly and in the interest of the Company.
- 2) Powers vested in the Board members under the articles of association of the Company, by the Company in general meeting or by a Board resolution must be exercised for the proper purposes and to the extent permissible.
- 3) The members of the Board should not participate in and vote on any discussion in Board meetings on any resolution or a matter relating to his own affairs or to the affairs of another Company in which he is a Director or a shareholder or relating to a firm in which he is a partner or relating to his proprietary business.
- 4) Where there is conflict between the Board Members' own interest and the interest of the Company, he must put the interest of the Company first.
- 5) The Board Members must act honestly and should exercise reasonable skill and diligence in the discharge of his duties.
- 6) The Board Members shall review and monitor the statutory compliance by the Company from time to time.
- 7) The Board members should delegate the works with adequate empowerment and necessary accountability.
- 8) The members while working for the Company should follow a proper leadership and set of standards for working.
- 9) The members of the Board should also ensure from time to time the due implementation of the aforesaid code.

B) Code of Conduct For Senior Management Personnel :

- 1) They should ensure proper maintenance of books, records, files etc and suitable system, procedures and practice for the purpose.
- 2) The officers shall not involve themselves in fraudulent dealing in securities.
- 3) They should discharge their departmental duties and responsibilities with due observation of the relevant statutory provisions.
- 4) They should avoid the Government Officials from making undue/improper benefits through the Company.
- 5) The officers shall not indulge themselves in any anti-competitive conduct.
- 6) The officers should respect each other and create a congenial atmosphere.
- 7) The officers should extend their full co-operation during investigations of alleged violation of law, if any.
- 8) The officers shall not misuse the name of the Company.
- 9) The officers shall ensure from time to time that their working is within frame work of the code of conduct so laid down for them.



II. CEO/CFO CERTIFICATION

In terms of the provisions of Clause 49 of the Listing Agreement, as amended, the CEO/CFO of the Company hereby certifies to the Board that :

- a) They have reviewed financial statements and the cash flow statement, for the year and that to the best of their knowledge and belief :
 - i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - ii) These statements together present true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining financial reporting and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- d) They have indicated to the auditors and the Audit Committee
 - i) significant changes in internal control over financial reporting during the year.
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, and
 - iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

III. BOARD OF DIRECTORS :

A. Composition :

The Board of Directors of the Company is comprised of total 6 (six) Nos. Directors out of which 3 (Three) Nos. Directors are Non-executive and Independent one. The Chairman of the Board is a Executive Director. The presence of 3 Nos. independent Directors on the Board as stated above is in conformity with the provisions of Corporate Governance.

Sr. No.	Name of the Directors	Designation
01.	Shri. J.K. Sarda	Chairman
02.	Shri. N.K. Sarda	Vice - Chairman
03.	Shri. G. D. Sarda	Whole Time Director
04.	Shri. H. K. Das	Non Executive & Independent Director
05.	Shri. A. K. Mukherjee	Non Executive & Independent Director
06.	Shri. J.C. Saboo	Non Executive & Independent Director
07	Shri. V. P. Agrawal (Resigned from 07.11.2005)	Non Executive & Independent Director

B. Meetings & Attendance :

9 (Nine) Meetings of Board of Directors were held during the financial year ended 31st March, 2006. These were held on :-