WELSPUN

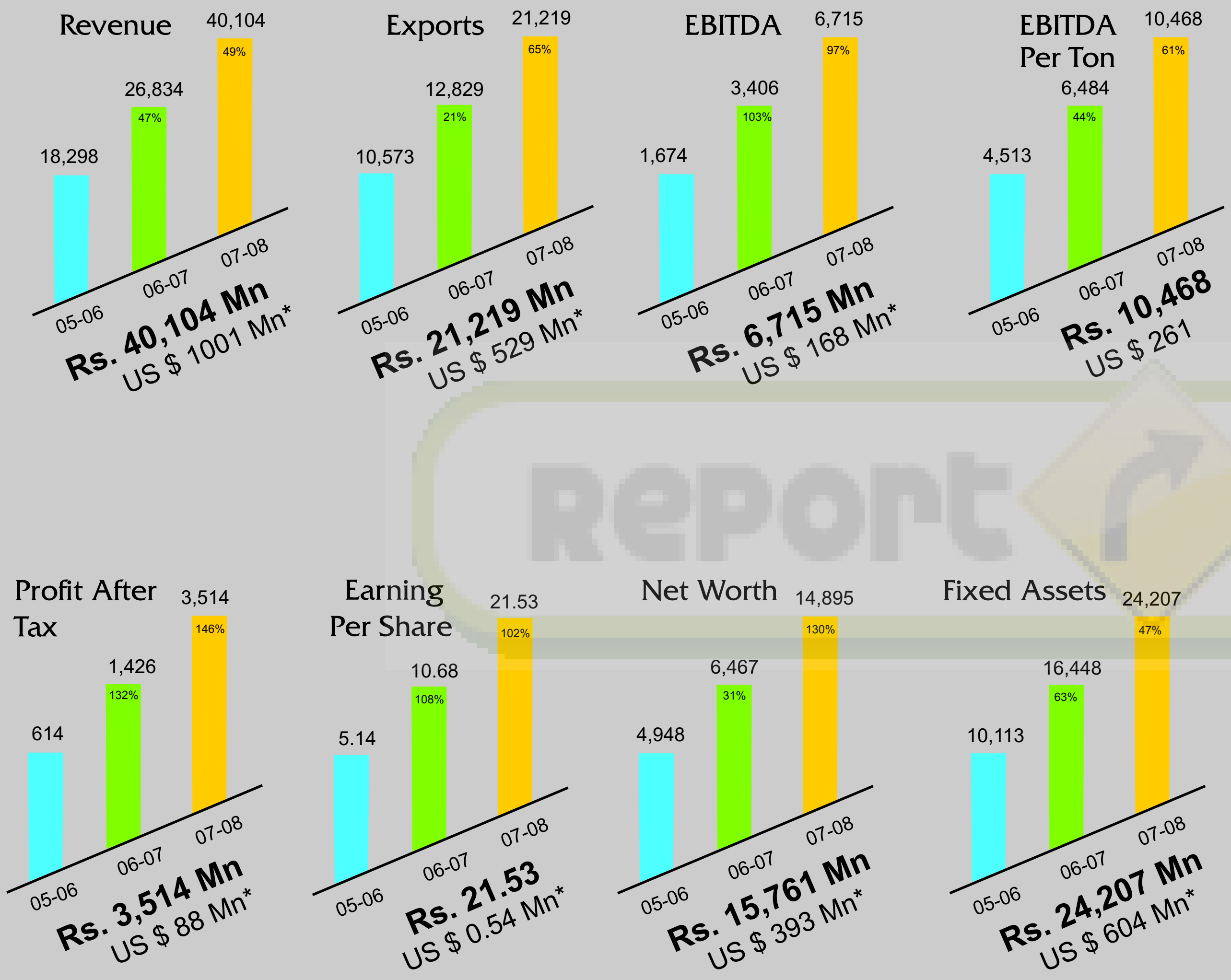
Dare to Commit

WELSPUN GUJARAT STAHL ROHREN LIMITED

13th Annual Report 2008

Everyday is an OPPORTUNITY

Financial Highlights



% - Percentage of growth

*** US $ 1 : Rs 40.075**
As of 31.03.2008

Everyday is an OPPORTUNITY

The theme of this Annual Report is "Opportunity" - literally means: a time when a particular situation makes it possible to achieve. We at Welspun believe that every single day is an opportunity to make positive contributions in the life of our stakeholders, nurture their ambitions and fulfill their dreams.

We firmly believe that everyday is an opportunity to enhance stakeholders' wealth through ethical practices while sustaining our environment and contributing back to the society by our deep unconditional involvement.

The inside pages of this Annual Report reflects some of the strong beliefs that we at Welspun practice to make this world a better place.

Welcome to the "World of Welspun"...

WELSPUN City entrance, Anjar.

Contents

Forward looking statement

In this Annual Report we have disclosed forward-looking information to enable investors comprehend our prospects and take informed investment decisions. This report and other statements, set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of the future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate Information

Registration No.	: 04-25609
Date of Incorporation	: 26th April 1995
Date of Being Listed in Stock Exchange	: BSE: March 1997 NSE: December 2003
Type of Business	: Manufacturing of Steel Pipes
Registered Capital	: Rs. 2500 million
Paid Up Capital	: Rs.888.77 million divided into 177,753,235 equity shares of Rs. 5/- each fully paid up
Par Value / Share	: Rs.5/- each
Securities Registrar	: Intime Spectrum Registry Ltd. C- 13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (west), Mumbai - 400078

Board of Directors

Mr. Gopiram Goenka
(Chairman)

Mr. Balkrishan Goenka
(Vice Chairman & Managing Director)

Mr. Braja K. Mishra
(Chief Executive Officer & Executive Director)

Mr. Murarilal Mittal
(Executive Director Finance)

Mr. N. Shankar
(Nominee Director of Exim Bank Ltd.)

Mr. Rajesh R. Mandawewala
(Director)

Mr. Raj Kumar Jain
(Director)

Mr. K.H. Viswanathan
(Director)

Mr. Ram Gopal Sharma
(Director)

Mr. Nirmal Gangwal
(Director)

Company Secretary

Mr. Pradeep Joshi

Auditors

MGB & Co., Chartered Accountants

Registered Office

Village Jolva & Vadadla, Near Dahej,
Taluka : Vagra,
Dist. Bharuch, Gujarat - 392 130.
Tel: +91-2641-256011/256281
Fax: +91-2641-256285

Corporate Office

Trade World, 'B'- Wing, 9th Floor
Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai 400 013, INDIA
Tel: +91-22-66136000/ 2490 8000
Fax. +91-22-24908020/21
E-mail: CompanySecretary_WGSRL@welspun.com
Website: http://www.welspunpipes.com

Bankers

Andhra Bank,
Bank Of Baroda,
Bank Of India,
Canara Bank,
Hong Kong and Shanghai Banking Corporation of India Ltd.,
ICICI Bank Ltd.,
Industrial Developement Bank Of India
Oriental Bank Of Commerce,
Punjab National Bank,
State Bank Of Bikaner & Jaipur,
State Bank Of India,
State Bank Of Travancore,
Union Bank of India

Factory

i. Village Jolva & Vadadla, Near Dahej, Taluka : Vagra, Dist. Bharuch, Gujarat - 392 130.

ii. Village Versamedi, Tal - Anjar, Dist.- Kutch, Gujarat - 370110

Stock exchanges where the Company's securities are listed

Bombay Stock Exchange Ltd. (Formerly Known as The Stock Exchange, Mumbai)
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 051

The National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai - 400 001

Important Changes and Developments

Year 1997 - Forayed into the Steel Business in SAW pipes with the Commissioning of the first HSAW mill at Dahej, Gujarat
- Capacity 30,000 MTPA, enhanced to 50,000 MTPA.

Year 1999 - Commissioning of State of the Art LSAW Mill at Dahej, Gujarat
- Capacity 350,000 MTPA

Year 2001 - Joint Venture with world's largest pipe coating company 'Eupec Pipe Coatings GmBH', Germany to provide 'Pipe Coating' solutions at Dahej, Gujarat, India

Year 2002 - First Company from India to supply pipes for the Offshore Projects in the US.

Year 2004 - The Joint Venture with Eupec Pipe Coatings got merged with the Company to provide complete pipe solutions under one roof.
- Recognition as " Fastest Growing Steel Companies" by the Construction World Magazine

Year 2005 - Commissioning of ERW mill at the new location, Anjar with a capacity 250,000 MTPA
- Initiated Backward Integration project of Plate-Cum-Coil Mill (First of its Kind) at Anjar to meet internal requirements and outside sale for critical applications.

Year 2006 - Setting up of 2 New HSAW Plants totaling to 350,000 MTPA, at Anjar, Gujarat
- Setting up of the Bending Facility, at Anjar, Gujarat
- Additional Coating Plants, at Anjar, Gujarat

Year 2007 - Trial run of Plate mill producing the X 70 grade, widest plate of 4.5 mts wide and 45 mm thickness.
- 43 MW captive Power Plant commercially operational in Sept' 07
- Initiated HSAW pipe facility at the Little Rock, Arkansas USA with a production capacity of 300,000 tons of Pipes annually.
- Largest ever order received by any of the pipe company i.e. Order from TransCanada Pipelines Ltd. US
- Ranked amongst India's Top 100 Corporate 2007 by S&P and CRISIL
- Recognized as the "Fastest Growing Company "by Business Today.
- Amongst the top 20 companies to watch out for in 2008 by Business Today.
- Recognized as the top 3 SAW Pipe companies in the World by CLSA Asia Pacific Markets
- Recognition as " Fastest Growing Steel Products Company" by the Construction World NICMAR.

Year 2008 - Recognized as 2nd Largest (Large Diameter) Pipe producer in the World by Financial Times, UK
- Plate Mill Operational, March 2008; achieved Level II automation, Rolled X-70 API Grade, 4.5 mtrs. wide.
- US Plant Double Jointing & Coating facility commissioned.

	Year ended 31st March			
	2008	2007	2006	2005
	(In Rs. Million except share, per share data and Ratios)			
Income Statement Data				
Income from Operations	40,104	26,834	18,298	10,385
Other Income	186	121	19	262
Total Revenues	40,291	26,955	18,317	10,647
Total Operating Expenses (Mnfg Exp + COGS)	33,576	23,549	16,642	9,701
Manufacturing and Other Expenses	7,136	3,229	3,069	1,628
Depreciation & Amortization	572	476	352	241
Interest Expenses (Net)	802	740	419	203
Foreign Exchange Gains or (Losses)	-	-	(325)	-
Reported EBITDA	6,715	3,406	1,674	946
Net Income	**3,514**	**1,426**	**614**	**338**
Per Share Data				
EPS - Basic	21.5	10.7	5.1	3.1
EPS - Diluted	18.9	8.7	4.2	2.9
Balance Sheet Data				
Cash at Bank	1,208	3,434	3,067	2,461
Short Term Investments	3,249	256	-	50
Net Block	19,957	7,235	6,490	3,975
Total Assets	35,550	22,475	13,744	7,314
Total Debt	18,031	15,146	8,027	3,847
Issued Share Capital	889	699	865	756
Total Shareholder's Equity	14,895	6,467	4,948	2,928
Other Financial Data				
Net Cash Flows by Operating Activities	2,663	(264)	132	1,233
Net Cash Flows by Investing Activities	(12,895)	(6,573)	(5,160)	(1,549)
Net Cash Flows by Financing Activities	8,006	7,205	5,633	2,122
Capital Work in Progress (CWIP)	4,250	9,214	3,623	1,376
Financial Ratios				
Return on Shareholders Equity	23.6%	22.0%	12.4%	11.6%
Return on Total Assets	9.9%	6.3%	4.5%	4.6%
EBITDA Margin (%)	16.7%	12.6%	9.1%	8.9%
Net Profit Margin (%)	8.7%	5.3%	3.4%	3.2%
Total Debt to Equity	1.2	2.3	1.6	1.3
Net Debt to Equity	0.9	1.8	1.0	0.5

DARE TO COMMIT

Success and Commitment are two sides of the same coin. If we are committed enough, success is bound to come.

Our ever growing customer franchise, our returns to share holders, our service to employees, our support to the societies where we do business - all depend upon commitment. At Welspun we go a step ahead by expressing our commitment loud and clear through our motto **Dare to Commit** in every thing we do.

Our dedication to the core values of Welspun: Trust, Speed, Discipline, Ethics, Integrity, Employee Development, Customer Care, Adaptability and Commitment - portrays the successful path on which the Company has moved since its inception.

We aspire to make a difference to the lives of everyone in the World through our products. Once we commit, everyone internally works whole heartedly and there is no looking back.

WELSPUN
Dare to Commit

Message from Vice Chairman and Managing Director

My Dear Fellow Stakeholder,

Every day is an opportunity to work towards our Customers, Employees, Environment, Quality and many more aspects including of course 'You' our Shareholders.

The first few words to the inside panels of this Annual Report reflect our unadulterated focus on the various stakeholders we serve. When I look around I am overwhelmed by the opportunities all around me.

Firstly, to be an Indian Company is the greatest opportunity - India today is in midst of unprecedented developments and working towards becoming an economic Super Power. Secondly, the Oil and Gas industry where we operate is full of opportunities with Oil and Gas at this unparalleled level for such a long time. Last but not the least, Welspun, due to its sheer effort and focus has arrived strongly in the global arena to capitalize and create wealth on every opportunity coming its way. I take pride to mention here that very recently, we have been ranked as the 2nd largest (Large Diameter) Pipe Company in the World by Financial Times, UK. To simply state - We are the Right Company at a Right Time in the Right Place. My vision is to make this Company the Worlds most respected Pipe Company. This year, we have taken a quantum leap in that direction by adding new projects, new clients, new markets and most importantly, margin expansion, which is a reflection of all the hard work that our team invested in the last few years.

Let me use this forum to reflect on 2007-08, a year of unmatched accomplishments, on our operational excellence, our commitment to create value and our road map and investments in the future.

Expanding Global Reach

Besides reinstating the well deserved reputation of being a technological innovator and an expert in operational excellence, the market positioning of Welspun improved significantly. This has been guided by our deep commitment towards relentless focus on our valued customer and is aptly demonstrated when Welspun received arguably the single largest line pipe order in the World from one of the largest Energy Companies TransCanada Pipelines Ltd. One single order of $457 million which is higher than the annual revenue of 2006 reflects the distance the Company has covered in such a short span of time. Not only this pipeline is of paramount importance to Transcanada's 'Keystone Project', but also to Welspun as it strengthens our leadership position in the Northern American market (one of the largest Oil and Gas markets in the World). In conjunction with many other landmark orders from newer territories and markets, Welspun has a strong Order Book position of Rs. 46,000 million in a market which is expanding at a tremendous pace and thus the current order book position is just a tip of the iceberg. The opportunity is much larger, the last estimate being $100 billion pipe requirement over the next 3-5 years which would be reflected in times to come in our business growth.

Securing our future

Another significant development which will go a long way in securing our Company's future is the commissioning of the Plate-cum-Coil Mill. This 1.5 million tonne state-of-art Stackel Mill - one of the only three Mills of its kind in the World - achieved its commercial operation. Not only will this Mill improve our internal flexibility to book short gestation orders, it will also contribute immensely towards the top and bottom line growth of the Company. It will be relevant to mention here that the size range which it can offer of Up to 4.5 meter wide and Up to 2.8 meter wide Coils - will be an added advantage. This will provide giving Welspun further unique positioning to cater to larger diameter, stringent quality projects. Needless to mention that these products will provide solutions to the market that helps our customers manage the growing challenge. Welspun is incidentally amongst the few companies in the world which has filed patents in the United States for the new welding processes and has also attained level 3 automation in the Plate Mill supported by digital controls.

Achieving Global Scales

We took another step towards becoming one of the largest line pipe companies in the world by embarking on 450,000 tonnes of new capacity in India in addition to 300,000 tonnes of our ongoing pipe project in the US. These additions will enhance our operational capacities to 1.75 million tonne by March 2009 there by leveraging our scale and service capabilities to expand our position as a preferred supplier for strategic customers to meet their global requirements.

Every day is an opportunity and what better time my stakeholders, than today - when opportunities virtually surrounds us.

Strong Financial Performance

Our efforts delivered solid financial results and restored our commitment to create wealth for our share holders besides positioning Welspun towards a sustainable growth. We achieved nearly a billion dollar turnover with exports contributing 60 to 70 percent. Secondly, our strategic tie up with our business partners and relentless efforts to keep our costs under control, enabled Welspun to break the glass ceiling and achieve close to 17 percent EBIDTA margin which is 4 percent higher than our last years margin of 12.5 percent.

Likewise our bottom line has grown from 4.5 percent last year to nearly 9 percent making this year a year of constant 'Progress' and 'Change'. Progress, in nearly all key financial plus business matrix indices and Change, in our market stature. We will continuously strive to create more and more shareholders' wealth by enhancing our performance level which will be backed by concrete steps that we took in the last few years of expanding capacities and becoming self secured on our raw material requirements. We will also remain focused on achieving operational excellence and continuous improvement on all financial indices i.e. ROCE, RONW etc.

Sustainability

While we are on this relentless path of achieving success, we have doubled our efforts towards our communities, our society and our employees. We strive to create more leaders within our organization to spearhead multi-country operations and business opportunities. We continue to contribute more and more towards our community and inculcate the strong value system amongst our young brigade in *Welspun Vidya Mandir*, which is now offering education upto Standard X under CBSE (Central Board of Secondary Education) curriculum and Welspun *Anganwadi*, the pre-primary school for tiny tots.

Acknowledgement

My dear stakeholders, all this would not have been possible without your un-flinching support and therefore from the deepest core of my heart I would like to convey my appreciation and gratitude to all of you, our customers, financial institutions, business partners, employees and many many more important "Cogs in the Wheel". I assure you that we will incessantly progress on spectrum of growing need that presents new and additional growth opportunities for the Company. Our global positioning and team make me extremely confident that Welspun's growth momentum will continue this year and well into the future.

Yours Sincerely,
B. K. Goenka
Vice Chairman & Managing Director

Everyday is an

OPPORTUNITY to

emerge as

MARKET LEADER

At Welspun, we are extremely focused in our business and in the markets we operate. We strongly believe that it is sacrosanct to be – at the right place and at the right time to emerge as a Global player. We are today proud to be ranked amongst the 2nd Largest large diameter Pipe Company in the World (Financial Times, UK). With our current expansions underway both in India and USA, Welspun would perhaps be the largest line pipe company in the world very soon, with end-to-end products from source to consumption.

With more and more orders coming in from the United States and its neighboring countries, Welspun is setting up a manufacturing facility in the City of Little Rock at Arkansas. This US $ 139 million facility, once complete in December 2008 will produce 300,000 tones' of Tubular Pipes and will cater to the American and the adjacent markets. We are perhaps the only Company to bag the single largest order in the industry worth $ 459 million from TransCanada and to have long term pipe purchase agreements with the top Oil and Gas Companies like Chevron, Saudi Aramco and TransCanada.

DIRECTORS' REPORT

To,

The Members,

Welspun Gujarat Stahl Rohren Limited.

Your Directors have pleasure in presenting the 13th Annual Report of your Company along with Audited Financial Statement for the financial year ended 31st March, 2008.

Financial Results

(Rs. in million)

Particulars	For the year ended	
	31.03.2008	31.03.2007
Income from operations & other income (Total Income)	40290.98	26955.39
Profit before interest, depreciation & tax	6715.15	3406.23
Less : Interest / Finance costs	801.57	739.60
Gross Profit / (Loss)	5913.58	2666.63
Less: Depreciation	571.50	475.55
Profit before tax for the year	5342.08	2191.08
Less : Provision for current taxation	894.33	636.35
Provision for deferred taxation	943.93	93.02
Previous years	(19.58)	26.78
Fringe benefit tax	9.17	9.07
Profit after tax for the year (“PAT”)	3514.23	1425.86
Add : balance brought forward from previous year	2738.13	1624.76
Profit available for appropriation	6252.36	3050.62
Transfer to General Reserve	351.50	145.00
Transfer to Debenture Redemption Reserve	268.75	–
Proposed Dividend on equity shares & tax	311.94	163.58
Equity dividend & tax of earlier years	14.57	2.15
Proposed Dividend on preference shares & tax	–	1.76
Balance carried forward to next year	5305.60	2738.13

PERFORMANCE

During the year under report, your Company produced 670,125 MT of pipes as compared to 500,969 MT in the preceding year registering a growth of 33.8% and attained Total Income of Rs.40,290.98 mn compared to Rs. 26,955.39 mn in the preceding year recording a growth of 49.5% and PAT of Rs. 3,514.23 mn compared to Rs. 1,425.86 mn in the preceding year recording a growth of 146.5%.

Your Company catered to various esteemed customers including new relationship, registering exports turnover growth of 65.40% to Rs. 21,219.08 mn from Rs.12,828.75 mn in the previous year.

In line with the projection given in the last report, your Company commenced commercial production from its newly set up Plate Mill plant in the month of March 2008.

The achievement in growth in PAT is noteworthy as the same is over the similar growth level achieved in the preceding year.

This is an evidence of the Company's sustained ability to produce and supply high end speciality products and improvement in operational efficiency and resultant contribution to profitability. This also exhibits improvement in ability to fetch higher realizations which is recognition of high quality standards of pipes.

DIVIDEND

The Board recommends dividend @30% for the year ended 31st March 2008 i.e. Rs.1.50 per Equity Share of Rs.5/- each.

In respect of dividend declared for the financial year 2005-06, Rs.0.3 mn and for the financial year 2006-07, Rs.0.6 mn remained unclaimed as on 31st March 2008.

PROSPECTS

In spite of beginning of slowdown in USA towards the later part of the year 2007 due to sub prime crisis and its potential threat to the other parts in the global arena, the world economy showed a growth of 3.5% in the year 2007, whereas, Indian economy showed a growth of 8.7% in FY 07-08. Despite projections of grim global scenario going forward, your directors believe that projects like oil and gas which need the kind of products manufactured by the Company should continue to grow, as they are insulated from general slowdown effects. Besides, growing economies in Asia leave potential for energy sector to grow to lead to growth in demand for pipes and tubes. Your directors believe that this should result in increase in further investment in this sector and consequently substantial increase in demand for line pipe, as every new commercial find needs connectivity with the main grid for monetization of such assets.

To capitalize these opportunities, your Company has taken steps to increase its pipe manufacturing capacity *(refer paragraph under caption “Expansions”)* and also implement backward integration project viz. Plate cum Coil Mill manufacturing facility to reduce the risk of quality raw material unavailability, price fluctuations and dependence on plate & coil suppliers for timely delivery.

With the commencement of production from Plate Mill during the year and stabilization thereof expected to be achieved soon, your Company would be one amongst the few companies in the sector which are having such a wide conversion range i.e. from steel slab to coated pipe.

With the commissioning of 43 MW power plant at Anjar as a part of Plate cum Coil Mill Project, your Company has secured its power supply requirements as well as economy in the cost to achieve further competitive advantage in the global scenario.

Your directors are confident that the Company would be able to make optimum utilization of the capacity increase undertaken under expansion projects for achieving higher growth as well as rise in bottomline.

EXPANSIONS

- **Pipe Mill in the US**

  As mentioned in the last report about the expansion in USA, the pipe manufacturing facility at a capital outlay of US$139 mn with an annual capacity of 300,000 MTPA at Arkansas in USA is progressing as per schedule and the production is scheduled to be commenced by third quarter of 2009.

- **Project in Special Economic Zone (SEZ Project)**

  Your Company's wholly owned subsidiary is setting up an SEZ project at a capital outlay of Rs.4585.80 mn to manufacture 300,000 MTPA longitudinal pipes with coating facility of 24 lacs sq mtrs. per annum at Anjar, Gujarat. The project is expected to be operational by 2010. The projected economy in cost of production should give the Company a competitive edge in the domestic as well as international markets.

DIRECTORS' REPORT

DETAILS OF UTILIZATION OF FUNDS RAISED THROUGH PREFERENTIAL ISSUE / PRIVATE PLACEMENT OF SECURITIES.

The Company had outstanding Foreign Currency Convertible Bonds and Warrants, which were raised on preferential allotment / private placement basis. Status of application of the funds is as under:

(a) Proceeds from FCCB's of US$40mn (FY 04-05) was utilized for part financing Pipe Mill Project at Anjar. The entire FCCB amount has been converted into equity shares during the year under report.

(b) Proceeds from FCCB's of US$75 mn (FY 05-06) was utilized for part financing Plate cum Coil Mill Project at Anjar. The entire FCCB amount has been converted into equity shares during the year under report.

(c) Proceeds from Warrants of Rs.1500 mn (FY 07-08) was utilized for part financing Plate cum Coil Mill Project at Anjar. Out of the total 14,678,082 Warrants, 6,000,000 Warrants have been converted into 6,000,000 equity shares in March 2008, whereas, the balance 8,678,082 Warrants have been converted in May 2008 in to equal number of equity shares of Rs.5/- each at a premium of Rs.97.20 per equity share.

(d) Proceeds from Redeemable Secured Non-Convertible Debentures of Rs.3,000 mn (2007-08) raised for meeting capital expenditure under Expansion projects has been invested in liquid funds to be utilized for the issue purposes.

DIRECTORS

Since the last Report, no change in the directorship took place except appointment of Mr. R. C. Pandey, a nominee of IFCI Ltd. w.e.f. 19.07.2007 in place of Mr. Sanjiv Ghai and his resignation w.e.f 31st January 2008. The Board places on record its sincere appreciation of services rendered by these directors during their tenure and support extended by lending institution.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Rajkumar Jain, Mr. K.H.Viswanathan and Mr. Braja K. Mishra retire by rotation at the forthcoming Annual General Meeting and being eligible, have been recommended for re-appointment

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your directors hereby confirm that:

(i) in the preparation of the accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) they have selected such accounting policies and applied them consistently and made judgements 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 and of the profit of the Company for the year under review;

(iii) they have taken proper and sufficient care 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) they have prepared the accounts for the financial year ended 31st March, 2008 on a going concern basis.

AUDITORS

Your Company's Auditors M/s. MGB & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, have given their consent to act as the Auditors of the Company for the forthcoming tenure. Members are requested to consider their re-appointment as the Auditors of the Company and to fix their remuneration by passing an ordinary resolution under Section 224 of the Companies Act, 1956.

AUDITORS' REPORT

The Auditors' observation read with Notes to Accounts are self-explanatory and therefore does not call for any comments.

EMPLOYEES STOCK OPTION SCHEME

The Company has granted Stock Options to eligible directors and employees of the Company and its subsidiary companies.

The particulars required to be disclosed pursuant to Clause 12 of SEBI (Employees Stock Option Scheme) Guidelines, 1999 are given below:

Difference in employees compensation cost based on intrinsic value and fair value:

The Company has adopted intrinsic value method for valuation and accounting of the aforesaid Stock Options as per SEBI guidelines, and accordingly has accounted Rs.19.98 mn as employee compensation and Rs.3.75 mn as Directors' remuneration for the year ended 31st March 2008.

Had the Company valued and accounted the aforesaid Stock Options as per the Black Scholes Model, the net profit for the year would have been higher by Rs. 23.60 mn and the diluted earnings per share would have been Rs. 19.01 instead of Rs. 18.89 per share.

Black Scholes Model captures all the variables with their respective appropriateness which influences the fair value of stock options. The significant assumptions to estimate the fair value of options as per Black Scholes Model are as under:

	Grant Date 8th January 2007		
	Vest 1	Vest 2	Vest 3
	8th January 2008	8th January 2009	8th January 2010
Variables	30%	35%	35%
Stock Price (Rs.)	106.40	106.40	106.40
Volatility	57.1%	60.5%	60.5%
Risk Free Rate	7.3%	7.4%	7.5%
Exercise Price (Rs.)	80.00	80.00	80.00
Time to Maturity	2.50	3.50	4.50
Dividend Yield	0.6%	0.6%	0.6%
Option Fair Value (Rs.)	52.24	59.97	65.01
Weighted Average Option Fair Value(Rs.)	59.41		

	Grant Date 13th April 2007		
	Vest 1	Vest 2	Vest 3
	13th April 2008	13th April 2009	13th April 2010
Variables	30%	35%	35%
Stock Price (Rs.)	124.40	124.40	124.40
Volatility	57%	58.4%	60.7%
Risk Free Rate	8.1%	7.9%	7.8%
Exercise Price (Rs.)	87.80	87.80	87.80
Time to Maturity	2.50	3.50	4.50
Dividend Yield	0.9%	0.9%	0.9%
Option Fair Value (Rs.)	63.61	70.62	76.89
Weighted Average Option Fair Value(Rs.)	70.71		

	Grant Date 24th April 2007		
	Vest 1	Vest 2	Vest 3
	24th April 2008	24th April 2009	24th April 2010
Variables	30%	35%	35%
Stock Price (Rs.)	129.55	129.55	129.55
Volatility	56.5%	58.4%	60.6%
Risk Free Rate	8.1%	8.1%	8.1%
Exercise Price (Rs.)	94.10	94.10	94.10
Time to Maturity	2.50	3.50	4.50
Dividend Yield	0.9%	0.9%	0.9%
Option Fair Value (Rs.)	64.86	72.73	79.55
Weighted Average Option Fair Value(Rs.)	72.76		