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34TH ANNUAL GENERAL MEETING

Day : Monday

Date : 13th August, 2007

Time : 11.00 a.m. (I.S.T.)

Place : Registered Office,
Kalyani Steels Limited,
Mundhwa,
Pune - 411 036

**MANAGEMENT DISCUSSION AND ANALYSIS**

The Board takes pleasure in presenting your Company's Thirty-Fourth Annual Report for the year 2006-07 along with the compliance report on Corporate Governance. This chapter on Management Discussion and Analysis forms a part of the compliance report on Corporate Governance.

Industry Structure and Development :

Steel is vital to the development of any modern economy. The level of per capita consumption of steel is treated as one of the important indicators of socio-economic development and living standard of the people in any country. The growth of all major industrial economies, has been largely shaped by the strength of their steel industry.

Steel Industry is backbone of Indian Economy and plays vital role in the development process of the economy. Soaring demand by sectors like infrastructure, construction and automobiles, at home and abroad, has put India's steel industry on the world map. International Iron and Steel Institute (IISI) has ranked India as the seventh largest steel producer in the world with an overall production of about 40 million tones in 2006. The steel sector in the country is set to move upward and overall scenario is positive with accelerated rate of growth in steel sector.

While steel continues to have a stronghold in traditional sectors such as construction, housing, ground transportation, special steels is also increasingly used in hi-tech engineering industries such as power generation, petrochemicals, fertilisers etc. With the expected growth in demand for steel, many business houses have announced Brownfield as well as Greenfield expansion programmes which will substantially increase the steel production capacity. Along with this, down the line facilities like rolling, galvanizing, fabrication are also coming up.

Indian Companies are also expanding overseas to increase their size and reach. The increasing presence of the Indian steel companies in the global market is a pointer to the increased competitiveness of this industry. This is mainly due to improvement in the operational parameters of the Indian plants effected through establishment of new state-of-the-art plants and technology upgradation schemes in the older plants. The average techno-economic parameters of an Indian plant vis-à-vis international benchmarks show that the Indian plants are fast catching up with the best in the world.

Company Performance :

- Gross Turnover ~ Rs.10,700 Million
- Profit before Taxation ~ Rs.1,252 Million
- Profit after Taxation ~ Rs.899 Million

Turnover includes Trading Turnover of Rs.2,050 Million and Manufacturing Turnover of Rs.8,650 Million. Trading Turnover was mainly on account of buying and selling of coke and pig iron.

Manufacturing turnover includes sale of Rolled Products, As Cast Blooms, Pig Iron, Misc. Sales and Conversion Charges received. The Company sold 142,296 tonnes of Rolled Products aggregating Rs.5,549 Million, 20,373 tonnes of As Cast Blooms aggregating Rs.594 Million and 35,856 tonnes of Pig Iron aggregating Rs.623 Million. Misc. Sales amounted to Rs.452 Million and Conversion Charges received were Rs.1,432 Million. The Manufacturing Turnover includes exports of 1,528 tonnes of steel, aggregating Rs.70 Million.

Internal Control Systems and their adequacy :

The Company has adequate and effective internal control systems commensurate with its size and nature of business. The systems ensure protection of assets, proper authorisation and recording of all transactions and timely reporting.

The internal control systems are further supplemented by a programme of audits by management auditors who periodically present their observations to the Audit Committee. The Audit Committee of Directors reviews the significant observations made by management auditors along with status of action thereon.

Human Resources :

Human Resources are the strength of the Company and the Company recognises the contribution by the employees towards the growth of the Company. The Company focuses on training and upgrading of technical and managerial skills of employees, to enable them to face the challenges of the changing industry requirements.

As on 31st March, 2007 the Company has 183 employees. 854 employees are on the role of Hospet Steels Limited, which is a Joint Venture Company formed with the specific purpose of managing and operating the composite steel making facility at Ginigera, in terms of Strategic Alliance between the Company and Mukand Limited.

Opportunities, Threats and Future Outlook :

With abundant iron ore resources and well-established base for steel production in the country, steel industry is poised to growth in the coming decades. As the average per capita consumption of steel in India is only 38 kg. compared to the global average of 170 kg., there is huge scope for increasing steel production in India.

On the demand side, the strategy should be adopted to create incremental demand through promotional efforts, creation of awareness and strengthening the delivery chain, particularly in rural areas. On the supply side, the strategy would be to facilitate creation of additional capacity, remove procedural and policy bottlenecks in the availability of inputs such as iron ore and coal, make higher investments in R&D and HRD and encourage the creation of infrastructure such as roads, railways and ports.

While there have been concerted efforts to control the fragmented nature of the industry through consolidation and closures, the problem continues to persist. Further, the biggest threat to the industry remains from the cyclical nature of the sector, which could put immense pressure on steel prices if steel consumption shows signs of faltering or supply exceeds the demand considerably.

Another possible threat to the domestic steel sector continues to be from dumping by international companies. With wide spread capacity expansions taking place across the globe and the protection to domestic steel companies being progressively reduced with consistent reduction in custom duties, international steel companies might look at markets to dump their products. In such a scenario, Indian companies stand to lose due to lack of competitiveness in terms of size, which now they are scaling up.

Cautionary Statement

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the industry ~ global or domestic or both, significant changes in political and economic environment in India, applicable statutes, litigations, labour relations and interest costs.

**CORPORATE GOVERNANCE**

Kalyani Steels has always focused on good Corporate Governance, which is a key driver of sustainable corporate growth and long-term value creation. The basic philosophy of Corporate Governance is to achieve business excellence and dedicate itself for increasing long-term shareholder value. The Company is committed to good Corporate Governance and is in full compliance with the requirements under revised Clause 49 of the Listing Agreement with the Stock Exchanges.

This chapter of the report, plus the information given under Management Discussion and Analysis and Shareholder Information constitutes the compliance report of the Company on Corporate Governance during the year 2006-07.

1. BOARD LEVEL ISSUES**COMPOSITION OF THE BOARD :**

As on 31st March, 2007, the Board of Directors of Kalyani Steels comprises nine directors. The Board consists of the Chairman, who is Promoter Non-Executive Director, two Executive Directors and six Non-Executive Directors, of which four are Independent. Details are given in Table 1.

NUMBER OF BOARD MEETINGS :

During the year 2006-07, the Board of the Company met seven times on 20th April, 2006, 26th June, 2006, 25th July, 2006, 26th August, 2006, 16th October, 2006, 14th November, 2006 and 19th January, 2007. All the meetings were held in such manner that the gap between two consecutive meetings was not more than four months.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS :

Table 1: The composition of the Board, the category of Directors, their attendance record and the number of directorships :

Table - 1 - Details about Board of Directors of the Company							
Name of the Director	Category	Particulars of Attendance			Number of Directorships and Committee Memberships / Chairmanships in Public Limited Companies		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr. B.N. Kalyani Chairman	Promoter Non-executive	7	6	Yes	12	5	2
Mr.Amit B. Kalyani	Non-executive	7	6	Yes	12	4	
Mr.S.S. Hiremath	Non-executive	7	6	Yes	1	1	
Mr.S.M. Kheny	Non-executive	7	7	Yes	12	3	2
Mr.S.S. Vaidya	Non-executive	7	7	Yes	8	5	5
Mr.B.B. Hattarki	Non-executive	7	6	Yes	9	6	2
Mr.M.U. Takale	Non-executive	5	4	Yes	2		
Mr.C.G. Patankar Executive Director	Executive	7	7	Yes	11	4	
Mr.Suresh Pandey Wholtime Director (Technical)	Executive	7	7	Yes	1		

As detailed in the table above, none of the Directors is a member of more than ten Board level Committees of public limited companies in which they are Directors or a Chairman of more than five such Committees.

BOARD PROCEDURE :

The Board of the Company is presented with all the relevant information on various vital matters affecting the working of the Company as well as those matters, which require deliberation at the highest level. Board Members are given appropriate documents / detailed notes and information in advance of each Board and Committee Meeting.

DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY :

There has been no materially relevant pecuniary transactions or relationship between the Company and its non-executive and / or independent Directors for the year 2006-07.

AUDIT COMMITTEE :

The Company has an Audit Committee comprising four members, three of them including Chairman are Independent Directors. All the members have relevant accounting, finance and audit exposure. The Chairman of the Audit Committee is Mr.S.S. Vaidya. Mr.B.N. Kalyani, Mr.S.M. Kheny and Mr.S.S. Hiremath are the other members of the Committee.

The representatives of the Statutory Auditors, Management Auditors and remaining Board Members are permanent invitees to the Audit Committee Meetings. The Secretary of the Company also acts as the Secretary of the Audit Committee.

During the year 2006-07 Audit Committee met on 20th April, 2006, 26th June, 2006, 25th July, 2006, 16th October, 2006 and 19th January, 2007. Particulars relating to the attendance at the Audit Committee meetings held during the year are given below :

Name of Director	Category	Number of Meetings held	Number of Meetings attended
Mr.S.S. Vaidya, Chairman	Independent	5	5
Mr.B.N. Kalyani	Promoter Non-executive	5	5
Mr.S.M. Kheny	Independent	5	5
Mr.S.S. Hiremath	Independent	5	4

Terms of reference :

The terms of reference for the Audit Committee as specified by the Board of Directors of the Company consists of the following :

- 1) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 2) Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.
- 3) Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
- 4) Reviewing, with the management, the annual financial statements before submission to the Board for approval.
- 5) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- 6) Reviewing, with the management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
- 7) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- 8) Discussions with management auditors on any significant findings and follow up thereon.
- 9) Reviewing the findings of any internal investigations by the management auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- 10) Discussions with Statutory Auditors before audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 11) To look into the reasons for substantial defaults, if any, in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.
- 12) Carrying out any other function as is mentioned in the terms of reference of the audit committee.

**REMUNERATION POLICY :**

As all decisions regarding the remuneration of Executive and Non-executive Directors are taken by the entire Board of Directors (the Boardf) of the Company, no formal Remuneration Committee has been constituted.

The Executive Director and the Wholetime Directors are paid remuneration as per the terms approved by the Board and confirmed by the Shareholders of the Company. The remuneration of the Executive Director comprises of Salary, Commission and Perquisites besides contributions to provident fund, superannuation and gratuity and leave encashment facility. The remuneration of the Wholetime Directors comprises of Salary, Perquisites and leave encashment facility.

Service Contracts are entered into with the Executive Director and the Wholetime Directors in terms of the resolutions governing their appointment and the terms of remuneration. In terms of the said contracts either party may terminate the Contract by giving to the other party a three month s notice and do not contain any provision for payment of severance fees. The Company does not have any stock option scheme.

The Non-executive Directors are paid sitting fees for attending each meeting of the Board and of the Committees thereof as specified by the Board. Each of the Non-executive Directors is paid sitting fee of Rs.2,000/- per meeting attended by him. The Non-executive Directors also draw remuneration in the form of commission based on net profits of the Company, as determined by the Board.

REMUNERATION OF DIRECTORS :

Table 2 : The details of the remuneration package of Directors, their shareholding in the Company and relationship, if any.

Name of Director	Relationship with other directors	Sitting Fees* (Rs.)	Salaries and Perquisites (Rs.)	Commission*** (Rs.)	Total (Rs.)	No. of Shares held
Mr.B.N. Kalyani	**	60,000	N.A.	900,000	960,000	1,118
Mr.Amit B. Kalyani	**	12,000	N.A.	900,000	912,000	31,694
Mr.S.S. Hiremath	None	20,000	N.A.	100,000	120,000	50
Mr.S.M. Kheny	None	32,000	N.A.		32,000	10,890
Mr.S.S. Vaidya	None	24,000	N.A.	100,000	124,000	
Mr.B.B. Hattarki	None	68,000	247,005		315,005	
Mr.M.U. Takale	None	8,000	N.A.		8,000	3,500
Mr.C.G. Patankar	None	N.A.	5,374,074	8,800,000	14,174,074	4,770
Mr.Suresh Pandey	None	N.A.	2,487,400		2,487,400	

* Sitting fees include payment for board level committee meetings.

** None of the directors are related to any of the Directors except Mr.Amit B. Kalyani, who is a son of Mr.B.N. Kalyani, Chairman.

*** Commission proposed and payable after the adoption of accounts by shareholders, in the ensuing Annual General Meeting.

None of the employees are related to any of the Directors of the Company.

2. MANAGEMENT**MANAGEMENT DISCUSSION AND ANALYSIS :**

This Annual Report has a detailed chapter on Management Discussion and Analysis.

DISCLOSURES BY MANAGEMENT TO THE BOARD :

All disclosures relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors do not participate in the discussions nor they vote on such matters.

3. SHAREHOLDERS**DISCLOSURES REGARDING APPOINTMENT OR RE-APPOINTMENT OF DIRECTORS :**

Mr.Amit B. Kalyani, Mr.S.S. Hiremath and Mr.S.M. Kheny, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Details of directors to be re-appointed are given below :

Mr.Amit B. Kalyani, born on 26th July, 1975, is an Executive Director of Bharat Forge Limited. Mr.Amit B. Kalyani, after having his initial education in Pune, graduated in Mechanical Engineering from Bucknell University, U.S.A. He was in U.S.A. for a number of years and besides obtaining degree in engineering, has had considerable exposure to technological advancements in various fields and especially in Information Technology. He also has work experience in Speciality Steel Manufacturing Industry in U.S.A. Mr.Amit B. Kalyani serves on the Board of Kalyani Net Ventures, BF Utilities, Nandi Economic Corridor Enterprises, Nandi Infrastructure Corridor Enterprises, Bhalchandra Investment, Forge Investment, Mundhwa Investment, Jalkamal Investment and Finance, Jalkumbhi Investment and Finance and KPIT Cummins Infosystems.

Mr.S.S. Hiremath is B. Sc., LL.B., born on 25th November, 1928 is an Independent Director of the Company. Mr.Hiremath has more than 50 years rich experience in Agriculture and Sugar Industry. He was formerly a Director of Maharashtra Sugar Federation, Mumbai and National Sugar Federation, New Delhi.

Mr.S.M. Kheny, Mechanical Engineer, born on 18th March, 1948 is an Independent Director of the Company. Mr.Kheny serves on the Board of Kalyani Engineering & Construction Company, Kalyani Highway Developers, Kalyani Infrastructure Projects, Kalyani Habitat, India International Infrastructure Engineers, Nandi Engineering, Nandi Highway Developers, Nandi Infrastructure Corridor Enterprises, Hospet Steels, Hikal and Hospet Power.

COMMUNICATION TO SHAREHOLDERS :

Kalyani Steels puts all vital information relating to the Company and its performance, including quarterly, half yearly, yearly financial results, official announcements and communication to the investors and analysts on its website www.kalyanisteels.com, regularly for the benefit of the public at large.

Quarterly, half yearly, yearly financial results are published in leading newspapers such as Economic Times (Mumbai & Pune), Business Standard (All Editions) and Sakal (Pune) and are also sent to the Stock Exchanges immediately after they are approved by the Board.

These results and Shareholding Pattern of the Company at the end of each quarter are also posted on website developed by SEBI viz. www.sebiedifar.nic.in.

Letters and Transfer Deeds received from shareholders are acted upon and replied promptly.

INVESTOR GRIEVANCES :

The Company has in place Shareholders / Investors Grievance Committee for redressing Shareholders / Investors complaints. The Committee comprises of Mr.S.M. Kheny (Chairman), Mr.C.G. Patankar, Executive Director and Mr.B.B. Hattarki, Director. During the year 2006-07, the Shareholders / Investors Grievance Committee met on 26th June, 2006, 25th July, 2006, 16th October, 2006 and 19th January, 2007. Particulars relating to the attendance at the Shareholders / Investors Grievance Committee meetings held during the year are given below :

Name of Director	Category	Number of Meetings held	Number of Meetings attended
Mr.S.M. Kheny, Chairman	Independent	4	4
Mr.C.G. Patankar	Executive	4	4
Mr.B.B. Hattarki	Non-Executive	4	3

During the year six complaints were received, which were redressed. The status of complaints is also reported to the Board of Directors, as an agenda item. Mrs.D.R. Puranik, Company Secretary, is the Compliance Officer.



The Company has already provided separate E-mail ID for registering complaints by investors (investor@kalyanisteels.com) and the said E-mail ID is also displayed on the web-site of the Company.

SHARE TRANSFER :

The Company has constituted the Share Transfer Committee , which meets twice a month to approve share transfers, transmissions, consolidation, sub-division, issue of duplicate certificates and requests for dematerialisation of Company s shares. The Committee comprises of Mr.B.N. Kalyani, Chairman, Mr.B.B. Hattarki, Director and Mr.C.G. Patankar, Executive Director.

DETAILS OF NON-COMPLIANCE :

Kalyani Steels has complied with all the requirements of regulatory authorities. No penalties were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter relating to the capital market during the period under report.

GENERAL BODY MEETINGS :

Particulars of General Body Meetings held for the last three years are given below :

Date	Time	Type of Meeting	Venue
28th August, 2004	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune ~ 411 036
22nd August, 2005	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune ~ 411 036
26th August, 2006	11.00 a.m.	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune ~ 411 036
14th November, 2006	11.00 a.m.	Extraordinary General Meeting	Registered Office of the Company at Mundhwa, Pune ~ 411 036

No Special Resolution was put through postal ballot in the last year.

This year no resolution is proposed to be taken up through postal ballot.

COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS :

The Company is fully compliant with the applicable mandatory requirements of the Clause 49. It has not adopted any non-mandatory requirements.

SHAREHOLDER INFORMATION**ANNUAL GENERAL MEETING :**

Day and Date : Monday, 13th August, 2007 at 11.00 a.m.

Venue : Registered Office of the Company at Mundhwa, Pune ~ 411 036

FINANCIAL CALENDAR :

1st April to 31st March

BOOK CLOSURE :

The books will be closed from Saturday, 4th August, 2007 to Monday, 13th August, 2007 (both days inclusive).

DIVIDEND DATE :

Dividend of 40% i.e. Rs.4/- per Equity Share would be payable on and from 24th August, 2007.

LISTING :

Pune Stock Exchange Limited and Bombay Stock Exchange Limited

STOCK CODES :

Pune Stock Exchange Limited : KALST 6091

Bombay Stock Exchange Limited : 500235

ISIN in NSDL and CDSL : INE907A01018

STOCK DATA :

Table below gives the monthly high and low prices and volumes of trading of Equity Shares of the Company at Bombay Stock Exchange Limited for the year 2006-07.

Month & Year	High (Rs.)	Low (Rs.)	Volume (No. of Shares Traded)
April, 2006	503.40	288.50	7,716,569
May, 2006	560.00	304.10	4,294,629
June, 2006	374.90	195.80	3,255,975
July, 2006	280.90	192.00	1,578,925
August, 2006	309.90	215.00	1,933,780
September, 2006	296.85	252.00	1,615,082
October, 2006	393.00	277.50	3,757,124
November, 2006	509.00	365.20	8,852,559
December, 2006	480.00	359.00	2,464,059
January, 2007	480.50	422.10	1,969,209
February, 2007	470.00	350.00	1,316,489
March, 2007	376.00	299.00	849,444

REGISTRAR AND TRANSFER AGENTS AND SHARE TRANSFER SYSTEM :

M/s. Intime Spectrum Registry Limited, Block No.202, Akshay Complex, 2nd Floor, Off Dhole Patil Road, Near Ganesh Mandir, Pune ~ 411 001 are the Registrar and Transfer Agents of the Company and carry out the share transfer work on behalf of the Company. The Equity Shares of the Company are traded on the Stock Exchanges compulsorily in demat mode.

PATTERN OF SHAREHOLDING BY OWNERSHIP AS ON 31.03.2007 :

Category	No. of Equity Shares held	Shareholding %
Promoters	23,155,194	53.04
Mutual Funds / UTI	2,705,969	6.20
Insurance Companies	410,918	0.94
Banks	13,512	0.03
FII's	1,990,565	4.56
Bodies Corporate	6,446,693	14.77
NRI's / OCBs	143,062	0.33
Foreign Companies	1,600,666	3.67
Indian Public	7,186,481	16.46
TOTAL	43,653,060	100.00

PATTERN OF SHAREHOLDING BY SHARE CLASS AS ON 31.03.2007 :

Shareholding Class	No. of Shareholders	No. of Shares held	Shareholding %
Up to 500	25,930	2,682,296	6.15
501 to 1,000	1,151	896,763	2.05
1,001 to 2,000	393	608,510	1.39
2,001 to 3,000	151	389,474	0.89
3,001 to 4,000	62	215,987	0.50
4,001 to 5,000	61	286,531	0.66
5,001 to 10,000	96	730,588	1.67
10,001 and above	163	37,842,911	86.69
TOTAL	28,007	43,653,060	100.00



KALYANI

34th Annual Report 2006-2007

DEMATERIALISATION :

The Company's Equity Shares are under compulsory Demat Trading. As on 31st March, 2007, dematerialised shares accounted for 64.45% of the total Equity.

SITE LOCATION :

The integrated steel plant of the Company is located at Village Ginigera, Taluka and District Koppal, in the State of Karnataka. The Pig Iron Making Facility taken on lease by the Company is situated at Village Honarhalli and Halekote, Taluka Siruguppa, District Bellary, in the State of Karnataka.

INVESTORS CORRESPONDENCE ADDRESS :

- | | |
|--|---|
| 1) Intime Spectrum Registry Limited
Registrar & Transfer Agent
Block No.202, Akshay Complex, 2nd Floor,
Off Dhole Patil Road, Near Ganesh Mandir,
Pune - 411 001
Phone No. : 020 - 65203395 / 26051629
Telefax : 020 - 26053503
E-Mail : pune@intimespectrum.com | 2) Kalyani Steels Limited,
Secretarial Department
Mundhwa, Pune - 411 036
Phone No. : 020-26715000 / 66215000
Fax No. : 020-26821124
E-mail : investor@kalyanisteels.com |
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Declaration under Clause 49 I (D)(ii) by the Executive Director of affirmation by the Board of Directors and Senior Management of Compliance with the Code of Conduct

The Shareholders,

I, C.G. Patankar, Executive Director of the Company do hereby declare that all the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct adopted by the Board at its meeting held on 23rd January, 2006, applicable to the Board of Directors and Senior Management of the Company.

Place : Pune

Date : 28th May, 2007

Sd/-

C.G. Patankar
Executive Director

TO THE MEMBERS OF KALYANI STEELS LIMITED CERTIFICATE BY THE AUDITORS ON CORPORATE GOVERNANCE

We have examined the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year ended on March 31, 2007.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our review was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company. We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for examination and the information and explanations given to us by the Company.

Based on such a review and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges of India.

We further state that such compliance is neither an assurance as to the future viability of the Company nor to the efficiency with which the management has conducted the affairs of the Company.

For and on behalf of
Dalal & Shah
Chartered Accountants

Place : Mumbai

Date : 28th May, 2007

Anish Amin
Partner
Membership No.40451

DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting their Thirty-Fourth Annual Report on the business and operations of the Company and the Audited Accounts for the year ended 31st March, 2007.

1. Financial Highlights :

(Rs. in Million)

	<u>2006-07</u>	<u>2005-06</u>
Sales and Income from Operations	10,774.278	7,635.572
Excise Duty	2,017.409	2,107.706
Net Sales and Income from Operations	8,756.869	5,527.866
Power generated, captively consumed	336.807	200.262
Profit on Sale of Long Term investment	—	315.273
Other Income	16.739	29.169
Total Income	9,110.415	6,072.570
Total Expenditure	7,615.317	4,490.848
Interest	65.055	46.227
Depreciation & Write offs	178.498	181.609
Profit for the year	1,251.545	1,353.886
Trial Run Income net of expenditure	—	0.380
Profit / (Loss) before tax	1,251.545	1,353.506
Provision for Taxation	352.719	343.332
Net Profit / (Loss)	898.826	1,010.174
Dividend on Equity Share Capital	174.612	126.159

2. Dividend :

The Directors recommend a Dividend of 40% (Rs.4/- per Equity Share of Rs.10/- each) for the year ended 31st March, 2007.

3. Proposed Expansion :

Members are aware of a Brownfield Expansion of the existing facilities at Ginigera, Taluka & District Koppal, in the State of Karnataka, undertaken by the Company. The expansion is at advanced stages of implementation and the Company expects to reach full-enhanced incremental capacity by 2008'09.

- 350m³ capacity Mini Blast Furnace (MBF) is under erection and expected to be commissioned in September, 2007. This would increase the hot metal capacity by 250,000 MTs per year.
- Steel Melting Shop (SMS) and Rolling Mill Shop (RMS) upgradation is well underway, to process extra liquid metal produced by aforesaid MBF. This would increase steel availability / capacity by 250,000 MTs per annum from Ginigera plant, out of which your Company's share will be 100,000 MTs. Although commissioning of enhanced capacity in SMS and RMS, would be achieved by September, 2007, the actual production ramping would take some time.
- Development of Railway Siding at Ginigera, is already started and scheduled for completion by December, 2007. This would not only reduce the freight cost for major inputs and finished goods, but also reduce fines generation arising out of multiple handling of Coal / Coke.

The total capital expenditure incurred for expansion by your Company upto 31st March, 2007 amounted to Rs.336 Million, financed by way of internal accruals and borrowings.

**4. Coke Oven Batteries Project :**

Bharat NRE Coke Limited (BNCL), a company incorporated, in terms of an agreement between Kalyani Steels Limited (KSL) and Gujarat NRE Coke Limited (GNCL), has commissioned Stamp Charging Equipment at Dharwad. With stamp charging equipment, BNCL would be able to use soft coal upto 30% of the total charged mix, resulting into reduction in manufacturing cost of Coke as well as enhanced productivity of the unit.

Railway siding at Dharwad is scheduled for completion by December, 2007. This would help reducing fines generation. Transportation of Coke to the Company's Plant at Ginigera, will be made by using the railway siding, resulting in saving in time and cost of transportation.

Construction work of 12 MW Power Plant by using flue gases generated by coke oven batteries will commence from August, 2007 and expected to be completed by April, 2009. The total cost of the Power Plant is estimated at approx. Rs.600 Million, to be financed by Equity of Rs.300 Million and Debt of Rs.300 Million. The share of your Company in the Equity will be Rs.120 Million.

All these initiatives will facilitate assured supply of coke to your Company, at the reduced costs.

5. Agreements with SJK Steel Plant Limited

The Company has entered into an Agreements, with SJK Steel Plant Limited (SJK Steel) and its Promoter and other shareholders to acquire substantial control of SJK Steel, through purchase of Equity and Preference Share Capital of SJK Steel, after restructuring of its capital as per Corporate Debt Restructuring Scheme (CDR Scheme) sanctioned by Financial Institutions / Banks and fulfillment of certain terms and conditions, detailed in the Agreements.

SJK Steel is presently engaged in the business of manufacture of pig iron and operates a Plant at Tadipatri, in Anantpur District of Andhra Pradesh having a capacity to manufacture 250,000 MTs of Steel per annum. The Company will be providing technical and financial support to upgrade the existing manufacturing facilities of SJK Steel for manufacturing value added products viz. Special Alloy Steel catering to the forging and automobile industry.

6. Fixed Deposits :

As on 31st March, 2007, deposits aggregating Rs.744,000/- (71 depositors) remained unclaimed. Subsequently, deposits aggregating Rs.245,000/- (22 depositors) were claimed.

7. Directors :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr.Amit B. Kalyani, Mr.S.S. Hiremath and Mr.S.M. Kheny, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

These appointments form part of the Notice of the Annual General Meeting and the Resolutions are recommended for your approval. Profiles of these Directors, as required by the Corporate Governance Code (Clause 49 of the Listing Agreement), are given in the report on Corporate Governance.

8. Directors' Responsibility Statement :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed :

- i) That in the preparation of the accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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) That the Directors 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) That the Directors have prepared the annual accounts for the financial year ended 31st March, 2007, on a going concern basis.

9. Auditors :

You are requested to re-appoint the Auditors of the Company for the Current Year to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

10. Subsidiaries :

In terms of the approval granted by the Government of India, Ministry of Company Affairs under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Directors Report and the Report of the Auditors of the subsidiary companies viz. Chakrapani Investments and Trades Limited, Surajmukhi Investment and Finance Limited and Gladiolla Investments Limited have not been attached with the Balance Sheet of the Company. The Company will make available these documents / details upon request made by any shareholder of the Company interested in obtaining the same and the same can also be inspected at the Registered Office of the Company as well as of the subsidiaries. Pursuant to the approval, a statement of the summarised financials of all the subsidiaries is attached along with the Consolidated Financial Statements. Pursuant to Accounting Standard (AS) - 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of its subsidiaries.

11. 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 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors Report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all Shareholders of the Company excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of said Annexure may write to the Company Secretary at the Registered Office of the Company.

12. Conservation of energy, technology absorption and foreign currency exchange earnings & outgo :

The information required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Report is annexed hereto.

13. Consolidated Financial Statements

The Consolidated Financial Statements, pursuant to Clause 32 of the Listing Agreement are attached to the Accounts of the Company.

14. Quality and Safety :

Your Company accords high priority to quality, safety, training, development, health and environment. The Company endeavors to ensure continuous compliance and improvements in this regard.

15. Employees :

The Management acknowledges the exemplary dedication and contribution of the employees at all levels, which were responsible for the improved performance. Industrial relations continued to be cordial throughout the year.

Your Directors would like to place on record their appreciation of the co-operation received from the Central Government, Government of Maharashtra, Government of Karnataka, Karnataka Industrial Area Development Board, M.S.E.B., M.I.D.C., Financial Institutions and the Bankers.

for and on behalf of the Board of Directors

Place : Pune

Date : 28th May, 2007

B.N. Kalyani

Chairman



INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007

I. CONSERVATION OF ENERGY :

- a) Energy Conservation measures taken :
- Fuel additives were used
 - Reduction in excess air and increase in pre-heat temperature
 - Pneumatic controlled actuators helped in regulating controlled airflow
 - Better operational practices, has achieved reduction in power consumption in iron making
 - Waste gases of mini blast furnaces are used as fuel for Power Plant
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
- New recuperator with superior design to deliver higher preheat temperature to combustion air in reheat furnace to be installed
- c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
- Improvement in flame homogeneity and superior atomisation of fuel oil. Both resulted in reduction of specific fuel oil consumption.
 - Power generated by Power Plant is captively used, thus resulting in savings in power bill.
- d) Total energy consumption and energy consumption per unit of production as per Form- A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto :

	2006-07	2005-06
A) Power & Fuel Consumption :		
1. Electricity :		
a) Purchased		
Unit (Kwh in thousands)	5,350	10,291
Total amount (Rs. in Million)	26.119	47.333
Rate / Unit (Rs. / Kwh)	4.88	4.60
b) Own generation		
I) Through Diesel Generator		
Unit (Kwh in thousands)	762	2,151
Units per Ltr. of HSD (Kwh / Ltrs)	2.897	2.107
Cost / Unit (Rs. / Kwh)	13.69	13.57
II) Through Steam Turbine / Generator Unit		
Unit (Kwh in thousands)	79,134	66,008
Units per NM ³ (Blast Furnace Gas) (Kwh / NM ³)	0.143	0.140
Cost / Unit (Rs. / Kwh)	1.11	1.16
2. Coke :		
Quantity (Tonnes)	151,693	119,836
Total Cost (Rs. in Million)	1,722.414	1,332.183
Average Rate (Rs. / MT)	11,355	11,117
3. Furnace Oil :		
Quantity (K. Ltrs.)	10,425.487	10,076.288
Total Amount (Rs. in Million)	190.928	161.192
Average Rate (Rs. / Ltrs.)	18.31	16.00
HSD :		
Quantity (K. Ltrs.)	374.654	1,003.632
Total Amount (Rs. in Million)	14.563	28.651
Average Rate (Rs. / Ltrs.)	38.87	28.55

4. Others :		
LDO		
Quantity (K. Ltrs.)	84.124	99.170
Total cost (Rs. In Million)	2.279	2.345
Rate (Rs. / K. Ltrs.)	27.09	23.65

B) Consumption per unit of production :

	Unit	2006-07	2005-06
Hot Metal			
Electricity	KWH	132.433	127.452
HSD	Ltrs.	0.765	2.417
Coke	M.T.	0.709	0.702
LDO	Ltrs.	0.172	0.239
Furnace Oil	Ltrs.	0.982	2.067
Steel Making			
Electricity	KWH	53.63	56.82
Furnace Oil	Ltrs.	47.25	47.13

II TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form-B of the Annexure to the Rules

1. Research & Development (R & D) :

a) Specific area in which R & D carried out by the Company :

- Development of new sections for the rolling mill.

b) Benefits derived as a result of the above R & D :

- Development of flat and round sections has increased the market penetration.

c) Future plan of action :

- Development of new sizes for flats, rounds and squares.

d) Expenditure on R & D :

	Rs.	Rs.
	2006-07	2005-06
(i) Capital	—	—
(ii) Recurring	—	—
(iii) Total	—	—
(iv) Total R&D expenditure as a percentage of total turnover	—	—

2. Technology absorption, adaption and innovation :

a) Efforts in brief, made towards technology absorption, adaptation and innovation :

Technology developed in house through extensive trials.

b) Benefits derived as a result of the above efforts, for product improvement, cost reduction, product development, import substitution etc. :

- Energy consumption reduced resulting consequent reduction in the cost of production.
- Successfully rolled and marketed all the sizes and exported crankshaft quality materials.

c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)

No technology was imported during the last five years.



KALYANI

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III. FOREIGN EXCHANGE EARNINGS & OUT GO :

- a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans :

Concerted efforts are underway to develop export market.

- b) Total foreign exchange used and earned : (Rs. in Million)

Used : Rs.2,628.152

Earned : Rs.485.836

for and on behalf of the Board of Directors

Place : Pune
Date : 28th May, 2007

B.N. Kalyani
Chairman

REPORT OF THE AUDITORS TO THE MEMBERS OF KALYANI STEELS LIMITED

We have audited the attached Balance Sheet of **KALYANI STEELS LIMITED**, as at 31st March, 2007 and also the annexed Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our Audit.

- (1) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (2) As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a Statement on the matters specified in paragraphs 4 of the said Order.
- (3) Further to our comments in Annexure referred to in paragraph 2 above, we report that :
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the Books of the Company.
 - (c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the Books of Account of the Company.
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable.
 - (e) On the basis of the written representations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2007,
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
 - (iii) In the case of the Cash Flow statement, of the Cash Flows of the Company for the year ended on that date.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Mumbai
28th May, 2007

Anish Amin
Partner
Membership No.40451

**ANNEXURE TO THE AUDITORS' REPORT :****Statement referred to in Paragraph 2 of the Auditors' Report of even date to the Members of KALYANI STEELS LIMITED on the Financial Statements for the year ended 31st March, 2007**

On the basis of the records produced to us for our verification / perusal, such checks as we considered appropriate, and in terms of information and explanations given to us on our enquiries, we state that :

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- (b) As explained to us, all the fixed assets have been physically verified by the management at reasonable intervals in a block of three years so as to ensure that all the assets are covered. According to the information and explanations given to us and the records produced to us for our verification, discrepancies noticed on such physical verification were not, in our opinion, material and the same have been properly dealt with in the Books of Account;
- (c) As per the information and explanation given to us on our enquiries the disposal of assets during the year were not substantial and would not have an impact on the operations of the Company;
- ii) (a) The inventories have been physically verified by the management at reasonable intervals during the year and partially at the close of the year;
- (b) The procedures of physical verification of inventories followed by the management as explained to us are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) According to the records produced to us for our verification, the discrepancies noticed on physical verification of inventories referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;
- iii) (a) As per the information and explanation given to us and the records produced to us for our verification, the Company had not granted loans, secured or unsecured, to any Company, Firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956;
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956;
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services. As per the information given to us, no major weaknesses in the internal controls have been identified by the management during the year. During the course of our audit, nothing had come to our notice that may suggest a major weakness in the internal control systems of the Company;
- v) On the basis of the audit procedures performed by us and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, there are no transactions required to be entered into the Register in pursuance of Section 301 of the Companies Act, 1956;
- vi) In our opinion, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956, other relevant provisions of the said Act including the Companies (Acceptance of Deposits) Rules, 1975, where applicable, with regard to the deposits accepted by it from the public. Since the Company has not defaulted in repayments of deposits, compliance of Section 58AA or obtaining any order from the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any other Court or Tribunal, does not arise;
- vii) On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business;
- viii) We have broadly reviewed the Books of Account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate;
- ix) (a) According to the records of the Company, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty, Cess and other Statutory dues with the appropriate authorities;

- (b) According to the records of the Company and the information and explanations given to us upon our enquiries in this regards, disputed dues in respect of Sales Tax, Income-tax, Wealth-tax, Service Tax, Customs Duty and Excise Duty / cess unpaid as at the last day of the financial year, are as follows :-

	STATUTES	FORUMS BEFORE WHOM PENDING				
		Commissioner Appeals	Tribunal	High Court	Supreme Court	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
1)	Sales Tax					
2)	Income Tax					
3)	Service Tax	1,182,269				1,182,269
4)	Wealth Tax					
5)	Customs Duty					
6)	Excise	37,767,828	12,718,669		13,976,371	64,462,868

- x) The Company has not defaulted in repayment of dues to banks, financial institutions or debenture holders;
- xi) The Company has, in our opinion, maintained proper records and contracts with respect to its investments where timely entries of transactions are made in the former. All investments at the close of the year are generally held in the name of the Company;
- xii) The company has not given any guarantees for loans taken from financial institutions and/or banks by others;
- xiii) The Company has applied the funds raised by way of term loans towards the purposes for which they have been raised;
- xiv) The company has not applied any short term funds for long term investments;
- xv) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956;
- xvi) As per our examination of the records of the Company, securities have been created in respect of secured Debentures issued, in the manner set out in Note No. 8(a) in Schedule 20 to the Financial Statements;
- xvii) The management of the Company has disclosed the end use of money raised by way of preferential issue in Note No.10 in Schedule 20 to the Financial Statements;
- xviii) As per the information and explanations given to us on our enquiries on this behalf there were no frauds on or by the Company which have been noticed or reported during the year.

In view of the nature of business carried on by the Company Clause No.(xiii) of CARO, 2003 is not applicable to the Company. Further in view of the absence of conditions prerequisite to the reporting requirement of Clauses (iii) (b), (c), (d), (f) and (g), (x), and (xii) the said clauses are, at present, not applicable.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Mumbai
28th May, 2007

Anish Amin
Partner
Membership No.40451

**KALYANI**

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BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	Rs.	Rs.	As at 31st March, 2006 Rs.
I. SOURCES OF FUNDS :				
1. Shareholders Funds :				
a) Share Capital	1	436,909,667		420,909,667
b) Reserves and Surplus	2	<u>4,102,948,726</u>		<u>2,896,814,903</u>
			4,539,858,393	3,317,724,570
2. Loan Funds :				
a) Secured Loans	3	721,048,819		849,696,020
b) Unsecured Loans	4	<u>90,877,478</u>		<u>105,969,319</u>
			811,926,297	955,665,339
3. Deferred Tax Adjustment (Refer Note No.17)				
Deferred Tax Liabilities		440,975,369		463,700,909
Deferred Tax Assets		<u>1,998,209</u>		<u>2,342,749</u>
			438,977,160	461,358,160
	TOTAL		<u>5,790,761,850</u>	<u>4,734,748,069</u>
II. APPLICATION OF FUNDS :				
1. Fixed Assets :	5			
a) Gross Block		2,962,852,551		2,893,972,992
b) Less : Depreciation etc.		<u>1,176,062,701</u>		<u>997,974,575</u>
c) Net Block		1,786,789,850		1,895,998,417
d) Capital Work-in-Progress, Expenditure to date (Refer Note No.18)		<u>469,612,594</u>		<u>95,838,867</u>
			2,256,402,444	1,991,837,284
2. Investments	6		1,931,227,473	911,931,257
3. Current Assets, Loans and Advances :				
a) Inventories	7	916,268,900		999,684,728
b) Sundry Debtors	8	1,672,440,033		1,103,840,173
c) Cash and Bank balances	9	47,545,634		85,432,259
d) Other Current Assets	10	96,376,075		62,037,142
e) Loans and Advances	11	<u>2,304,153,822</u>		<u>1,737,634,738</u>
			5,036,784,464	3,988,629,040
Less : Current Liabilities and Provisions :				
a) Liabilities	12	2,723,114,941		1,833,921,502
b) Provisions	13	<u>710,537,590</u>		<u>323,728,010</u>
		3,433,652,531		2,157,649,512
Net Current Assets			<u>1,603,131,933</u>	<u>1,830,979,528</u>
	TOTAL		<u>5,790,761,850</u>	<u>4,734,748,069</u>
Notes forming part of the Financial Statements	20			

As per our attached Report of even date

For and on behalf of
DALAL & SHAH
Chartered AccountantsAnish Amin
PartnerMumbai
Date : 28th May, 2007

On behalf of the Board of Directors

Mrs.D.R. Puranik
Company
SecretaryC.G. Patankar
Executive
DirectorB.N. Kalyani
ChairmanPune
Date : 28th May, 2007

KALYANI STEELS

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	Rs.	Rs.	Previous Year Rs.
INCOME :				
Sales, Gross	14 (a)	10,700,121,147		7,546,482,590
Less : Excise duty		<u>2,017,408,538</u>		<u>2,107,705,856</u>
Net Sales		8,682,712,609		5,438,776,734
Income from Power Generation		336,806,926		200,262,113
Operating Income	14 (b)	<u>74,157,194</u>		<u>89,089,729</u>
			9,093,676,729	5,728,128,576
Divestment of Interest :				
Profit on Sale of Long Term Investments			—	315,272,877
Other Income	14 (c)		<u>16,739,013</u>	<u>29,169,325</u>
			<u>9,110,415,742</u>	<u>6,072,570,778</u>
EXPENDITURE :				
Materials consumed and manufacturing expenses	15	6,716,781,440		3,782,570,647
Employees emoluments	16	214,342,949		170,870,364
Other expenses	17	684,192,662		537,406,659
Interest	18	65,055,363		46,227,488
Depreciation and Write Offs etc.	19	<u>178,498,385</u>		<u>181,608,637</u>
			<u>7,858,870,799</u>	<u>4,718,683,795</u>
Profit for the year			<u>1,251,544,943</u>	<u>1,353,886,983</u>
Less : Trial Run Income net of expenditure			—	380,128
Profit for the year, before Taxation			<u>1,251,544,943</u>	<u>1,353,506,855</u>
Provision for Taxation :				
- Current Tax (Including Wealth Tax Rs.300,000/- Previous Year Rs.300,000/-)		373,100,000		118,300,000
- Deferred Tax (Refer Note No.17)		(22,381,000)		223,432,003
- Fringe Benefit Tax		<u>2,000,000</u>		<u>1,600,000</u>
			<u>352,719,000</u>	<u>343,332,003</u>
Profit after Taxation			<u>898,825,943</u>	<u>1,010,174,852</u>
As per last Account			1,049,540,074	312,541,874
Adjustments in respect of previous year expenses			<u>(404,530)</u>	<u>(922,948)</u>
			1,947,961,487	1,321,793,778
Transferred from Debenture Redemption Reserve			<u>11,600,000</u>	<u>11,600,000</u>
Amount available for Appropriation :			<u>1,959,561,487</u>	<u>1,333,393,778</u>
Transferred to General Reserve			140,000,000	140,000,000
Proposed Dividend on Equity Shares		174,612,240		126,159,180
Tax on Dividend		<u>29,675,350</u>		<u>17,694,524</u>
			<u>204,287,590</u>	<u>143,853,704</u>
Balance carried to Balance Sheet			<u>1,615,273,897</u>	<u>1,049,540,074</u>
Earnings per Share (Refer Note No.21)				
(Face Value of Rs.10/-)				
Basic and diluted			21.09	24.00
Notes forming part of the Financial Statements	20			

As per our attached Report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner

Mrs.D.R. Puranik
Company
Secretary

On behalf of the Board of Directors

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Mumbai
Date : 28th May, 2007

Pune
Date : 28th May, 2007



CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2006-2007

	Year ended		Year ended	
	31st March, 2007		31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
A. Cash Flow From Operating Activities :				
Profit for the year before Taxation		1,251,544,943		1,353,506,855
Add : Adjustments for Depreciation / Interest / Other Non Cash Expenses :				
Depreciation (including Leasehold Land amortised)	178,498,385		181,608,637	
Bad Debts, Advances and Sundry Debit balances written off	1,067,459		48,980,315	
Interest Charged (Net of Capitalised)	169,283,993		129,268,053	
Loss on Sale of Assets (Net)	448,805		936,608	
		349,298,642		360,793,613
Less : Adjustments for Dividend / Interest / Other Income :				
Investment Income				
Dividend	(62,117,525)		(33,511,725)	
Profit on Sale of Investments (Net)	(4,958,910)		(365,256,571)	
Interest : Other than Finance and Investment Activity	(104,228,630)		(83,040,565)	
Provision no longer required	(3,845,936)		(9,099,468)	
Provision for doubtful advances written back	(2,035,343)		(6,469,182)	
Sundry Credit balances appropriated	(1,276,227)		(1,563,805)	
Prior Year adjustments	(404,530)		(922,948)	
		(178,867,101)		(499,864,264)
Operating Profit before Working Capital changes		1,421,976,484		1,214,436,204
Changes in Working Capital :				
Inventories	83,415,828		(412,367,516)	
Sundry Debtors	(627,917,436)		69,414,773	
Other Current Assets, Loans and Advances	(616,950,827)		(209,717,604)	
Trade Payables	901,353,880		193,308,056	
		(260,098,555)		(359,362,291)
Cash generated from Operations		1,161,877,929		855,073,913
Direct Taxes Paid		(375,542,621)		(114,131,335)
Net Cash from Operating Activities (A) :		786,335,308		740,942,578

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2006-2007 (Continued)

	Year ended		Year ended	
	31st March, 2007	31st March, 2006	31st March, 2006	31st March, 2006
	Rs.	Rs.	Rs.	Rs.
B. Cash Flow from Investing Activities :				
Purchase of Assets	(70,137,589)		(80,189,422)	
Capital Work in progress	(373,773,726)		8,833,387	
Sale of Assets	398,966		1,020,638	
Advance for Capital Goods for Projects	(67,864,481)		20,524,462	
Loans to Companies	438,032,586		(529,022,359)	
Receivable against Sale of Assets	58,250,116		106,337,514	
(Purchase) / Sale of Investments including advance for purchase of shares	(1,014,337,306)		261,244,600	
Dividend received	62,117,525		33,511,725	
Interest received	76,970,456		76,631,420	
Net Cash used in Investing Activities (B) :	(890,343,453)		(101,108,035)	
C. Cash Flow from Financing Activities :				
Proceeds from Borrowings	(144,102,584)		(445,917,434)	
Interest paid	(174,596,447)		(117,946,653)	
Dividend paid	(143,179,449)		(71,621,111)	
Equity Share Capital	16,000,000			
Share Premium	512,000,000			
Net Cash from Financing Activities (C) :	66,121,520		(635,485,198)	
Net changes in Cash and Equivalents (A+B+C)	(37,886,625)		4,349,345	
CASH & CASH EQUIVALENTS As on 31st March, 2006	85,432,259		81,082,914	
CASH & CASH EQUIVALENTS As on 31st March, 2007	47,545,634		85,432,259	

As per our attached Report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner

Mumbai
Date : 28th May, 2007

On behalf of the Board of Directors

Mrs.D.R. Puranik
Company
Secretary

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Pune
Date : 28th May, 2007

**KALYANI**

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SCHEDULE NOS. : '1' to '20' annexed to and forming part of the Financial Statements for the year ended 31st March, 2007

	Rs.	As at 31st March, 2006 Rs.
SCHEDULE '1' : SHARE CAPITAL :		
AUTHORISED :		
47,500,000 Equity Shares of Rs.10/- each	475,000,000	475,000,000
3,010,000 Cumulative Redeemable Preference Shares of Rs.100/- each	301,000,000	301,000,000
2,400,000 Unclassified Shares of Rs.10/- each	<u>24,000,000</u>	<u>24,000,000</u>
	<u>800,000,000</u>	<u>800,000,000</u>
ISSUED :		
* 43,759,380 (42,159,380) Equity Shares of Rs.10/- each	437,593,800	421,593,800
	<u>437,593,800</u>	<u>421,593,800</u>
SUBSCRIBED & PAID UP :		
* 43,653,060 (42,053,060) Equity Shares of Rs.10/- each, fully paid	436,530,600	420,530,600
Total Subscribed and fully paid up	436,530,600	420,530,600
106,320 **Add : Forfeited Equity Shares (Amount Paid up)	379,067	379,067
TOTAL	<u>436,909,667</u>	<u>420,909,667</u>

* Of the above shares -

- a. 3,843,750 Equity Shares of Rs.10/- each were issued as fully paid bonus shares by way of Capitalisation of Reserves.
- b. 12,000,000 Equity Shares allotted on 13th March, 2004 to shareholders of erstwhile Kalyani Ferrous Industries Limited, pursuant to a Scheme of Arrangement, constituting an amalgamation in the nature of a merger of Kalyani Ferrous Industries Limited with the Company as approved by High Court of Judicature at Bombay, vide its order dated 15th January, 2004.
- c. 1,600,000 Equity Shares of Rs.10/- each allotted on 29th November, 2006 on Preferential Allotment Basis, at a premium of Rs.320/- per Equity Share, to AMIF I Limited, a Foreign Body Corporate.

** Amount received on Equity Shares forfeited on 25th February, 1997 on account of non-payment of allotment / call money.

KALYANI STEELS

	Rs.	Rs.	As at 31st March, 2006 Rs.
SCHEDULE '2' : RESERVES AND SURPLUS :			
* Securities Premium Account (Share Premium Account)		512,000,000	
Capital Redemption Reserve As per last Account		100,000,000	100,000,000
Debenture Redemption Reserve As per last Account	20,100,000		31,700,000
@ Less : Transferred to Profit and Loss Account	<u>11,600,000</u>		<u>11,600,000</u>
		8,500,000	20,100,000
General Reserve As per last Account	1,727,174,829		1,587,174,829
Add : Transferred from Profit & Loss Account	<u>140,000,000</u>		<u>140,000,000</u>
		1,867,174,829	1,727,174,829
Surplus as per annexed Account		1,615,273,897	1,049,540,074
	TOTAL	<u>4,102,948,726</u>	<u>2,896,814,903</u>

* Received during the year, on allotment of 1,600,000 Equity Shares at a premium of Rs.320/- per share to AMIFI Limited, a Foreign Body Corporate.

@ On part Redemption of Debentures during the year.



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	Rs.	Rs.	As at 31st March, 2006 Rs.
SCHEDULE '3' : SECURED LOANS :			
DEBENTURES :			
(1,000,000) 13% Secured Non-Convertible Redeemable Debentures (Eleventh Series) of Rs.100/- each (For Security Refer Note No.8(a)(i))			
As per last Account	13,400,000		26,800,000
Less : Part amount redeemed during the year	<u>13,400,000</u>		<u>13,400,000</u>
		—	13,400,000
100 8.5% Secured Non-Convertible Redeemable Debentures (Sixteenth Series) of Rs.1,000,000/- each (For Security Refer Note No.8(a)(ii))			
As per last Account	67,000,000		100,000,000
Less : Part amount redeemed during the year	<u>33,000,000</u>		<u>33,000,000</u>
		<u>34,000,000</u>	<u>67,000,000</u>
		<u>34,000,000</u>	<u>80,400,000</u>
TERM LOANS :			
RUPEE LOANS :			
From Banks :			
Canara Bank (For Security Refer Note No.8(b)(i))	68,400,000		130,194,025
Bank of Baroda (For Security Refer Note No.8(b)(ii))	92,000,000		56,600,000
Union Bank of India (For Security Refer Note No.8(b)(iii))	9,332,000		21,500,000
The Jammu & Kashmir Bank Limited (For Security Refer Note No.8(b)(iv))	100,000,967		133,335,293
HDFC Bank Limited (For Security Refer Note No.8 (b)(v))	50,000,000		
State Bank of India (For Security Refer Note No.8 (b)(vi))	100,000,000		
FOREIGN CURRENCY TERM LOANS :			
From Banks :			
Union Bank of India (For Security Refer Note No.8(c)(i))	—		7,347,427
State Bank of India (For Security Refer Note No.8(c)(ii))	39,943,551		79,978,931
Bank of India (For Security Refer Note No.8(c)(iii))	153,949,334		230,924,000
Bank of Baroda (For Security Refer Note No.8(c)(iv))	65,067,187		108,445,312
Interest accrued and due on secured loans	<u>1,822,362</u>		<u>417,650</u>
		680,515,401	768,742,638
OTHERS :			
From ICICI Bank Limited against hypothecation of Vehicles		53,563	553,382
From Banks, against hypothecation of stores, raw materials, stocks in process, finished goods and book debts :			
Cash Credit		<u>6,479,855</u>	
TOTAL		<u>721,048,819</u>	<u>849,696,020</u>

KALYANI STEELS

		As at 31st March, 2006
	Rs.	Rs.
SCHEDULE '4' : UNSECURED LOANS :		Rs.
Fixed Deposits :		
From Shareholders	200,000	619,000
From Others	<u>8,331,000</u>	<u>19,143,000</u>
	8,531,000	19,762,000
Add : Interest accrued and due on cumulative fixed deposits	<u>1,067,793</u>	<u>2,108,964</u>
		9,598,793
From Banks :		
Rupee Term Loan - Due on 7th July, 2007		70,000,000
		70,000,000
Sales Tax Deferral Liability, as special incentives and concessions under the Karnataka Sales Tax Act, 1957		11,278,685
		14,098,355
	TOTAL	90,877,478
		105,969,319



SCHEDULE '5': FIXED ASSETS :

	Leasehold Land		Buildings		Plant & Machinery		Power Line (c)		Electrical Installation		Furniture / Office Equipments		Vehicles & Aircrafts (d)		As on 31st March, 2007 Total		As on 31st March, 2006 Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Gross Block At Cost :																			
As at 31st March, 2006	35,646,689	241,561,940	2,216,123,845	28,100,000	321,033,592	21,434,558	30,072,368	2,893,972,992	2,816,968,999										
Additions		5,134,111	58,480,126		1,380,620	3,263,125	1,879,607	70,137,589	80,569,550										
Deductions & Adjustments						50,450	1,207,580	1,258,030	3,565,557										
As at 31st March, 2007	35,646,689	246,696,051	2,274,603,971	28,100,000	322,414,212	24,647,233	30,744,395	2,962,852,551	2,893,972,992										
Depreciation :																			
Upto 31st March, 2006	14,017,594	44,249,689	787,832,381	22,011,667	113,446,146	10,783,740	5,633,358	997,974,575	817,594,121										
Deductions & Adjustments						39,613	370,646	410,259	1,228,183										
For the year	1,568,256	7,941,206	139,482,110	2,810,000	18,969,425	3,948,178	3,779,210	178,498,385	181,608,637										
Upto 31st March, 2007	15,585,850	52,190,895	927,314,491	24,821,667	132,415,571	14,692,305	9,041,922	1,176,062,701	997,974,575										
Net Block :																			
As at 31st March, 2007	20,060,839	194,505,156	1,347,289,480	3,278,333	189,998,641	9,954,928	21,702,473	1,786,789,850	1,895,998,417										
As at 31st March, 2006	21,629,095	197,312,251	1,428,291,464	6,088,333	207,587,446	10,650,818	24,439,010	1,895,998,417											

a) Refer Statement of Significant Accounting Policies - 2.

b) Represents amortisation of Premium paid on Leasehold Land over the lease period.

c) Cost incurred by the Company. Ownership vests with Karnataka Electricity Board, amortised over 10 years.

d) Includes Aircraft value of Rs.6,440,000/- jointly owned with other companies.

KALYANI STEELS

As at 31st
March, 2006
Rs.

SCHEDULE '6' : INVESTMENTS, AT COST :

Long Term :

In Government Securities :

Unquoted :

In Gujarat Venture Capital Fund 1990. Represents contribution to a Trust promoted by Gujarat Industrial Investment Corporation Limited.

50,000

In Shares :

A) Trade :

In Wholly Owned Subsidiary Companies :

Unquoted :

a) Chakrapani Investments & Trades Limited

	720,000	Fully paid 6% Non-Cumulative Redeemable Preference Shares of Rs.100/- each	72,000,000		72,000,000
	710,000	(410,000) Fully paid Equity Shares of Rs.100/- each	<u>191,000,000</u>		<u>41,000,000</u>
				263,000,000	<u>113,000,000</u>

b) Surajmukhi Investment & Finance Limited

	7,200,000	Fully paid 6% Non-Cumulative Redeemable Preference Shares of Rs.10/- each	72,000,000		72,000,000
	8,495,230	(5,495,230) Fully paid Equity Shares of Rs.10/- each	<u>204,952,300</u>		<u>54,952,300</u>
				276,952,300	<u>126,952,300</u>

c) Gladiolla Investments Limited

	1,400,000	Fully paid 4% Non-Cumulative Redeemable Preference Shares of Rs.100/- each	140,000,000		140,000,000
	6,781,002	(3,781,002) Fully paid Equity Shares of Rs.10/- each	<u>187,810,020</u>		<u>37,810,020</u>
				327,810,020	<u>177,810,020</u>

B) Other than Trade (Quoted) :

	275,102	Fully paid Equity Shares of Rs.5/- each of BF Utilities Limited	5,410,346		5,410,346
		(1,093,818) Fully paid Equity Shares of Rs.5/- each of ISMT Limited	<u>210,013,200</u>		<u>210,013,200</u>

Less :Proportionate Diminution in the value of balance investment on account of an agreement to sell at a predetermined price, effected in earlier years

	<u>69,129,345</u>		<u>69,129,345</u>
	140,883,855		<u>140,883,855</u>

Less :Proportionate Diminution in the value of balance investment adjusted against Securities Premium Account, effected in prior year as per a Scheme of Arrangement

	<u>132,133,305</u>		<u>132,133,305</u>
	8,750,550		<u>8,750,550</u>

Less :Sold during the year

	<u>8,750,550</u>		<u>8,750,550</u>
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	Carried over ..	<u>5,410,346</u>	<u>867,762,320</u>	<u>431,973,216</u>
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	Rs.	Rs.	Rs.	As at 31st March, 2006 Rs.
SCHEDULE '6' : INVESTMENTS, AT COST (continued) :				
	Brought over ..	5,410,346	867,762,320	431,973,216
5,000	Fully paid Equity Shares of Rs.5/- each of Sterlite Optical Technologies Limited	1,437,500		1,437,500
500	Fully paid Equity Shares of Rs.5/- each of Kirloskar Ferrous Industries Limited	7,500		7,500
	(150,000) Fully paid Equity Shares of Rs.10/- each of Kalyani Thermal Systems Limited	—		6,000,000
\$ 5,155,650	Fully paid Equity Shares of Rs.10/- each of Hikal Limited	<u>65,610,549</u>		<u>65,610,549</u>
			72,465,895	505,028,765
Unquoted :				
A) Trade :				
14,420,000	(10,750,000) Fully paid Equity Shares of Rs.10/- each of Bharat NRE Coke Limited		144,200,000	107,500,000
B) Other than Trade :				
22,000	Fully paid Equity Shares of Rs.100/- each of Dandakaranya Investment & Trading Limited	2,200,000		2,200,000
22,000	Fully paid Equity Shares of Rs.100/- each of Hastinapur Investment & Trading Limited	2,200,000		2,200,000
22,000	Fully paid Equity Shares of Rs.100/- each of Dronacharya Investment & Trading Limited	2,200,000		2,200,000
220,000	Fully paid Equity Shares of Rs.10/- each of Campanula Investment & Finance Limited	2,200,000		2,200,000
220,000	Fully paid Equity Shares of Rs.10/- each of Cornflower Investment & Finance Limited	2,200,000		2,200,000
245,000	Fully paid Equity Shares of Rs.10/- each of Kalyani Carpenter Metal Centres Limited	2,462,250		2,462,250
	Less : Provision for Diminution	<u>2,217,250</u>		<u>2,217,250</u>
			245,000	245,000
1,000,000	Fully paid Equity Shares of Rs.10/- each of Kalyani Mukand Limited	10,050,000		10,050,000
49,997	Fully paid Equity Shares of Rs.10/- each of Hospet Steels Limited	<u>499,970</u>		<u>499,970</u>
			21,794,970	21,794,970
In Debentures :				
Unquoted :				
In Wholly Owned Subsidiaries :				
\$ 312,850	Zero percent Optionally Fully Convertible Debentures of Rs.100/- each of Chakrapani Investments & Trades Limited	31,285,000		31,285,000
\$ 717,100	Zero percent Optionally Fully Convertible Debentures of Rs.100/- each of Surajmukhi Investment & Finance Limited	<u>71,710,000</u>		<u>71,710,000</u>
			102,995,000	102,995,000
	Carried over ..		1,209,218,185	737,318,735



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SCHEDULE '6' : INVESTMENTS, AT COST (continued) :

	COST		MARKET VALUE	
	(Net of determined diminution in the value of Investment)			
	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
Quoted **	72,465,895	87,216,445	2,494,321,161	3,599,609,605
Unquoted	1,858,761,578	824,714,812		
	<u>1,931,227,473</u>	<u>911,931,257</u>		

\$ \$ 775,750 No. of Equity Shares are pledged with UTI Bank Limited for loan taken by another Company.

\$ The holders of these Debentures had the option to convert the entire amount outstanding into Equity Shares at par on or before three years from the date of allotment. The debentures which have not been converted into Equity Shares on or before three years from the date of allotment shall be redeemed.

** Refer Note No.13

Following investments are purchased and sold during the year :

Particulars	No. of Units	Face Value	Cost Price
		Rs.	Rs.
DSP Merrill Lynch Liquid Plus - Daily Dividend	21,498	1,000	21,501,860
DSP Merrill Lynch Liquid Plus Institutional Plan - Weekly Dividend	142,853	1,000	143,006,866
DSP Merrill Lynch Liquid Fund - Daily Regular Dividend	8,891,109	1,000	89,000,000
DSP Merrill Lynch Liquid Fund Institutional - Daily Dividend	302,980	1,000	303,040,925
G66 Standard Chartered Liquidity Manager - Daily Dividend	6,899,310	1,000	69,000,000
G67 Standard Chartered Liquidity Manager - Weekly Dividend	4,595,037	1,000	46,000,000
G71 Standard Chartered Liquidity Manager - Plus Weekly Dividend	217,474	1,000	217,600,784
G71 Standard Chartered Cash Fund - Super Instit. Plan C - Weekly Dividend	17,982,018	1,000	180,000,000
Kotak Liquid (Institutional Premium) - Weekly Dividend	15,024,810	10	150,805,541
Kotak FMP 3 M Series 4 Dividend	5,004,949	10	50,049,495
Prudential ICICI Liquid Plan Institutional Plus - Daily Dividend Option	5,173,442	10	61,313,050
Prudential ICICI Institutional Liquid Plan - Super Instit. Weekly Dividend	9,996,801	10	100,000,000
HDFC Cash Management Fund - Saving Plus Plan - Weekly Dividend Reinvestment	38,622,690	10	387,000,000
Reliance Liquid Fund Cash Plan - Daily Dividend Reinvestment Option	11,133,903	10	124,043,932
Reliance Liquidity Fund - Daily Dividend Reinvestment Option	47,919,456	10	479,343,112
UTI Liquid Cash Plan Institutional Daily Income Option - Reinvestment	166,104	1,000	169,333,612
UTI Liquid Cash Plan Institutional Daily Income Option - Reinvestment	52,970	1,000	54,000,000
UTI Liquid Cash Plan Institutional Daily Income Option - Reinvestment	127,041	1,000	130,000,000
HDFC Cash Management Saving Plan Growth	6,771,038	10	99,500,000
Prudential ICICI Liquid Plan Institutional - Growth	4,888,563	10	85,000,000
Reliance Liquidity	17,423,076	10	185,500,000
Kotak Institutional Prima	16,300,034	10	231,300,000
UTI Liquid Cash Plan Institutional Growth Option	16,513	1,000	19,600,000

KALYANI STEELSAs at 31st
March, 2006

	Rs.	Rs.	Rs.
SCHEDULE '7' : INVENTORIES :			
Stores, spares etc., at cost		93,764,405	77,969,779
Stock - in - Trade :			
Raw materials, at cost	451,208,478		593,856,373
Finished goods, at cost or market value whichever is lower	330,927,641		281,321,545
Scrap at estimated realisable value	<u>40,368,376</u>		<u>46,537,031</u>
As valued and certified by the Executive Director		822,504,495	921,714,949
TOTAL		<u>916,268,900</u>	<u>999,684,728</u>
SCHEDULE '8' : SUNDRY DEBTORS, UNSECURED, GOOD :			
(a) On Operations :			
i) Outstanding over six months	30,085,752		23,846,698
ii) Others, Good	<u>1,642,354,281</u>		<u>1,021,743,359</u>
		1,672,440,033	1,045,590,057
(b) On Sale of Assets		—	58,250,116
TOTAL		<u>1,672,440,033</u>	<u>1,103,840,173</u>
SCHEDULE '9' : CASH AND BANK BALANCES :			
Cash on hand		85,529	103,072
Cheques on hand		—	47,999,828
Bank balances :			
With Scheduled Banks :			
In Current & Cash Credit Accounts	44,744,605		33,713,859
In Fixed Deposits (Receipts of the value of Rs.615,500/- pledged in favour of Government Authorities)	<u>2,715,500</u>		<u>3,615,500</u>
		47,460,105	37,329,359
TOTAL		<u>47,545,634</u>	<u>85,432,259</u>
SCHEDULE '10' : OTHER CURRENT ASSETS :			
Income Receivable		89,166,582	61,908,408
Export Incentives Receivable		7,209,493	128,734
TOTAL		<u>96,376,075</u>	<u>62,037,142</u>



	Rs.	Rs.	Rs.	Rs.
				As at 31st March, 2006
SCHEDULE '11' : LOANS AND ADVANCES, UNSECURED, GOOD (UNLESS OTHERWISE STATED) :				
Loans to wholly owned subsidiaries		657,234,648		1,122,706,695
Loans to other companies (formerly subsidiaries under Section 4(1)(c) of the Companies Act, 1956)		3,367,300		3,367,300
@ Inter Corporate Loans		48,774,461		21,335,000
* Advances recoverable in cash or in kind or for value to be received.				
Good	226,039,395			104,956,661
Doubtful advances	—			2,035,343
Less : Provision	—			2,035,343
		<u>226,039,395</u>		<u>104,956,661</u>
Advances for capital goods for Projects under Implementation		83,719,947		15,855,466
Advance receivable under an Arrangement		13,792,102		13,423,117
Advance for Purchase of Shares in terms of an Agreement (Refer Note No.19)		540,000,000		
Sundry Deposits		200,598,181		194,054,869
Balance with Excise Department		12,002,463		70,127,426
Tax paid in advance		518,625,325		191,808,204
TOTAL		<u>2,304,153,822</u>		<u>1,737,634,738</u>

* Includes interest free loans amounting to Rs.9,180,000/- (Previous year Rs.9,180,000/-) to Seven Trusts connected with the welfare of employees.

* Includes amount due from the Officer of the Company Rs.172,060/- (Previous Year Rs.190,862/-) Maximum balance outstanding during the year Rs.190,862/- (Previous Year Rs.201,986/-)

@ Includes interest free loans aggregating Rs.21,035,000/- (Previous year Rs.21,035,000/-) given to Six Private Limited companies formed with the same purpose and obligation as the Six Employees Welfare Trusts under a scheme in terms of clause (b) of the proviso to Section 77(2) of the Companies Act, 1956, which in the opinion of an eminent counsel falls within the purview of the said proviso to the above mentioned Section.

SCHEDULE '12' : LIABILITIES :

Acceptances		295,955,202		105,872,796
Deposits		71,181,176		54,177,433
Sundry Creditors				
Due to Small Scale Industrial Undertakings	2,689,399			7,134,617
Others	2,147,358,454			1,453,857,061
		<u>2,150,047,853</u>		<u>1,460,991,678</u>
Part amount received under an arrangement against sale of project promoted by the Company		55,861,236		52,717,415
Trade Advance		108,936,106		113,896,645
Amounts received from a Company under a strategic alliance		19,449,788		19,449,788
Investor Education & Protection Fund, since paid		56,861		186,593
Unclaimed Dividends		1,505,609		832,048
Interest accrued but not due on loans		20,121,110		25,797,106
TOTAL		<u>2,723,114,941</u>		<u>1,833,921,502</u>

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	Rs.	Rs.	As at 31st March, 2006 Rs.
SCHEDULE '13' : PROVISIONS :			
Provision for Taxation	506,250,000		179,875,000
Proposed Dividend	174,612,240		126,159,180
Tax on Proposed Dividend	29,675,350		17,693,830
TOTAL	710,537,590		323,728,010
	Rs.	Rs.	Previous Year Rs.
SCHEDULE '14' : SALES, OPERATING & OTHER INCOME :			
(a) Sales, Gross :			
Sales	8,820,222,284		5,916,176,639
Less : Returns	4,828,671		
	8,815,393,613		5,916,176,639
Miscellaneous Sales	452,361,095		326,081,083
Jobwork Receipts	1,432,366,439		1,304,224,868
	10,700,121,147		7,546,482,590
(b) Operating Income :			
i) Related to Manufacturing Activity :			
Export Incentives received	7,080,759		418,508
Income from Mining Activity	—		5,175,802
	7,080,759		5,594,310
ii) Related to Finance and Investment Activity (Net) :			
Income earned during the year from Dividend, other than Trade, Gross	62,117,525		33,511,725
Profit on Sale of Investments, net	4,958,910		49,983,694
	67,076,435		83,495,419
		74,157,194	89,089,729
(c) Other Income :			
Interest other than from Finance & Investment Activity	104,228,630		83,040,565
Less : Adjusted against Interest & Commitment Charges in Schedule 18	104,228,630		83,040,565
	—		—
Miscellaneous receipts	9,579,293		10,152,079
Bad Debts/ Sundry Debit balances previously written off, now recovered	—		1,800,000
Provision for Doubtful Advances Written back	2,035,343		6,469,182
Profit on Sale of Assets	2,214		84,791
Provision no longer required	3,845,936		9,099,468
Sundry Credit balances appropriated	1,276,227		1,563,805
	16,739,013		29,169,325
TOTAL	10,791,017,354		7,664,741,644



	Rs.	Rs.	Previous Year Rs.
SCHEDULE '15' : MATERIALS CONSUMED AND MANUFACTURING EXPENSES :			
a) Raw materials consumed :			
Stocks at commencement	593,856,373		273,176,166
Add : Purchases	3,234,671,305		2,812,360,543
Add/(Less) : Foreign Exchange Fluctuation	5,271,756		6,450,470
	<u>3,833,799,434</u>		<u>3,091,987,179</u>
Less : Sale of Raw Material	152,219,842		142,425,247
Less : Stocks at close	451,208,478		593,856,373
		<u>3,230,371,114</u>	<u>2,355,705,559</u>
b) Manufacturing expenses :			
Stores and spares consumed	256,053,390		211,398,198
Job work and Manufacturing Charges	787,012,647		668,784,474
Power and Fuel	491,071,158		443,348,783
Building and Road repairs	6,918,785		11,542,010
Machinery repairs	38,049,450		30,466,040
		<u>1,579,105,430</u>	<u>1,365,539,505</u>
c) Goods Purchased for Trade		<u>1,942,950,086</u>	<u>201,106,945</u>
d) Excise Duty :			
On Closing Stock	59,434,830		51,642,579
Less : On Opening Stock	51,642,579		27,947,580
		<u>7,792,251</u>	<u>23,694,999</u>
e) (Increase) / decrease in Stocks :			
Stocks at close :			
Finished goods	330,927,641		281,321,545
Scrap	40,368,376		46,537,031
	<u>371,296,017</u>		<u>327,858,576</u>
Less : Stocks at commencement :			
Finished goods	281,321,545		156,721,809
Scrap	46,537,031		7,660,406
	<u>327,858,576</u>		<u>164,382,215</u>
		<u>(43,437,441)</u>	<u>(163,476,361)</u>
TOTAL		<u><u>6,716,781,440</u></u>	<u><u>3,782,570,647</u></u>

SCHEDULE '16' : EMPLOYEES' EMOLUMENTS :

(Including Executive and Wholetime Directors Remuneration)

Salaries, Wages, Gratuity, Bonus etc.	195,571,416	155,349,105
Contribution to Provident and other Funds etc.	9,459,248	7,662,479
Welfare expenses	9,312,285	7,858,780
TOTAL	<u><u>214,342,949</u></u>	<u><u>170,870,364</u></u>

	Rs.	Rs.	Previous Year Rs.
SCHEDULE '17' : OTHER EXPENSES :			
Rent		2,408,601	1,577,010
Rates & Taxes		208,022	127,486
Insurance (including Key Man Insurance)		10,961,388	9,095,183
Legal & Professional charges		33,213,935	18,397,918
Miscellaneous expenses		88,244,548	81,120,443
Donations		3,300,000	800,000
Freight Outward		306,205,838	182,669,448
Brokerage and Discount		17,960,580	33,529,020
Commission on Sales		18,094,569	16,793,137
Audit Fees and expenses		3,513,413	1,940,860
Directors fees and Travelling Expenses		1,870,359	1,110,004
Executive Director s Commission		8,800,000	6,500,000
Commission to Directors other than Executive Director and Wholetime Directors		2,000,000	1,500,000
Loss on Foreign Exchange Fluctuation		3,907,162	3,237,868
Loss on Assets sold or scrapped		451,019	1,021,399
Bad debts, Advances and Sundry Debit balances written off		1,067,459	48,980,315
Facility charges under Strategic Alliance		68,794,591	69,736,517
Facility charges for plant taken on lease		113,191,178	59,270,051
TOTAL		<u>684,192,662</u>	<u>537,406,659</u>
SCHEDULE '18' : INTEREST :			
Interest & Commitment Charges :			
On Debentures	7,097,352		11,673,808
On Fixed Loans	71,994,558		82,933,447
Others	<u>90,192,083</u>		<u>34,660,798</u>
	169,283,993		129,268,053
Less : Interest adjusted as per contra	<u>104,228,630</u>		<u>83,040,565</u>
TOTAL		<u>65,055,363</u>	<u>46,227,488</u>
SCHEDULE '19' : DEPRECIATION AND WRITE OFFS ETC. :			
Depreciation		174,120,129	177,230,381
Leasehold land amortised		1,568,256	1,568,256
Power HT line amortised		2,810,000	2,810,000
TOTAL		<u>178,498,385</u>	<u>181,608,637</u>



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SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2007

	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
1. A. Contingent Liabilities not provided for in respect of :		
a) Claims against the Company not acknowledged as debts	34,408,260	14,388,055
b) Excise Demands, matter under dispute	64,462,868	64,155,821
c) Service Tax Demands, matter under dispute	1,182,269	
B. Mysore Minerals Limited has during the year, raised an illegitimate claim aggregating to Rs.281,552,035/- for price of calibrated iron ore purchased by the Company over and above the agreed contracted price. The Company has repudiated the said claim as the same is in ultra-vires to the contract.		
2. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	282,801,052	89,950,010
3. Payment to Auditors :		
i) As Statutory Auditors	2,000,000	1,250,000
ii) In other capacity -		
- For Tax Audit	230,000	230,000
- For Certification	1,160,300	290,000
	3,390,300	1,770,000
iii) For expenses	123,113	170,860
	3,513,413	1,940,860

4. Details of Raw Materials Consumption :

a) RAW MATERIALS CONSUMED :

	2006-07		2005-06	
	MTs	Rs.	MTs	Rs.
Coke	*62,924	711,607,844	*72,700	836,636,528
Iron Ore	414,156	487,546,673	350,755	218,040,074
Coal (Converted into Coke)	156,969	1,032,812,288	83,492	484,552,140
Ferro Alloys		653,458,787		579,234,528
Others		344,945,522		237,242,289
TOTAL		3,230,371,114		2,355,705,559

* Excludes 88,769 MTs (Previous Year 47,136 MTs) Coke from Coal Conversion Activity.

b) IMPORTED AND INDIGENOUS RAW MATERIALS CONSUMED : (See Note No. 11)

	2006-07		2005-06	
	Rs.	Percentage	Rs.	Percentage
Imported (Direct imports only)	1,448,997,206	45%	1,234,030,533	52%
Indigenous	1,781,373,908	55%	1,121,675,026	48%
TOTAL	3,230,371,114	100%	2,355,705,559	100%

SCHEDULE '20': Notes forming part of the Financial Statements as at 31st March, 2007 (continued)

5. Details of Licensed and Installed Capacity, Production, Stocks and Turnover :

Class of Goods	Licensed capacity (Maximum utilisation basis)	(a) Installed capacity	(b) Production for Self	Production for Job work	Purchase for Goods traded in		Stocks at Commencement		Stocks at Close		Turnover (Net of Excise Duty)	Process Loss Excess / Shortage (e)
					Qty. MTs	Value Rs.	Qty. MTs	Value Rs.	Qty. MTs	Value Rs.		
1). PIG IRON / LIQUID PIG IRON												
Financial year ended 31st March, 2007	240,000	(b) 240,000	(1)210,136	271,982	—	—	1,654	24,018,783	2,553	42,592,801	(d)35,856	—
Financial year ended 31st March, 2006	240,000	(g) 240,000	168,106	240,147	—	—	4	64,462	1,654	24,018,783	(d)10,678	—
2). BLOOMS & ROUNDS												
Financial year ended 31st March, 2007	(c) —	(c) —	169,495	—	—	—	5,017	126,852,748	5,191	136,389,226	(d)20,373	—
Financial year ended 31st March, 2006	—	—	147,889	—	—	—	2,387	71,477,540	5,017	126,852,748	(d)37,964	—
3). ROLLED PRODUCTS												
Financial year ended 31st March, 2007	—	250,000	(h)145,250	76,949	—	—	4,610	128,890,144	5,196	151,945,614	(d)141,434	3,030
Financial year ended 31st March, 2006	—	250,000	(h)103,217	64,965	—	—	2,669	83,998,052	4,610	128,890,144	(d)99,465	1,540
4). POWER												
Financial year ended 31st March, 2007	8 MW	8 MW	(i)8.00 MW	—	—	—	—	—	—	—	—	—
Units (Kwh) (000)	60,000	60,000	66,705	—	—	—	—	—	—	—	—	—
Financial year ended 31st March, 2006	8 MW	8 MW	(j)7.02 MW	—	—	—	—	—	—	—	—	—
Units (Kwh) (000)	60,000	60,000	52,651	—	—	—	—	—	—	—	—	—
5). GOODS TRADED IN												
BLOOMS & ROUNDS												
Financial year ended 31st March, 2007	—	—	—	—	814	26,502,699	48	1,559,870	—	—	862	43,460,466
Financial year ended 31st March, 2006	—	—	—	—	914	31,097,338	43	1,181,755	48	1,559,870	909	47,417,309
IRON ORE & IRON ORE FINES												
Financial year ended 31st March, 2007	—	—	—	—	—	—	—	—	—	—	—	—
Financial year ended 31st March, 2006	—	—	—	—	63,200	47,868,580	—	—	—	—	63,200	57,547,145
COKE												
Financial year ended 31st March, 2007	—	—	—	—	169,665	1,453,619,233	—	—	—	—	169,665	1,487,802,730
Financial year ended 31st March, 2006	—	—	—	—	15,000	103,407,259	—	—	—	—	15,000	107,265,772
PIG IRON												
Financial year ended 31st March, 2007	—	—	—	—	27,890	462,828,154	—	—	—	—	27,890	497,752,966
Financial year ended 31st March, 2006	—	—	—	—	—	—	—	—	—	—	—	—
OTHERS												
Financial year ended 31st March, 2007	—	—	—	—	—	18,733,768	—	—	—	—	—	15,766,066
Financial year ended 31st March, 2006	—	—	—	—	—	—	—	—	—	—	—	—
6). SCRAP												
Financial year ended 31st March, 2007	—	—	—	—	—	—	—	46,537,031	—	40,368,376	—	(1)424,020,153
Financial year ended 31st March, 2006	—	—	—	—	—	—	—	7,660,406	—	46,537,031	—	(1)301,180,686
7). JOBWORK ACTIVITY												
Financial year ended 31st March, 2007	—	—	—	—	—	—	744	—	—	—	349,623	431,875,686
Financial year ended 31st March, 2006	—	—	—	—	—	—	—	—	744	—	304,367	352,080,063
Financial year ended 31st March, 2007	TOTAL					1,942,950,086	—	327,858,576	—	371,296,017	—	8,682,712,609
Financial year ended 31st March, 2006	TOTAL					201,106,945	—	164,382,215	—	327,858,576	—	5,438,776,734

a) As certified by the Chief of MBF and Rolling Mill Shop, being a technical matter accepted by the Auditors as correct.

b) Production is net of Plant returns.

c) Manufactured by a third party on Conversion Basis/ under Strategic Alliance.

d) Excludes captively consumed:

Pig Iron / Liquid Pig Iron : 173,381 MTs (Previous Year 155,778 MTs)

Blooms & Rounds : 1,48,825 MTs (Previous Year 107,295 MTs)

Rolled products : 200 MTs (Previous Year 271 MTs)

e) Excess / shortage are on account of handling of goods amongst the strategic alliance partners which are made good.

f) Includes Sale of Iron Ore fines Rs.228,617,649/- (Previous Year Rs.185,938,037/-) and Coke Fines Rs.50,509,014/- (Previous Year Rs.32,317,288/-)

g) Production has surpassed initially certified installed capacities, as a result of constant modifications, better efficiencies & refinements to manufacturing processes over the past years.

h) Includes material sent for manufacture at third party on Conversion Basis 47,943 MTs (Previous Year 20,759 MTs)

i) Includes 47,944 MTs pig iron produced in Siruguppa Plant / facility taken on lease.

j) Net Power generated & captively consumed.



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SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2007 (continued)

6. MANAGERIAL REMUNERATION:

a) Computation of Net Profit in accordance with Section 198(1) and 349 of the Companies Act, 1956 :

	2006-07 Rs.	2005-06 Rs.
Profit as per Profit & Loss Account, after Taxation	898,825,943	1,010,174,852
Add: Remuneration to Executive Director & Wholetime Directors including perquisites	16,908,479	14,545,893
Commission to Directors other than Executive Director & Wholetime Directors	2,000,000	1,500,000
Provision for Taxation	<u>352,719,000</u>	<u>343,332,003</u>
	<u>371,627,479</u>	<u>359,377,896</u>
	1,270,453,422	1,369,552,748
Less: Profit on sale of investments in terms of Section 349(3)(c)	4,958,910	365,256,571
Provision for doubtful advances written back	2,035,343	6,469,182
Provision no longer required	<u>3,845,936</u>	<u>9,099,468</u>
	<u>10,840,189</u>	<u>380,825,221</u>
Net Profit / (Loss)	<u>1,259,613,233</u>	<u>988,727,527</u>
Profit on which commission is payable	1,259,613,233	988,727,527
Commission to Executive Director, as determined by the Board of Directors	8,800,000	6,500,000
Commission to Directors other than Executive Director & Wholetime Directors	2,000,000	1,500,000

b) Details of payment and provisions on account of remuneration to Executive Director and Wholetime Directors included in Financial Statements are as under :

	Executive Director 2006-07 (Rs.)	Wholetime Director 2006-07 (Rs.)	*Wholetime Director 2006-07 (Rs.)	TOTAL 2006-07 Rs.	TOTAL 2005-06 Rs.
Salary	2,640,000	1,200,000	58,709	3,898,709	4,020,000
Variable Allowance			52,000	52,000	372,000
Special Allowance		618,000	58,709	676,709	1,320,000
House Rent Allowance / Rent Perquisite	1,320,000	480,000	29,355	1,829,355	890,000
Commission on Profits (provision)	8,800,000			8,800,000	6,500,000
Leave Encashment Provision	288,666	60,000	3,500	352,166	201,333
Contribution to :					
Provident Fund	316,800			316,800	288,000
Superannuation Fund	396,000			396,000	360,000
Gratuity	192,000			192,000	199,920
Other Perquisites	20,608	29,400	4,774	54,782	77,973
L.T.A.	200,000	100,000	39,958	339,958	316,667
Total	14,174,074	2,487,400	247,005	16,908,479	14,545,893

* Remuneration for the part of the year i.e from 1st April, 2006 to 21st May, 2006.

Note : As the employee-wise breakup of personal insurance premium is unascertainable, the amount relating to the Directors has not been included above.

	2006-07 Rs.	2005-06 Rs.
7. C.I.F. Value of Imports, Expenditure and Earnings in Foreign Currencies :		
a) C.I.F. Value of Imports :		
Direct imports only : (including goods in Bonded Warehouse, if any) [See Note No.11]		
Raw Material :		
- Coke	287,617,173	773,107,939
- Coal	799,714,450	646,697,297
- Ferro Alloys	9,889,740	87,892,229
Goods Traded in :		
- Coke	1,453,619,233	103,407,259

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SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2007 (continued)

	2006-07 Rs.	2005-06 Rs.
b) Expenditure in Foreign Currency :		
- Interest	76,354,075	50,952,544
- Traveling	366,758	412,713
- Legal & Professional fees	56,056	51,084
- Other matters	534,807	2,029,322
c) Earnings in Foreign Currencies :		
- FOB Value of Exports	401,193,434	48,151,186
- Insurance and Freight on Exports	1,316,214	765,635
- Carbon Emission Reduction ~ (Carbon Credits)	83,326,472	
d) Exchange differences on account of fluctuation in foreign currency rates :		
i) Relating to Exports during the year as a part of Sales	—	
ii) Relating to Imports during the year as a part of Raw Material Loss / (Gain)	5,271,756	6,450,470
iii) Other foreign exchange gains / (losses) recognised on settlement of current assets, liabilities and borrowings		
a) Adjusted to cost of assets	—	
b) Recognised in Profit and Loss account	(3,907,162)	(3,237,868)
e) Foreign Exchange Derivatives and Exposures not hedged at close of the year :		
a) Foreign Exchange Derivatives :		

Nature of Particulars	Currency	Particulars	31st March, 2007	31st March, 2006
i) Forward Contracts	USD	Purchase	24,963,736	5,138,985
	USD	Sale	—	
ii) Option Contracts	USD	Loan	5,609,853	9,085,750

All derivative contracts stated above are for the purpose of hedging the underlying foreign currency exposure.

b) Exposure not hedged :

Nature of Instrument	Currency	31st March, 2007	31st March, 2006
i) Receivable	USD	105,752	53,508
Receivable	EURO	1,333,610	
ii) Payable	USD	394,841	12,054,891
iii) Loan	USD	—	164,667

8. (a) (i) 1,000,000 - 13% Secured Non-Convertible Redeemable Debentures (Eleventh Series) of Rs.100/- each, privately placed with Bank of Maharashtra. Final Installment of Rs.13.40 Million due in April, 2007, was prepaid by the Company during the year. Satisfaction of Charge has been filed with Government of India, Ministry of Company Affairs, Maharashtra, Pune.
- (ii) 100 ~ 8.5% Secured Non-Convertible Redeemable Debentures (Sixteenth Series) of Rs.1,000,000/- each, privately placed with Housing Development Finance Corporation Limited. The Second redemption installment of Rs.330,000/- per debenture was paid by the Company in February 2007. Final installment of Rs.340,000/- per debenture, to be redeemed in the month of February, 2008.

Above Debentures are / were secured by mortgage of Company s immovable properties consisting of land together with all buildings and structures thereon and all plant and machinery, attached to the earth or permanently fastened to anything attached to the earth, both present and future and hypothecation of whole of the moveable fixed assets / properties of the Company, including its movable plant and machinery, machinery spares, tools and accessories and other movable fixed assets, both present and future, ranking pari passu with charges created and / or to be created in favour of the Banks / Financial Institutions for their term / foreign currency loans.

(b) Rupee Term Loans :

- (i) Canara Bank ~ Term Loan
- (ii) Bank of Baroda ~ Term Loan
- (iii) Union Bank of India ~ Term Loan
- (iv) The Jammu and Kashmir Bank Limited ~ Term Loan
- (v) HDFC Bank Limited ~ Term Loan
- (vi) State Bank of India ~ Term Loan



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SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2007 (continued)

Above loans are secured by mortgage of Company's immovable properties consisting of land together with all buildings and structures thereon and all plant and machinery, attached to the earth or permanently fastened to anything attached to the earth, both present and future and hypothecation of whole of the moveable fixed assets / properties of the Company, including its movable plant and machinery, machinery spares, tools and accessories and other movable fixed assets, both present and future, ranking pari passu with charges created and / or to be created in favour of the Trustees for Debenture holders and Banks / Financial Institutions for their term / foreign currency loans.

(c) Foreign Currency Term Loans

- i) Union Bank of India - Foreign Currency Term Loan, Outstanding balance USD Nil
- ii) State Bank of India - Corporate Term Loan in the form of FCNR(B) Term Loan Outstanding balance USD 870,000
- iii) Bank of India - Foreign Currency Term Loan, Outstanding balance USD 3,333,333
- iv) Bank of Baroda - Foreign Currency Term Loan, Outstanding balance USD 1,406,250

Above Foreign Currency Term Loans are / were secured by mortgage of Company's immovable properties consisting of land together with all buildings and structures thereon and all plant and machinery, attached to the earth or permanently fastened to anything attached to the earth, both present and future and hypothecation of whole of the moveable fixed assets / properties of the Company, including its movable plant and machinery, machinery spares, tools and accessories and other movable fixed assets, both present and future, ranking pari passu with charges created and / or to be created in favour of the Trustees for Debenture holders and Banks / Financial Institutions for their term / foreign currency loans.

- (d) Guarantees aggregating Rs. 900,000/- (previous year Rs.900,000/-) given by the Company's Bankers under the Non-Fund based Working Capital Limits are secured together with the Fund based Working Capital Limits against hypothecation of stores, raw materials, stock in process, finished goods and book debts.

9. Debenture Redemption Reserve has been created in accordance with the Circular No.9/2002 dt.18th April, 2002, issued by Department of Company Affairs, Ministry of Law, Justice & Company Affairs, Government of India.
10. The Company has raised Rs.528 Million through Preferential Allotment of Equity Shares during the year. This amount has been utilised to finance the advance towards acquisition of Equity and Preference Shares of SJK Steel Plant Limited as detailed in Note No.19.
11. In furnishing information under Note 4(b) and 7(a), the view has been taken that particulars are required only in respect of items that are incorporated in the Finished Goods produced and not for such material used for maintenance of Plant & Machinery.
12. In absence of any intimation received from vendors regarding the status of their registration under Micro, Small and Medium Development Act, 2006 the Company is unable to comply with the disclosures required to be made under the said Act.
13. Diminution in the value of quoted investments, if any, are not considered to be of a permanent nature and thus in the opinion of the Management, no provision for the same is necessary to be made. Moreover, investments made other than those in Mutual Funds, are intended to be held for a long term. However appropriate adjustments are made for diminution, which in the opinion of the management are not of a temporary nature.
14. In the absence of balance confirmations, the balances in respect of third parties are as per Books of Account only. Adjustments having an impact of revenue nature, if any, will be made in the year in which the same are confirmed and reconciled.
15. Segment information, based on the consolidated financial statements of the Company and its subsidiaries, has been set out in a separate statement annexed to this Schedule.
16. Related party disclosures have been set out in a separate statement annexed to this Schedule. The related parties, as defined by Accounting Standard 18 Related Party Disclosures issued by the Institute of Chartered Accountants of India, in respect

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2007 (continued)

of which the disclosures have been made, have been identified on the basis of disclosures made by the key management persons and taken on record by the Board.

17. The Company has recognised Deferred Taxes which result from timing differences between the Book Profits and Tax Profits as under :

Particulars	Balance carried as at 31st March, 2006 Rs.	Arising during the year Rs.	Balance carried as at 31st March, 2007 Rs.
Deferred Tax Liabilities :			
On account of Timing Differences :			
Depreciation	463,700,909	(22,725,540)	440,975,369
TOTAL	463,700,909	(22,725,540)	440,975,369
Deferred Tax Assets :			
On account of Timing Differences :			
Disallowance u/s 43B of the Income Tax Act	1,657,653	340,556	1,998,209
Provision for doubtful advances	685,096	(685,096)	
TOTAL	2,342,749	(344,540)	1,998,209
Net Deferred Tax Liability/(Asset)	461,358,160	(22,381,000)	438,977,160

18. The Company had purchased a Billet Mill, which was to be installed as a part of its facility at Ginigera. However due to delayed implementation schedules, the same continues to be classified as Capital Work In Progress and disclosed as such in the financial statements and carried at its realisable / impaired value amounting to Rs.85,085,445/-. The implementation of the said project, of which the said machinery would form a substantial part, is definitive in the near future.

19. The Company has entered into an Equity Share Purchase, Share Subscription and Shareholders Agreement and Preference Share Purchase Agreement with SJK Steel Plant Limited (SJK), its Promoter and other shareholders to acquire substantial control through purchase of existing Equity and Preference Shares held by Selling Shareholders, post and subject to restructuring, of SJK Share Capital and fulfillment of certain terms and conditions, detailed in the Agreement. In terms with the said agreement the Company has paid advance of Rs.24 Crores towards the purchase of Equity Shares and Rs.30 Crores towards the purchase of Preference Shares.

Scheme of Compromise / Arrangement between SJK and its Secured Creditors, Equity and Preference Shareholders has been filed with The High Court of Judicature at Andhra Pradesh at Hyderabad for restructuring of the capital of SJK and compromise with Secured Creditors which is pending adjudication.

Pending fulfillment of conditions precedent to acquisition, the amount of Rs.54 Crores paid by the Company has been disclosed as Advance for purchase of Shares.

20. (a) The Company has entered into agreements in the nature of lease / leave and license agreement with different lessors / licensors for the purpose of establishment of premises and accommodation of executives. These are generally in the nature of operating lease / leave and license and period of agreements is generally for one year and renewable / cancelable at the option of the lessee or lessor. In view of above there are no disclosures required as per Accounting Standard 19 Leases issued by the Institute of Chartered Accountants of India.
- (b) However, the Company has entered into agreement in the nature of lease with regard to assets taken on lease. Disclosure required as per Accounting Standard 19 with regard to the assets taken on lease are as under :
- i. There are no transactions in the nature of sub-lease.
 - ii. Payments recognised in the Profit and Loss Account for the year ended 31st March, 2007 is Rs.113,191,178/-.



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SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2007 (continued)

21. Computation of Earnings Per Share (EPS) :

	As at 31st March, 2007	As at 31st March, 2006
Net Profit attributable to Shareholders	898,825,943	1,010,174,852
Prior Period Adjustment	(404,530)	(922,948)
Net Profit after prior period adjustment (A)	898,421,413	1,009,251,904
Number of shares outstanding at the beginning of the year	42,053,060	42,053,060
Number of Equity Shares allotted on Preferential basis on 29th November, 2006	1,600,000	
Weighted average number of Equity Shares outstanding at the end of the year (B)	42,592,238	42,053,060
Basic and Diluted Earning Per Share (A)/(B)	21.09	24.00

22. Disclosures required as per Clause 32 of the Listing Agreement have been set out in a separate statement annexed hereto.

23. Previous year s figures have been regrouped wherever considered necessary to make them comparable with those of the current year.

24. Reference is invited to Statement of Significant Accounting Policies annexed hereto.

As per our attached Report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner

Mumbai
Date : 28th May, 2007

On behalf of the Board of Directors

Mrs.D.R. Puranik
Company
Secretary

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Pune
Date : 28th May, 2007

**ANNEXURE REFERRED TO IN NOTE NO.24 OF NOTES FORMING PART OF FINANCIAL STATEMENTS :
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOLLOWED BY THE COMPANY****1] SYSTEM OF ACCOUNTING :**

- i) The Company generally follows the Mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
- ii) Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.
- iii) Estimates and Assumptions used in the preparation of the financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the Financial Statements, which may differ from the actual results at a subsequent date.

2] FIXED ASSETS AND DEPRECIATION :**A. FIXED ASSETS :**

Fixed Assets are carried at cost of Acquisition (including cost of specific borrowings up to date of installation) or Construction, less accumulated Depreciation (except freehold land) and Amortisation (of cost of Acquisition). In respect of Projects implemented by the Company, Fixed Assets include all duties, non-refundable taxes, levies and costs incurred (which are directly attributable) for bringing Assets into working condition for its intended use, including expenses during construction period, Trial period etc.

B. DEPRECIATION :**a) LEASEHOLD LAND AND POWER LINE -**

Cost of Leasehold land is amortised over the period of lease and expenditure on power line is amortized over a period of ten years.

b) OTHER FIXED ASSETS -

Depreciation on additions to assets upto 31st August, 1987 is being provided on Straight Line Method; pursuant to Circular No.1/1/1986-CLB No.15(50)84 CL-VI dt. 21.05.86 issued by the Department of Company Affairs in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, at the rates (inclusive of Multiple Shift Allowance) applicable under the Income Tax Rules in force at the time of acquisition / installation of the assets and depreciation on additions on and after 1st September, 1987 is provided on Straight Line Method in accordance with Schedule-XIV to the Companies Act, 1956 as amended from time to time except if the life of any asset is less than that computed with reference to the rates prescribed under Schedule-XIV of the Companies Act, 1956, the same is written off over the economic life of the asset.

c) Depreciation on sale / deduction from Fixed Assets is provided for upto the month of sale, deduction, discardment as the case may be.**3] FOREIGN CURRENCY TRANSACTIONS :**

Foreign Currency transactions are initially recorded at exchange rates prevailing on transaction dates. All Foreign Currency loans, Current Assets and Current Liabilities outstanding on the date of Balance Sheet are converted at the appropriate rates of exchange prevailing on the date of the Balance Sheet except those covered by Forward Contracts if any, which are accounted for at the Contracted Rate representing the amount required to meet the liability. Exchange difference arising from foreign currency fluctuations are dealt with in the Profit and Loss Account (except for differences in respect of Foreign Currency Liabilities for acquisition of Fixed Assets, which are adjusted to the cost of Fixed Assets). Derivative instrument to hedge foreign exchange exposures are simulated for maturity / closure at the close of the year. Losses arising on such simulation on account of fluctuations in exchange rates during the reporting period are recognised in the Profit and Loss Account. Gains, if any, are postponed for a recognition on final determination.

4] TECHNICAL KNOW-HOW :

Expenditure on Technical Know-how in connection with production facilities is capitalised to the cost of the plant whereas process know-how is amortised over a period of six years in equal installments.

5] INVESTMENTS :

Investments are valued at cost of acquisition less diminution in the value, if determined to be of a permanent nature in respect of long term investments. Current investments are valued at cost of acquisition less diminution in the value at the close of the year, if realisable value is lower than carrying cost.

6] INVENTORY VALUATION :

Costs of inventories have been computed to include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

A. Finished Goods and Materials in Process :

- a) Finished Goods and Materials in Process are stated at their cost or Market / realisable value, whichever is lower.
- b) Cost of Finished Goods (including Trial Run product) includes all allocable overheads and Excise duties but excludes interest.

B. Raw Materials :

Raw Materials are stated at their Historical Costs computed at the weighted average price.

C. Stores & Spares :

Stores and spares are valued at their weighted average prices.

D. Scrap is valued at estimated realisable value.**E. Raw Material in transit is stated at actual cost up to the date of Balance Sheet.****7] DEBENTURE / SHARE ISSUE EXPENSES :****a) Debenture Issue Expenses :**

Debenture Issue Expenses incurred in respect of debentures raised by the Company will be written off against the balance in the Securities Premium Account in accordance with Section 78 of the Companies Act, 1956 and in the event of inadequacy of balance in Securities Premium Account the same will be written off against the profits of

**ANNEXURE REFERRED TO IN NOTE NO.24 OF NOTES FORMING PART OF FINANCIAL STATEMENTS (continued) :**

- the Company in equal annual installments over period of ten years or over the tenure of the Debenture whichever is less, from the date of commencement of commercial production of the concerned project for which they have been raised.
- b) Share Issue Expenses :
- Share Issue Expenses incurred in respect of shares raised by the Company will be written off from the date of allotment against the balance in the Securities Premium Account^f in accordance with Section 78 of the Companies Act, 1956, and in the event of inadequacy of balance in Securities Premium Account^f the same will be written off in ten equal annual installments against the profits of the respective years.
- 8] **PREMIUM ON REDEMPTION OF DEBENTURES :**
From the year ended 31st March, 1992 onwards, premium payable on redemption of debentures will be provided for against balance lying in the Securities Premium Account^f on the date of redemption in accordance with Section 78 of the Companies Act, 1956. In the event of inadequacy of balance in the Securities Premium Account^f, the same will be provided for against the profits equally over the tenure of the debentures.
- 9] **A. EXPORT SALES :**
Sales for exports are accounted on the date of issue of the Mate s Receipt.
- B. EXPORT INCENTIVES :**
Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.
- 10] **EMPLOYEE BENEFITS :**
- a) Gratuity :
Payment for present liability of future payment of gratuity is being made to approved gratuity funds which fully cover the same under Cash Accumulation Policy of the Life Insurance Corporation of India. However in view of the revision to the Accounting Standard 15 Employee Benefits which is mandatory in its application from 1st April, 2007, Gratuity being a defined benefit plan, the deficit in the Plan Assets over the actuarial liability determined in accordance with the Standard, if any, would be adjusted to the General Reserve as at 1st April, 2007 and thereafter to the Profit and Loss Account.
- b) Superannuation :
Defined contributions to Superannuation Fund are being made to Life Insurance Corporation of India as per the scheme of the Company.
- c) Provident Fund :
Provident Fund contributions (defined) are made to KSL Non-Bargainable Staff Provident Fund Trust in respect of Staff and in respect of Workers (Bargainable) the same is deposited with the Government Provident Fund Authority.
- d) Employees Pension Scheme :
Defined contributions to Employees Pension Scheme, 1995 are made to the Government Provident Fund Authority.
- e) Privilege Leave Benefits :
Liability for privilege leave benefits, in accordance with the rules of the Company is provided for at prevailing salary rate for the entire unavailed leave balance as at the balance sheet date.
- 11] **RESEARCH AND DEVELOPMENT EXPENDITURE :**
Research and Development expenditure is charged to Revenue under the natural heads of account in the year in which it is incurred. However, expenditure incurred at development phase, where it is reasonably certain that outcome of research will be commercially exploited to yield economic benefits to the Company, is considered as an intangible asset.
- 12] **STRATEGIC ALLIANCE AT GINIGERA :**
The expenses incurred by the Joint Venture Company viz. Hospet Steels Limited, formed with the specific purpose of managing and operating the Composite Steel Manufacturing Facility at Ginigera, in the course of carrying out its objectives are, as agreed upon, to be shared by the alliance components in the pre-determined mutually agreed sharing ratio. Such expenses billed for reimbursement by Hospet Steels Limited have been booked into their natural heads of accounts and presented as such in the accounts.
- 13] **BORROWING COST :**
Borrowing costs are recognised in the Profit and Loss Account except interest incurred on borrowings, specifically raised for projects are capitalised to the cost of the asset until such time that the asset is ready to be put to use for its intended purpose.
- 14] **TAXATION :**
Provision for Taxation is made on the basis of the Taxable Profits computed for the current accounting period in accordance with the Income Tax Act, 1961. Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for at the applicable rate of tax to the extent the timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.
- 15] **IMPAIRMENT OF ASSETS :**
The Management, from this year, assesses for any impairment of assets or cash generating units, if indicators, external or internal, suggests possibilities of reduction in net realisable value of assets or value in use of cash generating units below its carrying costs. Impairments, if any, are recognised in the transitional year, against General Reserve and thereafter, if any, in the Profit and Loss Account.
- 16] **PROVISIONS :**
Necessary Provisions are made for present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

KALYANI STEELS

ANNEXURE REFERRED TO IN NOTE NO.15 OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :
Disclosure of Segment information as required by AS 17 Segment Reporting
Segment Reporting as required by Accounting Standard 17 :

Sr. No.	Particulars	Year ended 31st March, 2007 Rupees	Year ended 31st March, 2006 Rupees
1	Segment Revenue :		
	a) Iron & Steel	8,704,001,117	5,466,171,862
	b) Power	336,806,926	200,262,113
	c) Finance & Investments	128,690,670	432,018,490
	d) Others	174,459,333	150,390,490
	Net Sales / income from operations	<u>9,343,958,046</u>	<u>6,248,842,955</u>
2	Segment Results :		
	Profit / (Loss) (before interest & tax from each segment)		
	a) Iron & Steel	997,212,649	910,598,898
	b) Power	252,077,183	127,912,334
	c) Finance & Investments	128,330,491	389,299,658
	d) Others	93,600,557	103,076,359
	Total Profit before Interest & Tax	<u>1,471,220,880</u>	<u>1,530,887,249</u>
	Less :		
	1 Interest	159,495,310	119,963,959
	2 Other un-allocable expenditure net of un-allocable income	<u>(234,039)</u>	<u>(12,574,181)</u>
	Profit for the year	<u>1,311,959,609</u>	<u>1,423,497,471</u>
	Less : Trial Run Income net of Expenditure	—	380,128
	Total Profit Before Tax	<u>1,311,959,609</u>	<u>1,423,117,343</u>
3	Total carrying amount of Segment Assets :		
	a) Iron & Steel	5,696,685,823	4,246,226,818
	b) Power	292,819,497	240,619,205
	c) Finance & Investments	2,459,896,217	1,921,417,058
	d) Others	698,141,006	590,978,887
	e) Un-allocable	575,603,415	315,992,910
	Total	<u>9,723,145,958</u>	<u>7,315,234,878</u>
4	Total amount of Segment Liabilities :		
	a) Iron & Steel	2,629,896,621	1,661,802,216
	b) Power	17,907,295	14,791,544
	c) Finance & Investments	21,476,146	16,819,476
	d) Others	49,739,590	36,724,322
	e) Un-allocable	786,206,808	481,381,152
	Total	<u>3,505,226,460</u>	<u>2,211,518,710</u>
5	Capital Employed (Segment Assets - Segment Liabilities) :		
	a) Iron & Steel	3,066,789,202	2,584,424,602
	b) Power	274,912,202	225,827,661
	c) Finance & Investments	2,438,420,071	1,904,597,582
	d) Others	648,401,416	554,254,565
	e) Un-allocable	<u>(210,603,393)</u>	<u>(165,388,242)</u>
	Total	<u>6,217,919,498</u>	<u>5,103,716,168</u>
6	Total Cost incurred during the year to acquire Segment Assets that are expected to be used during more than one period :		
	a) Iron & Steel	70,124,289	79,548,737
	b) Power	13,300	1,020,813
	c) Finance & Investments	—	
	d) Others	1,764,457	4,690,920
	Total	<u>71,902,046</u>	<u>85,260,470</u>
7	Depreciation :		
	a) Iron & Steel	165,078,203	168,204,165
	b) Power	12,778,798	12,763,089
	c) Finance & Investments	—	
	d) Others	1,968,881	1,684,596
	Total	<u>179,825,882</u>	<u>182,651,850</u>



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ANNEXURE REFERRED TO IN NOTE NO.16 OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :

Disclosure of Transactions with Related Parties as required by Accounting Standard 18 :

Nature of Transaction	Subsidiaries	Associates & Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel
	Rs.	Rs.	Rs.	Rs.
Conversion Charges Paid				
For the year 2006-07		250,503,813		
For the year 2005-06		58,674,640		
Sale of Goods				
For the year 2006-07		13,000,000		
For the year 2005-06		21,289,698		
Dividend Received				
For the year 2006-07		33,511,725		
For the year 2005-06		33,511,725		
Receiving of Services				
For the year 2006-07		239,538,474	16,908,479	
For the year 2005-06		188,233,478	14,545,893	
Finance Provided (Loans & Investment / Share Application Money)				
For the year 2006-07	(15,472,047)			
For the year 2005-06	529,534,325			
Finance Received (Loans, Investment & Deposit)				
For the year 2006-07			2,877,067	
For the year 2005-06				
Interest Received				
For the year 2006-07	94,526,337			
For the year 2005-06	73,618,282			
Interest Paid				
For the year 2006-07			298	16,006
For the year 2005-06			1,618	34,901
Rent Paid				
For the year 2006-07				35,000
For the year 2005-06				210,000
Receivables as on				
31st March, 2007	1,701,306,595	219,910,549		
31st March, 2006	1,700,527,246	183,210,549		
Payables as on				
31st March, 2007		41,741,219	11,694,630	370,550
31st March, 2006		33,904,982	9,394,332	354,544

Note : Names of related parties and description of relationship

Description of Relationship	Names of Related Parties
Subsidiaries	Chakrapani Investments and Trades Limited Surajmukhi Investment and Finance Limited Gladiolla Investments Limited
Associates & Joint Ventures	Hospet Steels Limited Kalyani Mukand Limited Hikal Limited Bharat NRE Coke Limited
Key Management Personnel	Mr.C.G. Patankar * Mr.B.B. Hattarki Mr.Suresh Pandey
Relatives of Key Management Personnel	** Mr.N.B. Hattarki ** Mrs.S.B. Hattarki Mrs.M.C. Patankar

* Key Management Personnel for the period 1st April 2006 to 21st May 2006

**Relative of Key Management Personnel for the period 1st April 2006 to 21st May 2006

ANNEXURE REFERRED TO IN NOTE NO.22 OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS :
Disclosures required as per Clause 32 of the Listing Agreement

Name of the Company	Loans and Advances			
	Amount outstanding as on		Maximum balance Outstanding	
	31st March, 2007 Rs.	31st March, 2006 Rs.	During The Year 2006-07 Rs.	2005-06 Rs.
Subsidiaries : (*)				
Surajmukhi Investment and Finance Limited	197,560,677	354,654,976	372,309,154	354,654,976
Chakrapani Investments and Trades Limited	252,185,924	402,844,738	413,682,766	402,844,738
Gladiolla Investments Limited	207,488,048	365,206,982	372,647,010	394,132,832
Associates :				
Kalyani Mukand Limited \$				511,966
Hospet Steels Limited				
Hikal Limited				
Bharat NRE Coke Limited				
Formerly Subsidiaries *				
Campanula Investment & Finance Limited	533,500	533,500	533,500	533,500
Cornflower Investment & Finance Limited	583,500	583,500	583,500	583,500
Dandkaranya Investment & Trading Limited	833,500	833,500	833,500	833,500
Dronacharya Investment & Trading Limited	583,300	583,300	583,300	583,300
Hastinapur Investment & Trading Limited	833,500	833,500	833,500	833,500
Other Companies * \$				
Sprekelia Investment & Finance Limited	4,125,000	4,125,000	4,125,000	4,125,000
Oleander Investment & Finance Limited	3,985,000	3,985,000	3,985,000	3,985,000
Alocasia Investment & Finance Limited	3,985,000	3,985,000	3,985,000	3,985,000
Acorus Investment & Finance Limited	4,100,000	4,100,000	4,100,000	4,100,000
Khiphafia Investment & Finance Limited	3,985,000	3,985,000	3,985,000	3,985,000
Poinsettia Investment & Finance Limited	855,000	855,000	855,000	855,000
India International Limited	300,000	300,000	300,000	300,000
Advances in the nature of loans * \$				
KSL Executive Welfare Share Option Trust I	1,450,000	1,450,000	1,450,000	1,450,000
KSL Executive Welfare Share Option Trust II	1,450,000	1,450,000	1,450,000	1,450,000
KSL Executive Welfare Share Option Trust III	1,450,000	1,450,000	1,450,000	1,450,000
KSL Executive Welfare Share Option Trust IV	1,450,000	1,450,000	1,450,000	1,450,000
KSL Executive Welfare Share Option Trust V	1,450,000	1,450,000	1,450,000	1,450,000
KSL Executive Welfare Share Option Trust VI	930,000	930,000	930,000	930,000
KSL Group Welfare Share Option Trust	1,000,000	1,000,000	1,000,000	1,000,000
KSL Non Bargainable Staff Provident Fund				3,000,000

Notes :

1. There are no loans and advances in the nature of loans, to firms /companies in which directors are interested.

* 2.No repayment schedule.

\$ 3. No interest.

Investment by Loanee in the Shares of the Company :

Name of the Loanee	No. of Shares held	
	As on 31st March, 2007	As on 31st March, 2006
Sprekelia Investment & Finance Limited	83,960	83,960
Oleander Investment & Finance Limited	83,960	83,960
Alocasia Investment & Finance Limited	83,960	83,960
Acorus Investment & Finance Limited	83,960	83,960
Khiphafia Investment & Finance Limited	84,152	84,152
Poinsettia Investment & Finance Limited	50,998	50,998
KSL Executive Welfare Share Option Trust I	40,000	40,000
KSL Executive Welfare Share Option Trust II	40,000	40,000
KSL Executive Welfare Share Option Trust III	40,000	40,000
KSL Executive Welfare Share Option Trust IV	40,000	40,000
KSL Executive Welfare Share Option Trust V	40,000	40,000
KSL Executive Welfare Share Option Trust VI	25,000	25,000

Consolidated Financial Statements

2006-2007

TO THE BOARD OF DIRECTORS KALYANI STEELS LIMITED REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have examined the attached Consolidated Balance Sheet of **KALYANI STEELS LIMITED** and its Subsidiaries, Associates and Joint Venture as at 31st March, 2007 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

These Financial Statements are the responsibility of Kalyani Steels Limited's management. Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the Financial Statements of the following Subsidiaries having total assets, total revenue and cash flows for the year ended on 31st March, 2007 as detailed below :

			Rupees
Name of the Subsidiary	Total Assets	Total Revenues	Cash inflows/(Outflows)
Chakrapani Investments & Trades Limited	547,998,735	28,531,230	(17,451)
Surajmukhi Investment & Finance Limited	543,892,869	32,583,344	163,372
Gladiolla Investments Limited	532,239,357	34,240,995	22,124

These Financial Statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as relates to the amounts included in respect of these subsidiaries, is based solely on the report of other auditors.

We did not audit the financial statements of the following Associates which have been accounted in Financial Statements dealt with by this report having total assets, total revenues and cash flows for the year ended on 31st March, 2007 as detailed below :

			Rupees
Name of the Associate	Total Assets	Total Revenues	Cash inflows/(Outflows)
Hikal Limited	4,019,997,046	2,510,729,033	(293,051,836)
Bharat NRE Coke Limited	809,771,005	829,398,840	(8,400,365)

The Financial Statements of Bharat NRE Coke Limited have been audited by another auditor whose report has been furnished to us, and our opinion, in so far as relates to the amounts included in respect of this Associate, is based solely on the report of other auditors.

The amounts included in respect of Hikal Limited, are based on the provisional statements of assets, liabilities and results which do not include its subsidiaries and have not been subjected to validation tests or other auditing procedures and therefore any adjustments to their balances could have an effect on the attached Consolidated Financial Statements.

We did not audit the Financial Statements of the following Joint Venture which have been accounted in Consolidated Financial Statements dealt with by this report having total assets, total revenues and cash flows for the year ended on 31st March, 2007 as detailed below :

			Rupees
Name of the Joint Venture	Total Assets	Total Revenues	Cash inflows/(Outflows)
Hospet Steels Limited	(10,801,868)	NIL*	(1,647,134)

* as the expenses are reimbursed in terms of Strategic Alliance Agreement

These Financial Statements have been audited by other auditors whose reports have been furnished to us and our opinion, is based solely on the report of other auditors.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standards issued by the Institute of Chartered Accountants of India viz. Accounting Standards AS 21 ~ Consolidated Financial Statements, AS 23 ~ Accounting for investments in Associates in Consolidated Financial Statements and AS 27 ~ Financial Reporting of interest in Joint Ventures and on the basis of the separate audited Financial Statements of Kalyani Steels Limited, its Subsidiaries, Associates and Joint Venture included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited Financial Statements of Kalyani Steels Limited, its aforesaid Subsidiaries, Associates and Joint Venture we are of the opinion that, except for the consequential effect, if any, on account of possible adjustments that could arise as stated above and also detailed in Note No.1 iv), in respect of Hikal Limited :

- (a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Kalyani Steels Limited and its Subsidiaries, Associates and Joint Venture as at 31st March, 2007;
- (b) The Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Kalyani Steels Limited and its Subsidiaries, Associates and Joint Venture for the year then ended; and
- (c) The Consolidated Cash Flow Statement, gives a true and fair view of the Cash Flows of Kalyani Steels Limited and its Subsidiaries, Associates and Joint Venture for the year then ended.

For and on behalf of
DALAL & SHAH,
Chartered Accountants

Place : Mumbai
Date : 28th May, 2007

ANISH AMIN
Partner
Membership No.40451

**KALYANI****Consolidated Financial Statements****2006-2007****CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007**

	Schedule	Rs.	Rs.	As at 31st March, 2006 Rs.
I. SOURCES OF FUNDS :				
1. Shareholders Funds :				
a) Capital	1	436,909,667		420,909,667
b) Reserves and Surplus	2	<u>4,523,420,471</u>		<u>3,257,755,173</u>
			4,960,330,138	3,678,664,840
2. Loan Funds :				
a) Secured Loans	3	722,731,080		852,302,355
b) Unsecured Loans	4	<u>97,494,226</u>		<u>112,586,066</u>
			820,225,306	964,888,421
3. Deferred Tax Adjustment				
Deferred Tax Liabilities		440,975,369		463,700,909
Share in Deferred Tax Liabilities of Joint Venture		<u>544,931</u>		<u>444,376</u>
		<u>441,520,300</u>		<u>464,145,285</u>
Deferred Tax Assets		1,998,209		2,342,749
Share in Deferred Tax Assets of Joint Venture		<u>1,544,237</u>		<u>718,929</u>
		<u>3,542,446</u>		<u>3,061,678</u>
			437,977,854	461,083,607
	TOTAL		<u>6,218,533,298</u>	<u>5,104,636,868</u>
II. APPLICATION OF FUNDS :				
1. Fixed Assets :	5			
a) Gross Block		2,977,193,656		2,906,603,396
b) Less : Depreciation etc.		<u>1,180,018,436</u>		<u>1,000,604,809</u>
c) Net Block		1,797,175,220		1,905,998,587
d) Capital Work-in-Progress, Expenditure to date		<u>469,612,594</u>		<u>95,838,867</u>
			2,266,787,814	2,001,837,454
2. Goodwill arising on Consolidation			480,245	480,245
3. Investments	6		3,111,893,074	2,473,926,615
4. Current Assets, Loans & Advances :				
a) Inventories	7	916,268,900		999,684,728
b) Sundry Debtors	8	1,703,655,072		1,128,835,571
c) Cash and Bank balances	9	49,647,394		86,542,571
d) Other Current Assets	10	23,202,039		4,979,065
e) Loans and Advances	11	<u>1,651,211,420</u>		<u>618,948,629</u>
		<u>4,343,984,825</u>		<u>2,838,990,564</u>
Less : Current Liabilities and Provisions :				
a) Liabilities	12	2,794,330,676		1,887,442,804
b) Provisions	13	<u>710,895,784</u>		<u>324,075,906</u>
		<u>3,505,226,460</u>		<u>2,211,518,710</u>
Net Current Assets			838,758,365	627,471,854
5. Miscellaneous Expenditure to the extent not written off or adjusted	14		613,800	920,700
	TOTAL		<u>6,218,533,298</u>	<u>5,104,636,868</u>

Notes forming part of the Consolidated Financial Statements 21

As per our attached Report of even date

For and on behalf of
DALAL & SHAH
Chartered AccountantsAnish Amin
PartnerMrs.D.R. Puranik
Company
Secretary

On behalf of the Board of Directors

C.G. Patankar
Executive
DirectorB.N. Kalyani
ChairmanMumbai
Date : 28th May, 2007Pune
Date : 28th May, 2007

Consolidated Financial Statements

2006-2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	Rs.	Rs.	As at 31st March, 2006 Rs.
INCOME :				
Sales, Gross	15 (a)	10,874,580,480		7,696,873,080
Less : Excise duty		<u>2,017,408,538</u>		<u>2,107,705,856</u>
Net Sales		8,857,171,942		5,589,167,224
Income from Power Generation		336,806,926		200,262,113
Operating Income	15 (b)	<u>135,771,429</u>	9,329,750,297	<u>129,863,254</u> 5,919,292,591
Divestment of Interest				
Profit on Sale of Long Term Investments			—	315,272,877
Other Income	15 (c)		<u>16,739,013</u>	<u>29,169,325</u>
			<u>9,346,489,310</u>	<u>6,263,734,793</u>
EXPENDITURE :				
Materials consumed and manufacturing expenses	16	6,716,781,440		3,782,570,647
Employees emoluments	17	289,119,331		236,063,189
Other expenses	18	785,626,804		622,428,504
Interest	19	159,495,310		119,963,959
Depreciation & Write Offs etc.	20	<u>179,825,882</u>		<u>182,651,850</u>
			<u>8,130,848,767</u>	<u>4,943,678,149</u>
Profit for the year			<u>1,215,640,543</u>	<u>1,320,056,644</u>
Less : Trial Run Income net of expenditure			—	380,128
Profit for the year, before Taxation			<u>1,215,640,543</u>	<u>1,319,676,516</u>
Income from Associates			96,319,066	103,440,827
Provision for Taxation :				
- Current Tax (Including Wealth Tax Rs.300,000/- Previous Year Rs.300,000/-)		373,133,259		118,322,896
- Deferred Tax		<u>(22,381,000)</u>		<u>223,432,003</u>
Share in Deferred Tax of Joint Venture		(724,753)		80,012
Fringe Benefit Tax		2,000,000		1,600,000
Share in Fringe Benefit Tax of Joint Venture		<u>1,574,685</u>		<u>1,704,659</u>
			<u>353,602,191</u>	<u>345,139,570</u>
Profit after Taxation			<u>958,357,418</u>	<u>1,077,977,773</u>
As per last Account			1,296,087,063	491,335,334
Adjustments in respect of previous year :				
Expenses			(404,530)	(922,949)
Profit attributable to consolidated group			<u>2,254,039,951</u>	<u>1,568,390,158</u>
Transferred from Debenture Redemption Reserve			<u>11,600,000</u>	<u>11,600,000</u>
Amount available for Appropriation :			<u>2,265,639,951</u>	<u>1,579,990,158</u>
Transferred to General Reserve			140,000,000	140,000,000
Transferred to Reserve Fund in terms of Section 45IC of Reserve Bank of India Act, 1934			94,168	49,391
Proposed Dividend on Equity Shares		174,612,240		126,159,180
Tax on Dividend		<u>29,675,350</u>		<u>17,694,524</u>
			<u>204,287,590</u>	<u>143,853,704</u>
Balance carried to Balance Sheet			<u>1,921,258,193</u>	<u>1,296,087,063</u>
Earnings per Share (Refer Note No.9) (Face Value of Rs.10/-)				
Basic and diluted			22.49	25.61
Notes forming part of the Consolidated Financial Statements	21			

As per our attached Report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner

Mrs.D.R. Puranik
Company
Secretary

On behalf of the Board of Directors

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Mumbai
Date : 28th May, 2007

Pune
Date : 28th May, 2007



CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2006-2007

	Year ended 31st March, 2007		Year ended 31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
A Cash Flow From Operating Activities :				
Profit for the year before Taxation		1,311,959,609		1,423,117,343
Income from Associates		(96,319,066)		(103,440,827)
Add : Adjustments for Depreciation / Interest / Other				
Non Cash Expenses				
Depreciation (including Leasehold Land amortised)	179,825,882		182,651,850	
Bad Debts, Advances and Sundry Debit balances written off	1,067,459		48,980,315	
Deferred Revenue & Amortisation of Miscellaneous Expenses	306,900		306,900	
Interest Charged (Net of Capitalised)	169,427,212		129,461,189	
Loss on Sale of Assets (Net)	448,805		936,608	
		<u>351,076,258</u>		<u>362,336,862</u>
Less : Adjustments for Dividend / Interest / other income				
Dividend	(123,731,760)		(74,285,250)	
Profit on Sale of Investments (Net)	(4,958,910)		(365,256,571)	
Interest : Other than Finance & Investment Activity	(9,931,902)		(9,497,230)	
Provision no longer required	(3,845,936)		(9,099,468)	
Provision for doubtful advances written back	(2,035,343)		(6,469,182)	
Sundry Credit balances appropriated	(1,276,227)		(1,563,805)	
Prior Year adjustments	(404,530)		(922,949)	
		<u>(146,184,608)</u>		<u>(467,094,455)</u>
Operating Profit before Working Capital changes		1,420,532,193		1,214,918,923
Changes in Working Capital :				
Inventories	83,415,828		(412,367,516)	
Sundry Debtors	(634,137,076)		67,139,274	
Other Current Assets, Loans & Advances	(685,037,410)		(188,490,250)	
Trade Payables	919,047,813		207,222,982	
		<u>(316,710,845)</u>		<u>(326,495,510)</u>
Cash generated from Operations		1,103,821,348		888,423,413
Direct Taxes Paid		(377,189,325)		(116,004,219)
Net Cash from Operating Activities (A)		<u>726,632,023</u>		<u>772,419,194</u>
B. Cash Flow from Investing Activities :				
Purchase of Assets		(71,902,046)		(84,880,342)
Capital Work in progress		(373,773,727)		8,833,387
Sale of Assets		450,726		1,020,637
Intercorporate Deposits		(27,439,461)		18,511,966
Receivable against Sale of Assets		58,250,116		106,337,514
(Purchase) / Sale of Investments		(570,200,208)		(292,394,218)
Dividend received		157,243,485		107,796,975
Interest received		(1,210,313)		23,526,330
Net Cash used in Investing Activities (B)		<u>(828,581,428)</u>		<u>(111,247,751)</u>

Consolidated Financial Statements

2006-2007

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2006-2007 (continued)

	Year ended		Year ended	
	31st March, 2007		31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
C. Cash Flow from Financing Activities :				
Proceeds from Borrowings		(145,026,656)		(467,098,358)
Interest paid		(174,739,667)		(118,139,789)
Dividend paid		(143,179,449)		(71,621,110)
Equity Share Capital		16,000,000		
Share Premium		512,000,000		
Net Cash from Financing Activities (C)		<u>65,054,228</u>		<u>(656,859,257)</u>
Net changes in Cash & Equivalents (A+B+C)		(36,895,177)		4,312,186
CASH & CASH EQUIVALENTS As on 31st March, 2006		86,542,571		82,230,385
CASH & CASH EQUIVALENTS As on 31st March, 2007		49,647,394		86,542,571

As per our attached Report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner

Mrs.D.R. Puranik
Company
Secretary

On behalf of the Board of Directors

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Mumbai
Date : 28th May, 2007

Pune
Date : 28th May, 2007



KALYANI

Consolidated Financial Statements 2006-2007

SCHEDULE NOS. : '1' to '21' annexed to and forming part of the Consolidated Financial Statements for the year ended on 31st March, 2007

	Rs.	Rs.	As at 31st March, 2006 Rs.
SCHEDULE '1' : SHARE CAPITAL :			
AUTHORISED :			
47,500,000		475,000,000	475,000,000
3,010,000		301,000,000	301,000,000
2,400,000		24,000,000	24,000,000
		<u>800,000,000</u>	<u>800,000,000</u>
ISSUED :			
* 43,759,380	(42,159,380) Equity Shares of Rs.10/- each	437,593,800	421,593,800
		<u>437,593,800</u>	<u>421,593,800</u>
SUBSCRIBED & PAID UP :			
* 43,653,060	(42,053,060) Equity Shares of Rs.10/- each, fully paid Total Subscribed and fully paid up	436,530,600	420,530,600
106,320	**Add : Forfeited Equity Shares (Amount paid up)	379,067	379,067
	TOTAL	<u>436,909,667</u>	<u>420,909,667</u>

* Of the above shares -

- a. 3,843,750 Equity Shares of Rs.10/- each were issued as fully paid bonus shares by way of Capitalisation of Reserves.
- b. 12,000,000 Equity Shares allotted on 13th March, 2004 to shareholders of erstwhile Kalyani Ferrous Industries Limited, pursuant to a Scheme of Arrangement, constituting an amalgamation in the nature of a merger of Kalyani Ferrous Industries Limited with the Company as approved by High Court of Judicature at Bombay, vide its Order dated 15th January, 2004.
- c. 1,600,000 Equity Shares of Rs.10/- each allotted on 29th November, 2006 on Preferential Allotment Basis, at a premium of Rs.320/- per Equity Share, to AMIF I Limited, a Foreign Body Corporate.

** Amount received on Equity Shares forfeited on 25th February, 1997 on account of non-payment of allotment / call money.

SCHEDULE '2' : RESERVES AND SURPLUS :

* Securities Premium Account (Share Premium Account)		512,000,000	
Capital Redemption Reserve			
As per last Account		100,002,200	100,002,200
Debenture Redemption Reserve			
As per last Account	20,100,000		31,700,000
@ Less : Transferred to Profit & Loss Account	<u>11,600,000</u>		<u>11,600,000</u>
		8,500,000	20,100,000
Reserve Fund in terms of Section 45IC of Reserve Bank of India Act, 1934			
As per last Account	2,602,357		2,552,966
Add : Set aside this year	<u>94,168</u>		<u>49,391</u>
		2,696,525	2,602,357
General Reserve			
As per last Account	1,838,963,553		1,698,963,553
Add : Transfer from Profit and Loss Account	<u>140,000,000</u>		<u>140,000,000</u>
		1,978,963,553	1,838,963,553
Surplus as per Annexed Account		1,921,258,193	1,296,087,063
	TOTAL	<u>4,523,420,471</u>	<u>3,257,755,173</u>

* Received during the year, on allotment of 1,600,000 Equity Shares at a premium of Rs.320/- per share to AMIF I Limited, a Foreign Body Corporate.

@ On part Redemption of Debentures during the year.

Consolidated Financial Statements

2006-2007

As at 31st
March, 2006

	Rs.	Rs.	Rs.
SCHEDULE '3' : SECURED LOANS :			
DEBENTURES :			
(1,000,000) 13% Secured Non-Convertible Redeemable Debentures (Eleventh Series) of Rs.100/- each			
As per last Account	13,400,000		26,800,000
Less : Part amount redeemed during the year	<u>13,400,000</u>		<u>13,400,000</u>
		—	13,400,000
100 8.5% Secured Non-Convertible Redeemable Debentures (Sixteenth Series) of Rs.1,000,000/- each			
As per last Account	67,000,000		100,000,000
Less : Part amount redeemed during the year	<u>33,000,000</u>		<u>33,000,000</u>
		34,000,000	67,000,000
TERM LOANS :			
RUPEE LOANS :			
From Banks :			
Canara Bank	68,400,000		130,194,025
Bank of Baroda	92,000,000		56,600,000
Union Bank of India	9,332,000		21,500,000
The Jammu & Kashmir Bank Limited	100,000,967		133,335,293
HDFC Bank Limited	50,000,000		
State Bank of India	<u>100,000,000</u>		
		419,732,967	341,629,318
FOREIGN CURRENCY TERM LOANS :			
From Banks :			
Union Bank of India	—		7,347,427
State Bank of India	39,943,551		79,978,931
Bank of India	153,949,334		230,924,000
Bank of Baroda	65,067,187		108,445,312
Interest accrued and due on secured loans	<u>1,822,362</u>		<u>417,650</u>
		260,782,434	427,113,320
OTHERS :			
From ICICI Bank Limited against hypothecation of Vehicles	53,563		553,382
Share in Joint Venture	<u>1,682,261</u>		<u>2,606,335</u>
		1,735,824	3,159,717
Cash Credit		<u>6,479,855</u>	
TOTAL		<u>722,731,080</u>	<u>852,302,355</u>
SCHEDULE '4' : UNSECURED LOANS :			
Fixed Deposits :			
From Shareholders	200,000		619,000
From Others	<u>14,947,748</u>		<u>19,143,000</u>
			19,762,000
Add : Interest accrued and due on cumulative fixed deposits	<u>1,067,793</u>		<u>2,108,964</u>
		16,215,541	21,870,964
Loan from companies		—	6,616,747
From Banks :			
Rupee Term Loan - Due on 7th July, 2007		70,000,000	70,000,000
Sales Tax Deferral Liability, as special incentives and concessions under the Karnataka Sales Tax Act, 1957		<u>11,278,685</u>	<u>14,098,355</u>
TOTAL		<u>97,494,226</u>	<u>112,586,066</u>



KALYANI

Consolidated Financial Statements 2006-2007

SCHEDULE '5' : FIXED ASSETS :

	Leasehold Land	Buildings	Plant & Machinery	Power Line (b)	Electrical Installation	Furniture / Office Equipments	Vehicles & Aircrafts (c)	As on 31st March, 2007 Total	As on 31st March, 2006 Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Gross Block At Cost :									
As at 31st March, 2006	35,646,689	241,561,940	2,216,123,844	28,100,000	321,033,591	27,475,132	36,662,200	2,906,603,396	2,824,908,483
Additions		5,134,111	58,480,126		1,380,620	3,263,125	1,879,607	70,137,589	80,569,550
Share in Joint Venture						1,669,521	94,936	1,764,457	4,690,920
Deductions & Adjustments						50,450	1,261,336	1,311,786	3,565,557
As at 31st March, 2007	35,646,689	246,696,051	2,274,603,970	28,100,000	322,414,211	32,357,328	37,375,407	2,977,193,656	2,906,603,396
Depreciation :									
Upto 31st March, 2006	14,017,594	44,069,750	788,038,332	22,011,667	113,420,134	12,355,190	6,692,142	1,000,604,809	819,181,142
Deductions & Adjustments						39,613	372,642	412,255	1,228,183
	(a)								
For the year	1,568,256	7,941,206	139,482,110	2,810,000	18,969,425	3,948,178	3,779,210	178,498,385	181,608,637
Share in Joint Venture						716,100	611,397	1,327,497	1,043,213
Upto 31st March, 2007	15,585,850	52,010,956	927,520,442	24,821,667	132,389,559	16,979,855	10,710,107	1,180,018,436	1,000,604,809
Net Block :									
As at 31st March , 2007	20,060,839	194,685,095	1,347,083,528	3,278,333	190,024,652	15,377,473	26,665,300	1,797,175,220	1,905,998,587
As at 31st March, 2006	21,629,095	197,492,190	1,428,085,512	6,088,333	207,613,457	15,119,942	29,970,058	1,905,998,587	

- a) Represents amortisation of Premium paid on Leasehold Land over the lease period.
b) Cost incurred by the Company. Ownership vests with Karnataka Electricity Board amortised over 10 years.
c) Includes Aircraft value of Rs. 6,440,000/- jointly owned with other companies.

	Rs.	Rs.	As at 31st March, 2006 Rs.
SCHEDULE '6' : INVESTMENTS, AT COST :			
In Government Securities		—	50,000
In Equity Shares :			
Associate :			
Long term (At cost)	652,788,562		553,281,221
Others	<u>1,694,290,224</u>		<u>1,703,177,872</u>
		2,347,078,786	2,256,459,093
In Preference Shares		11,500,000	11,500,000
In Debentures		31,305,000	31,305,000
In Mutual Funds		722,009,288	174,612,522
		TOTAL	TOTAL
		<u><u>3,111,893,074</u></u>	<u><u>2,473,926,615</u></u>

SCHEDULE '7' : INVENTORIES :

Stocks, spares etc., at cost		93,764,405	77,969,779
Stocks - in - Trade :			
Raw materials, at cost	451,208,478		593,856,373
Finished goods, at cost or market value whichever is lower	330,927,641		281,321,545
Scrap at estimated realisable value	<u>40,368,376</u>		<u>46,537,031</u>
		TOTAL	TOTAL
		<u><u>822,504,495</u></u>	<u><u>921,714,949</u></u>
		<u><u>916,268,900</u></u>	<u><u>999,684,728</u></u>

SCHEDULE '8' : SUNDRY DEBTORS, UNSECURED, GOOD :

(a) On Operations :			
i) Outstanding over six months	30,085,752		23,846,698
ii) Others, Good	<u>1,642,354,281</u>		<u>1,021,743,359</u>
		1,672,440,033	1,045,590,057
iii) Share in Sundry Debtors, Others, Good of Joint Venture		31,215,039	24,995,398
(b) On Sale of Assets		—	58,250,116
		TOTAL	TOTAL
		<u><u>1,703,655,072</u></u>	<u><u>1,128,835,571</u></u>

Consolidated Financial Statements

2006-2007

As at 31st
March, 2006
Rs.

	Rs.	Rs.	Rs.	
SCHEDULE '9' : CASH AND BANK BALANCES :				
Cash on hand		89,112		106,655
Share in Cash of Joint Venture		<u>240,483</u>		<u>58,441</u>
			329,595	165,096
Cheques on hand			—	47,999,828
Bank balances :				
With Scheduled Banks :				
In Current & Cash Credit Accounts		45,392,635		34,193,844
Share in Current & Cash Credit Accounts of Joint Venture		<u>1,209,664</u>		<u>568,303</u>
In Fixed Deposits				
(Receipts of the value of Rs.615,500/- pledged in favour of Government Authorities)		<u>2,715,500</u>		<u>3,615,500</u>
			<u>49,317,799</u>	<u>38,377,647</u>
TOTAL			<u>49,647,394</u>	<u>86,542,571</u>
SCHEDULE '10' : OTHER CURRENT ASSETS :				
Income Receivable			15,992,546	4,850,331
Export Incentives receivable			<u>7,209,493</u>	<u>128,734</u>
TOTAL			<u>23,202,039</u>	<u>4,979,065</u>
SCHEDULE '11' : LOANS AND ADVANCES, UNSECURED, GOOD (UNLESS OTHERWISE STATED) :				
Loans to other companies (formerly subsidiaries under Section 4(1)(c) of the Companies Act, 1956)			3,367,300	3,367,300
@ Inter Corporate Loans			<u>49,031,381</u>	<u>21,591,920</u>
* Advances recoverable in cash or in kind or for value to be received				
Good		226,560,953		105,482,653
Share in advances of Joint Venture		<u>1,321,672</u>		<u>722,944</u>
Doubtful Advances	—			2,035,343
Less : Provision	<u>—</u>			<u>2,035,343</u>
			<u>—</u>	<u>—</u>
			227,882,625	106,205,597
Advances for capital goods for Projects under Implementation			<u>83,719,947</u>	<u>15,855,466</u>
Advance Recoverable under an Arrangement			<u>13,792,102</u>	<u>13,423,117</u>
Advance for Purchase of Shares in terms of an Agreement			540,000,000	
Sundry Deposits			200,598,181	194,054,869
Share in Sundry Deposits of Joint Venture			—	372,192
Balance with Excise Department			<u>12,002,463</u>	<u>70,127,426</u>
Tax paid in advance			<u>520,817,421</u>	<u>193,950,742</u>
TOTAL			<u>1,651,211,420</u>	<u>618,948,629</u>
* Includes interest free loans amounting to Rs.9,180,000/- (Previous Year Rs.9,180,000/-) to Seven Trusts connected with the welfare of employees.				
* Includes amount due from the Officer of the Company Rs.172,060/- (Previous Year Rs.190,862/-) Maximum balance outstanding during the year Rs.190,862/- (Previous Year Rs.201,986/-)				
@ Includes interest free loans aggregating Rs.21,035,000/- (Previous Year Rs.21,035,000/-) given to Six Private Limited companies formed with the same purpose and obligation as the Six Employees Welfare Trusts under a scheme in terms of clause (b) of the proviso to Section 77(2) of the Companies Act, 1956, which in the opinion of an eminent counsel falls within the purview of the said proviso to the above mentioned Section.				
SCHEDULE '12' : LIABILITIES :				
Acceptances			295,955,202	105,872,796
Deposits			<u>71,181,176</u>	<u>54,177,433</u>
Sundry Creditors				
Due to Small Scale Industrial Undertakings		2,689,399		7,134,617
Others		<u>2,168,834,599</u>		<u>1,470,676,537</u>
Share in Others of Joint Venture		<u>49,739,590</u>		<u>36,701,826</u>
			2,221,263,588	1,514,512,980
Part amount received under an arrangement against sale of project promoted by the Company			<u>55,861,236</u>	<u>52,717,415</u>
Trade Advance			<u>108,936,106</u>	<u>113,896,645</u>
Amounts received from a Company under a Strategic Alliance			19,449,788	19,449,788
Investor Education & Protection Fund, since paid			56,861	186,593
Unclaimed Dividends			<u>1,505,609</u>	<u>832,048</u>
Interest accrued but not due on loans			<u>20,121,110</u>	<u>25,797,106</u>
TOTAL			<u>2,794,330,676</u>	<u>1,887,442,804</u>



KALYANI

Consolidated Financial Statements 2006-2007

	Rs.	Rs.	As at 31st March, 2006 Rs.
SCHEDULE '13' : PROVISIONS :			
Provision for Taxation		506,575,700	180,200,400
Share in Provision for Taxation of Joint Venture		32,494	22,496
Proposed Dividend		174,612,240	126,159,180
Tax on Proposed Dividend		29,675,350	17,693,830
TOTAL		<u><u>710,895,784</u></u>	<u><u>324,075,906</u></u>
 SCHEDULE '14' : MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED :			
a) Miscellaneous Expenditure			
As per last Account	920,700		1,227,600
Less : Written off during the year	<u>306,900</u>		<u>306,900</u>
		613,800	920,700
TOTAL		<u><u>613,800</u></u>	<u><u>920,700</u></u>
 SCHEDULE '15' : SALES, OPERATING AND OTHER INCOME :			
a) Sales, Gross :			
Sales	8,820,222,284		5,916,176,639
Less : Returns	<u>4,828,671</u>		<u>5,916,176,639</u>
	8,815,393,613		5,916,176,639
Miscellaneous Sales	452,361,095		326,081,083
Jobwork Receipts	1,432,366,439		1,304,224,868
Share in Reimbursement of Expenses of Joint Venture	<u>174,459,333</u>		<u>150,390,490</u>
		10,874,580,480	7,696,873,080
b) Operating Income :			
i) Related to Manufacturing Activity :			
Export Incentives received	7,080,759		418,508
Income from Mining Activity	—		5,175,802
	<u>7,080,759</u>		<u>5,594,310</u>
ii) Related to Finance and Investment Activity (Net)			
Income earned during the year from :			
Dividend, other than Trade, Gross	123,731,760		74,285,250
Profit on Sale of Investments, net	<u>4,958,910</u>		<u>49,983,694</u>
	128,690,670		124,268,944
		135,771,429	129,863,254
c) Other Income :			
Interest other than from Finance and Investment Activity :			
Less : Adjusted against Interest and Commitment Charges in Schedule 19	9,931,902		9,497,230
	<u>9,931,902</u>		<u>9,497,230</u>
Miscellaneous receipts	9,579,293		10,152,079
Bad Debts/ Sundry Debit balances previously written off, now recovered	—		1,800,000
Provision for Doubtful Advances Written back	2,035,343		6,469,182
Profit on Sale of Assets	2,214		84,791
Provision no longer required	3,845,936		9,099,468
Sundry Credit balances appropriated	<u>1,276,227</u>		<u>1,563,805</u>
		16,739,013	29,169,325
TOTAL		<u><u>11,027,090,922</u></u>	<u><u>7,855,905,659</u></u>

Consolidated Financial Statements

2006-2007

	Rs.	Rs.	Previous Year Rs.
SCHEDULE '16' : MATERIALS CONSUMED AND MANUFACTURING EXPENSES :			
a) Raw materials consumed :			
Stocks at commencement	593,856,373		273,176,166
Add : Purchases	3,234,671,305		2,812,360,543
Add / Less : Foreign Exchange Fluctuation	5,271,756		6,450,470
	<u>3,833,799,434</u>		<u>3,091,987,179</u>
Less : Sale of Raw Material	152,219,842		142,425,247
Less : Stocks at close	<u>451,208,478</u>		<u>593,856,373</u>
		3,230,371,114	2,355,705,559
b) Manufacturing expenses :			
Stores and spares consumed	256,053,390		211,398,198
Job Work and Manufacturing Charges	787,012,647		668,784,474
Power and Fuel	491,071,158		443,348,783
Building and Road repairs	6,918,785		11,542,010
Machinery repairs	<u>38,049,450</u>		<u>30,466,040</u>
		1,579,105,430	1,365,539,505
c) Goods Purchased for Trade		1,942,950,086	201,106,945
d) Excise Duty			
On Closing Stock	59,434,830		51,642,579
Less : On opening Stock	<u>51,642,579</u>		<u>27,947,580</u>
		7,792,251	23,694,999
e) (Increase)/ decrease in Stocks :			
Stocks at close :			
Finished goods	330,927,641		281,321,545
Scrap	<u>40,368,376</u>		<u>46,537,031</u>
	371,296,017		327,858,576
Less : Stocks at commencement :			
Finished goods	281,321,545		156,721,809
Scrap	<u>46,537,031</u>		<u>7,660,406</u>
	327,858,576		164,382,215
		<u>(43,437,441)</u>	<u>(163,476,361)</u>
TOTAL		<u>6,716,781,440</u>	<u>3,782,570,647</u>
SCHEDULE '17' : EMPLOYEES' EMOLUMENTS :			
(Including Executive and Wholetime Directors Remuneration of Kalyani Steels Limited)			
Salaries, Wages, Gratuity, Bonus etc.	195,571,416		155,349,105
Share in Salary and Wages of Joint Venture	61,709,693		54,166,562
Contribution to Provident and other Funds etc.	9,459,248		7,662,479
Share in Contribution to Provident Fund of Joint Venture	7,336,068		4,945,023
Welfare Expenses	9,312,285		7,858,780
Share in Welfare Expenses of Joint Venture	<u>5,730,621</u>		<u>6,081,240</u>
		289,119,331	236,063,189
TOTAL		<u>289,119,331</u>	<u>236,063,189</u>
SCHEDULE '18' : OTHER EXPENSES :			
Rent	2,408,601		1,577,010
Share in Rent of Joint Venture	56,539		82,733
Rates and Taxes	208,022		127,486
Insurance (including Key Man Insurance)	10,961,388		9,095,183
Share in Insurance of Joint Venture	653,136		469,957
Legal and Professional charges	33,216,745		18,397,918
Share in Legal and Professional charges of Joint Venture	1,173,538		1,141,068
Miscellaneous Expenses	88,260,145		81,282,295
Share in Miscellaneous Expenses of Joint Venture	99,131,712		82,736,682
Donation	3,300,000		800,000
Share in Donation of Joint Venture	4,999		18,746
Freight Outward	306,205,838		182,669,448
Brokerage and Discount	17,960,580		33,529,020
Commission on Sales	18,094,569		16,793,137
Audit Fees and Expenses	3,548,285		1,975,031
Share in Audit Fees and Expenses of Joint Venture	54,039		69,736
Directors fees and Travelling Expenses	1,870,359		1,110,004
Executive Director s Commission	8,800,000		6,500,000
Commission to Directors other than Executive Director and Wholetime Directors	2,000,000		1,500,000
Loss on Foreign Exchange Fluctuation	3,907,162		3,237,868
Loss on Assets sold or scrapped	451,019		1,021,399
Bad debts, Advances and sundry debit balances written off	1,067,459		48,980,315
Facility charges under Strategic Alliance	68,794,591		69,736,517
Facility charges for plant taken on lease	113,191,178		59,270,051
Miscellaneous Expenditure written off	<u>306,900</u>		<u>306,900</u>
		<u>785,626,804</u>	<u>622,428,504</u>
TOTAL		<u>785,626,804</u>	<u>622,428,504</u>

	Rs.	Rs.	Previous Year Rs.
SCHEDULE '19' : INTEREST :			
Interest and Commitment Charges :			
On Debentures	7,097,352		11,673,808
On Fixed Loans	71,994,558		82,933,447
Others	90,192,083		34,660,798
Share in Interest others of Joint Venture	143,219		193,136
	169,427,212		129,461,189
Less : Interest adjusted as per contra	9,931,902		9,497,230
	159,495,310		119,963,959
TOTAL	159,495,310		119,963,959
SCHEDULE '20' : DEPRECIATION AND WRITE OFFS ETC :			
Depreciation	174,120,129		177,230,381
Share in Depreciation of Joint Venture	1,327,497		1,043,213
Leasehold land amortised	1,568,256		1,568,256
Power HT line amortised	2,810,000		2,810,000
	179,825,882		182,651,850
TOTAL	179,825,882		182,651,850

Schedule 21 - Notes forming part of the Consolidated Financial Statements of Kalyani Steels Limited and its Subsidiaries, Associates and Joint Venture :

1. i) The Consolidated Financial Statements include results of all the subsidiaries of Kalyani Steels Limited, Associates and one Joint Venture. The names, country of incorporation or residence, proportion of ownership interest is as under :
 - a. Subsidiaries :

Name of the Company	Country of Incorporation	% Shareholding of Kalyani Steels Limited
Surajmukhi Investment and Finance Limited	India	100%
Chakrapani Investments and Trades Limited	India	100%
Gladiolla Investments Limited	India	100%
 - b. Associates :

Name of the Company	Country of Incorporation	% Shareholding of Kalyani Steels Limited
Hikal Limited	India	34.19%
Bharat NRE Coke Limited	India	40.00%
 - c. Joint Venture :

Name of the Company	Country of Incorporation	% Shareholding of Kalyani Steels Limited
Hospet Steels Limited	India	49.99%
 - ii) However, since the Company's investments in a Joint Venture viz. Kalyani Mukand Limited (KML) has been committed for sale to a third party, subject to obtaining approvals for transfer of certain rights available with KML, the same has not been consolidated as a part of these Consolidated Financial Statements of Kalyani Steels Limited.
 - iii) Kalyani Steels Limited, directly or through its subsidiaries holds more than 20% in Dandakaranya Investment & Trading Limited, Hastinapur Investment & Trading Limited, Dronacharya Investment & Trading Limited, Campanula Investment & Finance Limited and Cornflower Investment & Finance Limited, however Management is of the opinion that it does not have any significance influence on these companies and therefore the same are not considered for consolidation.
 - iv) Consolidated Financial Statements of Hikal Limited and its subsidiaries for the year ended 31st March, 2007, have not been prepared. However, unaudited financial results of Hikal Limited, on stand alone basis have been received by the Company and the same have been considered in preparing Consolidated Financial Statements. Changes, if any, in the audited results and the effect of consolidated results of Hikal Limited will be incorporated in next year.
2. Consolidated Financial Statements have been prepared substantially in the same format as adopted by the parent to the extent possible, as required by Accounting Standard AS-21 *Consolidated Financial Statements* issued by the Institute of Chartered Accountants of India.
 3. As required by Accounting Standard AS-23 on *Accounting for Investments in Consolidated Financial Statements* issued by the Institute of Chartered Accountants of India, consequent to any delayed information requiring modifications in this Consolidated Financial Statements, the carrying amount of investments in Associate at the beginning of the year has been restated by applying *Equity Method* of accounting and corresponding adjustment has been made to the retained earnings at the beginning of the year.
 4. Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such Notes from the individual financial statements, which :
 - a. are necessary for representing a true and fair view of the Consolidated Financial Statements,
 - b. the notes involving items, which are considered to be material, and
 - c. which can not be viewed in the independent financial statement of Kalyani Steels Limited.
 5. The significant accounting policies have been reviewed in respect of each of the consolidated entities for material differences. No material differences have been observed and thus no adjustments have been made.
 6. Disclosure of transactions with Related Parties, as required by Accounting Standard 18 *Related Party Disclosures* has been set out in a separate statement annexed to this Schedule. Related parties as defined under Clause 3 of the Accounting Standard have been identified on the basis of representations made by key managerial personnel and information available with the Company.

Consolidated Financial Statements

2006-2007

7.	A. Contingent Liabilities not provided for in respect of :	As at 31st March, 2007	As at 31st March, 2006
		Rs.	Rs.
	i) Claims against the Company not acknowledged as debts	34,408,260	14,388,055
	ii) Excise Demands, matter under dispute	64,462,868	64,155,821
	iii) Sales Tax Demands, matter under dispute	1,182,269	
	B Mysore Minerals Limited has during the year, raised an illegitimate claim aggregating to Rs.281,552,035/- for price of calibrated iron ore purchased by the Company over and above the agreed contracted price. The Company has repudiated the said claim as the same is in ultra-vires to the contract.		

Note : The above details, does not include the figures of Hikal Limited, an associate, as detailed in Note No. 1 (iv)

8. The Company had applied to the Government of India, Ministry of Company Affairs, for approval under Section 212 (8) of the Companies Act, 1956 for not attaching the accounts of all its subsidiaries under Section 212(1) of the Companies Act, 1956.

The Government of India, Ministry of Company Affairs, vide its letter dated 16th April, 2007, had granted the said approval and directed the Company to disclose the following information in aggregate for each of the subsidiaries :

(Figures in Rupees)				
Sr. No.	Particulars	Chakrapani Investments and Trades Limited	Surajmukhi Investment and Finance Limited	Gladiolla Investments Limited
1.	Capital	143,000,000	156,952,300	207,810,020
2.	Reserves	120,613,467	120,763,914	121,583,100
3.	Total Assets	547,998,735	543,892,869	532,239,357
4.	Total Liabilities	286,365,923	272,992,425	207,488,048
5.	Details of Investment (Except in case of investment in subsidiaries)	575,880,998	573,711,953	565,891,706
6.	Turnover	28,531,230	32,583,344	34,240,995
7.	Profit before Taxation	148,275	247,569	73,209
8.	Provision for Taxation			300
9.	Profit after Taxation	148,275	247,569	72,909
10.	Proposed Dividend			

		As at 31st March, 2007	As at 31st March 2006
9.	Net Profit attributable to Shareholders	958,357,418	1,077,977,773
	Prior Period Adjustment	(404,530)	(922,949)
	Net Profit after prior period adjustment (A)	957,952,888	1,077,054,824
	Number of shares outstanding at the beginning of the year	42,053,060	42,053,060
	Number of Equity Shares allotted on Preferential basis on 29th November, 2006	1,600,000	
	Weighted average number of Equity Shares outstanding at the end of the year (B)	42,592,238	42,053,060
	Basic and Diluted Earning Per Share (A)/(B)	22.49	25.61

10. Previous year s figures have been regrouped wherever considered necessary to make them comparable with those of the current year.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner

Mumbai
Date : 28th May, 2007

On behalf of the Board of Directors

Mrs.D.R. Puranik
Company
Secretary

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Pune
Date : 28th May, 2007

**KALYANI****Consolidated Financial Statements****2006-2007****ANNEXURE REFERRED TO IN NOTE NO.6 OF NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**

Disclosure of Transactions with Related Parties as required by Accounting Standard 18 :

Nature of Transaction	Associates & Joint Venture	Key Management Personnel	Relatives of Key Management Personnel
	Rs.	Rs.	Rs.
Conversion Charges Paid			
For the year 2006-07	250,503,813		
For the year 2005-06	58,674,640		
Sale of Goods			
For the year 2006-07	13,000,000		
For the year 2005-06	21,289,698		
Dividend Received			
For the year 2006-07	33,511,725		
For the year 2005-06	33,511,725		
Receiving of Services			
For the year 2006-07	239,538,474	16,908,479	
For the year 2005-06	188,233,478	14,545,893	
Finance Received (Loans, Investment & Deposit)			
For the year 2006-07			
For the year 2005-06		2,877,067	
Interest Paid			
For the year 2006-07		298	16,006
For the year 2005-06		1,618	34,901
Rent Paid			
For the year 2006-07			35,000
For the year 2005-06			210,000
Receivables as on			
31st March, 2007	219,910,549		
31st March, 2006	183,210,549		
Payables as on			
31st March, 2007	41,741,219	11,694,630	370,550
31st March, 2006	33,904,982	9,394,332	354,544

Note : Names of related parties and description of relationship

Description of Relationship	Names of Related Parties
Associates & Joint Venture	Hospet Steels Limited Kalyani Mukand Limited Hikal Limited Bharat NRE Coke Limited
Key Management Personnel	Mr.C.G. Patankar * Mr.B.B. Hattarki Mr.Suresh Pandey
Relatives of Key Management Personnel	** Mr.N.B. Hattarki ** Mrs.S.B. Hattarki Mrs.M.C. Patankar

* Key Management Personnel for the period 1st April 2006 to 21st May 2006

**Relative of Key Management Personnel for the period 1st April 2006 to 21st May 2006

KALYANI STEELS LIMITED

Registered Office : Mundhwa, Pune 411 036



NOTICE

NOTICE is hereby given that the THIRTY-FOURTH Annual General Meeting of the Members of Kalyani Steels Limited will be held at the Registered Office of the Company at Mundhwa, Pune – 411 036, on Monday, the 13th day of August, 2007 at 11.00 a.m. (I.S.T) to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended 31st March, 2007 and the Reports of the Directors and of the Auditors.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Mr.Amit B. Kalyani, who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.S.S. Hiremath, who retires by rotation, but being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr.S.M. Kheny, who retires by rotation, but being eligible, offers himself for re-appointment.
6. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION :

RESOLVED THAT THE COMPANY'S AUDITORS, M/S DALAL & SHAH, CHARTERED ACCOUNTANTS, MUMBAI BE AND ARE HEREBY RE-APPOINTED AS AUDITORS OF THE COMPANY TO HOLD OFFICE FROM THE CONCLUSION OF THIS MEETING UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY AND THAT THE BOARD OF DIRECTORS BE AND IS HEREBY AUTHORISED TO FIX THEIR REMUNERATION FOR THE SAID PERIOD.

By Order of the Board of Directors
for KALYANI STEELS LIMITED

Pune
28th May, 2007

MRS.D.R. PURANIK
COMPANY SECRETARY

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Members who hold shares in dematerialised form are requested to bring their DP ID AND CLIENT ID numbers for easy identification of attendance at the meeting.
3. Members holding shares in dematerialised form are requested to intimate any change in their address, bank details etc. to their respective DPs and those holding shares in physical form are to intimate the abovesaid changes to the Registrar and Transfer Agent of the Company, at their address given below.
4. If the dividend on Equity Shares as recommended by the Board of Directors is declared at the meeting, the dividend warrants will be posted on and from 21st August, 2007 to those shareholders whose names appear in the List of Shareholders i.e. for those holding Shares in the Physical Form and those holding Shares in Demat Form as beneficiary owners in the record of the depositories on 13th August, 2007.
5. The Share Transfer Books and the Register of Members of the Company will remain closed from Saturday, 4th August, 2007 to Monday, 13th August, 2007 (both days inclusive).
6. Those Members who have not encashed / received their Dividend Warrants for the Financial Years 2004-05, 2005-06 may approach the Registrar and Transfer Agent of the Company, at their address given below, for revalidation of the Dividend Warrants / for obtaining duplicate Dividend Warrants.
7. Dividends which remain unencashed / unclaimed over a period of 7 years will have to be transferred by the Company to Investor Education and Protection Fund (IEPF) constituted by the Central Government under Section 205A and 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim by the shareholders shall lie for the unclaimed dividend transferred by the Company to IEPF.

8. The Shareholders may avail the facility of Electronic Clearing Services (ECS) for receiving direct credit of dividend to their accounts with Banks. This will enable expeditious credit of dividend amount and protect shareholders from loss, theft and postal delay of dividend warrants. Shareholders holding shares in physical form and wishing to avail the ECS facility may give details of the bank account, to which the dividend amount is to be remitted, so as to reach the Registrar and Transfer Agent of the Company by 13th August, 2007. Shareholders whose forms are received after the said date would receive dividend through dividend warrants. Those shareholders holding shares in dematerialised form would receive dividend through ECS facility, based on their instructions to their respective Depository Participant.

9. Equity Shares of the Company are under compulsory demat trading by all investors. Those shareholders who have not dematerialised their shareholding, are advised to dematerialise the same to avoid inconvenience in future.

10. Disclosure of Shareholding of Directors recommended by the Board of Directors for Appointment / Re-appointment at the Annual General Meeting pursuant to Clause 49 of the Listing Agreement :

Sr. No.	Name of Director	No. of Shares held
1	Mr.Amit B. Kalyani	31,694
2	Mr.S.S. Hiremath	50
3	Mr.S.M. Kheny	10,890

Registrar & Transfer Agent
INTIME SPECTRUM REGISTRY LIMITED
Block No.202, Akshay Complex, 2nd Floor,
Off Dhole Patil Road, Near Ganesh Mandir, Pune – 411 001
Phone Nos. : 020 – 65203395 / 26051629, Telefax : 020 – 26053503
E-mail: pune@intimespectrum.com



KALYANI

KALYANI STEELS LIMITED

Registered Office : Mundhwa, Pune 411 036

KALYANI STEELS

ATTENDANCE SLIP

NAME OF MEMBER/PROXY	
DP ID & CLIENT ID*	
FOLIO NO.	
NO. OF SHARES HELD	

* Applicable if shares are held in dematerialised form.

I hereby record my presence at the Thirty-Fourth Annual General Meeting of the Company held at the Registered Office of the Company at Mundhwa, Pune 411 036, on Monday, the 13th day of August, 2007 at 11.00 a.m. (I.S.T.)

SIGNATURE OF THE ATTENDING MEMBER / PROXY

- Notes :
1. Member / Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand over at the entrance duly signed.
 2. Member / Proxyholder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

KALYANI STEELS LIMITED

Registered Office : Mundhwa, Pune 411 036

PROXY FORM

I / We _____

of _____

being a Member(s) of KALYANI STEELS LIMITED, Pune, hereby appoint _____

of _____ or

failing him/her _____

of _____ as my/our proxy to attend and vote

for me / us on my / our behalf at the Thirty-Fourth Annual General Meeting of the Company to be held on Monday, the 13th day of August, 2007 at 11.00 a.m. (I.S.T.) and at any adjournment thereof.

Signed this _____ day of _____ 2007

DP ID & CLIENT ID*	
FOLIO NO.	
NO. OF SHARES HELD	

Please
Affix 15 Paise
Revenue
Stamp
here

Signature(s) of Member(s) across the stamp

* Applicable if shares are held in dematerialised form.

Note : The Proxy must be deposited with the Registered Office of the Company at Mundhwa, Pune 411 036, not less than 48 hours before the time fixed for holding the Meeting.