



NOTICE

NOTICE is hereby given that the **THIRTY-SECOND 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 22nd day of August, 2005 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, 2005 and the Profit and Loss Account for the year ended 31st March, 2005 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.S.S. Hiremath, who retires by rotation, but being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.S.M. Kheny, who retires by rotation, but being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr.Amit B. Kalyani, 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.”

SPECIAL BUSINESS :

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION :

“RESOLVED THAT CONSENT OF THE COMPANY BE AND IS HEREBY ACCORDED UNDER SECTION 293(1)(a) AND OTHER APPLICABLE PROVISIONS, IF ANY, OF THE COMPANIES ACT, 1956, TO THE BOARD OF DIRECTORS OF THE COMPANY (HEREINAFTER REFERRED TO AS “THE BOARD” WHICH TERM SHALL ALSO INCLUDE THE FINANCE COMMITTEE OF DIRECTORS) FOR MORTGAGING, HYPOTHECATING, CHARGING AND PLEDGING AND / OR CREATING A FLOATING CHARGE AND / OR LIENS, CHARGES AND ENCUMBRANCES OF WHATSOEVER NATURE ON ALL OR ANY OF THE COMPANY’S ASSETS AND PROPERTIES WHETHER IMMOVABLE, MOVABLE, CURRENT ASSETS OR STOCK IN TRADE (INCLUDING RAW MATERIALS, STORES,

SPARE PARTS AND COMPONENTS, IN STOCK OR IN TRANSIT) AND WORK IN PROCESS AND THE WHOLE OR SUBSTANTIALLY WHOLE OF ALL OR ANY OF THE UNDERTAKINGS OF THE COMPANY, WHERESOEVER SITUATE, PRESENT AND FUTURE, ON SUCH TERMS AND CONDITIONS AND IN SUCH FORM AND MANNER AS THE BOARD MAY THINK FIT AND PROPER, IN FAVOUR OF BANKS / FINANCIAL INSTITUTIONS / OTHER LENDERS / TRUSTEES OF THE HOLDERS OF DEBENTURES / SECURITIES, AGGREGATING TO A NOMINAL VALUE NOT EXCEEDING RS.5,000 MILLION (RUPEES FIVE THOUSAND MILLION ONLY) TO BE AVAILED / ISSUED FROM TIME TO TIME IN ONE OR MORE TRanches UNDER ITS BORROWING POWERS, TO SECURE THE PRINCIPAL AMOUNT TOGETHER WITH INTEREST, COMPOUND INTEREST AND ALL COSTS, CHARGES AND EXPENSES AND ALL OTHER MONIES AS MAY BECOME DUE AND PAYABLE BY THE COMPANY IN THAT BEHALF AND TO VARY OR MODIFY EXISTING SECURITIES, FROM TIME TO TIME, IN SUCH MANNER AND IN SUCH FORM ON ALL OR ANY OF THE PROPERTIES OR PART OF ANY OF THE PROPERTY AND THE UNDERTAKINGS OF THE COMPANY, BOTH PRESENT AND FUTURE, AS MAY BE DECIDED BY THE BOARD AND AS AGREED TO BY THE SAID BANKS / FINANCIAL INSTITUTIONS / OTHER LENDERS / TRUSTEES OF THE HOLDERS OF DEBENTURES / SECURITIES.

FURTHER RESOLVED THAT THE BOARD BE AND IS HEREBY AUTHORISED TO SIGN AND EXECUTE ALL SUCH DOCUMENTS, DEEDS AND WRITINGS AND TO DO ALL SUCH ACTS AND THINGS AS MAY BE NECESSARY FOR GIVING EFFECT TO THE ABOVE RESOLUTION.”

By Order of the Board of Directors
for KALYANI STEELS LIMITED

Pune
20th June, 2005

MRS.D.R. PURANIK
COMPANY SECRETARY

NOTES :

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under Item No.7 of the Notice to be transacted at the Annual General Meeting is annexed hereto.
2. 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.
3. 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.

4. 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.
5. 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 29th August, 2005 to those shareholders whose names appeared 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 22nd August, 2005.
6. The Share Transfer Books and the Register of Members of the Company will remain closed from Friday, 12th August, 2005 to Monday, 22nd August, 2005 (both days inclusive).
7. Those Members who have not encashed / received their Dividend Warrants for the Financial Years 1997-98 and 1998-99 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.
8. 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.
9. 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 22nd August, 2005. 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.
10. 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.

ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 of the Companies Act, 1956

The following explanatory statement sets out, as required by Section 173 of the Companies Act, 1956, the material facts relating to Item No. 7 mentioned in the accompanying notice dated 20th June, 2005

ITEM NO.7

The members are aware of an expansion programme being undertaken by the Company at Village Ginigera, Taluka and District Koppal, in the State of Karnataka. In order to finance the expansion programme, the Company intends to raise resources by term loans / foreign currency loans / debentures etc., which are required to be secured by a hypothecation and / or mortgage charge on all the Assets, properties and undertakings of the Company, present and future.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia that the Board of Directors of the Company shall not without the consent of the Company, sell, lease, hypothecate, mortgage or otherwise dispose off the whole or substantially the whole of the undertakings of the Company. The resolution as set out at Item No.7 of the Notice is, therefore, proposed under Section 293(1)(a) and other applicable provisions of the Companies Act, 1956, which the Directors recommend to the Members for approval.

None of the Directors of the Company is in any way concerned with or interested in the resolution.

By Order of the Board of Directors
for KALYANI STEELS LIMITED

Pune
20th June, 2005

MRS.D.R. PURANIK
COMPANY SECRETARY

Registrar & Transfer Agent
MCS LIMITED,
116, Akshay Complex, Off Dhole Patil Road,
Near Ganesh Mandir, Pune - 411 001



MANAGEMENT DISCUSSION AND ANALYSIS

The Board takes pleasure in presenting your Company's Thirty-Second Annual Report for the year 2004-05 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 :

A strong Iron and Steel sector is the backbone of a strong economy. Being a core sector, steel industry tracks the overall economic growth in the long-term. Steel demand, being derived from other sectors like automobiles, engineering, consumer durables and infrastructure, its fortunes are dependent on the growth of these user industries.

The steel industry, in general, is on the upswing, due to strong growth in demand propelled particularly by the demand for steel in China. China is expected to import around 30 million tonnes annually till 2008, ahead of the Olympics. Even if China slows down on its imports, there will be export opportunities from other developing Asian economies. Thus globally, the steel industry has entered a new era. The next two decades are likely to witness sharp upward swing in steel consumption. Per capita steel consumption in the most populous nations is expected to rise sharply for the next couple of years, before stabilising to the consumption level of the developed world.

On domestic front, the demand drivers are going to be the thriving construction sector, increased outlay on infrastructure projects (roadways, shipping, power), automobiles, engineering and exports. These end user industries are expected to show an increasing appetite for the metal in the years to come. This strong domestic demand coupled with world scenario has benefited the Indian steel Industry.

There is no doubt that Indian Steel Industry has a bright future and the country has a potential to become leader in the steel sector with the projected domestic consumption to double by 2011 and 100 Million tonnes by 2018.

Encouraged by the buoyant demand, most of the steel companies have drawn ambitious expansion plans to take advantage of the market opportunities. Even according to conservative estimates, the total outlay for the country's steel expansion plans is likely to be above Rs.75,000 Crores, which is justified on the grounds of an anticipated doubling of demand in the next eight years and strong internal cash flows of steel companies.

The Indian steel sector enjoys advantages of domestic availability of raw materials and cheap labour. Iron Ore is available in abundant quantities. This provides major cost advantage to domestic steel industry to become a lowest cost producer in the world.

Steel companies are also taking the merger and acquisition route for forward integration and for cheaper raw material supplies.

A look at the strengths and weaknesses of the industry shows that strengths and opportunities are much higher than weaknesses and threats. This gives a signal for Indian Steel Industry to adopt aggressive business approach and emerge as a major global player over next decade.

Company Performance :

- 73% growth in Gross Turnover – Rs.9,230 Million for the year 31st March, 2005 compared to Rs.5,325 Million in the previous year.
- 260% growth in Profit before Taxation – Rs.645 Million for the year 31st March, 2005 compared to Rs.179 Million in the previous year.

Turnover includes Trading Turnover of Rs.677 Million and Manufacturing Turnover of Rs.8,553 Million. Trading Turnover was mainly on account of sale of iron ore, iron ore fines, coke and coke fines. Manufacturing turnover includes sale of Rolled Products, As Cast Blooms and Pig Iron / Hot Metal. The Company sold 107,693 tonnes of 'Rolled Products' aggregating Rs.4,159 Million, 39,165 tonnes of 'As Cast Blooms' aggregating Rs.1,198 Million and 167,442 tonnes of Pig Iron / Hot Metal aggregating Rs.3,196 Million. The said turnover includes exports of 1,012 tonnes aggregating Rs.17 Million.

Internal Control Systems and their adequacy :

The Company maintains an adequate and effective internal control system commensurate with its size and nature of business. These systems provide a reasonable assurance that transactions are executed with management authorisation and that they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets are safeguarded against significant mis-use or loss.

The internal control is supplemented by an extensive review by management auditors. Their observations are subject to periodic review and compliance monitoring. The Audit Committee of Directors reviews the significant observations made by management auditors along with status of action thereon.

Human Resources :

The Company considers human resource to be an important valuable asset and takes necessary steps to upgrade the standard of the present employees by conducting various in-house training programmes, courses and also sponsoring the employees for external seminars, workshops etc. The Company also strives to attract and recruit best talent for the current and future needs. Such HR initiative goes a long way in employee motivation, necessary for the growth of not only of the Company but of the individual as well.

Opportunities, Threats and Future Outlook :

There is no doubt that Indian Steel Industry has a bright future and the country has a potential to become leader in the steel sector. The axis of growth is gradually shifting from the developed economies to developing economies in Asia. India is well placed to meet future growing demand because of its high competitiveness.

However attention needs to be paid to the problem of adequate and reliable supply of coal to the steel industry. Efforts are required for securing assured linkages of coking coal from overseas market. Furthermore, investment in captive coal mines, especially for coking coal, in major source countries as well as investment for developing coal mines in India, need to be encouraged.

Further, the movement of raw materials and finished steel would need good rail and road network as well as substantial improvement in port handling and storage facilities.

Cyclicality of automotive industry is one of the threat to the steel industry and can exert pressure on steel prices, as steel consumption shows signs of weakness.

Another possible threat to the domestic steel sector continues to be from dumped imports by international companies. With wide spread capacity expansions taking place in China and other countries and the protection to domestic steel companies being progressively reduced with consistent reduction in custom duties, international steel companies are targeting Indian market aggressively. This could lead to dumped imports from these countries into India.

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.

REPORT ON CORPORATE GOVERNANCE

The SEBI Code on Corporate Governance has been incorporated in the Listing Agreement of Stock Exchanges, including Pune and Mumbai Stock Exchanges, with whom Equity Shares of Kalyani Steels are listed. Certain provisions in the Companies Act, 1956, also deal with Corporate Governance.

Kalyani Steels is committed to good Corporate Governance and is in full compliance with the requirements under Clause 49 of the Listing Agreement with the Stock Exchanges. The basic philosophy of Corporate Governance is to achieve business excellence and dedicate itself for increasing long-term shareholder value.

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 2004-05.

1. BOARD LEVEL ISSUES

COMPOSITION OF THE BOARD :

As on 31st March, 2005, the strength of the Board of Directors of Kalyani Steels was eight directors, comprising of the Chairman, who is Promoter Non-Executive Director, one Executive Director, two Wholtime Directors and three Non-Executive Directors, out of which two are independent and one Institutional Nominee, who is Non-Executive and independent. Details are given in Table 1.

NUMBER OF BOARD MEETINGS :

During the year, six Board Meetings were held. These were held on 22nd May, 2004, 26th June, 2004, 23rd July, 2004, 28th August, 2004, 24th October, 2004 and 28th January, 2005. 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 as on 31st March, 2005 :

Table - 1 - Details about Board of Directors of the Company						
Name of Director	Category	Number of meetings held	Number of meetings attended	Whether attended last AGM	Number of Directorships of public limited companies	Materially significant pecuniary or business relationship with the Company
B.N. Kalyani Chairman	Promoter Non-executive	6	4	Yes	12	None
Amit B. Kalyani*	Promoter Non-executive	6	4	Yes	6	None
S.S. Hiremath	Non-executive	6	6	Yes	2	None
S.M. Kheny	Non-executive	6	5	Yes	14	None
Ajeet Prasad UTI Nominee	Non-executive Nominee	6	2	Yes	8	None
C.G. Patankar Executive Director	Executive	6	6	Yes	11	N.A.
Suresh Pandey Wholtime Director (Technical)	Executive	6	6	N.A.	1	N.A.
B.B. Hattarki** Wholtime Director	Executive	6	6	Yes	9	N.A.

* Co-opted on the Board w.e.f. 22nd May, 2004.

** Appointed as Wholtime Director w.e.f. 22nd May, 2004.

Note : 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, as included for the purposes of Corporate Governance laid down by SEBI and Listing Agreement.

INFORMATION PLACED BEFORE THE BOARD :

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. Among others, information to the Board includes :

- Annual operating plans and budgets, capital budgets, updates.
- Sales and financial performance statistics.
- Quarterly results for the Company and its operating divisions.
- Minutes of the meetings of audit committee and other committees of the Board.
- Information on recruitment and remuneration of senior officers just below the Board level.
- Compliances of any regulatory, statutory nature or compliances relating to listing requirements and shareholders services.
- Details of show cause, demand notices, if any.
- Details of any Expansion plans / Joint Venture / Collaboration / Amalgamation / Scheme of Arrangement including amendments thereof.
- Share transfer and demat compliances.
- Status of shareholders / investors grievances.

The Board of Kalyani Steels is presented with detailed notes on various vital matters along with the agenda papers well in advance of the 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 2004-05.

REMUNERATION OF DIRECTORS :

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

Name of Director	Relationship with other directors	Sitting fees* (Rs.)	Salaries and perquisites (Rs.)	Commission*** (Rs.)	Total (Rs.)
B.N. Kalyani	**	46,000	N.A.	300,000	346,000
Amit B. Kalyani	**	8,000	N.A.	300,000	308,000
S.S. Hiremath	None	20,000	N.A.	133,333	153,333
S.M. Kheny	None	26,000	N.A.	133,334	159,334
Ajeet Prasad	None	8,000	N.A.	133,333	141,333
C.G. Patankar	None	N.A.	3,970,505	4,000,000	7,970,505
Suresh Pandey	None	N.A.	2,268,400	—	2,268,400
B.B. Hattarki	None	4,000	****1,341,136	—	1,345,136

* Sitting fees include payment for board level committee meetings.

** None of the employees / 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.

**** From 22nd May, 2004 to 31st March, 2005

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



32nd Annual Report 2004-2005

AUDIT COMMITTEE :

During the year Audit Committee met on 26th June, 2004, 23rd July, 2004, 24th October, 2004 and 28th January, 2005. As per the terms of reference prescribed by the Board, the Committee performs such duties and tasks as are assigned to it by the Board. The Committee has access to all records of the Company. The Committee reviews the reports of the management and statutory auditors, internal control systems etc. and also addresses the requirements of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges. Particulars relating to the constitution of and attendance at the Audit Committee meetings held during the year are given below :

Name of Director	Number of Meetings held	Number of Meetings attended
Ajeet Prasad, UTI Nominee, Chairman	4	2
B.N. Kalyani	4	3
S.M. Kheny	4	4
S.S. Hiremath	4	4

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

Mr.S.S. Hiremath, B.Sc., LL.B. born on 25th November, 1928. Mr.Hiremath also serves on the Board of Baramati Grape Industries Limited.

Mr.S.M. Kheny, is a Mechanical Engineer, born on 18th March, 1948. 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, Nandi Economic Corridor Enterprises, Nandi Infrastructure Capital Company, Hospet Steels, Hikal and Hospet Power.

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, Bharati Sahakari Bank, Nandi Economic Corridor Enterprises and Nandi Infrastructure Corridor Enterprises.

COMMUNICATION TO SHAREHOLDERS :

Kalyani Steels has its own web site and all vital information relating to the Company and its performance, including quarterly, half yearly, annual results, official news releases and presentation to analysts if any, is put on the web site for the benefit of the public at large. The Company's web-site address is www.kalyanisteels.com.

Quarterly, half yearly, annual results and information relating to convening of Annual General Meeting / Extraordinary General Meeting(s) is also published in leading newspapers and is also notified to the Stock Exchanges as required under the Listing Agreements.

In addition to this, the Company has also filed quarterly, half yearly, annual results, quarterly shareholding patterns on the Electronic Data Information Filing and Retrieval (EDIFAR) website (www.sebiedifar.nic.in) maintained by National Informatics Centre (NIC), online, in the manner, format and within such time as prescribed by SEBI.

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

INVESTOR GRIEVANCES :

During the year 2004-05, the Shareholders / Investors Grievance Committee met on 26th June, 2004, 23rd July, 2004, 24th October, 2004 and 28th January, 2005. 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.

SHARE TRANSFER :

There is Share Transfer Committee of the Board, which meets twice a month to look after share transfers, transmissions, consolidation, sub-division and issue of duplicate certificates and requests for dematerialisation of Company's shares.

DETAILS OF NON-COMPLIANCE :

There have been no instances of non-compliance 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	Venue
29th July, 2002	10.30 a.m.	Annual General Meeting	Training Centre, Bharat Forge Limited, Mundhwa, Pune - 411 036
30th July, 2003	10.30 a.m.	Annual General Meeting	Training Centre, Bharat Forge Limited, Mundhwa, Pune - 411 036
29th November, 2003	2.00 p.m.	Extraordinary General Meeting	Training Centre, Bharat Forge Limited, Mundhwa, Pune - 411 036
28th August, 2004	11.00 a.m.	Annual 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.

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING :

Date : 22nd August, 2005 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 Friday, 12th August, 2005 to Monday, 22nd August, 2005 (both days inclusive).

**KALYANI**

32nd Annual Report 2004-2005

DIVIDEND DATE :

Interim Dividend : Interim Dividend of 5%, paid on 18th August, 2004

Final Dividend : Final Dividend of 15% for the year ended 31st March, 2005, would be payable on and from 1st September, 2005

LISTING :

Pune Stock Exchange Limited and The Stock Exchange, Mumbai

STOCK CODES :

Pune Stock Exchange Limited : KALST 6091

The Stock Exchange, Mumbai : 500235

ISIN (for Dematerialisation) : INE907A01018

STOCK DATA :

Table below gives the monthly high and low prices and volumes of trading of Equity Shares of the Company at The Stock Exchange, Mumbai for the year 2004-05.

Month	High (Rs.)	Low (Rs.)	Volume (No. of Shares traded)
April, 2004	55.10	41.00	1,614,489
May, 2004	50.00	29.20	1,328,727
June, 2004	41.75	32.10	1,018,041
July, 2004	56.10	36.05	4,232,230
August, 2004	69.40	51.35	4,470,507
September, 2004	68.70	61.80	1,672,444
October, 2004	86.50	64.20	4,347,341
November, 2004	96.25	74.00	3,385,387
December, 2004	111.75	85.10	3,257,120
January, 2005	107.00	91.25	2,355,577
February, 2005	156.00	94.00	7,702,877
March, 2005	181.40	136.45	6,935,990

REGISTRAR AND TRANSFER AGENTS AND SHARE TRANSFER SYSTEM :

M/s. MCS Limited, Akshay Complex, Near Ganesh Mandir, Dhole Patil Road, 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 31.03.2005 :

Category	No. of Equity Shares held	Shareholding %
Promoters	23,173,718	55.11
Financial Institutions	358,050	0.85
Mutual Funds	749,162	1.78
Insurance Companies	1,273,605	3.03
Banks	13,286	0.03
FIIs	966,831	2.30
Bodies Corporate	6,795,076	16.16
NRIs / OCBs	186,580	0.44
Indian Public	8,536,752	20.30
TOTAL	42,053,060	100.00

PATTERN OF SHAREHOLDING BY SHARE CLASS AS ON 31.03.2005 :

Shareholding Class	No. of Shareholders	No. of Shares held	Shareholding %
Up to 500	27,372	3,128,762	7.44
501 to 1,000	1,366	1,073,185	2.55
1,001 to 2,000	497	758,449	1.80
2,001 to 3,000	197	505,220	1.20
3,001 to 4,000	68	243,898	0.58
4,001 to 5,000	59	284,816	0.68
5,001 to 10,000	107	767,544	1.83
10,001 and above	183	35,291,186	83.92
TOTAL	29,849	42,053,060	100.00

DEMATERIALISATION :

As on 31st March, 2005, dematerialised shares accounted for 78.96% of the total equity.

SITE LOCATION :

The integrated steel plant of the Company is located at Village Ginigera, Taluka & District Koppal, in the State of Karnataka.

INVESTOR CORRESPONDENCE ADDRESS :

- | | |
|---|--|
| <p>1) MCS Limited,
(Registrar & Transfer Agents)
116, Akshay Complex, Off Dhole Patil Road,
Near Ganesh Mandir, Pune – 411 001
Telefax : 020-26129597
E-mail : mcspune@vsnl.net</p> | <p>2) Kalyani Steels Limited,
Secretarial Department
Mundhwa, Pune – 411 036
Phone No. 020-26823344
Fax No. 020-26871808, 26871738
E-mail : investor@kalyanisteels.com</p> |
|---|--|

To
The Members of Kalyani Steels Limited

REPORT OF 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, 2005.

The objective of our examination is to give our opinion on whether the Company has complied with the conditions of Corporate Governance as stipulated in the provisions of Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India.

Our examination 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 examination 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.

On the Basis of the records maintained by the "Shareholders / Investors Grievance Committee" of the Company, we state that there were no investor grievance pending against the Company for a period exceeding one month.

Based on such examination, 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
Anish Amin
Partner
Membership No. 40451

Place : Mumbai
Date : 20th June, 2005

**KALYANI**

32nd Annual Report 2004-2005

DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting their Thirty-Second Annual Report on the business and operations of the Company and the Audited Accounts for the year ended 31st March, 2005.

1. Financial Highlights :

		(Rs. in Million)
	<u>2004-05</u>	<u>2003-04</u>
Sales and Income from Operations	9,286.432	5,383.680
Excise Duty	1,602.250	738.809
Net Sales and Income from Operations	7,684.182	4,644.871
Power generated, captively consumed	21.778	—
Other Income	9.935	70.991
Total Income	7,715.895	4,715.862
Total Expenditure	6,795.620	4,200.738
Interest	76.587	126.198
Interest differentials on restructuring of loans in respect of past years	—	57.464
Depreciation & Write offs	194.931	152.546
Profit for the year	648.757	178.916
Trial Run Income net of expenditure	3.572	—
Profit / (Loss) before tax	645.185	178.916
Provision for Income Tax and Wealth Tax	48.725	11.250
Provision for Deferred Tax	166.372	48.004
Net Profit / (Loss)	430.088	119.662
Dividend on Equity Share Capital :		
Interim (5%)	21.033	—
Final (15%)	63.080	—

2. Dividend :

The Interim Dividend of 5% was paid to the shareholders of the Company, whose names appeared on the Register of Members on 11th August, 2004.

The Directors now recommend a Final Dividend of 15% for the year 2004-05, on the Equity Shares of the Company.

3. Power Project :

The Directors are pleased to inform commissioning of the Power Plant on 20th April, 2005. The said plant uses the blast furnace gases generated by mini blast furnaces, which were earlier unutilised and the entire power generated by the plant is used for captive consumption.

The total capital expenditure incurred for setting up of the plant amounted to Rs.251 Million, which was financed from internal accruals and term loans.

The plant is currently operating at its full capacity and has generated 9.5 Million units from its commissioning date.

4. Coke Oven Batteries Project :

Members are aware of an agreement entered into between the Company and Gujarat NRE Coke Limited (GNCL), for setting up of Coke Oven Batteries Project. The Company has contributed to 40% Equity of Bharat NRE Coke Limited viz. a company incorporated, in terms of the said agreement, for setting up one or more coke oven batteries at mutually agreed location, for conversion of coal into coke, by using the technology of GNCL.

BNCL has proposed to set up eight coke oven batteries at Dharwad, in the State of Karnataka. The first coke oven battery was commissioned during April, 2005 and has already started conversion of coal into coke. Commissioning of the second battery is in process and both the batteries taken together are expected to produce 5,400 tonnes per month of coke. Remaining six batteries are expected to be commissioned at the rate of two batteries per month commencing from September, 2005 to November, 2005.

As the project is nearby Company's existing integrated steel plant, coke handling will be for a shorter distance, resulting in reduction in handling losses. Savings is also expected, due to lesser generation of fines by 5 to 7%. Coke supplies to the Company are being started and project will facilitate assured supply of coke, at the reduced costs.

5. New Steel Project :

In pursuance of the Company's philosophy to focus on its core competency in steel manufacturing, the Company has embarked upon an integrated steel manufacturing project of 300,000 TPA at Village Ginigera, Taluka and District Koppal, in the State of Karnataka.

Location of the proposed project is in the vicinity of major raw material viz. iron ore. Necessary water, electricity and other infrastructural resources are also available due to its proximity to the existing plant of the Company.

The said New Steel Project is being planned for execution in two phases :

- In Phase I, the Company will commission 350m³ capacity Mini Blast Furnace (MBF), Coal based Sponge Iron Plant of 350 TPD capacity and Power Plant to utilise the energy of the flue gases generated in the above processes.
- Phase II will consist of Steel Melting Shop (SMS) and Rolling Mills.

The total cost of the project is estimated at approx. Rs.4,450 Million. The Company has already initiated dialogues with various Technology and Equipment Suppliers for making the necessary tie-ups for the Project.

With this additional capacity, the Company would become one of the largest alloy steel manufacturers in the country.

6. New Pig Iron Making Facility :

Pig Iron is a basic ingredient / raw material in steel making process and required in large quantities by the Company. At present, part of the pig iron requirements are met internally by the two Mini Blast Furnaces (MBFs) of the Company and part is required to be procured from outside sources.

In order to achieve, the cost advantage in pig iron procurement, the Company has entered into lease agreement with M/s Shree Ram Electrocast Private Limited and taken on lease for the period of 22 months, Pig Iron Making Facilities consisting of one mini blast furnace of 175m³ capacity, pig casting machine, raw material handling system, electrical facilities including 2.5 MW captive power plant etc. The said facility is situated at Village Honarhalli and Halekote, Taluka Siruguppa, District Bellary, in the State of Karnataka and expected to produce 108,000 TPA of Pig Iron. The facility is expected to commence its operations from July, 2005.

7. Outlook :

Members will appreciate that with the initiatives taken in various areas the Company has secured, assured supply of quality raw materials and energy sources by way of :

- Long term arrangements for iron ore mines, to make the Company self sufficient, for its major raw material requirements in steel making.
- Long term contracts for procurement of coal and its conversion into coke, an energy source for hot metal production.
- Captive Power Plants : Existing and proposed power plants would make the Company self sufficient as regards to its power requirements, a short supply commodity.

This would ensure a long-term viability to the operations of the Company to register consistent and sustainable top line and bottom line growth over years to come, while facing the challenges thrown up by internationally competitive environment.

8. Fixed Deposits :

As on 31st March, 2005, deposits aggregating Rs.834,000/- (78 depositors) remained unclaimed. Subsequently, deposits aggregating Rs.551,000/- (53 depositors) were claimed.

9. Directors :

Mr.S.S. Hiremath, Mr.S.M. Kheny and Mr.Amit B. Kalyani, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

These re-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.

10. Directors Responsibility Statement :

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

- i) That in the preparation of the accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures;



32nd Annual Report 2004-2005

- 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, 2005, on a going concern basis.

11. 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.

12. 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.

13. 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.

14. 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.

15. Consolidated Financial Statements :

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

16. 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.

17. 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 : 20th June, 2005

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, 2005

I. CONSERVATION OF ENERGY :

a) Energy Conservation measures taken :

- Fuel additives were used
- Reduction in excess air and increase in pre-heat temperature
- Energy efficient blowers installed at MBF-2, with this power consumption has come down from 137 to 118 Kwh/ Thm.

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 rehear furnace was installed.
- Proposal to install hot blast stoves in place of metallic blast preheaters, which can give 300° C more hot blast temperature.
- Proposal to install PCI (Pulverised Coal Injection) which will supplement coke by using coal and reducing the coke consumption by 60-70 Kg/Thm.

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 to the tune of 2.5 ltrs. per MT.
- With the installation of hot blast stoves, saving in consumption of coke by 40 to 45 Kg/Thm is envisaged.
- With the installation of PCI, fuel cost will be reduced.

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 :

	2004-05	2003-04
A) Power & Fuel Consumption :		
1. Electricity :		
a) Purchased		
Unit (Kwh in thousands)	48,337	48,364
Total amount (Rs. in Million)	211.473	228.684
Rate / Unit (Rs. / Kwh)	4.38	4.73
b) Own generation		
I) Through Diesel Generator		
Unit (Kwh in thousands)	30.150	40.000
Units per Ltr. of HSD (Kwh / Ltrs)	2.241	3.330
Cost / Unit (Rs. / Kwh)	4.65	4.61
II) Through Steam Turbine / Generator Unit		
Unit (Kwh in thousands)	6.226	-
Units per NM ³ (Blast Furnace Gas) (Kwh / NM ³)	0.144	-
Cost / Unit (Rs. / Kwh)	1.84	-
2. Coke :		
Quantity (Tonnes)	219,393	201,540
Total Cost (Rs. in Million)	4,014.753	2,007.588
Average Rate (Rs. / MT)	18,299	9,961
3. Furnace Oil :		
Quantity (K. Ltrs.)	7,139.439	6,145.902
Total Amount (Rs. in Million)	77.254	62.670
Average Rate (Rs. / Ltrs.)	10.82	10.20
HSD :		
Quantity (K. Ltrs.)	55.448	133.230
Total Amount (Rs. in Million)	1.207	2.046
Average Rate (Rs. / Ltrs.)	21.77	15.36



32nd Annual Report 2004-2005

KALYANI

4. Others :			
LDO			
Quantity (K. Ltrs.)		30.983	121.033
Total cost (Rs. in Million)		0.573	2.093
Rate (Rs. / K. Ltrs.)		18.50	17.29
B) Consumption per unit of production :			
	Unit	2004-05	2003-04
Hot Metal			
Electricity	KWH	122.887	140.000
HSD	Ltrs.	0.070	0.464
Coke	M.T.	0.667	0.702
LDO	Ltrs.	0.085	0.380
Steel Making			
Electricity	KWH	61.610	65.041
Furnace Oil	Ltrs.	51.000	49.490

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.
 - Development of crankshaft quality steels for exports.
- 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 :

	2004-05	2003-04
	Rs.	Rs.
(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.

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.1,995.716 Earned : Rs.18.358

for and on behalf of the Board of Directors

Place : Pune
Date : 20th June, 2005

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, 2005 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, 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2005 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, 2005,
 - (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
20th June, 2005

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, 2005

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					Total
		Commissioner Appeals	Tribunal	High Court	Supreme Court		
		Rs.	Rs.	Rs.	Rs.	Rs.	
1)	Sales Tax	—	—	—	—	—	
2)	Income Tax	257,174	—	—	—	257,174	
3)	Service Tax	—	—	—	—	—	
4)	Wealth Tax	—	—	—	—	—	
5)	Customs Duty	—	—	—	—	—	
6)	Excise	50,377,270	—	—	13,976,371	64,353,641	

- x) The Company has not defaulted in repayment of dues to banks, financial institutions or debentureholders.
- 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) 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.
- xvi) 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), (xii), (xviii) and (xx), the said Clauses are, at present, not applicable.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Mumbai
20th June, 2005

Anish Amin
Partner
Membership No.40451



32nd Annual Report 2004-2005

BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedule	Rs.	Rs.	As at 31st March, 2004 Rs.
I. SOURCES OF FUNDS :				
1. Shareholders' Funds :				
a) Capital	1	420,909,667		420,909,667
b) Reserves and Surplus	2	<u>2,031,416,703</u>		<u>1,876,415,780</u>
			2,452,326,370	2,297,325,447
2. Loan Funds :				
a) Secured Loans	3	1,317,598,093		1,395,860,045
b) Unsecured Loans	4	<u>85,981,060</u>		<u>105,116,584</u>
			1,403,579,153	1,500,976,629
3. Deferred Tax Adjustment (Refer Note No.17)				
Deferred Tax Liabilities		471,447,205		541,940,259
Deferred Tax Assets		<u>233,521,048</u>		<u>470,386,622</u>
			237,926,157	71,553,637
	TOTAL	<u>4,093,831,680</u>	<u>3,869,855,713</u>	
II. APPLICATION OF FUNDS :				
1. Fixed Assets :	5			
a) Gross Block		2,816,968,999		2,508,709,521
b) Less : Depreciation etc.		<u>817,594,121</u>		<u>623,522,746</u>
c) Net Block		1,999,374,878		1,885,186,775
d) Capital Work-in-Progress, Expenditure to date (Refer Note No.19)		<u>104,672,254</u>		<u>404,231,664</u>
			2,104,047,132	2,289,418,439
2. Investments	6		807,969,286	810,719,920
3. Current Assets, Loans & Advances :				
a) Inventories	7	587,317,212		358,171,941
b) Sundry Debtors	8	1,328,572,775		906,932,119
c) Cash and Bank balances	9	81,082,914		161,689,106
d) Other Current Assets	10	55,771,123		39,659,941
e) Loans and Advances	11	<u>914,667,776</u>		<u>579,889,270</u>
		2,967,411,800		2,046,342,377
Less : Current Liabilities and Provisions :				
a) Liabilities	12	1,627,367,457		1,244,441,874
b) Provisions	13	<u>158,229,081</u>		<u>32,183,149</u>
		1,785,596,538		1,276,625,023
Net Current Assets			1,181,815,262	769,717,354
	TOTAL	<u>4,093,831,680</u>	<u>3,869,855,713</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 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 : 20th June, 2005

Pune
Date : 20th June, 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule	Rs.	Rs.	Previous Year Rs.
INCOME :				
Sales, Gross	14 (a)	9,230,188,514		5,325,946,924
Less : Excise duty		<u>1,602,250,358</u>		<u>738,809,546</u>
Net Sales		7,627,938,156		4,587,137,378
Power generated, captively consumed (Refer Note No.10)		21,778,011		—
Operating Income	14 (b)	<u>56,243,793</u>		<u>57,733,225</u>
			7,705,959,960	4,644,870,603
Other Income	14 (c)		<u>9,934,647</u>	<u>70,991,291</u>
			<u>7,715,894,607</u>	<u>4,715,861,894</u>
EXPENDITURE :				
Materials consumed and manufacturing expenses	15	6,302,132,759		3,787,655,900
Employees' emoluments	16	110,773,625		92,360,079
Other expenses	17	382,713,027		320,722,030
Interest	18	76,587,048		126,198,161
Interest differentials on restructuring of loans in respect of past years		—		57,464,408
Depreciation & Write Offs etc.	19	<u>194,931,431</u>		<u>152,545,583</u>
			7,067,137,890	4,536,946,161
Profit for the year			<u>648,756,717</u>	<u>178,915,733</u>
Less : Trial Run Income net of expenditure (Refer Note No.10)			<u>3,571,647</u>	<u>—</u>
Profit for the year, before Taxation			<u>645,185,070</u>	<u>178,915,733</u>
Provision for Taxation :				
- Current Tax (Including Wealth Tax Rs.225,000/- Previous year Rs.150,000/-)		48,725,000		11,250,000
- Deferred Tax (Refer Note No.17)		<u>166,372,520</u>		<u>48,004,325</u>
			<u>215,097,520</u>	<u>59,254,325</u>
Profit after Taxation			<u>430,087,550</u>	<u>119,661,408</u>
As per last account			25,116,736	41,729,841
Adjustments in respect of previous year expenses			<u>(305,121)</u>	<u>(311,630)</u>
			<u>454,899,165</u>	<u>161,079,619</u>
Transferred from Debenture Redemption Reserve			3,350,000	—
Amount available for Appropriation :			<u>458,249,165</u>	<u>161,079,619</u>
Transferred to Capital Redemption Reserve			—	100,000,000
Transferred to Debenture Redemption Reserve			—	35,050,000
Transferred to General Reserve			50,000,000	—
Dividend on Preference Shares			—	809,203
Interim Dividend on Equity Shares		21,032,876		—
Proposed Dividend on Equity Shares		63,079,590		—
Tax on Dividend		<u>11,594,825</u>		<u>103,680</u>
			<u>95,707,291</u>	<u>912,883</u>
Balance carried to Balance Sheet			<u>312,541,874</u>	<u>25,116,736</u>
Earnings per Share				
(Face Value of Rs.10/-)				
Basic and diluted (Refer Note No.21)			10.23	2.82
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 : 20th June, 2005

Pune
Date : 20th June, 2005



32nd Annual Report 2004-2005

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2004-2005

	Year ended		Year ended	
	31st March, 2005		31st March, 2004	
	Rs.	Rs.	Rs.	Rs.
A Cash Flow From Operating Activities :				
Profit for the year before Taxation		645,185,070		178,915,733
Add : Adjustments for Depreciation / Interest / Other Non Cash Expenses :				
Depreciation (including Leasehold Land amortised)	194,931,431		152,545,583	
Bad Debts, Advances and Sundry Debit balances written off	2,969,658		1,090,746	
Technical knowhow written off	—		4,364,783	
Provision for Diminution in the value of Investment	2,217,250		—	
Interest Charged (Net of Capitalised)	138,565,882		227,713,977	
Loss on Sale of Assets	187,966		465,505	
		338,872,187		386,180,594
Less : Adjustments for Dividend / Interest / Other Income :				
Investment Income				
Dividend	(37,627,351)		(37,311,687)	
Profit on Sale of Investments (Net)	(16,770,849)		(1,802,072)	
Interest : Other than Finance & Investment Activity	(61,978,834)		(44,051,408)	
Provision no longer required	(1,150,234)		(39,178,306)	
Provision for doubtful advances written back	(328,755)		(233,092)	
Sundry Credit balances appropriated	(1,498,925)		(5,216,558)	
Prior Year adjustments	(305,121)		(311,630)	
		(119,660,069)		(128,104,753)
Operating Profit before Working Capital changes		864,397,188		436,991,574
Changes in Working Capital :				
Inventories	(229,145,271)		5,551,212	
Sundry Debtors	(449,710,314)		14,496,885	
Other Current Assets, Loans & Advances	26,366,557		(85,233,482)	
Trade Payables	430,077,972		245,703,637	
		(222,411,056)		180,518,252
Cash generated from Operations		641,986,132		617,509,826
Direct Taxes Paid		(63,189,607)		(14,393,051)
Net Cash from Operating Activities (A)		578,796,525		603,116,775

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2004-2005 (Continued)

	Year ended		Year ended	
	31st March, 2005		31st March, 2004	
	Rs.	Rs.	Rs.	Rs.
B. Cash flow from Investing Activities :				
Purchase of Assets		(53,640,653)		(71,834,077)
Capital Work in progress		(135,450,176)		(138,674,477)
Sale of Assets		268,524		383,817
Intercorporate Deposits		(293,069,805)		(107,721,647)
Receivable against Sale of Assets		25,100,000		70,312,370
(Purchase)/Sale of Investments		17,304,233		272,205,895
Dividend received		37,627,351		37,311,687
Interest received		40,982,001		30,007,120
Net Cash used in Investing Activities (B)		(360,878,525)		91,990,688
C. Cash Flow from Financing Activities :				
Redemption of Preference Capital		—		(100,000,000)
Premium paid on Redemption of Debentures		—		(28,000,000)
Proceeds from Borrowings		(95,690,222)		(256,036,930)
Interest paid		(179,045,661)		(195,049,597)
Dividend paid		(23,788,309)		(1,183,063)
Net Cash from Financing Activities (C)		(298,524,192)		(580,269,590)
Net changes in cash & equivalents (A+B+C)		(80,606,192)		114,837,873
CASH & EQUIVALENTS As on 31st March, 2004 :		161,689,106		46,036,682
Addition on Amalgamation		—		814,551
TOTAL		161,689,106		46,851,233
CASH & EQUIVALENTS As on 31st March, 2005 :		81,082,914		161,689,106

As per our attached Report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Anish Amin
Partner

Mumbai
Date : 20th June, 2005

Mrs.D.R. Puranik
Company
Secretary

On behalf of the Board of Directors

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Pune
Date : 20th June, 2005



32nd Annual Report 2004-2005

SCHEDULE NOS. : '1' to '20' annexed to and forming part of the Financial Statements for the year ended 31st March, 2005

		Rs.	As at 31st March, 2004 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	24,000,000	24,000,000
		800,000,000	800,000,000
ISSUED :			
42,159,380	Equity Shares of Rs.10/- each	421,593,800	421,593,800
		421,593,800	421,593,800
SUBSCRIBED & PAID UP :			
*42,053,060	Equity Shares of Rs.10/- each, fully paid	420,530,600	420,530,600
	Total Subscribed and fully paid up	420,530,600	420,530,600
106,320	**Add : Forfeited Equity Shares (Amount Paid up)	379,067	379,067
	TOTAL	420,909,667	420,909,667

* Of the above shares -

- 3,843,750 Equity Shares of Rs.10/- each were issued as fully paid bonus shares by way of Capitalisation of Reserves.
- 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.

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

	Rs.	Rs.	As at 31st March, 2004 Rs.
SCHEDULE '2' : RESERVES AND SURPLUS :			
Capital Redemption Reserve			
As per last account	100,000,000		150,000,000
Less : Transferred to Amalgamation Reserve Account	—		150,000,000
	100,000,000		—
Add : Addition during the year	—		100,000,000
		100,000,000	100,000,000
Debenture Redemption Reserve			
As per last account	35,050,000		63,400,000
@ Less : Transferred to Profit & Loss Account	3,350,000		63,400,000
	31,700,000		—
Add : Set aside this year	—		35,050,000
		31,700,000	35,050,000
General Reserve			
As per last Account	1,716,249,044		7,006,988
Amalgamation Reserve forming part of General Reserve	—		1,645,900,617
Add : Transferred from Profit & Loss Account	50,000,000		—
	1,766,249,044		1,652,907,605
Less : Unprovided Deferred Tax of earlier years	—		32,533,471
Add : Deferred Tax Asset arising during the year	—		95,874,910
Less : Provision for Impairment of Assets (Refer Note No.19)	179,074,215		—
		1,587,174,829	1,716,249,044
Surplus as per annexed Account		312,541,874	25,116,736
	TOTAL	2,031,416,703	1,876,415,780

@ On part Redemption of Debentures during the year.



32nd Annual Report 2004-2005

	Rs.	Rs.	As at 31st March, 2004 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	40,200,000		53,600,000
Less : Part amount redeemed during the year	13,400,000		<u>13,400,000</u>
		26,800,000	<u>40,200,000</u>
100			
8.5% Secured Non-Convertible Redeemable Debentures (Sixteenth Series) of Rs.1,000,000/- each (For Security Refer Note No.8 (a) (ii))			
		100,000,000	<u>100,000,000</u>
		126,800,000	<u>140,200,000</u>
TERM LOANS :			
RUPEE LOANS :			
From Industrial Investment Bank of India Limited (For Security Refer Note No.8 (b) (i))	—		170,000,000
From Banks :			
Canara Bank (For Security Refer Note No.8 (b) (ii))	170,494,025		198,744,025
Bank of Baroda (For Security Refer Note No.8 (b) (iii))	35,000,000		41,000,000
Union Bank of India (For Security Refer Note No.8 (b) (iv))	29,000,000		22,500,000
The Jammu & Kashmir Bank Limited (For Security Refer Note No.8 (b) (v))	166,664,002		166,953,682
FOREIGN CURRENCY TERM LOANS :			
From Banks :			
Union Bank of India (For Security Refer Note No.8 (c) (i))	14,456,910		21,618,675
State Bank of India (For Security Refer Note No.8 (c) (ii))	120,014,311		90,784,375
Bank of India (For Security Refer Note No.8 (c) (iii))	230,924,000		230,924,000
Bank of Baroda (For Security Refer Note No.8 (c) (iv))	151,823,437		164,109,375
Interest accrued and due on secured loans	837,885		<u>932,043</u>
		919,214,570	<u>1,107,566,175</u>
OTHERS :			
From ICICI Bank Limited against hypothecation of Vehicles		1,363,499	1,664,132
From The United Western Bank Limited against hypothecation of 1,070,970 Equity Shares of Hikal Limited		199,984,024	—
From Banks, against hypothecation of stores, raw materials, stocks in process, finished goods and book debts :			
Cash Credit	—		1,094,292
Demand Loan	—		25,000,000
Post Shipment Demand Loan	—		9,271,233
Foreign Currency Demand Loan	70,236,000		<u>110,892,275</u>
	70,236,000		<u>146,257,800</u>
Add : Interest accrued and due on above	—		<u>171,938</u>
		70,236,000	<u>146,429,738</u>
TOTAL		1,317,598,093	<u>1,395,860,045</u>

	Rs.	Rs.	As at 31st March, 2004 Rs.
SCHEDULE '4' : UNSECURED LOANS :			
Fixed Deposits :			
From Shareholders	619,000		954,000
From Others	<u>37,805,000</u>		<u>57,248,000</u>
	38,424,000		58,202,000
Add : Interest accrued and due on cumulative fixed deposits	<u>3,685,109</u>		<u>4,656,037</u>
		42,109,109	62,858,037
From Banks :			
Foreign Currency Term Loan	—		28,848,011
Rupee Term Loan	30,000,000		—
Add : Interest accrued and due on above	—		<u>470,230</u>
		30,000,000	29,318,241
Sales Tax Deferral Liability, as special incentives and concessions under the Karnataka Sales Tax Act, 1957		13,871,951	12,940,306
		85,981,060	105,116,584
	TOTAL		

SCHEDULE '5': FIXED ASSETS :

	Leasehold Land		Buildings		Plant & Machinery		Power Line (c)		Electrical Installation		Furniture / Office Equipments		Vehicles & Aircrafts (d)		As on 31st March, 2005 Total		As on 31st March, 2004 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, 2004	35,646,689	171,059,559	1,932,485,276	28,100,000	314,886,959	13,148,431	13,382,607	2,508,709,521	2,438,497,258										
Additions	—	47,111,596	249,777,027	—	3,305,594	3,335,055	9,618,399	313,147,671	71,834,077										
Deductions & Adjustments	—	—	(e) 3,571,647	—	—	269,370	1,047,176	4,888,193	1,621,814										
As at 31st March, 2005	35,646,689	218,171,155	2,178,690,656	28,100,000	318,192,553	16,214,116	21,953,830	2,816,968,999	2,508,709,521										
Depreciation :																			
Upto 31st March, 2004	10,881,082	30,473,531	479,438,392	16,391,667	76,026,644	7,430,666	2,880,764	623,522,746	471,749,655										
Deductions & Adjustments	—	—	—	—	—	204,720	655,336	860,056	772,492										
For the year	1,568,256	6,111,998	163,148,249	2,810,000	18,539,796	1,227,242	1,525,890	194,931,431	152,545,583										
Upto 31st March, 2005	12,449,338	36,585,529	642,586,641	19,201,667	94,566,440	8,453,188	3,751,318	817,594,121	623,522,746										
Net Block :																			
As at 31st March, 2005	23,197,351	181,585,626	1,536,104,015	8,898,333	223,626,113	7,760,928	18,202,512	1,999,374,878	1,885,186,775										
As at 31st March, 2004	24,765,607	140,586,028	1,453,046,884	11,708,333	238,860,315	5,717,765	10,501,843	1,885,186,775											

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.

e) Represents Net Trial Run Income of Power Project, Refer Note No.10



32nd Annual Report 2004-2005

	Rs.	Rs.	As at 31st March, 2004 Rs.
SCHEDULE '6' : INVESTMENTS, AT COST (continued) :			
Brought over...	55,270,961	417,847,320	479,646,920
— (1,000) Fully paid Equity Shares of Rs.10/- each of Housing Development Finance Corporation Limited	—		143,750
— (63,000) Fully paid Equity Shares of Rs.10/- each of ICICI Bank Limited	—		25,275,720
— (100) Fully paid Equity Shares of Rs.10/- each of Reliance Industries Limited	—		20,025
— (8,600) Fully paid Equity Shares of Rs.10/- each of GlaxoSmithkline Consumer Healthcare Limited	—		2,311,250
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.10/- 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		6,000,000
— (500) Fully paid Equity Shares of Rs.10/- each of HDFC Bank Limited	—		5,000
₹ 5,155,650 Fully paid Equity Shares of Rs.10/- each of Hikal Limited	65,610,549		65,610,549
— (2,500) Fully paid Equity Shares of Rs.10/- each of The Jammu & Kashmir Bank Limited	—		95,000
		128,326,510	580,553,214
Unquoted :			
A) Trade :			
6,540,000 (—) Fully paid Equity Shares of Rs.10/- each of Bharat NRE Coke Limited		65,400,000	—
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	2,217,250		—
		245,000	2,462,250
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	499,970		499,970
		21,794,970	24,012,220
In Preference Shares :			
Unquoted :			
1,000,000 12 % Cumulative Redeemable Preference Shares of Rs.100/- each of The Indian Seamless Metal Tubes Limited (Allotted on conversion of Optionally Fully Convertible Debentures, under a Scheme of Arrangement between The Indian Seamless Metal Tubes Limited and Kalyani Seamless Tubes Limited, share certificates yet to be received)	100,000,000		100,000,000
Less : Diminution in the value of investment adjusted against Securities Premium Account, effected in prior year as per the Scheme of Arrangement	70,544,514		70,544,514
		29,455,486	29,455,486
Carried Over...		662,824,286	634,020,920

	Rs.	Rs.	As at 31st March, 2004 Rs.
SCHEDULE '6' : INVESTMENTS, AT COST (continued) :			
Brought over..		662,824,286	634,020,920
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 (954,640) Zero percent Optionally Fully Convertible Debentures of Rs.100/- each of Surajmukhi Investment & Finance Limited	71,710,000		95,464,000
\$ — (371,000) Zero percent Optionally Fully Convertible Debentures of Rs.100/- each of Gladiolla Investments Limited	—		37,100,000
		102,995,000	163,849,000
		765,819,286	797,869,920
Share Application Money		42,150,000	12,850,000
		807,969,286	810,719,920
	TOTAL		
	COST	MARKET VALUE	
	(Net of determined diminution in the value of Investment)		
	As at 31st March, 2005 Rs.	As at 31st March, 2004 Rs.	As at 31st March, 2005 Rs.
Quoted ***	128,326,510	162,680,894	# 2,954,033,378
Unquoted	637,492,776	635,189,026	#1,925,875,520
	765,819,286	797,869,920	

* 875,055 No. of Shares are pledged with ICICI Bank Limited in relation to loans advanced by the said bank to ISMTL.

\$ \$ 1,070,970 No. of Shares are pledged with The United Western Bank Limited as security for loan taken by the Company.
759,500 No. of Shares are pledged with UTI Bank Limited for loan taken by other 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. Part of these debentures have been redeemed during the year by mutual consent between the parties. The debentures which have not been converted into Equity Shares on or before three years from the date of allotment shall be redeemed.

Included in the market value at the future Contracted Sale Price.

*** Refer Note No.13

Following investments are purchased and sold during the year :

Particulars	No. of Units	Face Value Rs.	Cost Price Rs.
Prudential ICICI Liquid Plan Institutional - Growth	12,997,709	10	205,400,000
Prudential ICICI Liquid Plan Institutional Plus - Growth	65,885,063	10	1,054,983,091
Prudential ICICI Long Term Floating Rate Plan - B Growth	3,598,837	10	37,000,000
Prudential ICICI Floaters Rate Growth	1,429,105	10	15,700,000
HDFC Cash Management Saving Plan - Growth	95,819,915	10	1,291,393,555
HDFC Cash Management Saving Plan - Weekly Dividend Re-investment	717	10	7,622
HDFC Cash Management Saving Plus Plan - Growth	6,064,859	10	84,500,000
IL&FS & UTI Liquid Advantage Growth Plan	40,831,428	10	489,862,012
UTI Cash Plan - Regular Growth Option	16,337,564	10	173,006,104
UTI Liquid Advantage Fund Institutional Growth Option	35,497,753	10	376,084,358
UTI Floating Rate Fund Short Term Plan Growth Option	17,667,708	10	187,061,767
Reliance Treasury Plan Institutional Option - Growth Option - Growth Plan	11,138,120	10	173,500,000
Reliance Liquid Fund Cash Plan - Growth Option - Growth Plan	2,185,544	10	25,000,000
Reliance Floating Rate Fund - Growth Plan - Growth Option	975,895	10	10,000,000
Reliance Fixed Term Scheme - Monthly Plan 10 - Growth Option	2,000,000	10	20,000,000
Grindlays Cash Fund Institutional Plan B - Growth	6,962,294	10	82,900,000



32nd Annual Report 2004-2005

	Rs.	Rs.	As at 31st March, 2004 Rs.
SCHEDULE '7' : INVENTORIES :			
Stores, spares etc., at cost		64,359,984	37,253,609
Stock - in - Trade :			
Raw materials, at cost	273,176,166		170,044,260
Finished goods, at cost or market value whichever is lower	156,721,809		131,908,845
Scrap at estimated realisable value	7,660,406		12,200,577
As valued and certified by the Executive Director	437,558,381		314,153,682
Goods in transit, at cost to date	85,398,847		6,764,650
		522,957,228	320,918,332
TOTAL		587,317,212	358,171,941
SCHEDULE '8' : SUNDRY DEBTORS, UNSECURED, GOOD :			
(a) On Operations :			
i) Outstanding over six months	55,277,322		62,393,468
ii) Others, Good	1,108,707,823		654,851,021
		1,163,985,145	717,244,489
(b) On Sale of Assets		164,587,630	189,687,630
TOTAL		1,328,572,775	906,932,119
SCHEDULE '9' : CASH AND BANK BALANCES :			
Cash on hand		154,517	55,930
Bank balances :			
With Scheduled Banks :			
In Current & Cash Credit Accounts	76,312,897		39,894,947
In Fixed Deposits (Receipts of the value of Rs.615,500/- pledged in favour of Government Authorities)	4,615,500		121,738,229
		80,928,397	161,633,176
TOTAL		81,082,914	161,689,106
SCHEDULE '10' : OTHER CURRENT ASSETS :			
Income Receivable		55,499,263	34,502,430
Export Incentives Receivable		271,860	5,157,511
TOTAL		55,771,123	39,659,941

As at 31st
March, 2004

	Rs.	Rs.	Rs.	Rs.
SCHEDULE '11': LOANS AND ADVANCES, UNSECURED, GOOD				
(UNLESS OTHERWISE STATED) :				
Loans to wholly owned subsidiaries			593,172,370	300,102,565
Loans to other companies (formerly subsidiaries under Section 4(1)(c) of the Companies Act, 1956)			3,367,300	3,367,300
§ Dues from companies, promoted by this Company			511,966	511,966
@ Inter Corporate Loans			21,335,000	21,335,000
* Advances recoverable in cash or in kind or for value to be received. (Amounts recoverable from the companies promoted by this Company)				
Good		73,373,841		116,518,989
Doubtful advances	8,504,525			8,833,280
Less : Provision	8,504,525			8,833,280
			73,373,841	116,518,989
Advances for capital goods for Projects under Implementation			36,379,928	30,975,162
Sundry Deposits			80,844,999	80,761,554
Balance with Excise Department			18,432,503	2,256,472
Tax paid in advance			87,249,869	24,060,262
		TOTAL	914,667,776	579,889,270

* 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 and Rs.3,000,000/- (Previous year - Nil) to Employees Provident Fund Trust.

@ Represents 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.

§ Represent loans, advanced to companies promoted by this Company, to meet the cost of projects undertaken by the former, to be either repaid or converted into Equity Share Capital to be issued at a later date.

SCHEDULE '12' : LIABILITIES :

Acceptances		256,097,228	149,170,360
Deposits		1,342,840	4,004,978
Sundry Creditors			
Due to Small Scale Industrial Undertakings (Refer Note No.12)	13,127,831		6,272,680
Others	1,126,001,735		859,105,783
		1,139,129,566	865,378,463
Advance against Order		29,007,415	—
Part amount received under an arrangement against sale of project promoted by the Company		52,717,415	52,717,415
Trade Advance		125,004,168	110,295,288
Amounts received from a Company under a strategic alliance		19,449,788	19,449,788
Investor Education & Protection Fund, since paid		269,019	295,511
Unclaimed Dividends		525,955	533,483
Interest accrued but not due on loans		3,824,063	42,596,588
	TOTAL	1,627,367,457	1,244,441,874



32nd Annual Report 2004-2005

	Rs.	Rs.	As at 31st March, 2004 Rs.
SCHEDULE '13' : PROVISIONS :			
Provision for Octroi Duty, earlier disputed		8,099,308	8,099,308
Provision for Taxation		69,548,000	20,823,000
Proposed Dividend		63,079,590	—
Tax on Proposed Dividend		8,846,920	—
Provision for increase in Rupee Liability on account of currency rate swap		8,655,263	3,260,841
	TOTAL	<u>158,229,081</u>	<u>32,183,149</u>

SCHEDULE '14' : SALES, OPERATING & OTHER INCOME :	Rs.	Rs.	Previous Year Rs.
(a) Sales , Gross :			
Sales	8,634,793,409		5,012,939,785
Less : Returns	272,883		1,981,475
	8,634,520,526		5,010,958,310
Miscellaneous Sales	179,828,722		112,035,570
Jobwork Receipts	415,839,266		202,953,044
		9,230,188,514	5,325,946,924
(b) Operating Income :			
i) Related to Manufacturing Activity :			
Export Incentives received	548,305		9,531,032
Income from Mining Activity	1,297,288		9,088,434
	1,845,593		18,619,466
ii) Related to Finance and Investment Activity (Net) :			
Income earned during the year from Dividend , other than Trade, Gross	37,627,351		37,311,687
Profit on Sale of Investments, net	16,770,849		1,802,072
	54,398,200		39,113,759
		56,243,793	57,733,225
(c) Other Income :			
Interest other than from Finance & Investment Activity :	61,978,834		44,051,408
Less : Adjusted against Interest & Commitment Charges in Schedule '18'	61,978,834		44,051,408
	—		—
Miscellaneous receipts	5,319,930		6,932,478
Bad Debts/ Sundry Debit balances previously written off, now recovered	1,636,803		4,500,000
Provision for Doubtful Advances Written back	328,755		233,092
Provision no longer required	1,150,234		39,178,306
Gain on foreign exchange, net	—		14,930,857
Sundry Credit balances appropriated	1,498,925		5,216,558
		9,934,647	70,991,291
TOTAL		9,296,366,954	5,454,671,440

	Rs.	Rs.	Rs.	Previous Year Rs.
SCHEDULE '15' : MATERIALS CONSUMED AND MANUFACTURING EXPENSES :				
a) Raw materials consumed :				
Stocks at commencement				
As per last account	170,044,260			19,446,287
Add : Addition on amalgamation	—			6,016,948
		170,044,260		25,463,235
Add : Purchases		5,328,044,017		2,815,804,044
Add/(Less) : Foreign Exchange Fluctuation		27,508,297		(30,199,142)
		5,525,596,574		2,811,068,137
Less : Sale of Raw Material		133,785,875		—
Less : Stocks at close		273,176,166		170,044,260
			5,118,634,533	2,641,023,877
b) Manufacturing expenses :				
Stores and spares consumed		119,754,543		99,027,137
Job work and Manufacturing Charges		683,961,890		604,825,633
Power and Fuel		318,873,700		300,605,867
Building and Road repairs		6,661,317		3,008,707
Machinery repairs		17,620,063		11,841,456
			1,146,871,513	1,019,308,800
c) Goods Purchased for Trade				
			40,866,776	114,863,698
d) Excise Duty on year end Inventory				
			16,032,730	9,450,084
e) (Increase) / decrease in Stocks :				
Stocks at close :				
Finished goods		156,721,809		131,908,845
Scrap		7,660,406		12,200,577
		164,382,215		144,109,422
Less : Stocks at commencement :				
Finished goods		131,908,845		119,339,811
Scrap		12,200,577		—
Addition on amalgamation :				
Finished goods	—			26,422,541
Scrap	—			1,356,511
				27,779,052
		144,109,422		147,118,863
			(20,272,793)	3,009,441
TOTAL			6,302,132,759	3,787,655,900

SCHEDULE '16' : EMPLOYEES' EMOLUMENTS :

(Including Executive and Wholetime Directors' Remuneration)

Salaries, Wages, Gratuity, Bonus etc.		99,434,166		80,524,743
Contribution to Provident and other Funds etc.		6,193,736		4,137,160
Welfare expenses		5,145,723		7,698,176
TOTAL		110,773,625		92,360,079

	Rs.	Rs.	Previous Year Rs.
SCHEDULE '17' : OTHER EXPENSES :			
Rent		1,035,010	899,833
Rates & Taxes		57,254	55,577
Lease Rent		3,813,603	10,760,388
Insurance (including Key Man Insurance)		5,625,003	5,466,065
Legal & Professional charges		8,252,842	9,018,221
Miscellaneous expenses		54,216,983	53,585,768
Donation :			
Prime Minister's National Relief Fund	2,000,000		—
Others	120,690		200,000
		2,120,690	200,000
Freight Outward		162,113,595	125,709,552
Brokerage and Discount		15,286,310	8,825,519
Commission on Sales		24,087,250	24,955,579
Audit Fees and expenses		1,869,148	2,884,474
Directors' fees and Travelling Expenses		1,230,517	1,230,932
Executive Director's Commission		4,000,000	2,750,000
Commission to Directors other than Executive Director and Wholetime Directors		1,000,000	—
Loss on Foreign Exchange Fluctuation		21,265,084	—
Loss on Assets sold or scrapped		187,966	465,505
Bad debts, Advances and sundry debit balances written off		2,969,658	1,090,746
Technical Knowhow written off		—	4,364,783
Facility charges under Strategic Alliance		71,364,864	68,459,088
Provision for Diminution in the Value of Investments		2,217,250	—
TOTAL		<u>382,713,027</u>	<u>320,722,030</u>
SCHEDULE '18' : INTEREST :			
Interest & Commitment Charges :			
On Debentures	13,721,227		20,618,462
On Fixed Loans	93,953,516		129,542,795
Others	30,891,139		20,088,312
	138,565,882		170,249,569
Less : Interest adjusted as per contra	61,978,834		44,051,408
		76,587,048	126,198,161
TOTAL		<u>76,587,048</u>	<u>126,198,161</u>
SCHEDULE '19' : DEPRECIATION AND WRITE OFFS ETC. :			
Depreciation		190,553,175	148,167,327
Leasehold land amortised		1,568,256	1,568,256
Power HT line amortised		2,810,000	2,810,000
TOTAL		<u>194,931,431</u>	<u>152,545,583</u>

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2005

	As at 31st March, 2005 Rs.	As at 31st March, 2004 Rs.
1. Contingent Liabilities not provided for in respect of :		
a) Claims against the Company not acknowledged as debts	38,388,657	50,578,982
b) Excise demands, matter under dispute	64,353,641	149,150,029
c) Income-tax demands, matter under dispute	257,174	257,174
d) Sales-tax demands, matter under dispute	—	3,380,695
2. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (Net of Advances)	22,233,992	80,482,933
3. Payment to Auditors (Service Tax As applicable) :		
i) As Statutory Auditors	1,250,000	1,350,000
ii) In other capacity -		
- For Tax Audit	230,000	248,400
- For Certification	303,900	327,240
iii) For Company Law and related matters	—	864,000
	<u>1,783,900</u>	<u>2,789,640</u>
iv) For expenses	85,248	94,834
	<u>1,869,148</u>	<u>2,884,474</u>

4. Details of Raw Materials Consumption :

a) RAW MATERIALS CONSUMED :

	2004-05		2003-04	
	MTs	Rs.	MTs	Rs.
Iron and Steel Scrap	—	—	31,406	161,002,529
Coke	219,393	3,863,817,809	201,540	1,958,063,717
Iron Ore	605,233	264,898,182	539,119	230,367,758
Coal (Converted into Coke)	34,432	158,492,327	—	—
Others		831,426,215		291,589,873
TOTAL		<u>5,118,634,533</u>		<u>2,641,023,877</u>

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

	2004-05		2003-04	
	Rs.	Percentage	Rs.	Percentage
Imported (Direct imports only)	3,812,772,335	75 %	1,758,227,949	67 %
Indigenous	1,305,862,198	25 %	882,795,928	33 %
TOTAL	<u>5,118,634,533</u>	<u>100 %</u>	<u>2,641,023,877</u>	<u>100 %</u>

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2005 (continued)

6. MANAGERIAL REMUNERATION :

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

	2004-05 Rs.	2003-04 Rs.
Profit as per Profit & Loss Account, after Taxation	430,087,550	119,661,408
Add : Remuneration to Executive Director & Wholetime Directors including perquisites	11,580,041	5,618,750
Commission to Directors other than Executive Director & Wholetime Directors	1,000,000	—
Provision for Taxation	215,097,520	59,254,325
	<u>227,677,561</u>	<u>64,873,075</u>
	657,765,111	184,534,483
Less : Profit on sale of investments in terms of Section 349(3)(c)	16,770,849	1,802,072
Provision for doubtful advances written back	328,755	233,092
Provision no longer required	1,150,234	39,178,306
	<u>18,249,838</u>	<u>41,213,470</u>
Net Profit / (Loss)	<u>639,515,273</u>	<u>143,321,010</u>
Profit on which commission is payable	639,515,273	143,321,010
Commission to Executive Director, as determined by the Board of Directors	4,000,000	2,750,000
Commission to Directors other than Executive Director & Wholetime Directors	1,000,000	—

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 2004-05 (Rs.)	Wholetime Director (Technical) 2004-05 (Rs.)	*Wholetime Director 2004-05 (Rs.)	TOTAL 2004-05 Rs.	#TOTAL 2003-04 Rs.
Salary	2,683,000	1,819,000	1,040,322	5,542,322	1,838,400
Performance Bonus	—	—	—	—	320,000
Contribution to Provident and other Funds	758,880	—	—	758,880	234,000
Perquisites	528,625	449,400	300,814	1,278,839	476,350
Commission	4,000,000	—	—	4,000,000	2,750,000
Total	7,970,505	2,268,400	1,341,136	11,580,041	5,618,750

* Appointment and remuneration w.e.f. 22nd May, 2004, approved by the shareholders of the Company at 31st Annual General Meeting held on 28th August, 2004.

Previous year's figures represents remuneration to Executive Director and Wholetime Director (Technical).

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

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 and in transit) [See Note No. 11]

Goods Traded in :

	2004-05 Rs.	2003-04 Rs.
- Coke	—	51,451,000
- Scrap	13,752,573	—
Raw Material :		
- Coke	1,682,802,347	965,692,175
- Coal	218,676,965	—
- Ferro Alloys	34,349,935	1,255,343

b) Expenditure in Foreign Currency :

Interest	43,105,447	17,020,085
Commission	49,961	876,162
Other matters	2,978,597	2,816,917

**KALYANI**

32nd Annual Report 2004-2005

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2005 (continued)

	2004-05 Rs.	2003-04 Rs.
c) Earnings in Foreign Currencies :		
- FOB Value of Exports	18,221,238	76,674,196
- Insurance and Freight on Exports	136,470	3,046,330
d) Exchange differences on account of fluctuation in foreign currency rates :		
i) Relating to Exports during the year as a part of "Sales"	307,261	—
ii) Relating to Imports during the year as a part of "Raw Material" Loss / (Gain)	27,508,297	(30,199,142)
iii) Other foreign exchange gains / (losses) recognised on settlement of current assets, liabilities and borrowings		
a) Adjusted to the cost of assets	—	—
b) Recognised in Profit and Loss account	(21,265,084)	14,930,857

8. a) i) 1,000,000 - 13% Secured Non-Convertible Redeemable Debentures (Eleventh Series) of Rs.100/- each, privately placed with Bank of Maharashtra. Installment due in April, 2005, was prepaid by the Company during the year. Outstanding balance of Rs.26.80 Million is to be redeemed in two equal yearly installments of Rs.13.40 Million each payable in the month of April every year.
- 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, to be redeemed in three annual installments of Rs.330,000/-, Rs.330,000/- and Rs.340,000/- per debenture, commencing from 20th February, 2006.

Above Debentures 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 Debentureholders and Banks / Financial Institutions for their term / foreign currency loans.

- b) i) Industrial Investment Bank of India Limited – Term Loan (Repaid during the year). Satisfaction of charge has been filed with the Registrar of Companies, Pune.
- ii) Canara Bank – Term Loan and Corporate Loan
- iii) Bank of Baroda – Term Loan
- iv) Union Bank of India – Term Loan
- v) The Jammu and Kashmir Bank Limited – Term Loan

Above loans, except Corporate Loan of Canara Bank, 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 Debentureholders and Banks / Financial Institutions for their term / foreign currency loans.

The Corporate Loan of Canara Bank is secured by a second 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 second charge on all the movable fixed assets and hypothecation of the whole of the Current Assets including stock of raw materials, stocks in process, semi-finished and finished goods, consumable stores and spares, bills receivables and book debts and all other movables, both present and future, subject to prior charges created and / or to be created in favour of the Company's bankers on the current assets of the Company for securing the borrowings for Working Capital requirement in the ordinary course of business.

- c) Foreign Currency Loans
- i) Union Bank of India - Foreign Currency Term Loan, Outstanding balance USD 329,333
- ii) State Bank of India - Corporate Term Loan in the form of FCNR(B) Term Loan, Outstanding balance USD 2,614,000

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2005 (continued)

iii) Bank of India - Foreign Currency Term Loan, Outstanding balance USD 5,000,000

iv) Bank of Baroda - Foreign Currency Term Loan, Outstanding balance USD 3,281,250

Above Foreign Currency 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 Debentureholders and Banks / Financial Institutions for their term / foreign currency loans.

d) Guarantees aggregating Rs.3,086,000/- (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. Summary of amount transferred to Capital Account being ongoing trial run expenses in connection with Power Generation Plant /Project conducted during the period from 11th February, 2005 to 31st March, 2005 :

	Rs.
Materials consumed and manufacturing Expenses	14,047,122
Employees' Emoluments	107,248
Other expenses	963,434
Interest	940,829
Depreciation and write offs	<u>2,147,731</u>
	18,206,364
Less : Trial Run Income :	
Estimated amount of Power generated, captively consumed	21,778,011
Net Trial Run Income	<u>3,571,647</u>

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. i) On the basis of information available with Company, there were no amounts payable to Small Scale and Ancillary Industrial undertakings, as defined by "The Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertaking Act, 1992" which were overdue and outstanding at the close of the year, nor were there any delays in payments to the said Industrial Undertakings during the relevant period.

ii) On the basis of information available with the Company, following are the names of Small Scale Industrial Undertakings to whom the Company owes sums, which are outstanding for more than 30 days :

Sr.No.	Name of SSI Unit	Sr.No.	Name of SSI Unit
1.	Arudra Engineers Private Limited	10.	Chaitanya Geo Lynx
2.	Daneshwari Engineering Corporation	11.	Hameed Engineering Company
3.	Hi-Tech Chemicals (P) Limited	12.	Maya Furnitures
4.	Hubli Oxygen Private Limited	13.	Mahalaxmi Printers
5.	Koromandal Refractories Private Limited	14.	Nehal Printers
6.	M.M. Electricals	15.	Netra Graphics
7.	Rotomech Consultants & Engineers	16.	Precision Engineers
8.	Star - Mech Controls (I) Private Limited	17.	Precision Engineering Works
9.	Voltarc Electrodes Private Limited	18.	Prakash Printers

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 are intended

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2005 (continued)

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 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, 2004 Rs.	Arising during the year Rs.	Balance carried as at 31st March, 2005 Rs.
Deferred Tax Liabilities :			
On account of Timing Differences :			
Depreciation	541,940,259	(70,493,054)	471,447,205
TOTAL	541,940,259	(70,493,054)	471,447,205
Deferred Tax Assets :			
On account of Timing Differences :			
Disallowance u/s 43B of the Income Tax Act	586,391	(432,675)	153,716
Unabsorbed Depreciation and carry forward Business Losses	466,631,292	(236,126,583)	230,504,709
Provision for doubtful advances	3,168,939	(306,316)	2,862,623
TOTAL	470,386,622	(236,865,574)	233,521,048
Net Deferred Tax Liability / (Asset)	71,553,637	166,372,520	237,926,157

18. a) The Company has entered into agreements in the nature of leave and license agreement with different licensors for the purpose of establishments of premises. Disclosures required as per Accounting Standard 19 with regard to the above are as under :
- i. Payment under leave and license agreement for the period :
- Not later than one year Rs.305,938/-
 - Later than one year but not later than five years Rs.973,000/-
 - Later than five years Rs. Nil
- ii. There are no transaction in the nature of sub-lease.
- iii. Payments recognised in the Profit and Loss Account for the year ended 31st March, 2005 is Rs.924,641/-.
- b) Disclosure required as per Accounting Standard 19 with regard to the assets taken on lease are :
- i. Payment under agreement for period :
- Not later than one year Rs.66,000,000/-
 - Later than one year but not later than five years Rs.104,000,000/-

SCHEDULE '20' : Notes forming part of the Financial Statements as at 31st March, 2005 (continued)

3. Later than five years Rs. Nil

ii. There are no transaction in the nature of sub-lease.

iii. Payments recognised in the Profit and Loss Account for the year ended 31st March, 2005 is Rs.3,586,729/-.

19. 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 accounts and carried at a value of Rs.264,159,660/- since past six years. The implementation of the said project, of which the said machinery would form a substantial part, is definitive in the near future. However, consequent to the applicability of Accounting Standard 28 - ' Impairment of Assets' mandatory in its application w.e.f 1st April, 2004, the Company has recognised an impairment of Rs.179,074,215/-, representing the excess of the carrying cost of the asset over the realisable value which has this year been adjusted against the General Reserve as required by the Standard.

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

21. Earning Per Share	2004-05	2003-04
Profit after Tax	436,087,550	119,661,408
Less : Preference Dividend including Tax	—	912,883
	436,087,550	118,748,525
Weighted average number of Equity Shares	42,053,060	42,053,060
Basic and diluted earning per share	10.37	2.82

22. Previous year's figures have been regrouped wherever considered necessary to make them comparable with those of the current year. The supply and procurement of the products between the constituents of the composite manufacturing facility at Ginigera, under a Strategic Alliance Arrangement effective 1st February 2005, are carried out on " Conversion Basis" as against "Sales". Hence, the revenues and components of cost of goods sold in respect of year as a whole are not strictly comparable. However, this has no effect on the profit for the year.

23. 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 : 20th June, 2005

On behalf of the Board of Directors

Mrs.D.R. Puranik
Company
Secretary

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Pune
Date : 20th June, 2005



**ANNEXURE REFERRED TO IN NOTE NO. 23 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) 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 expenditures on power line is amortised 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. 21.5.86 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] CONVERSION OF FOREIGN CURRENCIES :

All Foreign Currency loans and balances in the form of 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 which are accounted for at the Contracted Rate representing the amount required to meet the liability on realisation of Current Assets as the case may be. Exchange difference arising from foreign currency fluctuations are dealt with in the Profit and Loss Account (except for difference on realignment of liabilities on account of Fixed Assets which is adjusted to the cost of Fixed Assets).

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 instalments.

5] INVESTMENTS :

Investments are valued at cost of acquisition less diminution in the value, determined to be of a permanent nature.

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.

ANNEXURE REFERRED TO IN NOTE NO. 23 OF NOTES FORMING PART OF FINANCIAL STATEMENTS (continued) :

- 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 "Share Premium Account" in accordance with Section 78 of the Companies Act, 1956 and in the event of inadequacy of balance in "Share Premium Account" the same will be written off against the profits of the Company in equal annual installments over period of ten years or over the tenure of the Debenture whichever is less, from 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 "Share Premium Account" in accordance with Section 78 of the Companies Act, 1956 and in the event of inadequacy of balance in "Share Premium Account" the same will be written off in ten equal annual instalments 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 "Share Premium Account" on the date of redemption in accordance with Section 78 of the Companies Act, 1956. In the event of inadequacy of balance in the "Share Premium Account", the same will be provided for against the profits in the year of redemption.

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] **RETIREMENT 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.
- 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.

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.



32nd Annual Report 2004-2005

ANNEXURE REFERRED TO IN NOTE NO. 23 OF NOTES FORMING PART OF FINANCIAL STATEMENTS (continued) :

13] 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.

14] 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.

15] 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.

16] 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 (this year), against General Reserve and thereafter, if any, in the Profit and Loss Account.

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, 2005 Rupees	Year ended 31st March, 2004 Rupees
1	Segment Revenue :		
	a) Steel Making Division	4,928,126,247	2,997,413,325
	b) Iron Making Division	5,009,941,663	2,924,720,973
	c) Power Generation	21,778,011	—
	d) Finance & Investments	62,833,196	40,140,306
	e) Others	100,556,081	80,821,997
	Total	10,123,235,198	6,043,096,601
	Less : Inter Segment revenue - at Cost	2,283,078,665	1,251,905,999
	Net Sales / income from operations	7,840,156,533	4,791,190,602
2	Segment Results :		
	Profit / (Loss) (before interest & tax from each segment)		
	a) Steel Making Division	545,000,985	223,060,314
	b) Iron Making Division	138,814,184	100,014,167
	c) Power Generation	4,512,478	—
	d) Finance & Investments	57,310,787	39,827,598
	e) Others	109,765,181	91,405,957
	Total Profit before Interest & Tax	855,403,615	454,308,036
	Less :		
	1 Interest	124,877,010	158,011,519
	2 Interest differentials on restructuring of loans in respect of past years	—	57,464,408
	3 Other un-allocable expenditure net of un-allocable income	611,232	(360,393)
	Profit for the year	729,915,373	239,192,502
	Less : Trial Run Income net of Expenditure	3,571,647	—
	Total Profit Before Tax	726,343,726	239,192,502
3	Total carrying amount of Segment Assets :		
	a) Steel Making Division	2,210,815,324	2,111,070,680
	b) Iron Making Division	1,606,526,936	1,282,974,264
	c) Power Generation	256,204,887	—
	d) Finance & Investments	1,371,849,793	1,135,323,690
	e) Others	406,704,716	298,960,877
	f) Un-allocable	389,248,143	651,595,035
	Total	6,241,349,799	5,479,924,546
4	Total amount of Segment Liabilities :		
	a) Steel Making Division	620,715,715	548,908,439
	b) Iron Making Division	898,594,777	460,944,277
	c) Power Generation	20,031,286	—
	d) Finance & Investments	12,068,350	8,686,234
	e) Others	27,894,040	15,769
	f) Un-allocable	246,254,760	281,969,439
	Total	1,825,558,928	1,300,524,158
5	Capital Employed (Segment Assets - Segment Liabilities) :		
	a) Steel Making Division	1,590,099,609	1,562,162,241
	b) Iron Making Division	707,932,159	822,029,987
	c) Power Generation	236,173,601	—
	d) Finance & Investments	1,359,781,443	1,126,637,456
	e) Others	378,810,676	298,945,108
	f) Un-allocable	142,993,383	369,625,596
	Total	4,415,790,871	4,179,400,388
6	Total Cost incurred during the year to acquire Segment Assets that are expected to be used during more than one period :		
	a) Steel Making Division	48,677,061	7,891,756
	b) Iron Making Division	7,593,686	63,942,321
	c) Power Generation	256,876,922	—
	d) Finance & Investments	—	—
	e) Others	5,376,380	1,371,223
	Total	318,524,049	73,205,300
7	Depreciation :		
	a) Steel Making Division	85,044,983	75,515,648
	b) Iron Making Division	107,097,333	76,388,551
	c) Power Generation	2,147,731	—
	d) Finance & Investments	—	1,975
	e) Others	1,243,227	913,854
	Total	195,533,274	152,820,028



32nd Annual Report 2004-2005

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.
Dividend Received				
For the year 2004-05	—	30,933,900	—	—
For the year 2003-04	—	32,652,450	—	—
Receiving of Services				
For the year 2004-05	—	15,195,778	11,580,041	—
For the year 2003-04	—	2,766,227	5,618,750	—
Finance Provided (Loans & Investment/ Share Application Money)				
For the year 2004-05	293,069,805	94,700,000	—	—
For the year 2003-04	107,721,647	—	—	—
Finance Received (Loans & Investment)				
For the year 2004-05	60,854,000	—	—	—
For the year 2003-04	276,693,000	—	—	—
Interest Received				
For the year 2004-05	48,236,153	—	—	—
For the year 2003-04	31,902,893	—	—	—
Rent Paid				
For the year 2004-05	—	—	—	180,645
For the year 2003-04	—	—	—	300,000
Interest Paid				
For the year 2004-05	—	—	—	—
For the year 2003-04	—	—	—	73,248
Receivables as on				
31st March, 2005	1,150,558,127	118,111,966	—	—
31st March, 2004	907,076,684	23,411,966	—	—
Payables as on				
31st March, 2005	—	24,985,107	4,000,000	—
31st March, 2004	—	9,565,864	3,357,500	553,410

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.Suresh Pandey Mr.B.B. Hattarki
Relatives of Key Management Personnel	Mrs.Sunanda Hattarki

ANNEXURE REFERRED TO IN NOTE NO. 20 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				Investments	
	Amount outstanding as on		Maximum balance		Amount outstanding as at	
	31st March, 2005	31st March, 2004	Outstanding During The Year 2004-05	2003-04	31st March, 2005	31st March, 2004
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Subsidiaries : (*)						
Chakrapani Investments and Trades Limited	213,687,470	87,892,302	213,687,470	88,642,302	144,285,000	144,285,000
Surajmukhi Investment and Finance Limited	228,693,476	155,852,403	228,693,476	155,852,403	198,662,300	222,416,300
Gladiolla Investments Limited	150,791,424	56,357,860	152,291,424	77,357,660	177,810,020	214,910,020
Associates :						
Kalyani Mukand Limited \$	511,966	511,966	511,966	16,023,781	10,050,000	10,050,000
Hospet Steels Limited	—	—	—	—	499,970	499,970
Hikal Limited	—	—	—	—	65,610,549	65,610,549
Bharat NRE Coke Limited	—	—	—	—	65,400,000	—
Formerly subsidiaries *						
Campanula Investment & Finance Limited	533,500	533,500	533,500	533,500	2,200,000	2,200,000
Cornflower Investment & Finance Limited	583,500	583,500	583,500	583,500	2,200,000	2,200,000
Dandkaranya Investment & Finance Limited	833,500	833,500	833,500	833,500	2,200,000	2,200,000
Dronacharya Investment & Finance Limited	583,300	583,300	583,300	583,300	2,200,000	2,200,000
Hastinapur Investment & Finance Limited	833,500	833,500	833,500	833,500	2,200,000	2,200,000
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	—	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	
	31st March, 2005	31st March, 2004
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

2004-2005

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, 2005, and the Consolidated Profit and Loss Account and the 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, 2005, as detailed below :

Rupees

Name of the Subsidiary	Total Assets	Total Revenues	Cash inflows/(Outflows)
Chakrapani Investments & Trades Limited	380,311,714	16,536,080	380,752
Surajmukhi Investment & Finance Limited	424,707,692	19,340,169	122,799
Gladiola Investments Limited	322,478,210	20,311,878	10,650

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 did not audit the Financial Statements of the following Associates 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, 2005, as detailed below :

Rupees

Name of the Associate	Total Assets	Total Revenues	Cash inflows/(Outflows)
Hikal Limited	2,692,495,504	2,025,986,512	8,732,644
Bharat NRE Coke Limited	436,844,284	NIL*	4,557,684

* Commercial Production is not yet started.

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 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, 2005, as detailed below :

Rupees

Name of the Joint Venture	Total Assets	Total Revenues	Cash inflows/(Outflows)
Hospet Steels Limited	6,043,299	NIL*	(134,877)

* 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 :

- 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, 2005;
- 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
- 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 : 20th June 2005

ANISH AMIN
Partner
Membership No.40451



Consolidated Financial Statements 2004-2005

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedule	Rs.	Rs.	As at 31st March, 2004 Rs.
I. SOURCES OF FUNDS :				
1. Shareholders' Funds :				
a) Capital	1	420,909,667		420,909,667
b) Reserves and Surplus	2	<u>2,324,554,053</u>		<u>2,094,385,953</u>
			2,745,463,720	2,515,295,620
2. Loan Funds :				
a) Secured Loans	3	1,320,404,851		1,396,133,515
b) Unsecured Loans	4	<u>113,578,308</u>		<u>198,830,632</u>
			1,433,983,159	1,594,964,147
3. Deferred Tax Adjustment (Refer Note No.17 in Schedule 20 of Financial Statements of Kalyani Steels Limited)				
Deferred Tax Liabilities		471,447,205		541,940,259
Share in Deferred Tax Liabilities of Joint Venture		<u>188,166</u>		<u>31,312</u>
		<u>471,635,371</u>		<u>541,971,571</u>
Deferred Tax Assets		233,521,048		470,386,622
Share in Deferred Tax Assets of Joint Venture		<u>542,731</u>		<u>494,796</u>
		<u>234,063,779</u>		<u>470,881,418</u>
			237,571,592	71,090,153
	TOTAL		<u>4,417,018,471</u>	<u>4,181,349,920</u>
II. APPLICATION OF FUNDS :				
1. Fixed Assets :	5			
a) Gross Block		2,824,908,483		2,511,272,627
b) Less : Depreciation etc.		<u>819,181,142</u>		<u>624,507,924</u>
c) Net Block		2,005,727,341		1,886,764,703
d) Capital Work-in-Progress, Expenditure to date (Refer Note No.19 in Schedule 20 of Financial Statements of Kalyani Steels Limited)		<u>104,672,254</u>		<u>404,231,664</u>
			2,110,399,595	2,290,996,367
2. Goodwill arising on Consolidation			480,245	—
3. Investments	6		1,746,396,723	1,419,964,472
4. Current Assets, Loans & Advances :				
a) Inventories	7	587,317,212		358,171,941
b) Sundry debtors	8	1,351,292,674		919,295,632
c) Cash and Bank balances	9	82,230,385		162,389,827
d) Other Current Assets	10	19,151,291		17,588,644
e) Loans and Advances	11	<u>344,081,674</u>		<u>311,517,663</u>
		<u>2,384,073,236</u>		<u>1,768,963,707</u>
Less : Current Liabilities and Provisions :				
a) Liabilities	12	1,666,973,832		1,266,314,240
b) Provisions	13	<u>158,585,096</u>		<u>34,209,918</u>
		<u>1,825,558,928</u>		<u>1,300,524,158</u>
Net Current Assets			558,514,308	468,439,549
5. Miscellaneous Expenditure to the extent not written off or adjusted	14		<u>1,227,600</u>	<u>1,949,532</u>
	TOTAL		<u>4,417,018,471</u>	<u>4,181,349,920</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 Accountants

On behalf of the Board of Directors

Anish Amin
Partner

Mrs.D.R. Puranik
Company
Secretary

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Mumbai
Date : 20th June, 2005

Pune
Date : 20th June, 2005

Consolidated Financial Statements

2004-2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule	Rs.	Rs.	Previous Year Rs.
INCOME :				
Sales, Gross	15 (a)	9,330,744,595		5,406,768,921
Less : Excise duty		<u>1,602,250,358</u>		<u>738,809,546</u>
Net Sales		7,728,494,237		4,667,959,375
Power generated, captively consumed (Refer Note No.10 in Schedule 20 of Financial Statements of Kalyani Steels Limited)		21,778,011		—
Operating Income	15 (b)	<u>81,238,493</u>	7,831,510,741	<u>58,759,773</u>
Other Income	15 (c)		10,145,792	70,991,291
			<u>7,841,656,533</u>	<u>4,797,710,439</u>
EXPENDITURE :				
Materials consumed and manufacturing expenses	16	6,302,132,759		3,787,655,900
Employees' emoluments	17	162,270,501		138,914,110
Other expenses	18	436,758,562		355,275,817
Interest	19	124,877,010		158,082,345
Interest differentials on restructuring of loans in respect of past years		—		57,464,408
Depreciation & Write Offs etc.	20	<u>195,533,274</u>		<u>152,820,028</u>
			<u>7,221,572,106</u>	<u>4,650,212,608</u>
Profit for the year			<u>620,084,427</u>	147,497,831
Less : Trial Run Income net of expenditure (Refer Note No.10 in Schedule 20 of Financial Statements of Kalyani Steels Limited)			3,571,647	—
Profit for the year, before Taxation			<u>616,512,780</u>	147,497,831
Income from Associates			109,830,946	91,694,671
Provision for Taxation :				
- Current Tax (Including Wealth Tax Rs.225,000/- Previous year Rs.150,000/-)			48,740,247	11,265,769
- Deferred Tax (Refer Note No.17 in Schedule 20 of Financial Statements of Kalyani Steels Limited)			166,372,520	48,004,326
Share in Deferred Tax of Joint Venture			<u>108,919</u>	<u>(84,958)</u>
			<u>215,221,686</u>	<u>59,185,137</u>
Profit after Taxation			<u>511,122,040</u>	180,007,365
As per last account			123,439,031	81,068,234
Adjustments in respect of previous year :				
Expenses			<u>(382,434)</u>	<u>(1,368,797)</u>
			<u>634,178,637</u>	259,706,802
Minority Interest			—	—
Profit attributable to consolidated group			<u>634,178,637</u>	259,706,802
Transferred from Debenture Redemption Reserve			<u>3,350,000</u>	—
Amount available for Appropriation :			<u>637,528,637</u>	259,706,802
Transferred to Capital Redemption Reserve			—	100,000,000
Transferred to Debenture Redemption Reserve			—	35,050,000
Transferred to General Reserve			50,000,000	—
Transferred to Reserve Fund in terms of Section 45IC of Reserve Bank of India Act, 1934			486,012	304,888
Dividend on Preference Shares			—	809,203
Interim Dividend on Equity Shares			21,032,876	—
Proposed Dividend on Equity Shares			63,079,590	—
Tax on Dividend			<u>11,594,825</u>	<u>103,680</u>
			<u>95,707,291</u>	<u>912,883</u>
Balance carried to Balance Sheet			<u>491,335,334</u>	<u>123,439,031</u>
Earnings per Share				
(Face Value of Rs.10/-)				
Basic and diluted			12.15	2.82
Notes forming part of the Consolidated Financial Statements				
As per our attached Report of even date				

For and on behalf of
DALAL & SHAH
Chartered Accountants

On behalf of the Board of Directors

Anish Amin
Partner

Mrs.D.R. Puranik
Company
Secretary

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Mumbai
Date : 20th June, 2005

Pune
Date : 20th June, 2005



Consolidated Financial Statements 2004-2005

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2004-05

	Year ended 31st March, 2005		Year ended 31st March, 2004	
	Rs.	Rs.	Rs.	Rs.
A Cash Flow From Operating Activities :				
Profit for the year before Taxation		726,343,726		239,192,502
Income from Associates		(109,830,946)		(91,694,671)
Add : Adjustments for Depreciation / Interest / Other				
Non Cash Expenses				
Depreciation (including Leasehold Land amortised)	195,533,274		152,820,028	
Bad Debts, Advances and Sundry Debit balances written off	7,736,053		1,090,746	
Technical knowhow written off	—		4,364,783	
Deferred Revenue & Amortisation of Miscellaneous Expenses	721,932		211,191	
Interest Charged (Net of Capitalised)	138,668,073		227,713,977	
Loss on Sale of Assets	187,966		465,505	
Provision for Diminution in the value of Investment	2,217,250		—	
		345,064,548		386,666,230
Less : Adjustments for Dividend / Interest / other income				
Dividend	(62,622,051)		(38,308,565)	
Profit on Sale of Investments (Net)	(16,770,849)		(1,802,072)	
Interest : Other than Finance & Investment Activity	(13,791,063)		(12,238,050)	
Provision no longer required	(1,150,234)		(39,178,306)	
Provision for doubtful advances written back	(328,755)		(233,092)	
Sundry Credit balances appropriated	(1,498,925)		(5,216,558)	
Prior Year adjustments	(382,434)		(1,368,797)	
		(96,544,311)		(98,345,440)
Operating Profit before Working Capital changes		865,033,017		435,818,621
Changes in Working Capital :				
Inventories	(229,145,271)		5,551,212	
Sundry Debtors	(464,833,095)		15,441,227	
Other Current Assets, Loans & Advances	33,163,144		(79,272,245)	
Trade Payables	447,811,981		250,420,815	
		(213,003,241)		192,141,009
Cash generated from Operations		652,029,776		627,959,630
Direct Taxes Paid		(62,527,505)		(13,816,480)
Net Cash from Operating Activities (A)		589,502,271		614,143,150
B. Cash Flow from Investing Activities :				
Purchase of Assets		(59,017,032)		(72,555,348)
Capital Work in progress		(135,450,176)		(138,674,477)
Sale of Assets		268,524		383,817
Intercorporate Deposits		—		—
Receivable against Sale of Assets		25,100,000		70,312,370
(Purchase)/Sale of Investments		(239,251,850)		438,744,975
Dividend received		93,555,951		70,958,927
Interest received		7,342,765		9,854,882
Net Cash used in Investing Activities (B)		(307,451,818)		379,025,146

Consolidated Financial Statements

2004-2005

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2004-05 (continued)

	Year ended		Year ended	
	31st March, 2005		31st March, 2004	
	Rs.	Rs.	Rs.	Rs.
C. Cash Flow from Financing Activities :				
Redemption of Preference Capital		—		(100,000,000)
Premium paid on Redemption of Debentures		—		(28,000,000)
Proceeds from Borrowings		(159,273,734)		(554,031,512)
Interest paid		(179,147,852)		(195,052,597)
Dividend paid :		(23,788,309)		(1,183,063)
Net Cash from Financing Activities (C)		(362,209,895)		(878,267,172)
Net changes in cash & equivalents (A+B+C)		(80,159,442)		114,901,124
CASH & EQUIVALENTS As on 31st March, 2004 :		162,389,827		65,494,810
Addition on Amalgamation		—		814,551
Total		162,389,827		66,309,361
Deduction on Account of non-consolidation of Joint Venture (See Note No.1 in Schedule 21 of Consolidated Financial Statements)		—		18,820,658
		162,389,827		47,488,703
CASH & EQUIVALENTS As on 31st March, 2005 :		82,230,385		162,389,827

As per our attached Report of even date
For and on behalf of
DALAL & SHAH
Chartered Accountants

On behalf of the Board of Directors

Anish Amin
Partner

Mrs.D.R. Puranik
Company
Secretary

C.G. Patankar
Executive
Director

B.N. Kalyani
Chairman

Mumbai
Date : 20th June, 2005

Pune
Date : 20th June, 2005



Consolidated Financial Statements 2004-2005

SCHEDULE NOS. : '1' to '21' annexed to and forming part of the Consolidated Financial Statements for the year ended on 31st March, 2005

	Rs.	Rs.
		As at 31st March, 2004
		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	24,000,000	24,000,000
	<u>800,000,000</u>	<u>800,000,000</u>
ISSUED :		
42,159,380 Equity Shares of Rs.10/- each	421,593,800	421,593,800
	<u>421,593,800</u>	<u>421,593,800</u>
SUBSCRIBED & PAID UP :		
* 42,053,060 Equity Shares of Rs.10/- each, fully paid	420,530,600	420,530,600
	<u>420,530,600</u>	<u>420,530,600</u>
106,320 **Add : Forfeited Equity Shares (Amount paid up)	379,067	379,067
TOTAL	<u>420,909,667</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.

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

SCHEDULE '2' : RESERVES AND SURPLUS :

Capital Redemption Reserve		
As per last account	100,002,200	150,002,200
Less : Transferred to Amalgamation Reserve Account	—	150,000,000
	<u>100,002,200</u>	2,200
Add : Addition during the year	—	100,000,000
	<u>100,002,200</u>	100,002,200
Debenture Redemption Reserve		
As per last account	35,050,000	63,400,000
@ Less : Transferred to Profit & Loss Account	3,350,000	63,400,000
	<u>31,700,000</u>	—
Add : Set aside this year	—	35,050,000
	<u>31,700,000</u>	35,050,000
Reserve Fund in terms of Section 45IC of Reserve Bank of India Act, 1934		
As per last Account	2,328,709	2,023,821
Add : Set aside this year	486,012	304,888
	<u>2,814,721</u>	2,328,709
General Reserve		
As per last Account	1,833,566,013	135,185,958
Transitional and other Adjustments for share of accumulated Profit of Associates	(5,790,000)	(10,862,001)
	<u>1,827,776,013</u>	124,323,957
Amalgamation Reserve forming part of General Reserve	—	1,645,900,617
Add : Transfer from Profit and Loss account	50,000,000	—
	<u>1,877,776,013</u>	1,770,224,574
Less : Unprovided Deferred Tax of earlier years	—	32,533,471
Add : Deferred Tax Asset arising during the year	—	95,874,910
Less : Provision for Impairment of Assets (Refer Note No.19 in Schedule 20 of Financial Statements of Kalyani Steels Limited)	<u>179,074,215</u>	—
	<u>1,698,701,798</u>	1,833,566,013
Surplus as per Annexed Account	491,335,334	123,439,031
TOTAL	<u>2,324,554,053</u>	<u>2,094,385,953</u>

@ On part Redemption of Debentures during the year.

Consolidated Financial Statements

2004-2005

As at 31st
March, 2004
Rs.

	Rs.	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) in Schedule 20 of Financial Statements of Kalyani Steels Limited)			
As per last account	40,200,000		53,600,000
Less : Part amount redeemed during the year	<u>13,400,000</u>		<u>13,400,000</u>
		26,800,000	40,200,000
100			
8.5% Secured Non-Convertible Redeemable Debentures (Sixteenth Series) of Rs.1,000,000/- each (For Security Refer Note No.8 (a) (ii) in Schedule 20 of Financial Statements of Kalyani Steels Limited)		<u>100,000,000</u>	<u>100,000,000</u>
		126,800,000	140,200,000
TERM LOANS :			
RUPEE LOANS :			
From Industrial Investment Bank of India Limited (For Security Refer Note No.8 (b) (i) in Schedule 20 of Financial Statements of Kalyani Steels Limited)	—		170,000,000
From Banks :			
Canara Bank (For Security Refer Note No.8 (b) (ii) in Schedule 20 of Financial Statements of Kalyani Steels Limited)	170,494,025		198,744,025
Bank of Baroda (For Security Refer Note No.8 (b) (iii) in Schedule 20 of Financial Statements of Kalyani Steels Limited)	35,000,000		41,000,000
Union Bank of India (For Security Refer Note No.8 (b) (iv) in Schedule 20 of Financial Statements of Kalyani Steels Limited)	29,000,000		22,500,000
The Jammu & Kashmir Bank Limited (For Security Refer Note No.8 (b) (v) in Schedule 20 of Financial Statements of Kalyani Steels Limited)	<u>166,664,002</u>		<u>166,953,682</u>
		401,158,027	599,197,707
FOREIGN CURRENCY TERM LOANS :			
From Banks :			
Union Bank of India (For Security Refer Note No.8 (c) (i) in Schedule 20 of Financial Statements of Kalyani Steels Limited)	14,456,910		21,618,675
State Bank of India (For Security Refer Note No.8 (c) (ii) in Schedule 20 of Financial Statements of Kalyani Steels Limited)	120,014,311		90,784,375
Bank of India (For Security Refer Note No.8 (c) (iii) in Schedule 20 of Financial Statements of Kalyani Steels Limited)	230,924,000		230,924,000
Bank of Baroda (For Security Refer Note No.8 (c) (iv) in Schedule 20 of Financial Statements of Kalyani Steels Limited)	151,823,437		164,109,375
Interest accrued and due on secured loans	<u>837,885</u>		<u>932,043</u>
		518,056,543	508,368,468
OTHERS :			
From ICICI Bank Limited against hypothecation of Vehicles	1,363,499		1,664,132
Share in Joint Venture	<u>2,806,758</u>		<u>273,470</u>
		4,170,257	1,937,602
From The United Western Bank Limited against hypothecation of 1,070,970 Equity Shares of Hikal Limited		<u>199,984,024</u>	—
From Banks, against hypothecation of stores, raw materials, stocks in process, finished goods and book debts :			
Cash Credit	—		1,094,292
Demand Loan	—		25,000,000
Post Shipment Demand Loan	—		9,271,233
Foreign Currency Demand Loan	<u>70,236,000</u>		<u>110,892,275</u>
	<u>70,236,000</u>		<u>146,257,800</u>
Add : Interest accrued and due on above	—		171,938
		70,236,000	146,429,738
TOTAL		<u>1,320,404,851</u>	<u>1,396,133,515</u>
SCHEDULE '4' : UNSECURED LOANS :			
Fixed Deposits :			
From Shareholders	619,000		954,000
From Others	<u>37,805,000</u>		<u>57,248,000</u>
	<u>38,424,000</u>		<u>58,202,000</u>
Add : Interest accrued and due on cumulative fixed deposits	<u>3,685,109</u>		<u>4,656,037</u>
		42,109,109	62,858,037
From Banks :			
Foreign Currency Term Loan	—		28,848,011
Rupee Term Loan	<u>30,000,000</u>		—
Add : Interest accrued and due on above	—		470,230
		30,000,000	29,318,241
Loan from companies		<u>27,597,248</u>	6,616,748
Zero % Optionally Fully Convertible Debenture of Rs.100/- each redeemed during the year.		—	87,097,300
Sales Tax Deferral Liability, as special incentives and concessions under the Karnataka Sales Tax Act, 1957		<u>13,871,951</u>	<u>12,940,306</u>
TOTAL		<u>113,578,308</u>	<u>198,830,632</u>



KALYANI

Consolidated Financial Statements 2004-2005

SCHEDULE '5' : FIXED ASSETS :

	Leasehold Land	Buildings	Plant & Machinery	Power Line (c)	Electrical Installation	Furniture / Office Equipments	Vehicles & Aircrafts (d)	As on 31st March, 2005 Total Rs.	As on 31st March, 2004 Total Rs.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Gross Block At Cost :									
As at 31st March, 2004	35,646,689	171,059,559	1,932,485,276	28,100,000	314,886,959	14,708,717	14,385,427	2,511,272,627	1,150,407,130
Additions on Account of Amalgamation	—	—	—	—	—	—	—	—	1,289,282,011
Additions / Adjustments	—	47,111,596	249,777,026	—	3,305,594	3,335,055	9,618,399	313,147,670	71,834,077
Share in Joint Venture	—	—	—	—	—	1,580,356	3,796,023	5,376,379	1,371,223
Deductions & Adjustments	—	—	3,571,647	—	—	269,370	1,047,176	4,888,193	1,621,814
As at 31st March, 2005	35,646,689	218,171,155	2,178,690,655	28,100,000	318,192,553	19,354,758	26,752,673	2,824,908,483	2,511,272,627
Depreciation :									
Upto 31st March, 2004	10,881,082	30,473,531	479,438,392	16,391,667	76,026,644	8,120,317	3,176,291	624,507,924	214,313,400
Additions on Account of Amalgamation	—	—	—	—	—	—	—	—	257,948,464
Deductions & Adjustments	(b) —	—	—	—	—	204,720	655,336	860,056	573,968
For the year (a)	1,568,256	5,932,059	163,354,200	2,810,000	18,513,784	1,227,242	1,525,890	194,931,431	152,547,558
Share in Joint Venture	—	—	—	—	—	415,937	185,906	601,843	272,470
Upto 31st March, 2005	12,449,338	36,405,590	642,792,592	19,201,667	94,540,428	9,558,776	4,232,751	819,181,142	624,507,924
Net Block :									
As at 31st March, 2005	23,197,351	181,765,565	1,535,898,063	8,898,333	223,652,125	9,795,982	22,519,922	2,005,727,341	1,886,764,703
As at 31st March, 2004	24,765,607	140,586,028	1,453,046,884	11,708,333	238,860,315	6,588,400	11,209,136	1,886,764,703	

- 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.
e) Represents Net Trial Run Income of Power Project, Refer Note No.10 in Schedule 20 of Financial Statements of Kalyani Steels Limited.

	Rs.	Rs.	As at 31st March, 2004 Rs.
SCHEDULE '6' : INVESTMENTS, AT COST :			
In Government and Trust Securities		85,000	110,000
In Equity Shares			
Associate:			
Long Term (At cost)	297,435,313		65,610,549
Add : Transitional and other Adjustments	78,416,805		231,824,764
	375,852,118		297,435,313
Others	1,108,433,919		885,493,473
		1,484,286,037	1,182,928,786
In Preference Shares		40,955,486	40,955,486
In Debentures		178,920,200	183,120,200
		219,875,686	224,075,686
Share application Money		42,150,000	12,850,000
		1,746,396,723	1,419,964,472
TOTAL		1,746,396,723	1,419,964,472
SCHEDULE '7' : INVENTORIES :			
Stocks, spares etc., at cost		64,359,984	37,253,609
Stocks - in - Trade :			
Raw materials, at cost	273,176,166		170,044,260
Finished goods, at cost or market value whichever is lower	156,721,809		131,987,118
Scrap at estimated realisable value	7,660,406		12,122,304
As valued and certified by the Executive Director	437,558,381		314,153,682
Goods in transit, at cost to date	85,398,847		6,764,650
		522,957,228	320,918,332
		587,317,212	358,171,941
TOTAL		587,317,212	358,171,941
SCHEDULE '8' : SUNDRY DEBTORS, UNSECURED, GOOD :			
(a) On Operations :			
i) Outstanding over six months	55,277,322		62,393,468
ii) Others, Good	1,108,707,823		654,851,021
		1,163,985,145	717,244,489
iii) Share in Sundry Debtors, Unsecured, Good of Joint Venture		22,719,899	12,363,513
(b) On Sale of Assets		164,587,630	189,687,630
		1,351,292,674	919,295,632
TOTAL		1,351,292,674	919,295,632

Consolidated Financial Statements

2004-2005

	Rs.	Rs.	Rs.	As at 31st March, 2004 Rs.
SCHEDULE '9' : CASH AND BANK BALANCES :				
Cash on hand		158,100		59,513
Share in Cash of Joint Venture		<u>21,065</u>		<u>5,119</u>
			179,165	64,632
Bank balances :				
With Scheduled Banks :				
In Current & Cash Credit Accounts		77,347,592		40,415,467
Share in Current & Cash Credit accounts of Joint Venture		88,128		171,499
In Fixed Deposits, (Receipts of the value of Rs. 615,500/- pledged in favour of Government Authorities)		<u>4,615,500</u>		<u>121,738,229</u>
			82,051,220	162,325,195
TOTAL			<u>82,230,385</u>	<u>162,389,827</u>
SCHEDULE '10' : OTHER CURRENT ASSETS :				
Income Receivable			18,879,431	12,431,133
Export Incentives Receivable			271,860	5,157,511
TOTAL			<u>19,151,291</u>	<u>17,588,644</u>
SCHEDULE '11' : LOANS AND ADVANCES, UNSECURED, GOOD (UNLESS OTHERWISE STATED) :				
Loans to other companies (formerly subsidiaries under Section 4(l) (c) of the Companies Act, 1956)			3,624,220	3,624,220
§ Dues from companies, promoted by this Company			511,966	511,966
@ Inter Corporate Loans			39,335,000	39,335,000
* # Advances recoverable in cash or in kind or for value to be received (Amount recoverable from the companies promoted by this Company)				
Good		74,507,065		124,416,526
Share in advances of Joint Venture		781,361		774,353
Doubtful Advances	8,504,525			8,833,280
Less : Provision	<u>8,504,525</u>			<u>8,833,280</u>
			75,288,426	125,190,879
Advances for capital goods for Projects under Implementation			36,379,928	30,975,162
Sundry Deposits			80,844,999	80,761,554
Share in Sundry Deposits of Joint Venture			409,435	448,717
Balance with Excise Department			18,432,503	2,256,472
Tax paid in advance			<u>89,255,197</u>	<u>28,413,693</u>
TOTAL			<u>344,081,674</u>	<u>311,517,663</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 and Rs.3,000,000/- (Previous year - Nil) to Employees Provident Fund Trust.				
@ Represents 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.				
§ Represent loans, advanced to companies promoted by this Company, to meet the cost of projects undertaken by the former, to be either repaid or converted into Equity Share Capital to be issued at a later date.				
SCHEDULE '12' : LIABILITIES :				
Acceptances			256,097,228	149,170,360
Deposits			1,342,840	4,004,978
Sundry Creditors				
Due to Small Scale Industrial Undertakings (Refer Note No.12 in Schedule 20 of Financial Statements of Kalyani Steels Limited)		13,127,831		6,272,680
Others		1,137,745,086		865,781,019
Share in Others of Joint Venture		<u>27,863,024</u>		<u>15,197,130</u>
			1,178,735,941	887,250,829
Advance against Order			29,007,415	—
Part amount received under an arrangement against sale of project promoted by the Company			52,717,415	52,717,415
Trade Advance			125,004,168	110,295,288
Amounts received from a Company under a Strategic alliance			19,449,788	19,449,788
Investor Education & Protection Fund, since paid			269,019	295,511
Unclaimed Dividends			525,955	533,483
Interest accrued but not due on loans			<u>3,824,063</u>	<u>42,596,588</u>
TOTAL			<u>1,666,973,832</u>	<u>1,266,314,240</u>



Consolidated Financial Statements 2004-2005

	Rs.	Rs.	As at 31st March, 2004 Rs.
SCHEDULE '13' : PROVISIONS :			
Provision for Octroi Duty, earlier disputed		8,099,308	8,099,308
Provision for Taxation		69,873,000	22,834,000
Share in Provision for Taxation of Joint Venture		31,015	15,769
Proposed Dividend		63,079,590	—
Tax on Proposed Dividend		8,846,920	—
Provision for increase in Rupee Liability on account of currency rate swap		8,655,263	3,260,841
TOTAL		<u>158,585,096</u>	<u>34,209,918</u>
SCHEDULE '14' : MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED :			
a) Miscellaneous Expenditure			
As per last account	1,949,532		2,157,643
Less: Written off during the year	<u>721,932</u>		<u>208,111</u>
		1,227,600	1,949,532
TOTAL		<u>1,227,600</u>	<u>1,949,532</u>
	Rs.	Rs.	Previous Year Rs.
SCHEDULE '15' : SALES, OPERATING AND OTHER INCOME :			
(a) Sales , Gross :			
Sales	8,634,793,409		5,012,939,785
Less : Returns	<u>272,883</u>		<u>1,981,475</u>
	8,634,520,526		5,010,958,310
Miscellaneous Sales	179,828,722		112,035,570
Jobwork Receipts	<u>415,839,266</u>		<u>202,953,044</u>
	9,230,188,514		5,325,946,924
Share in Reimbursement of Expenses of Joint Venture	<u>100,556,081</u>		<u>80,821,997</u>
		9,330,744,595	5,406,768,921
(b) Operating Income :			
i) Related to Manufacturing Activity :			
Export Incentives received	548,305		9,531,032
Income from Mining Activity	<u>1,297,288</u>		<u>9,088,434</u>
	1,845,593		18,619,466
ii) Related to Finance and Investment Activity (Net)			
Income earned during the year from			
Dividend, other than Trade, Gross	62,622,051		38,308,565
Profit on Sale of Investments, net	<u>16,770,849</u>		<u>1,831,742</u>
	79,392,900		40,140,307
		81,238,493	58,759,773
(c) Other Income :			
Interest other than from Finance & Investment Activity :	13,791,063		12,238,050
Less : Adjusted against Interest & Commitment Charges in Schedule '18' of Financial Statements of Kalyani Steels Limited	<u>13,791,063</u>		<u>12,238,050</u>
	—		—
Miscellaneous receipts	5,531,075		6,932,478
Bad Debts/ Sundry Debit balances previously written off, now recovered	1,636,803		4,500,000
Provision for Doubtful Advances Written back	328,755		233,092
Provision no longer required	1,150,234		39,178,306
Gain on foreign exchange, net	—		14,930,857
Sundry credit balances appropriated	<u>1,498,925</u>		<u>5,216,558</u>
		10,145,792	70,991,291
TOTAL		<u>9,422,128,880</u>	<u>5,536,519,985</u>

Consolidated Financial Statements

2004-2005

	Rs.	Rs.	Rs.	Previous Year Rs.
SCHEDULE '16' : MATERIALS CONSUMED AND MANUFACTURING EXPENSES :				
a) Raw materials consumed :				
Stocks at commencement				19,446,287
As per last account	170,044,260			6,016,948
Add : Addition on amalgamation	—			25,463,235
		170,044,260		2,815,804,044
Add : Purchases		5,328,044,017		(30,199,142)
Add/(Less) : Foreign Exchange Fluctuation		27,508,297		2,811,068,137
		5,525,596,574		—
Less : Sale of Raw Material		133,785,875		170,044,260
Less : Stocks at close		273,176,166	5,118,634,533	2,641,023,877
b) Manufacturing expenses :				
Stores and spares consumed		119,754,543		99,027,137
Job work and Manufacturing Charges		683,961,890		604,825,633
Power and Fuel		318,873,700		300,605,867
Building and Road repairs		6,661,317		3,008,707
Machinery repairs		17,620,063		11,841,456
		1,146,871,513		1,019,308,800
c) Goods Purchased for Trade		40,866,776		114,863,698
d) Excise Duty on year end inventory		16,032,730		9,450,084
e) (Increase) / Decrease in Stocks :				
Stocks at close :				
Finished goods		156,721,809		131,987,118
Scrap		7,660,406		12,122,304
		164,382,215		144,109,422
Less: Stocks at commencement :				
Finished goods		131,908,845		119,339,811
Scrap		12,200,577		
Addition on amalgamation :				
Finished goods	—			26,422,541
Scrap	—			1,356,511
	—			27,779,052
		144,109,422		147,118,863
			(20,272,793)	3,009,441
TOTAL		6,302,132,759		3,787,655,900
SCHEDULE '17' : EMPLOYEES' EMOLUMENTS :				
(Including Executive and Wholtime Directors' Remuneration of Kalyani Steels Limited)				
Salaries, Wages, Gratuity, Bonus etc.		99,434,166		80,524,743
Share in Salary and Wages of Joint Venture		43,233,355		39,230,655
Contribution to Provident and other Funds etc.		6,193,736		4,137,160
Share in Contribution to Provident Fund of Joint Venture		3,982,022		3,720,223
Welfare expenses		5,145,723		7,698,176
Share in Welfare Expenses of Joint Venture		4,281,499		3,603,153
TOTAL		162,270,501		138,914,110
SCHEDULE '18' : OTHER EXPENSES :				
Rent		1,035,010		899,833
Share in Rent of Joint Venture		67,245		108,878
Rates & Taxes		57,254		55,577
Lease Rent		3,813,603		10,760,388
Share in Lease Rent of Joint Venture		274,078		411,118
Insurance (including Key Man Insurance)		5,625,003		5,466,065
Share in Insurance of Joint Venture		386,432		383,339
Legal & Professional charges		8,252,842		9,024,221
Share in Legal & Professional fees of Joint Venture		1,447,690		2,078,334
Miscellaneous expenses		54,225,772		53,656,916
Share in Miscellaneous Expenses of Joint Venture		46,158,284		30,936,759
Donation :-				
Prime Minister's National Relief Fund		2,000,000		—
Others		120,690		200,000
		2,120,690		200,000
Share in Donation of Joint Venture		146,428		249,950
Freight Outward		162,113,595		125,709,552
Brokerage and Discount		15,286,310		8,825,518
Commission on Sales		24,087,250		24,955,579
Audit Fees and Expenses		1,894,443		2,909,949
Share in Audit Fees and Expenses of Joint Venture		42,967		45,006
Directors' Fees and Travelling Expenses		1,230,517		1,230,932
Executive Director's Commission		4,000,000		2,750,000
Commission to Directors other than Executive Director and Wholtime Directors		1,000,000		—
Loss on Foreign Exchange Fluctuation		21,265,084		—
Loss on Assets sold or scrapped		187,966		465,505
Loss on Sale of Investments		—		29,670
Bad debts, Advances and sundry debit balances written off		7,736,053		1,090,746
Technical Knowhow written off		—		4,364,783
Facility charges under Strategic Alliance		71,364,864		68,459,088
Provision for Diminution in the Value of Investments		2,217,250		—
Miscellaneous Expenditure written off		721,932		208,111
TOTAL		436,758,562		355,275,817



Consolidated Financial Statements 2004-2005

	Rs.	Rs.	Previous Year Rs.
SCHEDULE '19' : INTEREST :			
Interest & Commitment Charges :			
On Debentures	13,721,227		20,618,462
On Fixed Loans	93,953,516		129,542,795
Others	30,891,139		20,088,312
Share in Interest others of Joint Venture	102,191		70,826
	<u>138,668,073</u>		<u>170,320,395</u>
Less : Interest adjusted as per contra	<u>13,791,063</u>		<u>12,238,050</u>
		<u>124,877,010</u>	<u>158,082,345</u>
TOTAL		<u>124,877,010</u>	<u>158,082,345</u>
SCHEDULE '20' : DEPRECIATION AND WRITE OFFS ETC. :			
Depreciation	190,553,175		148,169,302
Share in Depreciation of Joint Venture	601,843		272,470
Leasehold land amortised	1,568,256		1,568,256
Power HT line amortised	2,810,000		2,810,000
	<u>195,533,274</u>		<u>152,820,028</u>
TOTAL		<u>195,533,274</u>	<u>152,820,028</u>

SCHEDULE '21' : Notes forming Part of the Consolidated Financial Statements of Kalyani Steels Limited, Subsidiaries, Associates and Joint Venture :

1. 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. Associate :

Name of the Company	Country of Incorporation	% Shareholding of Kalyani Steels Limited
Hikal Limited	India	34.19%
Bharat NRE Coke Limited	India	35.28%

c. Joint Venture :

Name of the Company	Country of Incorporation	% Shareholding of Kalyani Steels Limited
Hospet Steels Limited	India	49.99%

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.

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 & Trading Limited and Cornflower Investment & Finance Limited, however Management is of the opinion that it does not have any significant influence on these companies and therefore the same are not considered for consolidation.

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, the carrying amount of investments in Associate at the beginning of the year has been restated by applying "Equity Method" of accounting from the date of acquisition of the Associate 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 and
 - b. the notes involving items, which are considered to be material.
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. Significant accounting policies adopted by the consolidated entities are hence better viewed from those of the parent. However, diverse accounting policies followed by consolidated entities, though not material, in context of the consolidated group, are listed below :
- i) Chakrapani Investments & Trades Limited -

The Company has charged off one tenth of the miscellaneous expenses incurred upto 31st March, 1995 to Profit and Loss Account. The Company

Consolidated Financial Statements

2004-2005

has charged off one fifth of miscellaneous expenditure from the Year 2001-2002 to 2003-2004 & from 2004-2005 charged off entire balance to Profit and Loss Account following Accounting Standard 26.

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.

7. Contingent Liabilities not provided for in respect of :

	As at 31st March, 2005 Rs.	As at 31st March, 2004 Rs.
a) Claims against the Company not acknowledged as debts	38,388,657	50,578,982
b) Excise demands, matter under dispute	64,353,641	149,150,029
c) Income-tax demands, matter under dispute	257,174	257,174
d) Sales-tax demands, matter under dispute	—	3,380,695
e) Dividend on Cumulative Redeemable Preference Shares	160,619,016	143,339,016

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 30th March, 2005 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	Surajmukhi Investment & Finance Limited	Chakrapani Investments & Trades Limited	Gladiolla Investments Limited
1.	Capital	126,952,300	113,000,000	177,810,020
2.	Reserves	700,300	579,612	1,538,000
3.	Total Assets	424,707,692	380,311,714	322,478,210
4.	Total Liabilities	431,777,824	382,427,581	329,693,072
5.	Details of Investment (Except in case of investment subsidiaries)	418,301,478	395,458,685	342,222,775
6.	Turnover	19,340,169	16,536,080	20,311,878
7.	Profit before Taxation	85,856	59,205	2,284,529
8.	Provision for Taxation	—	—	—
9.	Profit after Taxation	85,856	59,205	2,284,529
10.	Proposed Dividend	—	—	—

9.	Earning Per Share :		2004-05	2003-04
	Profit after Tax		517,122,040	180,007,365
	Less : Preference Dividend including Tax		—	912,883
			517,122,040	179,094,482
	Weighted average number of Equity Shares		42,053,060	42,053,060
	Basic and diluted earning per share		12.30	4.26

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

11. The supply and procurement of the products between the constituents of the composite manufacturing facility at Ginigera, under a strategic alliance arrangement effective 1st February 2005, are carried out on "Conversion Basis" as against "Sales". Hence, the revenues and components of cost of goods sold in respect of year as a whole are not strictly comparable. However, this has no effect on the profit for the year.

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 : 20th June, 2005

Pune
Date : 20th June, 2005

**KALYANI****Consolidated Financial Statements
2004-2005****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 Ventures	Key Management Personnel	Relatives of Key Management Personnel
	Rs.	Rs.	Rs.
Dividend Received			
For the year 2004-05	30,933,900	—	—
For the year 2003-04	32,652,450	—	—
Receiving of Services			
For the year 2004-05	15,195,778	11,580,041	—
For the year 2003-04	2,766,227	5,618,750	—
Finance Provided (Loans & Investment/ Share Application Money)			
For the year 2004-05	94,700,000	—	—
For the year 2003-04	—	—	—
Finance Received (Loans & Investment)			
For the year 2004-05	—	—	—
For the year 2003-04	—	—	—
Interest Received			
For the year 2004-05	—	—	—
For the year 2003-04	—	—	—
Rent Paid			
For the year 2004-05	—	—	180,645
For the year 2003-04	—	—	300,000
Interest Paid			
For the year 2004-05	—	—	—
For the year 2003-04	—	—	73,248
Receivables as on			
31st March, 2005	118,111,966	—	—
31st March, 2004	23,411,966	—	—
Payables as on			
31st March, 2005	24,985,107	4,000,000	—
31st March, 2004	9,565,864	3,357,500	553,410

Note : Names of related parties and description of relationship

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