

BOARD OF DIRECTORS

Mr. Satish Kumar Agarwal	<i>Managing Director</i>
Mr. Sunil Kumar Agarwal	<i>Whole Time Director</i>
Mr. Pradeep Kumar Agarwal	<i>Whole Time Director</i>
Mr. Saurabh Agarwal	<i>Whole Time Director</i>
Mr. Suresh Kumar Singhal	<i>Director</i>
Mr. Rakesh Goyal	<i>Director</i>
Mr. Rajiv Goel	<i>Director</i>
Mr. Purshotam Das Aggarwal	<i>Director</i>
Mr. M.K. Doogar	<i>Director</i>

Company Secretary

Mr. Arvind Gupta

Auditors

M/s S Singhal & Company
Chartered Accountants
E-127, Industrial Area,
Bhiwadi 301019, Rajasthan

Registrar & Transfer Agent

Karvy Computershare (P) Ltd.
Karvy House 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad 500034

Bankers

State Bank of Bikaner & Jaipur
I D B I Bank Limited
I C I C I Bank Limited
H D F C Bank Limited
Punjab National Bank
U T I Bank Limited

Registered Office

5/2-Punjabi Bagh Extension,
New Delhi –110026

Works

A-1114, Riico Industrial Area,
Phase III , Bhiwadi,
Distt. Alwar (Raj)

Audit Committee

Mr. Suresh Kumar Singhal	<i>Chairman</i>
Mr. Rajiv Goel	
Mr. Rakesh Goyal	

Remuneration Committee

Mr. Rakesh Goyal	<i>Chairman</i>
Mr. Suresh Kumar Singhal	
Mr. Rajiv Goel	

Investors' Grievance Committee

Mr. Suresh Kumar Singhal	<i>Chairman</i>
Mr. Rakesh Goyal	
Mr. Saurabh Agarwal	

Contents

Notice	2
Directors' Report	11
Management Discussion and Analysis	14
Corporate Governance Report	18
Auditors' Report	25
Balance Sheet	28
Profit and Loss account	29
Schedules	30
Cash Flow Statement	42

NOTICE

Notice is hereby given that the 12th Annual General Meeting of the company will be held on **Friday, the 22nd Day of September, 2006** at **10.00 A.M.** at **Radha Farms, Palla Bakhtawarpur Road, Near G.T. Karnal Highway, Delhi** to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as on 31st March, 2006, profit and loss account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Pradeep Kumar Agarwal, who retires by rotation and being eligible has offered himself for reappointment.
3. To appoint a Director in place of Shri Sunil Kumar Agarwal, who retires by rotation and being eligible has offered himself for reappointment.
4. To appoint a Director in place of Shri Saurabh Agarwal, who retires by rotation and being eligible has offered himself for reappointment.
5. To re-appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and for the purpose to consider and thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution:-

“RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956 M/s. S. Singhal & Co., Chartered Accountants, be and are hereby re-appointed as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company at a remuneration to be decided by the Board of Directors of the Company, in addition to reimbursement of out of pocket expenses in connection with the audit of the company”.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution, as an **ordinary resolution**: -
“RESOLVED THAT Shri Purshotam Das Agarwal, who was appointed as an Additional Director by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956 hold office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956 received a valid notice from a member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
7. To consider and if thought fit, to pass, with or without modification(s), the following resolution, as an **ordinary resolution**: -
“RESOLVED THAT Shri Suresh Kumar Singhal, who was appointed as an Additional Director by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956 hold office upto the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956 received a valid notice from a member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution, as an **ordinary resolution**: -
“RESOLVED THAT Shri M.K. Doogar, who was appointed as an Additional Director by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956 hold office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956 received a valid notice from a member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
9. To consider and if thought fit, to pass, with or without modification(s), the following resolution, as an **Special resolution**: -
“RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310, 311, 349, 350 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and Article of Association of the Company, and subject to the approval of the Central Government (if applicable), consent of the Company be and is hereby accorded to increase the remuneration of Mr. Sunil Kumar Agarwal, Whole Time Director of the Company, to take effect from 1/10/2006, to an amount the details of which are given in the Explanatory Statement annexed hereto.”

“FURTHER RESOLVED THAT where in any financial year during the currency of tenure of Mr. Sunil Kumar Agarwal as Whole Time Director, the Company has no profits or its profits are inadequate, then remuneration may be paid to him in accordance with the provisions of Section II of part II of Schedule XIII of the Companies Act, 1956 at that time”.

“FURTHER RESOLVED THAT the Board of Directors of the Company or any Committee thereof be and is hereby authorized to do all such acts, deeds and things as in its absolute discretion it may think necessary, expedient or desirable and to settle any question or doubt that may arises in relation thereto in order to give effect to the forgoing resolution and to amend, alter or otherwise vary the terms and conditions of appointment of Mr. Sunil Kumar Agarwal, including his remuneration provided such remuneration does not exceeds limits prescribed under the provisions of the Companies Act, 1956 and any Statutory modifications or re- enactment thereof or any other guidelines relating to managerial remuneration as may be notified by the Government of India from time to time as a my be considered by it to be in the best interest of the Company”.

10. To consider and if thought fit, to pass, with or without modification(s), the following resolution, as an **Special resolution:-**

“RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310, 311, 349, 350 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and Article of Association of the Company, and subject to the approval of the Central Government (if applicable), consent of the Company be and is hereby accorded to increase the remuneration of Mr. Saurabh Agarwal, Whole Time Director of the Company, to take effect from 1/10/2006, to an amount the details of which are given in the Explanatory Statement annexed hereto.

“FURTHER RESOLVED THAT where in any financial year during the currency of tenure of Mr. Saurabh Agarwal as Whole Time Director, the Company has no profits or its profits are inadequate, then remuneration may be paid to him in accordance with the provisions of Section II of part II of Schedule XIII of the Companies Act, 1956 at that time”.

“FURTHER RESOLVED THAT the Board of Directors of the Company or any Committee thereof be and is hereby authorized to do all such acts, deeds and things as in its absolute discretion it may think necessary, expedient or desirable and to settle any question or doubt that may arises in relation thereto in order to give effect to the forgoing resolution and to amend, alter or otherwise vary the terms and conditions of appointment of Mr. Saurabh Agarwal, including his remuneration provided such remuneration does not exceeds limits prescribed under the provisions of the Companies Act, 1956 and any Statutory modifications or re- enactment thereof or any other guidelines relating to managerial remuneration as may be notified by the Government of India from time to time as may be considered by it to be in the best interest of the Company”.

11. To consider and if thought fit, to pass, with or without modification(s), the following resolution, as an **ordinary resolution:-**

“RESOLVED THAT the sitting fee payable to the directors for attending the meetings of the Board and Committees thereof be increased from Rs. 250/- to Rs. 5000/- with effect from 1.10.2006 and that article no. 68 (ii) of the Articles of Association be altered accordingly”.

12. To consider and if thought fit, to pass, with or without modification(s), the following as a **special resolution:-**

“RESOLVED THAT that pursuant to section 31 of the Companies Act, 1956 and other applicable provisions, the Articles of Association of the Company be altered in the following manner:

- i) To substitute the Sub Clause (i) of Article 18(B) by the following
18(B) (i) “That fully paid up shares shall be free from all lien and that in the case of partly paid shares the issuer’s lien shall be restricted to money called or payable at a fixed time in respect of such shares”.
- ii) To substitute the Clause (i) of Article 22 by the following
22(i) “That option or right to call of shares shall not be given to any person except with the sanction of the issuer in general meetings”.
- iii) The Clause (iii) of Article No. 22 shall be deleted.
- iv) To insert Clause No. 117(A) after exiting Clause No. 117 as Clause
117(A) That there shall be no forfeiture of unclaimed dividends before the claim becomes barred by law.
- v) To replace the word “Rs.250/-“ by “Rs. 5000/-“in the Article no. 68 Clause (ii)

13. To consider and if thought fit, to pass, with or without modification(s), the following resolution, as an **Special Resolution.**

“RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, and /or any statutory modification or re-enactment

thereof from time to time and in force, and subject to the prior approval of the Central Government (if applicable), the consent of the company be and is hereby accorded to the re-appointment and payment of remuneration to Shri Satish Kumar Agarwal as Managing Director of the company for a period of 3 years with effect from 1/10/2006, to an amount the details of which are given in the Explanatory Statement annexed hereto which is hereby specifically approved with powers to the Board of Directors (which term shall be deemed to include any " committee" thereof) to alter, amend, vary and modify the terms and conditions of the said re-appointment and remuneration payable from time to time as they deem fit in such manner as may be agreed upon by the Board of Directors of Shri Satish Kumar Agarwal within the limits prescribed under Schedule XIII to the said Act or any statutory amendment(s) and/ or modification(s) thereto".

"FURTHER RESOLVED THAT where in any financial year during the currency of tenure of Mr. Satish Kumar Agarwal as Managing Director, the Company has no profits or its profits are inadequate, then remuneration may be paid to him in accordance with the provisions of Section II of part II of Schedule XIII of the Companies Act, 1956 at that time".

"RESOLVED FURTHER that the Board be and is hereby authorized at its discretion from time to time to fix the remuneration and /or perquisite of Shri Satish Kumar Agarwal and revise such remuneration and /or perquisite from time to time within the maximum limits prescribed under Section 198, 269, 309, 311 read with schedule XIII of the Companies Act, 1956".

"RESOLVED FURTHER THAT The Board be and is hereby further authorized to vary/ modify/ amend any of the aforesaid terms and conditions, provided such variation/ modification/ amendment is in conformity with the applicable provisions of the Act, as amended from time to time".

"RESOLVED FURTHER that the Board be and is hereby authorized to do all such acts, deed, matters or things as may be considered necessary, appropriate, expedient or desirable to give effect to this resolution".

14. To consider and if thought fit, to pass, with or without modification(s), the following resolution, as an **Special resolution**

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, and /or any statutory modification or re-enactment thereof from time to time and in force, and subject to the prior approval of the Central Government (if applicable) , the consent of the company be and is hereby accorded to the reappointment and payment of remuneration to Shri Pradeep Kumar Agarwal as whole time Director of the company for a period of 3 years with effect from 1/10/2006, to an amount the details of which are given in the explanatory Statement annexed hereto which is hereby specifically approved with powers to the Board of Directors (which term shall be deemed to include any " committee" thereof) to alter, amend, vary and modify the terms and conditions of the said re-appointment and remuneration payable from time to time as they deem fit in such manner as may be agreed upon by the Board of Directors of Shri Pradeep Kumar Agarwal within the limits prescribed under Schedule XIII to the said Act or any statutory amendment(s) and/ or modification(s) thereto".

"FURTHER RESOLVED THAT where in any financial year during the currency of tenure of Mr. Pradeep Kumar Agarwal as Whole Time Director, the Company has no profits or its profits are inadequate, then remuneration may be paid to him in accordance with the provisions of Section II of part II of Schedule XIII of the Companies Act, 1956 at that time".

"RESOLVED FURTHER that the Board be and is hereby authorized at its discretion from time to time to fix the remuneration and /or perquisite of Shri Pradeep Kumar Aagrwal and revise such remuneration and /or perquisite from time to time within the maximum limits prescribed under Section 198,269,309,311 read with schedule XIII of the Companies act, 1956".

"FURTHER RESOLVED THAT the Board be and is hereby further authorized to vary/ modify/ amend any of the aforesaid terms and conditions, provided such variation/ modification/ amendment is in conformity with the applicable provisions of the Act, as amended from time to time".

"RESOLVED FURTHER that the Board be and is hereby authorized to do all such acts, deed, matters or things as may be considered necessary, appropriate, expedient or desirable to give effect to this resolution".

By the order of the Board of Directors
For **KAMDHENU ISPAT LIMITED**

Place : Gurgaon
Date : 15.07.06

(Arvind Gupta)
Company Secretary

Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY, NEED NOT BE A MEMBER OF THE COMPANY. A PROXY FORM IS ENCLOSED.THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Book will be closed from 16.09.2006 to 22.09.2006 (both days inclusive).
3. Members holding shares in physical form in more than one folio in identical order of name are requested to write to Company Secretary at 5/2, Punjabi Bagh Extn., New Delhi enclosing their shares certificates for consolidation of their holdings in one folio to facilitate better services.
4. Members seeking any information with regards to accounts or operations are requested to write to the Company at an early date so as to enable the management to keep the information ready.
5. Members / proxies should bring the attendance slip duly filled in for attending the meeting.
6. Members who hold the shares in dematerialized form are requested to write their client ID and DP ID Numbers and those who hold shares in physical form are requested to write their folio numbers in the Attendance Slip for attending the Meeting.
7. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, setting out material facts in respect of Special business is enclosed.
8. All documents referred to in the notice or in accompanying explanatory statement are open for inspection at the registered office of the Company between 11:00 a.m. and 1:00 p.m. on all working days up to the date of Annual General Meeting.
9. The details pertaining to the appointment /re-appointment of Directors are furnished in statement of Corporate Governance in the Director's Report/in the Explanatory Statement in the notice.
10. Members are informed that in case of joint holders attending the meeting only such joint holder who is first in the order of names will be entitled to vote.
11. In respect of shareholders' holding shares in electronic form, members are requested to notify any change of address and change in bank details to their Depository participants.
12. The Communication address of our Registrar and Share Transfer Agent (RTA) is Karvy Computershare (P) Limited, 46, avenue4, Street No.1, Banajara Hills, Hyderabad-500034.
13. Non -Resident Indian Members are requested to inform the Company's Registrars and Transfer Agents, M/s Karvy computershare (P) Limited, immediately of the change in the residential status on return of India for permanent settlement.
14. Particulars of Directors to be appointed/re-appointed at the 12th Annual General Meeting:
 - A) Mr. Sunil Kumar Agarwal, 46 years old, who hold a Bachelor's degree in Engineering (Chemical) from H.B.T.I. Kanpur, is the Whole Time Director of the Company. He is responsible for identifying Companies and units involved in manufacturing of CTD Bars, which can be considered for strategic tie up. Upgrading the plants of these units making them viable for manufacture of international quality bars before, these units are made part of the Company and the units manufacture products under kamdhenu brand.

No. of Shares hold	: 510214 Equity Shares
Other Directorship	: i Kamdhenu Cement Industries Limited ii Kamdhneu Concast Limited.
 - B) Mr. Saurabh Agarwal, 31 years old, elder son of Shri Satish Kumar Agarwal is a young entrepreneur & is one of the Whole Time Director of the Company. He is a professional and has pursued the course of B.E. (Mechanical). He has to his credit a total experience of 6 years in dealing with aspects like Technology Up gradation and bring international Standards of quality in the Steel Industry to Company. He is involved in the production department of the Company.

No. of Shares hold	: 266500 Equity Shares
Other Directorship	: i Kamdhenu Cement Industries Limited ii Kamdhneu Overseas (P) Limited.
 - C) Mr. Satish Kumar Agarwal, born on 07.07.1949, he was inducted on the Board in 1994 and hold the position as Managing Director in the Company. He hold a Degree in B.E. (Mechanical) Gold Medalist from Banaras Hindu University in 1970 and has to credit a Total experience more than 35 Years in production, Marketing, and administration of the unit manufacturing Kamdhenu Brand Products,

No. of Shares hold : 567122 Equity Shares
 Other Directorship : i Kamdhenu Cement Industries Limited
 ii Kamdhneu Overseas (P) Limited.
 iii Kamdhenu Concast Limited

D) Mr. Pradeep Kumar Agarwal, born on 08.10.1960, he was inducted on the Board in 1994 and holds the position as Whole Time Director in the Company. He is Science Graduate and has a Management experience more than 19 Years. He is responsible for the Marketing of Company's product in various part of the Country. He is responsible to for creating a network of dedicated dealers and distributors for the Company spread across the Country.

No. of Shares hold : 533914 Equity Shares
 Other Directorship : i Kamdhenu Industries Limited
 ii Kamdhneu Cement Industries Limited.
 iii Kamdhenu Concast Limited
 iv Raghuvveer Metal Industries Limited
 v Kali Metal (P) Limited

15. Particulars of other independent Directors:

A) Mr. Suresh Kumar Singhal

Mr. Suresh Kumar Singhal is an independent director of the Company since 05.12.2005. He is Chartered Accountant by profession. He has to his credit total experience of 24 years in dealing with aspects like taxation, Company law and audit matters.

No. Of Shares : NIL
 Other Directorship : NIL

B) Mr. Rakesh Goyal

Mr. Rakesh Goel is an independent director in the Company since 24.06.2005. He is a graduate. He is also associated with M.D. Rice Mills Private Limited, Ruderpur and M/s Nav Bharat Trading Company.

No. Of Share Held : NIL.
 Other Directorship : 1. Nav Bharat International Limited
 2. M. D. Rice Mills (P) limited
 3. Diya Foods (P) limited

C) Mr. Rajiv Goel

Mr. Rajiv Goel is an Independent Director in the company since 30.9.2005. He has over 12 years experience of Trading of Steel Products.

No. Of Shares : NIL
 Other Directorship : 1. Bhai Build Com (P) Limited.

D) Mr. Purshotam Das Aggarwal

Mr. Purshotam Das Aggarwal has over 25 years of Experience in Trading. He is also a Director in Pursotam Industries Ltd.

No of shares : NIL
 Other directorship : 1. Pursotam Industries Limited

D) Mr. Mahendra Kumar Doogar

Mahendra Kumar Doogar, born on 1.7.1951. He hold degree in Commerce and Fellow Member of the Institute of Chartered Accountants of India and Member of the Institute of Internal Auditor's.

No of shares : NIL
 Other directorship : 1. Bhilwara Processers Limited
 2. Doogar and Associates Securities Limited
 3. Image Insurance & Brokers Pvt. Ltd.
 4. Indo Alusys Industries Limited
 5. Krishna Holdings Pvt. Limited
 6. Morgan Venture Limited
 7. PHD Chambers of Commerce and Industries
 8. Chartered Capital and Investments Limited

By the order of the Board of Directors
 For **KAMDHENU ISPAT LIMITED**

Place : Gurgaon
 Date : 15.07.06

(Arvind Gupta)
 Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION, 173 (2) OF THE COMPANIES ACT, 1956.

Item No.6

Shri Purshotam Das Agarwal was appointed as an Additional Director by the Board of Directors of the Company. In terms of Section 260 of the Companies Act, 1956, Shri Purshotam Das Aggarwal shall hold office up to the date of ensuing Annual General Meeting of the Company. The Company has received valid notice along with Rs. 500/- from a member of the Company under Section 257 of the Companies Act, 1956, proposing the candidature of Shri Purshotam Das Aggarwal for the Office of Director.

In view of background and valuable experience of Shri Purshotam Das Aggarwal, it will be in the interest of the company that Shri Purshotam Das Aggarwal continues as a Director of the Company.

Your Directors recommends the resolution for the approval of the members.

Shri Purshotam Das Aggarwal is interested in the resolution as it relates to his appointment.

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

Item No.7

Shri Suresh Kumar Singhal was appointed as an Additional Director by the Board of Directors of the Company. In terms of Section 260 of the Companies Act, 1956, Shri Suresh Kumar Singhal shall hold office up to the date of ensuing Annual General Meeting of the Company. The Company has received valid notice along with Rs. 500/- from a member of the Company under Section 257 of the Companies Act, 1956, proposing the candidature of Shri Suresh Kumar Singhal for the Office of Director.

In view of background and valuable experience of Shri Suresh Kumar Singhal, it will be in the interest of the company that Shri Suresh Kumar Singhal continues as a Director of the Company.

Your Directors recommends the resolution for the approval of the members.

Shri Suresh Kumar Singhal is interested in the resolution as it relates to his appointment.

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

Item No.8

Shri M.K. Doogar was appointed as an Additional Director by the Board of Directors of the Company. In terms of Section 260 of the Companies Act, 1956, Shri M.K. Doogar shall hold office up to the date of ensuing Annual General Meeting of the Company. The Company has received valid notice alongwith Rs. 500/- from a member of the Company under Section 257 of the Companies Act, 1956, proposing the candidature of Shri Mr. M.K. Doogar for the Office of Director.

In view of background and valuable experience of Shri M.K. Doogar, it will be in the interest of the company that Shri M.K. Doogar continues as a Director of the Company.

Your Directors recommends the resolution for the approval of the members.

Shri M.K. Doogar is interested in the resolution as it relates to his appointment.

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

Item No.9

The remuneration payable to Mr. Sunil Kumar Agarwal, Whole Time Director, was approved by shareholders at the 10th Annual General meeting held on 29th September, 2004. The Board of Directors in their meeting held on 15/07/2006 decided to the terms and conditions of service of Mr. Sunil Kumar Agarwal as to his remuneration w.e.f. 1/10/2006, as follows:

- 1 Salary be increased from Rs. **50000** to Rs. **125000** Per month,
Perquisites:- He will be entitled to the following perks in addition to salary subject to maximum of Rs.1,00,000 per month :-
 - a) Company's contribution towards Provident Fund wherever applicable as per the rules of the Company subject to a ceiling of 12% of salary as laid down in the income tax rule-1961.
 - b) Fees of club subject to maximum of two club. This will does not treated as perquisites
 - c) Provision of car and telephone at residence for the Company's business will not be treated as perquisites
 - d) Expense incurred on medical for the appointee and the family are reimbursement subject to ceiling of Rs. 15000 per annum.
 - e) Leave Travel Concession for the appointee and the family once in a year incurred in accordance with the rules as prescribed by the Board of Directors of the Company.

- f) Expenditure by the Company on hiring unfurnished accommodation subject to maximum Rs. 75000/ per month.
- g) Shri Sunil Kumar Agarwal will not be entitled to receive sitting fees for attending meeting of the Board of Directors or Committee thereof.

The increased remuneration would be paid after the approval of shareholder in the Annual General Meeting.

Shri Sunil Kumar Agarwal may be considered to be concerned or interested in the said resolution since it relates to his own appointment and remuneration. Shri Satish Kumar Agarwal, Shri Pradeep Kumar Agarwal & Shri Saurabh Agarwal, may also be considered as concerned or interested in the same, being relatives of Shri Sunil Kumar Agarwal.

None of the other directors are concerned or interested in the said resolution.

This may be treated as an abstract pursuant to the provisions of Section 302 of the Companies Act, 1956.

Item No.10

Shareholders at the 10th Annual General meeting held on 29th September 2004 approved the remuneration payable to Mr. Saurabh Agarwal, Whole Time Director. The Board of Directors in their meeting held on 15/07/2006 decided to the terms and conditions of service of Mr.Saurabh Agarwal as to his remuneration be revised w.e.f.1/10/2006, as follows:

- 2 Salary be increased from Rs. **25000** to Rs. **125000** Per month,

Perquisites: He will be entitled to the following perks in addition to salary subject to maximum of Rs. 1,00,000 per month :-

- a) Company's contribution towards Provident Fund wherever applicable as per the rules of the Company subject to a ceiling of 12% of salary as laid down in the income tax rule-1961.
- b) Fees of club subject to maximum of two club. This will does not treated as perquisites
- c) Provision of car and telephone at residence for the Company's business will not be treated as perquisites
- d) Expense incurred on medical for the appointee and the family are reimbursement subject to ceiling of Rs. 15000 per annum.
- e) Leave Travel Concession for the appointee and the family once in a year incurred in accordance with the rules as prescribed by the Board of Directors of the Company.
- f) Expenditure by the Company on hiring unfurnished accommodation subject to maximum Rs. 50000/ per month.
- g) Shri Saurabh Agarwal will not be entitled to receive sitting fees for attending meeting of the Board of Directors or Committee thereof.

The increased remuneration would be paid after the approval of shareholder in the Annual General Meeting.

Shri Saurabh Agarwal may be considered to be concerned or interested in the said resolution since it relates to his own appointment and remuneration. Shri Satish Kumar Agarwal, Shri Pradeep Kumar Agarwal & Shri Sunil Kumar Agarwal, may also be considered as concerned or interested in the same, being relatives of Shri Saurabh Agarwal.

None of the other directors are concerned or interested in the said resolution.

This may be treated as an abstract pursuant to the provisions of Section 302 of the Companies Act, 1956.

Item No.11

In accordance with the present Article, the sitting fee payable to directors for attending the Board and Committee meeting is Rs. 250/- only. However directors being professional person have substantially contributed to the growth of the Company by their rich experience and the Company has derived considerable benefits. This is evident from the enormous growth achieved by the Company in terms of sales turnover and profitability in the past few years. It is proposed to increase the sitting fee payable to them from Rs. 250/- to Rs. 5000/- with effect from 1/10/2006.

Shri Rakesh Goyal, Shri Purshom Das Aarwal, Shri. M.K. Doogar, Shri Suresh Kumar Singhal, Shri Rajeev Goyal may be considered to be concerned or interested in the said resolution since it relates to Siting Fee.

None of the other directors are concerned or interested in the said resolution.

Your Directors recommends the resolution for the approval of the members.

Item No.12

The Company has received listing approval from Bombay Stock Exchange Limited and National Stock Exchange Limited on 8th May-2006, and for the sake of providing the effective services to the shareholders and to meet out the stock exchanges Stipulation, the Company is required to alter the Articles of Association by eliminating/substitution/ insert new provisions in the Article of Association.

The Special resolution has to be considered accordingly and Board recommends it's acceptance.
None of the directors of the Company is interested or concerned in the resolution.

Item No.13

The remuneration committee and the Board of Directors, subject to the approval of members at the general meeting have considered and approved the terms and conditions of reappointment of Shri Satish Kumar Agarwal as Managing Director of the company for a further period of 3 years at its meeting held on 15/7/2006.

The principal terms and conditions are as under.

1. Terms of appointment
Three Years w.e.f. 1/10/2006 to 30/9/2009.
2. Remuneration
 - (i) Salary : Rs 125000/- per month.
 - (ii) Shri Satish Kumar Agarwal will not be entitled sitting fee for attending meeting of the Board of Directors or Committee thereof.
 - (iii) Perquisite: Managing Director shall be entitled to the following Perquisites subject to overall ceiling of Rs 100000/- per month.
Perquisite : are classified into three categories and the ceilings shall apply only to part A.

PART A

3. Housing
 - a) The expenditure incurred by the company on hiring furnished accommodation will be subject to the ceiling 60% of salary, over and above 10% shall be payable by the managing director.
The expenditure incurred by the company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.
 - (b) Medical Reimbursement: Reimbursement of actual medical expenses incurred by the managing director and his family subject to one month salary.
 - (c) Leave Travel Concession: Self and his family, once in a year incurred with the rules specified by the company.
 - (d) Club fees: Fee of clubs, subject to a maximum of two clubs. This will not include admission and life membership fees.
 - (e) Personal Accident Insurance: Actual premium to be paid by the company.

PART B

Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisite to the extent that these either singly or put together are not taxable under the Income Tax Act.

Gratuity payable shall not exceed a half month's salary for each completed year of service subject to the provision of payment of Gratuity Act, 1972 .

Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

PART C

The company shall provide a car with driver and telephone facility at the residence of the Managing Director. Provision of car with driver for use of company's business and telephone facility at the residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the Managing Director.

If the company has no profits or the profits are inadequate in any financial year during the term of his office as the Managing Director , he will be entitled to receive the above remuneration and perquisite as minimum remuneration, provided that the total remuneration of salary, perquisite and any other allowance shall not exceed the ceiling as provided in section II of part II of Schedule XIII of the Companies Act, 1956 or such other amount and perquisites as/ is may be provided in the said Schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.

Shri Satish Kumar Agarwal may be considered to be concerned or interested in the said resolution since it relates to his own appointment and remuneration. Shri Pradeep Kumar Agarwal, Shri Sunil Kuamr Agarwal & Shri Saurabh Agarwal may also be considered as concerned or interested in the same, being relatives of Shri Satish Kumar Agarwal.

None of the other directors are concerned or interested in the said resolution.

This may be treated as an abstract pursuant to the provisions of Section 302 of the Companies Act, 1956.

Item No.14

The remuneration committee and the Board of Directors, subject to the approval of members at the general meeting

have considered and approved the terms and conditions of reappointment of Shri Pradeep Kumar Agarwal as whole time director of the company for a further period of 3 years at its meeting held on 15/7/2006.

The principal terms and conditions are as under:-

1. Terms of appointment

Three Years w.e.f. 1/10/2006 to 30/9/2009

3 Remuneration

i. Salary : Rs 125000/-per month

ii. Shri Pradeep Kumar Agarwal will not be entitled sitting fee for attending meeting of the Board of Directors or Committee thereof.

iii. Perquisite: Whole Time Director shall be entitled to the following Perquisites, subject to overall ceiling of Rs 100000 per month.

Perquisite : are classified into three categories and the ceilings shall apply only to part A.

PART A

4 Housing

a) the expenditure incurred by the company on hiring furnished accommodation will be subject to the ceiling of 60% of salary, over and above 10% shall be payable by the whole time director.

The expenditure incurred by the company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.

b) Medical Reimbursement: Reimbursement of actual medical expenses incurred by the whole time director and his family subject to maximum of one month salary.

(c) Leave Travel Concession: Self and his family, once a year incurred with the rules specified by the company.

(d) Club fees: Fee of clubs, subject to a maximum of two clubs. This will not include admission and life membership fees.

(e) Personal Accident Insurance: Actual premium to be paid by the company.

PART B

Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisite to the extent that these either singly or put together are not taxable under the Income Tax Act.

Gratuity payable shall not exceed a half month's salary for each completed year of service subject to the provision of payment of Gratuity Act, 1972.

Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

PART C

The company shall provide a car with driver and telephone facility at the residence of whole time director. Provision of car with driver for use of company's business and telephone facility at the residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the Whole time director.

If the company has no profits or the profits are inadequate in any financial year during the term of his office as the whole time director, he will be entitled to receive the above remuneration and perquisite as minimum remuneration, provided that the total remuneration of salary, perquisite and any other allowance shall not exceed the ceiling as provided in section II of part II of Schedule XIII of the Companies Act, 1956 or such other amount and perquisites as/ is may be provided in the said Schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.

Shri Pradeep Kumar Agarwal may be considered to be concerned or interested in the said resolution since it relates to his own appointment and remuneration. Shri Satish Kumar Agarwal. Shri Sunil Kumar Agarwal & Shri Saurabh Agarwal may also be considered as concerned or interested in the same, being relatives of Shri Pradeep Kumar Agarwal.

None of the other directors are concerned or interested in the said resolution.

This may be treated as an abstract pursuant to the provisions of Section 302 of the Companies Act, 1956.

By the order of the Board of Directors
For **KAMDHENU ISPAT LIMITED**

(Arvind Gupta)
Company Secretary

Place : Gurgaon
Date : 15.07.06

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 12th Annual Report of the Company together with audited accounts for the year ended the 31st March, 2006.

FINANCIAL RESULTS:

	Rupees in Lacs	
	2005-06	2004-05
Gross Sales	13764.79	12629.10
Royalty Income	394.84	104.37
Profit before Tax	401.47	263.09
Net Profit for the year	255.92	173.13

OPERATIONAL REVIEW:

During the year under review, your company has earned a profit of Rs.255.92 lacs as compared to Rs.173.13 lacs in the previous year, an increase of 48%, which is because of increase in sales turnover and franchisee networks.

Overall performance of the company during the financial year under review has been satisfactory. Despite neck to neck competition in the Iron and Steel Industry in our country, achievement of your company has been remarkable. Your company has adopted aggressive marketing policy by appointing more and more franchisee units in different parts of the country and creating brand awareness, through quality management system in whole marketing network.

FUTURE OUTLOOK:

Indian domestic steel consumption is expected to grow at 8% during the coming years, in line with GDP growth. The factor driving the demand of steel is the increased consumption of steel in the ongoing national highway development program as well as increased steel consumption in housing and other infrastructure projects. The growth in domestic demand for automobiles and increasing trend in out sourcing of auto components by global original equipment manufacturers from India is also expected to boost demand for steel in the coming years. Consumption of steel in construction segment in India is about 43% of total steel consumption. According to Steel Ministry, Govt. of India, Steel Consumption in the country is expected to increase from 30 million tons to 55 million tons by 2011-12 and the public sector units would require more iron to step up their production, in view of the growing demand. Growth in construction sector in coming years is expected to be more than 12%. Therefore, your company expects better future coupled with more profitability.

INITIAL PUBLIC OFFER

Your company entered into the capital market on 3rd April, 2006 with its first IPO of 1,28,00,000 equity shares of Rs.10/- each issued at a price of Rs.25 each (including premium of Rs.15 each) aggregating to Rs.3200 lacs. The capital market supported the IPO strongly and the issue was oversubscribed by more than 5 times.

DIRECTORS:

During the year under review, Mr. Suresh Kumar Singhal, Mr. Purshotam Das Aggarwal and Mr. Rajiv Goel were appointed as Additional Directors on the Board of the Company.

Mr. Pawan Kumar Vijay and Mr. Subhash Chander Singhal, who were appointed as Additional Directors during the year have resigned due to some unavoidable reasons. Mr. Vineet Agarwal and Col. Satish Kabu have also resigned during the year under review.

Board expresses deep gratitude and appreciation for the cooperation and contribution extended by them during their tenure as Directors of the Company.

Mr. M.K. Doogar was appointed as Additional Director on the Board of the Company w.e.f. 15.07.2006.

Board of Directors of the Company at its meeting held on 15.07.2006 have re-appointed Mr. Satish Kumar Agarwal as Managing Director and Mr. Pradeep Kumar Agarwal as Whole-time Directors of the Company w.e.f. 01.10.2006. Resolutions seeking confirmation of their appointments have been recommended for your approval.

Mr. Pradeep Kumar Agarwal, Mr. Sunil Agarwal and Mr. Saurabh Agarwal retire by rotation and being eligible, offers themselves for re-appointment.

DIRECTOR'S RESPONSIBILITY STATEMENT:

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

- i) That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed.

- ii) That the Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year ended 31st March, 2006 and of the Profits of the Company for that year.
- iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have been prepared the annual accounts on a going concern basis.

FIXED DEPOSIT:

During the period under review, the company has not invited any fixed deposits from the public in terms of provisions of Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS:

M/s S. Singhal & Co., Chartered Accountants, E-127, Industrial Area, Bhiwadi (Rajasthan) the Statutory Auditors of the Company retiring at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS REPORT:

The Notes to the Accounts as referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

TRANSFER TO RESERVE:

An amount of Rs. 255.92 lacs has been transferred from Profit & Loss account to Reserve and Surplus account as at 31.03.2006.

DIVIDEND:

To strengthen the financial position and in the interest of the company, Board of Directors have not recommended any dividend for the financial year ended 31st March, 2006.

CORPORATE GOVERNANCE:

As per Clause 49 of the listing agreements with stock exchanges, Management Discussions and Analysis Report and Corporate Governance Report are annexed and form part of the Directors' Report.

PARTICULARS OF EMPLOYEES:

The provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended are not applicable, as there is no employee drawing remuneration beyond the stipulated amount provided in the said rules.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Additional information regarding conservation of energy, research & development, technology absorption and foreign exchange earnings and outgo, required under section 217 (1) (e) of the Companies Act, 1956 is given in Annexure forming part of this report.

ACKNOWLEDGEMENT:

Yours Directors would like to express their thanks for the cooperation, assistance, support and guidance extended by the Bankers, Central and State Government, SEBI, Stock Exchanges, local authorities and other regulatory authorities. The Board places on record its appreciation for the valuable patronage, cooperation and goodwill received by it from clients, business associates and our most valued shareholders. Yours Directors also express their appreciation for the dedicated services rendered by the employees at all levels to the successful operations of the company. The industrial relations of the company continued to remain cordial.

By Order of the Board of Directors
KAMDHENU ISPAT LIMITED

Place : Gurgaon
Date : 15.07.2006

(Satish Kumar Agarwal)
Managing Director

(Saurabh Agarwal)
Whole-time Director

ANNEXURE TO THE DIRECTORS' REPORT

Information under 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 ending 31st March, 2006.

A) CONSERVATION OF ENERGY

The plant & machinery installed by the company have the unique features of achieving the optimum level of production with the lesser consumption of energy. Your company shall also strive to install energy saving equipment wherever necessary in future. The details are enclosed as Annexure "A".

B) RESEARCH DEVELOPMENT & TECHNOLOGY ABSORPTION

Continuous efforts are being made on research and development to minimize the consumption of power and fuel. The company undertake from time to time, various studies for process improvement, quality improvement and economies in production cost. These are the combined and ongoing efforts of production and R&D team and to segregate the amount spent on R& D is difficult.

C) FOREIGN EXCHANGE EARNINGS & OUTGO

The company has neither earned nor utilized any foreign exchange during the year under review.

Annexure "A"

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY
FORM- A

A. Power and Fuel Consumption	2005-2006	2004-2005
1. Electricity		
(a) Purchase Unit *	21213216	26859192
Total Amount (Rs.)	93691907	107407206
Rate/Unit (Rs.)	4.42	4.00
(b) Own Generation		
i) Through diesel generator (Unit)	-	-
Units per Ltr. of diesel Oil	-	-
Cost / Unit (Rs.)	-	-
(ii) Through gas turbine/generator		
Unit per Ltr. of fuel oil / gas	-	-
Cost / Unit	-	-
2. Coal (specify quality and where used)		
Quantity (MT)	-	-
Total Amount (Rs.)	-	-
Average rate (Rs.)	-	-
3. Furnace Oil		
Quantity (KL)	2965.64	2351.17
Total Amount (Rs.)	43271730	28364065
Average rate per KL (Rs.)	14591	12064
B. Consumption per unit of production		
Electricity- units/MT **	342	481
Furnace Oil-Ltrs/MT	60	58

*Electricity Purchased units includes unit consumed in the production of MS Ingot & Bars.

** Consumption per unit of production calculated after considering the total production of MS Ingot & Bars.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRIAL AND ECONOMIC SCENARIO

The Indian Economy is projected to grow by 8.1% during the year ended 31st March, 2006 as compared to 7.5% in the previous year. Industrial sector registered a strong growth during the year under review, primarily due to growth of the manufacturing sector by 9% as compared to 8.69% in the previous year.

The domestic steel industry's realizations are expected to improve during 2006-07 due to a marginal improvement in global steel prices and the expected stable demand growth.

The total domestic consumption of steel increased by about 8.9% during April-Dec.2005 as compared to the same period in the previous year. This growth in consumption was primarily driven by increased demand from sectors such as automobile, pipes & tubes, capital goods, infrastructure and housing constructions.

The global demand for finished steel, which grew by 4.09% in CY 2005, is likely to grow at a slightly higher rate of 4.50% in CY 2006. The Chinese demand, which is expected to grow at a healthy rate of about 10% in CY 2006 and a pick-up in demand from Europe and US are likely to drive the global demand.

CRISIL Research estimates that the domestic demand for steel to grow at a rate of 8% during 2006-07, while the incremental demand for flat products will be 1.2 million tones, long products will see a demand growth of 1.5 millions tons.

ABOUT YOUR COMPANY

"KAMDHENU" is a well known trusted National Brand, due to its consistent quality standards as per national and international norms.

Your Company is into India's infrastructure sector, with prime focus on providing construction solutions services in the retail market. Driven by innovation and growth dynamism, the management has ideated a pioneering concept in India's infrastructure sector, by transforming the image perception of steel as commodity into steel as brand. This was done with strategic and in-depth study of India's greatly fragmented manufacturing units at regional level, producing construction materials such as Steel rebars, Cement, SS Water Pipes and POP.

Your Company has always put its consumers on high esteem and thus through its various consumer awareness programmes, the company has kept them informed. This is done on priority basis, since the company understands that it's the consumers needs to be satisfied. At Kamdhenu the burgeoning production capacity through franchisee units has never undermined the quality of products. The company has high-end technology and quality maintenance structure to monitor the production process at each stage to the time the product is packed and loaded for transport.

Under the franchisee arrangement, today the company has 25 reinforcement steel bars manufacturing units, 10 Cement manufacturing units and one each in SS Water Pipe, POP and Housing segment totaling 38 units in diversified areas of construction providing goods and services to the retail construction segment within over 22 states and 3 Union Territories of India.

KAMDHENU BUSINESS PHILOSOPHY

Kamdhenu believes in honesty, integrity, transparency, use of worldwide best technology, quality assurance and commitment at all level of the group. In this regard, the company had formulated various policies, systems & procedures to attain greater transparency and accountability with main focus on achieving the principles of good corporate culture.

BUSINESS MODELS

Your company derives main incomes from the three sources; (a) Sale of products manufactured by the company, (b) Royalties from Franchisees using "KAMDHENU" brand and (c) Sale of products manufactured by Franchisees under "KAMDHENU" brands, through its stockyards/branches.

The company is having its own manufacturing plant at Bhiwadi with annual installed capacity of CTD\HSD\TMT bars of 54000 MT. The company directly sold these products under the brand name "KAMDHENU" through its marketing network in Delhi, Haryana & Rajasthan.

The company has taken a conscious decision to develop and enlarge its business operations by adopting Franchisee route where market share of "KAMDHENU" brand will go up without investing huge capital in manufacturing plants. In this process, further, **two models** have been worked out with Franchisees.

In first model, the company allows the franchisees units to manufacture Steel bars, Cement, SS Pipes, POP and Housing activities exclusively under the brand name "KAMDHENU" with strict quality regime laid down by the company. These franchisees directly sold their products by using company's marketing network and paying royalty to the company on per ton \ bag \ percentage basis. The company provide All India network for sales of Kamdhenu products through more than 2000 dealers and distributors in 22 States and 3 Union Territories.

Second model of the franchisees provides the third source of income to the company in which your company established own stock yards at various locations. In this system, the company is sourcing materials for these stockyards from the nearest franchisees that manufacture the “KAMDHENU” products. The materials stored at Stockyards are being supplied to Stockiests and big corporate consumers at a short notice with minimum transportation cost. This helps the Company to distribute its products across geographies and draw the advantage of market share without huge investments in manufacturing plant. The Company is also getting royalty income from the franchisees in addition to retail margins of stock yards. The company has already established five stock yards at Gurgaon (Haryana), New Delhi (Delhi), Mandi Govindgarh (Punjab), Banglore (Karnataka), Hausur (Tamilnadu). The company has also identified some other locations for stock yards at Nalagarh (Himachal), Ajmer (Rajasthan), Kanpur (UP), Ahemdabad (Gujrat), Hyderabad (AP), Jammu (J&K) and Indore (MP). Formalities relating to establishment of these stockyards are under active consideration and shall be completed within end of this financial year.

MARKETING NETWORK

Your company is having its extensive marketing office at Delhi with well connected network of more than 2000 dealers & distributors dispersed across the country. Company's products and brand are well established in the market. The company is creating more brand awareness, which would help the company in achieving higher market share in long run. “KAMDHENU” brand command a price premium over the non-branded products in the market. Range of premium depends on geographical areas & demand-supply factors of the particular area. At present, the marketing network is spread over in 22 states and 3 Union Territories across the country and is increasing in the un-represented states.

In order to strengthen the marketing network, the company publishes a monthly news letter titled “Ispat Sandesh”, both in Hindi and English, for interaction with franchisees, dealers and distributors.

PUBLICITY POLICY

The company has divided publicity & advertisement expenses at two levels; (a) Centralized Electronic Publicity expenses by the company and (b) Regional publicity expenses by the Franchisees.

At the first level, the company directly incurs advertisement expenses on electronic media (Aaj Tak, Headlines Today and Tej), print media and wall paintings etc.

At the second level, our franchisees incur advertisement expenses at regional level in local T.V. channels, newspapers, magazines, hoardings, wall painting etc. This regional level publicity also increases the value of the brand “Kamdhenu”.

QUALITY CONTROL

To manufacture HSD/CTD steel bars, your company has adopted upgraded automated German Technology which is proven and well tested worldwide. For TMT bars, the company use “TEPCORE PROCESS” which is the most advanced technology worldwide. In this regard, the company has entered into an agreement with Centre De Rechercher Metallurgiques (CRM), Belgium for use of TEMPCORE trade mark used for identification of high quality steel bars. The company's product meet IS 1786-1985 and ISO 9001:2000 specifications. Similarly, company uses best available technology in Cement, SS Water Pipe, POP and Housing sector.

To ensure the quality of franchisee's plant, the company provides necessary technical support in modifications of manufacturing process and training for their technical staff. After the confirmation that the production process of franchisee has stabilized, company deutes its own full time technical supervisor, to maintain the high quality standards specified by the company.

SEGMENT ANALYSIS

Business of the Company can be broadly identified under two segments:

1. Sales
2. Royalty

Segment	Net Sales Revenue		Profitability	
	2005-2006	2004-2005	2005-2006	2004-2005
Sales	12080.26	11672.13	544.52	491.92
Royalty	394.84	104.37	176.38	23.63
Total	12475.10	11776.50	720.90	515.55
Interest			56.93	54.24
Other un-allocable expenditure net of income			263.60	196.28
Total Tax Expenses			144.45	91.90
Net Profit			255.92	173.13

- Revenue from Royalty increased to Rs.395 lacs in 2005-06, from Rs.104 lacs in 2004-05.
- Net Profit for the year increased by 48% to Rs.256 lacs in 2005-06, from Rs.173 lacs in 2004-05.

INTERNAL CONTROL SYSTEM

The company has adequate internal control systems commensurate with its size of operations, with qualified and experienced personnel in various departments including Finance, Accounts, Personnel, General Administration, Technical and Corporate affairs. Your Company's Internal Control System ensures that all transactions are duly authorized, recorded and reported. The company has also established a process for creating and reviewing the annual and long-term business plans periodically.

RISKS AND CONCERNS

Steel industry is highly fragmented and competitive and increased competitive pressure may adversely affect the financial results. Significant increase in prices or shortage of raw material could affect the results of operations and financial conditions of the company. Any disruption in supply chain management may adversely affect the operations of the company.

Most of the raw materials i.e. M.S. Ingot / Billets and M.S. Scrap are being procured from local producers which involves logistic issues, economic decision making into ensuring optimum inventory.

Any sub-standard manufacturing with the mala-fide intentions by any franchisee may affect the brand goodwill.

Any disruption / discontinuance of production by any of the franchisee may affect the royalty income and supply of products in that region.

Any change in the tax regime, financial policies and regulations by Central as well as State Government may affect the financial position of the company.

FUTURE STRATEGY & OPPORTUNITIES

Your company has taken several initiative to catalyse growth & profitability and to drive shareholders value. Several key actions were taken to put into place drivers with both long-term growth strategy and short-term profitability implications. The customers is the pivot around which business evolves and grows. Therefore, new markets and market opportunities are being identified and started its implementation during the year under review.

Economic growth is a key driver for industry growth. The Government has increased spending on infrastructure activities which will drive substantial industrial growth in our all segments i.e. Steel, Cement, SS pipe, POP and Construction.

Your company is in the process of adding new franchisees all over the India and getting very good response from the market. Acceptability of "KAMDHENU" brand is increasing day by day and the company is encashing this opportunity by adding new plants under the brand "KAMDHENU". During the financial year 2005-06, the number of franchisee units have been increased to 30 from 13 in the financial year 2004-05.

Your company has adopted aggressive marketing policy by appointing more and more franchisees units in different part of the country and creating brand awareness through quality management system in the whole marketing network. The company is having wide franchisee network in North, East, West and South regions.

CAUTIONARY STATEMENT

Statement in the Directors' Report and Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward- looking statements' within the meaning of applicable securities laws and regulations.

Although we believe our expectations are based on reasonable assumptions, these forward looking statements may be influenced by numerous risks and uncertainties that could cause actual outcomes and results to be materially different from those expressed or implied. Important factors that could influence the company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in government regulations, tax laws and other factors such as litigation and industrial relations. The company takes no responsibility for any consequence of decisions made based on such statements, and holds no obligation to update these in the future.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION IN TERMS OF CLAUSE 49 (V) OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES:

We, Satish Kumar Agarwal, Managing Director and Harish Kumar Agarwal, Chief Financial Officer of Kamdhenu Ispat Limited, hereby certify to the Board that:

- [a] We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2006 and that to the best of our knowledge and belief:
- (i) These statements do not contain any materially untrue statement or omit any material facts or contain statements that might be misleading.
 - (ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- [b] There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- [c] We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- [d] We have indicated to the Auditors and the Audit Committee:
- (i) Significant changes in internal control during the year.
 - (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

By Order of the Board of Directors
KAMDHENU ISPAT LIMITED

Place : Gurgaon
Date : 15.07.2006

(Satish Kumar Agarwal)
Managing Director

(Harish Kumar Agarwal)
Chief Financial Officer

CORPORATE GOVERNANCE REPORT
1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is based on the principal of integrity, fairness, equity, transparency, accountability and commitment to value. Good Corporate Governance practices stem from the culture of the organization. Corporate Governance code is a guide to govern the operations and affairs of the Company in a manner which will enhance the long term value of the Company for all those who are associated viz. shareholders, creditors, customers, government, employees and society at large. It is a tool to judge and evaluate the standards and ethics of Corporate Management.

Kamdhenu Ispat Limited recognized the importance of commitment to values and servicing the interest of the stakeholders, in a manner most beneficial, which will ensure survival and growth in long run. Your Company is committed to good Governance Practices by creating an environment based on professionalism, entrepreneurship and pursuit for excellence that create long term sustainable shareholders values.

2. BOARD OF DIRECTORS

I. The Board of directors of the Company consists eight members. Out of them, Four are independent and non executive directors.

The Board believes that its current composition is appropriate. The Composition of Board and category of Directors are as follows.

Name and Category	No. of Board Meeting Attended	Attendance at last A.G.M.	No. of Directorship in other Companies**	No. of Membership in Committee of Directors in other Companies*
Mr. Satish Kr. Agarwal (MD)	12	yes	2	NIL
Mr. Pradeep Kr. Agarwal (Whole Time Director)	12	yes	4	NIL
Mr. Sunil Kr. Agarwal (Whole Time Director)	12	Yes	2	NIL
Mr. Saurabh Agarwal (Whole Time Director)	12	Yes	1	NIL
Mr. Rakesh Goyal (Non Executive Director w.e.f. 24.06.2005)	3	No	1	NIL
Mr. Rajiv Goel (Non Executive Director w.e.f.30.09.2005)	2	No	NIL	NIL
Mr. Purshotam Das Aggarwal (Non Executive Director w.e.f. 05.12.2005)	2	No	1	NIL
Mr. Suresh Kr. Singhal (Non Executive Director w.e.f.05.12.2005)	2	No	NIL	NIL
Mr. Satish Kr. Kabu ceased to be director w.e.f. 24.06.2005	NIL	No	NIL	NIL
Mr. Vineet Agarwal ceased to be Director w.e.f 10.10.2005	6	No	NIL	NIL
Mr. Subash Chander Singhal (Non Executive Director) Ceased to be director w.e.f 05.12.2005	NIL	No	NIL	NIL
Mr.Pawan Kr. Vijay Ceased to be Director w.e.f. 15.10.2005	NIL	No	3	N.A.

II. Twelve Board Meetings were held during the year under review and the gap between two Meetings did not exceeds four months .the dates on which the Board Meetings were held as follows:

15th April,2005, 13th May,2005, 21st May,2005, 26th July,2005, 27 August,2005, 10thSeptember2005, 30thSeptember2005, 14th November,2005, 5thDecember,2005, 6th March 2006, 11th March 2006 & 31ST March,2006.

** Exclude Foreign Company and Private Limited Company

*Only Audit Committee, Investor /Shareholders' Grievance Committee and Remuneration Committee have been considered

III Change of Directors

The following changes have taken place in the Board of Directors of the Company from 01.04.2005 to 31.03.2006

Name of the director	Date of appointment	Date of Cessation	Reason
Col. Satish Kumar Kabu	—	24.06.2005**	Resignation**
Rakesh Goyal	24.06.2005*	—	Appointment*
Subash Chander Singhal	24.06.2005*	05.12.2005**	Appointment* Resignation**
Vineet Agarwal	—	10.10.2005**	Resignation**
Pawan Kumar Vijay	30.09.2005*	15.10.2005**	Appointment* Resignation**
Rajiv Goel	30.09.2005*	—	Appointment*
Purshotam Das Aggarwal	05.12.2005*	—	Appointment*
Suresh Kumar Singhal	05.12.2005*	—	Appointment*

3. AUDIT COMMITTEE

The Company had re-constituted Audit Committee to exercise the power and discharge functions as stipulated under Clause 49 of the Listing Agreements with Stock Exchanges and to meet the requirement of Section 292 A of the Companies Act, 1956 as introduced by the Companies (Amendment) Act, 2000. The Terms of reference specified by the Board to the Audit Committee are as contained in clause 49 of the listing Agreement and under section 292A of the Companies Act, 1956 and it also undertakes such other matters as may be delegated by the Board from time to time. The Primary function of the Audit Committee is to periodically interact with the internal auditors to review their report and discuss adequacy of internal control system, meet with the Statutory Auditors to discuss their observations and suggestions on accounts and accounting policies. The Audit committee also reviews the quarterly and annual financial statement before submission to the Board. The minutes of the Audit Committee Meeting are circulated to the Board, discussed and taken note of.

At present, the committee comprises of three members, all of whom are independent non- executive directors. The Company Secretary acts as the Secretary to the Committee.

Four Meetings were held during the financial year 2005-2006. The dates of the meetings are as follows:

S.No.	Date of Meeting
1.	20.06.2005
2.	16.08.2005
3.	03.10.2005
4.	05.01.2006

The Composition of the Audit Committee and the meeting attended by the members during the financial year 2005-2006 are as under:-

Name of Director	No. of Meeting attended during the year
1. Mr. Suresh Kumar Singhal (Chairman)	1
2. Mr. Rajiv Goel	2
3.. Mr. Subash Chander Singhal	2
4. Mr. Satish Kumar Agarwal	3
5. Mr. Vineet Agarwal	3
6. Mr. Rakesh Goyal	4

The following changes have taken place in the Composition of the Audit Committee of the Company from 01.04.2005 to 31.03.2006

Name of the director	Date of appointment	Date of Cessation	Reason
Suresh Kumar Singhal	05.12.2005*		Appointment*
Rakesh Goyal	15.04.2005*		Appointment*
Rajiv Goel	05.12.2005*		Appointment*
Subash Chander Singhal	14.11.2005*	05.12.2005**	Appointment* Resignation**
Satish Kumar Agarwal	15.04.2005*	14.11.2005**	Appointment* Resignation**
Vineet Agarwal	15.04.2005*	10.10.2005**	Appointment* Resignation**

4. REMUNERATION COMMITTEE

The Company has constituted a Remuneration Committee on 05.12.2005. The terms of reference is to consider the policy and the matters relating to the remuneration including pension rights and commission payable to managerial persons including Managing Director/Whole Time Directors.

The Committee comprise of three members, all of them are independent and non- executive directors.

One Meeting of Remuneration Committee was held during the financial year 2005-2006 as per following details.

S.No.	Date of Meeting
1.	05.01.2006

The composition and the meetings attended by the members are as under:-

Name of Directors	No. of Meetings Attended
1. Mr. Rakesh Goyal (Chairman)	1
2. Mr. Rajiv Goel	1
3. Mr. Subash Chander Singhal	NIL
4. Mr. Suresh Kumar Singhal	1

Change in composition of Remuneration Committee

Name of the director	Date of appointment	Date of Cessation	Reason
Rakesh Goyal	14.11.2005*		Appointment*
Rajiv Goel	14.11.2005*		Appointment*
Subash Chander Singhal	14.11.2005*	05.12.2005**	Appointment* Resignation**
Suresh Kumar Singhal	05.12.2005*		Appointment*

Remuneration Policy

During the year under review, the sitting fees were waived off by the Non- Executive Directors for meetings of the Board of Directors and Committee of Directors attended by them. The Non Executive Directors of the Company were not paid any other remuneration or Commission. However, Managing Director / Whole Time Directors are being paid remuneration as approved by the shareholders and other appropriate authorities from time to time. The details of the payment made to the Managing Director/Whole time Directors during the year are given below:-

- The remuneration includes salary/perquisites paid to Sh. Satish Kumar Agarwal during the Financial Year 2005-2006 as under
 - SALARY : Rs. 50000/- per month
 - PERQUISITES : Unfurnished accommodation provided by the Company.
 - OTHERS : Expenditure on Car, and telephone at residence for the Company business.
- The remuneration includes salary/perquisites paid to Sh.Pradeep Kumar Agarwal during the Financial Year 2005-2006 as under

- a) SALARY : Rs. 50000/- per month
 b) OTHERS : Expenditure on Car, and telephone at residence for the Company business.
3. The remuneration includes salary/perquisites paid to Sh.Sunil Kumar Agarwal during the Financial Year 2005-2006 as under:
 a) SALARY : Rs. 50000/- per month
 b) PERQUISITES : Unfurnished accommodation provided by the Company.
 c) OTHERS : Expenditure on Car, and telephone at residence for the Company business.
4. The remuneration includes salary/perquisites paid to Sh.Saurabh Agarwal during the Financial Year 2005-2006 as under
 a) SALARY : Rs. 25000/- per month
 b) PERQUISITES : Unfurnished accommodation provided by the Company.
 c) OTHERS : Expenditure on Car, and telephone at residence for the Company business.
- Severance Fee : No severance Fee is payable to any of the aforementioned Managing Director/ Whole Time Director.
- Stock option : NIL

5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

The Board has constituted Shareholders'/ Investors' Grievance Committee, the committee comprising of Mr. Suresh Kumar Singhal – Chairman, Sh. Rakesh Goyal, Sh. Saurabh Agarwal and Sh. Arvind Gupta, Secretary of the Committee. The Committee, inter alia, approves issue of duplicate Certificate and oversees and review all matters connected with transfer of securities of the Company. The Committee also looks in to redressal of Shareholders'/ investors complaints related to transfer of shares, non receipt of Balance Sheet, non receipt of dividends, etc. The Committee also oversees performance of the Registrar and Transfer Agent of the Company and recommend measures for overall improvement in the quality of investors services.

COMPLIANCE OFFICER

Sh. Arvind Gupta is the Compliance officer for complying with the requirement of SEBI (Prohibition of Insider Trading) Regulation, 1992 and the Listing Agreements with the Stock Exchanges in India.

Complaints Status during the financial year 2005-2006

No. of complaint's Received	Solved	Pending
Nil	Nil	Nil
Nil	Nil	Nil

6. GENERAL BODY MEETING

Location and time, where last three Annual General Meetings were held:

For the year ended	Location	Date	Time
31-03-2005	5/2, Punjabi Bagh Extension, New Delhi	24-06-2005	9.45 AM
31.03.2004	A-1114, RIICO Industrial Area Bhiwadi, Rajasthan	29.09.2004	10 A.M.
31.03.2003	A-1114, RIICO Industrial Area Bhiwadi, Rajasthan	30.09.2003	11 A.M.

NUMBER OF SPECIAL RESOLUTION/ POSTAL BALLOT

Special Resolution have been passed in last A.G.M. : NIL
 Resolution passed through postal Ballot. : NIL

7. DISCLOSURE

The particulars of transactions between the Company and its related parties as per the accounting standard are set out in page no. 38 of the Annual Report. However, these transactions are not likely to have potential conflict with the company's interest

No penalty / strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

8. MEANS OF COMMUNICATION

Quarterly Results – Normally published in Economics Times, Nav Bharat Times.

Web Sites where quarterly results are displayed : www.kamdhenuispat.com
 Whether it also displays official's news releases and presentation made to institutional investors or to the analysts : No
 Whether Management Discussion & Analysis is part of Annual Report : Yes

9. GENERAL SHAREHOLDERS INFORMATIONS
1. ANNUAL GENERAL MEETING

Date : 22.09.2006
 Time : 10 a.m.
 Venue : Radha Farms, Palla Bakhtawarpur Road, Near G.T. Karnal Highway, Delhi.
 2. Financial Year : **2005-2006**
 3. Date of Book closure : 16.09.2006 To 22.09.2006(both days inclusive)
 4. Dividend payment date : Not applicable since dividend not recommended

5. LISTING ON STOCK EXCHANGE AT ;

- a) Bombay Stock Exchange Limited
 Phiroze Jeejeebhoy Towers
 Dalal Street, Mumbai 400023
 b) National Stock Exchange of India Limited
 Exchange Plaza, Bandra Kurla Complex,
 Bandra (E) , Mumbai- 400051

Note:- Annual Listing fees for the year 2006-2007 have been duly paid to both the above Stock Exchanges.

6. STOCK CODE

a) Bombay Stock Exchange Limited : **532741**
 b) National Stock Exchange of India Limited : **KIL**
 7. Market price data during the financial year- 2005-2006 : Not Applicable
 8. Registrar And Transfer Agent : Karvy Computershare (P) Limited,
 Street No. 1, Banjara Hills, Hyderabad- 500034
 Ph. 91-40-2331 2454/23320251/751.
 Fax: 91-40-23311968.
[E-mail.mailmanager@karvy.com](mailto:mailmanager@karvy.com)

9. SHARE TRANSFER SYSTEM

The Company's Equity Shares are admitted with the depository system of National Securities Depository Limited and Central Depository Services (India) Limited (CDSL), as an eligible security under the Depository Act, 1996. As such, facilities for dematerializations of the company's Equity Shares are available vide INE 390H01012 at both the depositories.

Share Transfer in physical form is presently registered and returned within a period of 15-20 days from the date of receipt subject to the documents being valid and complete in all respect. The Company offers the facilities of transfer cum demat. under the said system. After the share transfer is effected , a letter is being sent to the transferee indicating the details of the transferred shares and in case the transferee wishes to demat the shares he can approach depository participant with the option letter issued by the Registrar & Transfer Agent. On receipt of the same, the Company's Registrar and Transfer Agent dematerialize the shares. In case the transferee does not wish to dematerialized the shares, he need not exercise the option and the Company's Registrar and Transfer Agent will dispatch the Share Certificate after 15 days from the date of such option letter.

The Company has a Share Transfer & Investor Grievance Committee to look in to various issues relating to the investors including share transfer. This Committee of the Board of Directors of the Company meets normally on monthly basis.

9. A) **Distribution of Shareholding as on 31st March, 2006**
Shareholding Pattern as on 31-03-2006

Category	No. of shares held	Percentage of shareholding
Promoter's holding		
Promoters*		
– Indian Promoters	2583192	41.59
– Foreign Promoters	—	—
Persons acting in Concert #	—	—
Sub-Total	2583192	41.59
Non-Promoters Holding	—	—
Institutional Investors		
Mutual Funds and UTI	—	—
Banks, Financial Institutions, Insurance Companies (Central / State Gov. Institutions / Non-government Institutions) / Venture Capital	—	—
Sub-Total		
Others		
Private Corporate Bodies	234500	3.78
Indian Public	114706	1.85
NRIs / OCBs	—	—
Any other (Friends & Associates)	3278668	52.79
Sub-Total	3627874	58.42
GRANDTOTAL	6211066	100

9. b) Categories of shareholder as on 31st March, 2006

Promoters	: 2583192
Promoter's Group	: 3278668
Others	: 349206

c) Dematerialization of Shares and liquidity: - Approximately 4905940 of the Equity Shares have been dematerialized up to 31st March, 2006

10. Outstanding GDRs/ADRs/Warrants/any convertible Instruments, conversion date and likely impact on equity : NIL

11. Plant Location: : A-1114 , RIICO Indl. Area, Phase – III, Bhiwadi -301019 (Raj)

12. ADDRESS FOR CORRESPONDANCE BY INVESTORS

KAMDHENU ISPAT LIMITED
5/2 PUNJABI BAGH EXT.
NEW DELHI- 110026
PH- 011-25223404-08
FAX- 011- 25226893
E-MAIL- kamdhenu@nda.vsnl.net.in

NOTE:- Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.

10. PRACTISING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF KAMDHENU ISPAT LIMITED

We have examined the compliance of conditions of Corporate Governance by Kamdhenu Ispat Limited for the year ended 31st March 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. 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 opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the aforesaid Listing Agreements.

We state that in respect of investor grievances received during the year ended 31st March 2006, no investor grievances are remaining unattended/pending against the Company for a period exceeding one month as per the records maintained by the shareholders/Investors Grievances Committee.

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

Amit Agarwal & Associates
Company Secretaries

(Amit Agarwal)
Proprietor
CS No. ACS 14456 CP No. 3647

Place : Delhi
Date : 15.07.2006

AUDITORS' REPORT**TO THE MEMBERS OF
KAMDHENU ISPAT LIMITED**

We have audited the attached Balance Sheet of **KAMDHENU ISPAT LIMITED** as at 31st March, 2006 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Govt. 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 & 5 of the said order, to the extent applicable.
- 3 Further to our comments in the 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 accounts as required by law have been kept by the Company so far as appears from our examination of the books;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
 - (d) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (e) On the basis of written representation received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of section 274(1)(g) of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the Schedule 24 of "Significant Accounting Policies and Notes to Accounts" give the information required by the Companies Act, 1956 in the manner so required and give 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 Affairs of the Company as at 31st March, 2006 ;
 - (ii) In the case of the Profit & Loss Account of the Profit of the Company for the year ending on 31st March, 2006 ; and
 - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S.SINGHAL & CO.
Chartered accountants

Dated : 15.07.2006
Place : Bhiwadi

(R.K.Gupta)
PARTNER
M.No. 073846

Annexure to Auditors' Report

Referred to in paragraph 2 of our report of even date

1. In respect of its Fixed Assets
 - a. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets has been physically verified by the management at reasonable intervals during the year and no material discrepancies were noticed on such verification.
 - c. The company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its Inventory
 - a. As explained to us, inventories has been physically verified by the management at reasonable intervals during the year.
 - b. In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act,1956:
 - a. The company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act,1956.
 - b. Because the company has not given or taken any loan to/from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act,1956., hence sub clause b,c,d,e,f,g of clause (iii) of paragraph of 4 of CARO ,2003 are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. In respect of transactions covered under Section 301 of the Company Act,1956.
 - a. In our opinion and according to the information and explanations given to us, the particulars of contract or arrangements referred to in section 301 of the Companies Act,1956 have been entered in the register required to be maintained under that section.
 - b. In our opinion and according to the information and explanation given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted deposits from public within the meaning of Section 58A and 58AA or any other relevant provisions of the Companies Act,1956 and the Rules framed there under.
7. In our opinion and according to the information and explanation given to us, the Company has an internal Audit system commensurate with the size and nature of its business.
8. In our opinion the cost records maintained by the company are general and not in precise manner as prescribed by the Central Government U/s 209(1)(d) of the Companies Act,1956 for the product of the Company. We have however not made a detailed examination of the records.
9. In respect of Statutory & Other dues:
 - a. According to the records of the Company undisputed statutory dues including Provident Fund, Employee State Insurance, Income Tax, Sales tax, Wealth-tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues have been generally regularly deposited with the appropriate authorities except delay in deposit of differential central excise duty & some cases of service tax. According to the information and explanation

given to us, no undisputed amount payable in respect of the aforesaid dues were outstanding as at 31st March, 2006 for a period of more than six months from the date of becoming payable.

- b. The disputed statutory dues aggregating to Rs. 159.27 Lacs, their against Rs 26.22 Lakh has been deposited under protest, on account of matters pending before appropriate authorities are as under :

Sr. No.	Name of the Statute	Nature of the Dues	Forum where dispute is pending	Amount (Rs.in Lakhs)
1.	Income Tax Act	Income Tax	C I T (Appeals)	14.46
2.	Income Tax Act	Illegal disallowances/ addition of expenses	C I T (Appeals)	5.00
3.	Central Excise Act	(i) Excise Duty	High Court	6.73
		(ii) Service Tax	CESTAT	106.79
4.	Central Sales Tax Act and Sales Tax Act of various States	Sales Tax	Dy. Comm.(Appeal) Rajasthan Tax Board	25.60 0.69

10. The Company has no accumulated Losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedure and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institution or banks. The company has not issued any debenture.
12. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore the provisions of clause (xiii) of the Companies (Auditors Report) (amendment) Order, 2004 are not applicable to the company.
14. The company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The term loans have been applied for the purpose for which they were raised.
17. According to the information and explanation given to us and an overall the examination of the balance sheet of the company we are of the opinion that there no funds raised on short term basis that have been used for long term investment.
18. According to the information and explanations given to us and in our opinion during the year the company has made preferential allotment of shares to parties & companies covered in the register maintained under section 301 of the Companies Act, 1956 and the price at which shares have been issued is not prejudicial to the interest of the company.
19. No debentures has been issued by the company during the year. Accordingly clause 4(xix) of the Order is not applicable.
20. We have verified the end use of money raised during the year by promoters contribution in proposed IPO floated on dated 3rd April, 2006 and the same has been disclosed in note no 2 of the notes on accounts forming part of the financial statements.
21. According to the information and explanation given to us, no frauds on or by the company has been noticed and reported during the year.

For S.SINGHAL & CO.
Chartered accountants

Dated : 15.07.2006
Place : Bhiwadi

(R.K.Gupta)
PARTNER
M.No. 073846

BALANCE SHEET AS AT 31ST MARCH, 2006

	SCHEDULE	2005-2006 Amount in Rs.		2004-2005 Amount in Rs.	
I SOURCES OF FUNDS					
A. Shareholders' Funds:					
(a) Share Capital	1	153,978,160		75,476,650	
(b) Reserve & Surplus	2	<u>65,291,373</u>	219,269,533	<u>26,333,614</u>	101,810,264
B. Loan Funds :					
(a) Secured Loans	3	28,257,454		38,899,788	
(b) Unsecured Loans	4	<u>22,213,814</u>	50,471,268	<u>28,060,888</u>	66,960,676
C. Deffered Tax Liability			<u>7,900,781</u>		<u>8,119,734</u>
TOTAL			<u><u>277,641,582</u></u>		<u><u>176,890,674</u></u>
II APPLICATION OF FUNDS					
A. Fixed Assets					
Gross Block	5	104,807,626		96,779,804	
Less: Depreciation		<u>34,263,308</u>		<u>28,865,604</u>	
Net Block		70,544,318		67,914,200	
Capital work in progress		<u>601,350</u>	71,145,668	<u>1,180,750</u>	69,094,950
B. Investments	6		12,010,000		10,000
C. Current Assets, Loans & Advances					
(a) Inventories	7	21,668,608		57,562,770	
(b) Sundry Debtors	8	167,385,018		133,876,231	
(c) Cash & Bank Balances	9	18,094,696		10,313,639	
(d) Loan & Advances	10	<u>61,643,839</u>		<u>32,315,905</u>	
		268,792,161		234,068,545	
Less : Current Liabilities & Provisions	11	<u>85,682,438</u>	183,109,723	<u>128,610,577</u>	105,457,968
D. Miscellaneous Expenditure	12		11,376,191		2,327,756
(To the extent not written off or adjusted)					
TOTAL			<u><u>277,641,582</u></u>		<u><u>176,890,674</u></u>
Significant Accounting Policies & Notes to the Accounts	24				

In Terms Of Our Report Of Even Date

For S. Singhal & Co.
Chartered Accountants

(Satish Kumar Agarwal)
Managing Director

(Pradeep Kumar Agarwal)
Whole Time Director

(Sunil Kumar Agarwal)
Whole Time Director

(R.K. Gupta)
Partner

(Saurabh Agarwal)
Whole Time Director

(Harish Kumar Agarwal)
Chief Financial Officer

(Arvind Gupta)
Company Secretary

Place : Gurgaon
Dated : 15.07.2006

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	SCHEDULE	2005-2006 Amount in Rs.	2004-2005 Amount in Rs.
INCOME			
Gross Sales	13	1,376,478,640	1,262,910,373
Less:- Excise Duty		<u>168,452,802</u>	<u>95,696,792</u>
Net Sales		1,208,025,838	1,167,213,581
Income from Royalty	14	39,484,291	10,436,744
Other Income	15	3,214,327	1,252,839
Decrease in Stocks	16	(6,613,561)	(437,732)
TOTAL		<u>1,244,110,895</u>	<u>1,178,465,432</u>
EXPENDITURE			
Cost of Raw Materials	17	813,315,830	668,084,810
Cost of goods traded	18	155,109,295	280,253,288
Manufacturing Expenses	19	152,079,484	155,782,206
Personnel Cost	20	5,899,435	5,593,427
Administrative & Other Expenses	21	15,391,656	10,650,909
Selling & Distribution Expenses	22	47,038,078	18,752,988
Financial Expenses	23	6,866,943	5,932,258
Depreciation	5	7,319,487	6,995,423
Miscellaneous Expenses Written off	12	944,002	111,307
TOTAL		<u>1,203,964,210</u>	<u>1,152,156,616</u>
PROFIT BEFORE TAX		40,146,685	26,308,816
Less : Tax Expense			
(a) Current Tax		14,352,323	8,753,884
(b) Deffered Tax		(218,953)	436,500
(c) Fringe Benefit Tax		<u>311,485</u>	—
PROFIT AFTER TAX		25,701,830	17,118,432
Less : Provisions of earlier years		110,061	(193,635)
PROFIT FOR THE YEAR		25,591,769	17,312,067
Add: Profit Brought Forward from last year		26,333,614	24,221,547
Less : Bonus Share Issued		—	15,200,000
Profit Carried to Reserves & Surplus		<u>51,925,383</u>	<u>26,333,614</u>
Basic Earning per share		4.38	3.25
(ref note no 11 of sch. 24)			
Significant Accounting Policies & Notes to the Accounts	24		

In Terms Of Our Report Of Even Date

For S. Singhal & Co.
Chartered Accountants

(Satish Kumar Agarwal)
Managing Director

(Pradeep Kumar Agarwal)
Whole Time Director

(Sunil Kumar Agarwal)
Whole Time Director

(R.K. Gupta)
Partner

(Saurabh Agarwal)
Whole Time Director

(Harish Kumar Agarwal)
Chief Financial Officer

(Arvind Gupta)
Company Secretary

Place : Gurgaon
Dated : 15.07.2006

	2005-2006 Amount in Rs.	2004-2005 Amount in Rs.
SCHEDULE-1		
SHARE CAPITAL		
(a) Authorised Share Capital		
30,000,000 Equity Shares of Rs 10/- each	300,000,000	300,000,000
(b) Issued,Subscribed & Paid Up		
62,11,066 (Previous year 53,20,000) Equity Shares of Rs 10/- each fully paid	62,110,660	53,200,000
(c) Share Application Money (#Promoters Contribution In IPO)	# 91,867,500	22,276,650
TOTAL	153,978,160	75,476,650
SCHEDULE-2		
RESERVE & SURPLUS		
Profit & Loss Account	51,925,383	26,333,614
Share Premium Account	13,365,990	—
TOTAL	65,291,373	26,333,614
SCHEDULE-3		
SECURED LOANS		
Term Loans from :		
#State Bank of Bikaner & Jaipur	14,033,000	20,816,413
Interest Accured & Due on Term Loan	117,183	—
*ICICI Bank Limited (Vehicle Loans)	675,537	855,121
Working Capital Loan from:		
#State Bank of Bikaner & Jaipur	13,431,734	17,228,254
TOTAL	28,257,454	38,899,788
<p># Term Loan & Working Capital Loan form State Bank Bikaner & Jaipur are (a) primary secured against first charge on block assets of the company by way of hypothecation of machinery and equipments & other fixed assets.(b) collaterally secured by (1) equitable mortgage of industrial plot no. A-1112, R.I.A. Bhiwadi.(2)equitable mortgage two flats situated at B -202 & B-203 Ashiana Greens Bhiwadi (3) first charge on immovable assets including equitable mortgage of land and building at plot no. A -1114, R.I.A. Bhiwadi and personal guarantee of promoter directors.</p> <p>* Term Loans from ICICI Bank Ltd are secured against hypothecation of vehicles.</p>		
SCHEDULE-4		
UNSECURED LOANS		
Security form Dealers/Customers	20,674,613	11,338,574
From Body Corporate	1,539,201	16,722,314
TOTAL	22,213,814	28,060,888

**SCHEDULE-5
FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	Original Cost As At 01.04.2005	During the Period Additions	Deduction / Adjustment During the Period	Total As At 31.03.2006	Upto 31.03.2005	For the Period	Adjust-ment/ TFD. to Pre-operative	Deduction During the period	Upto 31.03.2006	As At 31.03.2006	As At 31.03.2005
Land	7,496,926	-	-	7,496,926	-	-	-	-	-	7,496,926	7,496,926
Building (Factory)	8,787,810	-	-	8,787,810	1,484,433	293,513	-	-	1,777,946	7,009,864	7,303,377
Building (Adm.)	2,730,968	-	-	2,730,968	322,709	44,515	-	-	367,224	2,363,744	2,408,259
Plant & Machinery	61,547,731	746,969	-	62,294,700	22,033,393	4,592,381	-	-	26,625,774	35,668,926	39,514,338
Metal Rolls	930,316	2,002,372	930,316	2,002,372	712,229	1,402,164	-	930,316	1,184,077	818,295	218,087
Office Equipments	2,574,876	317,225	-	2,892,101	1,128,091	229,603	-	-	1,357,694	1,534,407	1,446,785
Furniture & Fixture	250,933	124,516	-	375,449	75,477	22,628	-	-	98,105	277,344	175,456
Vehicles	9,204,195	34,506	2,787,548	6,451,153	2,933,613	706,813	-	1,045,919	2,594,507	3,856,646	6,270,582
Lab Equipment	348,617	40,720	-	389,337	174,819	27,870	-	-	202,689	186,648	173,798
Orissa Project											
Land	2,747,159	7,565,367	-	10,312,526	-	-	-	-	-	10,312,526	2,747,159
Factory Building	-	118,501	-	118,501	-	-	-	878	878	117,623	-
Furniture & Fixture	75,095	99,957	-	175,052	761	-	9,333	-	10,094	164,958	74,334
Office Equipment	83,278	65,650	-	148,928	33	-	11,598	-	11,631	137,297	83,245
Vehicle	1,900	629,903	-	631,803	46	-	32,643	-	32,689	599,114	1,854
TOTAL	96,779,804	11,745,686	3,717,864	104,807,626	28,865,604	7,319,487	54,452	1,976,235	34,263,308	70,544,318	67,914,200
Previous Year	88,249,954	10,424,995	1,895,145	96,779,804	23,764,486	6,995,423	840	1,895,145	28,865,604	67,914,200	64,485,468
Capital Work-in-Progress	1,180,750	601,350	1,180,750	601,350	-	-	-	-	-	601,350	1,180,750
Previous Year	-	1,180,750	-	1,180,750	-	-	-	-	-	1,180,750	-

**SCHEDULE-6
INVESTMENTS**

	2005-2006 Amount in Rs.	2004-2005 Amount in Rs.
NSC (Non Trade)	10,000	10,000
Capital in Partnership firm with M/s S.R.Ferro Alloys 10,00,000 Equity shares of Rs 10/ each fully paid up in M/s Kali Metals (P) Ltd., (unquoted)	2,000,000	-
	10,000,000	-
TOTAL	12,010,000	10,000

**SCHEDULE-7
INVENTORIES**

(As taken, valued and certified by the Management)

Raw Materials	7,409,155	35,872,660
Stores, Spares, Fuel & Packing Material	5,082,065	4,589,443
Finished Goods	6,048,906	10,154,693
Waste, Scraps & Runner Risers	588,631	3,066,912
Stock in Process	800,538	927,931
Misc. Scrap (P&M)	884,550	786,650
Stock of Goods Traded in	854,763	2,164,481
TOTAL	21,668,608	57,562,770

**SCHEDULE-8
SUNDRY DEBTORS**

(Unsecured considered good unless otherwise stated)

Outstanding for more than six months	19,450,008	4,369,851
Others	147,935,010	129,506,380
TOTAL	167,385,018	133,876,231

	2005-2006 Amount in Rs.	2004-2005 Amount in Rs.
SCHEDULE-9		
CASH & BANK BALANCE		
Cash on hand	1,135,705	3,987,891
Balance with scheduled Banks :		
In Fixed Deposit	559,000	125,000
Interest accrued on Fixed Deposit	11,925	3,620
In Current Accounts	16,388,065	6,197,128
TOTAL	<u>18,094,696</u>	<u>10,313,639</u>
SCHEDULE-10		
LOANS & ADVANCES		
(Unsecured considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	36,177,962	15,446,731
Security Deposit	11,645,584	6,890,983
Balance with Excise Department	3,027,485	2,564,838
Advance Income Tax & TDS Recoverable	10,792,808	7,413,353
TOTAL	<u>61,643,839</u>	<u>32,315,905</u>
SCHEDULE-11		
CURRENT LIABILITIES & PROVISIONS		
Sundry Creditors	55,916,593	106,415,286
Expenses Payable & Other Liabilities	15,390,720	13,402,252
Provision for Income Tax	14,352,323	8,753,884
Provision for Wealth Tax	22,802	39,155
TOTAL	<u>85,682,438</u>	<u>128,610,577</u>
SCHEDULE-12		
MISCELLANEOUS EXPENDITURE		
a) Authorised Share Capital Increasing Expenses	1,686,300	237,607
b) Public Issue Expenses	7,045,092	—
c) Preliminary & Pre-operative Expenses	2,998,899	1,611,554
d) Deferred Revenue Expenses	589,902	589,902
Less: Miscellaneous Expenses written off	944,002	111,307
TOTAL	<u>11,376,191</u>	<u>2,327,756</u>
SCHEDULE-13		
SALES		
Finished Goods	1,171,501,709	962,558,394
Waste & Scrap and Runner Risers	38,356,706	7,692,319
Goods Traded through Stock Yards	166,620,225	292,659,660
TOTAL	<u>1,376,478,640</u>	<u>1,262,910,373</u>
SCHEDULE-14		
INCOME FROM ROYALTY		
Cement Segment	2,930,577	948,280
Steel Segment	36,553,714	9,488,464
TOTAL	<u>39,484,291</u>	<u>10,436,744</u>

	2005-2006 Amount in Rs.	2004-2005 Amount in Rs.
SCHEDULE-15 OTHER INCOME		
Interest Received	464,298	102,957
Commission received on Consignment	1,719,221	1,149,882
Compensation from Customers	1,030,808	—
TOTAL	<u>3,214,327</u>	<u>1,252,839</u>
SCHEDULE-16 DECREASE IN STOCK		
Closing Stock		
Finished Goods & Waste\Scrap	6,637,537	13,221,605
Stock in Process	800,538	927,931
Misc. Scrap (P&M)	884,550	786,650
	<u>8,322,625</u>	<u>14,936,186</u>
Less: Opening Stock		
Finished Goods & Waste\Scrap	13,221,605	13,871,463
Stock in Process	927,931	825,672
Misc. Scrap (P&M)	786,650	501,151
Goods In Transit	—	175,632
	<u>14,936,186</u>	<u>15,373,918</u>
TOTAL	<u>(6,613,561)</u>	<u>(437,732)</u>
SCHEDULE-17 RAW MATERIALS CONSUMED		
Opening Stock	35,872,660	17,502,619
Add: Purchases	784,852,325	686,454,851
	<u>820,724,985</u>	<u>703,957,470</u>
Less: Closing Stock	7,409,155	35,872,660
TOTAL	<u>813,315,830</u>	<u>668,084,810</u>
SCHEDULE-18 COST OF GOODS TRADED		
Opening Stock	2,164,481	254,390
Add: Purchases	153,799,577	282,163,379
	<u>155,964,058</u>	<u>282,417,769</u>
Less: Closing Stock	854,763	2,164,481
TOTAL	<u>155,109,295</u>	<u>280,253,288</u>
SCHEDULE-19 MANUFACTURING EXPENSES		
Power & Fuel charges	136,963,637	135,771,271
Stores &, Spares	10,364,490	14,413,784
Repair & Maintenance (Plant & Machinery)	3,909,292	3,873,601
Excise Duty on Closing Stock	842,064	1,723,550
TOTAL	<u>152,079,484</u>	<u>155,782,206</u>

	2005-2006 Amount in Rs.	2004-2005 Amount in Rs.
SCHEDULE-20		
PERSONNEL COST		
Salary,Wages,Bonus, Gratuity, Overtime etc.	5,635,092	5,330,557
Contribution to Provident Fund	183,791	182,762
Contribution to Employee State Insurance	80,552	80,108
TOTAL	5,899,435	5,593,427
SCHEDULE-21		
ADMINISTRATIVE & OTHER EXPENSES		
Travelling & Conveyance	483,362	597,102
Directors' Remuneration	2,130,000	1,768,000
Keyman Insurance	2,278,164	2,262,431
Insurance Charges	683,520	379,000
Printing & Stationery	126,783	112,042
Postage, Telephone & Telegram	2,803,681	2,609,821
Auditors' Remuneration	95,000	68,000
Legal & Professional Charges	1,046,287	575,548
Miscellaneous Expenses	698,232	576,390
Vehicle Running & Maintenance	374,003	309,751
Rent, Fee & Taxes	3,377,930	1,161,551
Repair & Maintenance (Others)	26,650	11,785
Repair & Maintenance (Building)	63,903	63,683
Loss on sale of vehicles	1,009,629	—
Donation	114,100	30,100
Subscription & Membership Fees	57,610	86,550
Wealth Tax	22,802	39,155
TOTAL	15,391,656	10,650,909
SCHEDULE-22		
SELLING & DISTRIBUTION EXPENSES		
Freight & Forwarding Expenses	8,777,127	3,997,690
Rebate & Discount	461,990	276,759
Advertisement	24,641,788	11,427,874
Commission on Sales	2,626,848	2,186,974
Sales Promotion	383,580	673,417
Packing Material	186,789	190,274
Sales Tax Under Composition Scheme	9,959,955	—
TOTAL	47,038,078	18,752,988
SCHEDULE-23		
FINANCIAL EXPENSES		
Bank & Other Financial Charges	1,173,641	507,670
Interest on :		
Working Capital Loan	1,942,436	1,743,124
Term Loans	2,219,013	2,522,480
Others	1,531,853	1,158,984
TOTAL	6,866,943	5,932,258

SCHEDULE-24**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting**

The financial statements are prepared under historical cost convention on a going concern basis in accordance with the applicable accounting standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amount reported in the financial statement and notes thereto. Differences between actual and estimates are recognized in the period in which they materialize.

3. Fixed Assets

Fixed Assets are stated at cost. Cost includes installations charges and expenditures during the implementation period wherever applicable.

4. Depreciation

Depreciation on fixed assets has been provided on straight-line method at the rate prescribed under Schedule XIV of the Companies Act, 1956 on pro-rata basis. However, Lease Hold Land at Bhiwadi taken for 99 years has not been amortised. The amount of depreciation on fixed assets of Orissa project has been charged to Pre-operative Expenses.

5. Investment

Investments are of long term nature valued at cost. Profit & Loss is being accounted for on actual realization.

6. Inventories

(a) Raw Materials, Stores & Spares, Packing Materials, Fuels, Finished Goods and Stock in process are valued at cost or net realizable value, whichever is less (b) Wastes & Scrap and Runner & Riser are valued at net realizable value (c) Goods in transit are carried at cost.

7. Sales

Sales are stated net of sales returns.

8. Revenue Reorganization

i) Revenue from sales are recognized when title passes to the customers.

ii) Interest income is recognized on time proportion basis.

iii) Revenue from royalty are recognized as and when goods sold by the franchisee units.

9. Excise Duty/ Cenvat

Excise Duty is accounted for on the basis of both payments made in respect of goods cleared and also provisions made for goods lying in stock. Cenvat claimed on plant & machinery is reduced from the cost of plant & machinery. Cenvat claimed on purchase of raw materials and other materials reduced from the cost of such materials.

10. Sales Tax

Sales Tax under composition scheme for re-rolled products of Mild Steel-2005 of Rajasthan Government, has been charged to Profit & Loss account.

11. Employee Retirement Benefit

Company's contribution to Provident Fund and Employee State Insurance are charged to Profit & Loss Account.

12. Provisions for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing difference" between book profit and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the date of balance sheet. The deferred tax liability is recognized and carried forward only to the extent that there is a reasonable certainty that the same will be realized in future.

13. Miscellaneous Expenditure

- i) Expenses for increasing of authorized share capital incurred after 31.03.1998 are being written off over a period of 5 years.
- ii) Preliminary & Pre-Operative expenses incurred during the year for the new project at Orissa will be written off/ allocated to fixed assets after commencement of Commercial production.
- iii) Deferred Revenue Expenses are being written off in proportion of available benefits over a period of time.
- iv) Public issue expenses will be written off in five equal installments starting from the year in which public issue is floated.

14. Provisions , Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

B. NOTES TO THE ACCOUNTS

1. The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary. Accordingly, amounts and other disclosure for the preceding year are included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year.
2. During the year, the company has raised Rs 918.68 Lacs upto 31st March, 2006 through promoters contribution in proposed public issue floated on 3rd April, 2006, which has been deployed as follows:

Deployment of Funds	(Rs in Lacs)
Working Capital	859.08
Public Issued Expenses	56.33
Miscellaneous Assets	0.41
Balance with Bank in IPO Account	2.86
	<u>918.68</u>

3. The amount due to small scale industrial undertakings exceeding rupees one lac each party & outstanding exceeding 30 days is Rs. 38.05 Lacs (Previous year Rs.47.03 Lacs), due to J.R.Alloys (P) Ltd., Naman Casting (P) Ltd. and Raghuvveer Metal Ind.Ltd.
4. Some of the balances of sundry debtors, creditors, advances and unsecured loan as on 31.03.2006 are subject to confirmation. The balance of sundry debtors and creditors are arrived after netting of advance from debtors Rs.230.17 Lacs (Previous Year Rs.126.02 Lacs) and advance to creditors Rs.513.13 Lacs (Previous year Rs.318.61 Lacs) respectively.
5. So far only twenty eight employees have completed the qualifying period of service, under the provisions of Payment of Gratuity Act, 1972, therefore accruing liability of Rs.3.26 Lacs (Previous Year Rs.2.84 Lacs) has been provided as on 31.03.2006. The estimated accrued amount of gratuity to the employees who have not yet completed qualifying period of service as on 31.3.2006 is worked out to Rs.0.59 Lac (Previous Year Rs 0.66 Lac).
6. Auditors Remuneration includes fees in respect of:

	<u>Rs in Lacs</u>	<u>Rs in Lacs</u>
	<u>2005-2006</u>	<u>2004-2005</u>
a) Statutory Audit	0.60	0.33
b) Tax Audit	0.23	0.17
c) Secretarial Matters	—	0.08
d) Tax Matters	0.12	0.10
Total	<u>0.95</u>	<u>0.68</u>

7. Remuneration paid/payable to whole time directors and managing director during the year are Rs.21.30 Lacs (Previous Year Rs.17.10 Lacs).
8. Contingent liabilities on account of pending appeals of Income Tax, Excise Duty, Sales Tax assessment Rs.159.27 Lacs (Previous Year Rs.47.10 Lacs) have not been provided in the accounts.
9. Prior Period Items:
 - i) Interest received on security includes Rs.1.94 Lacs from Jaipur Vidyut Vitran Nigam Limited which is related to earlier year but accounted for in the current financial year.
 - ii) Rent, Fee and Taxes includes Rs.2.27 Lacs related to earlier year but provided for in the current financial year.

10. The Cash flow Statement has been prepared in accordance with the requirements of Accounting Standard-3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.

11. Calculation of EPS as per Accounting Standard-20 "Earning Per Share" issued by the ICAI

	2005-2006	2004-2005
Profit attributable to equity shareholder.(Rs) (A)	2,55,91,769	1,73,12,067
Number of Equity Shares (B) (on weighted average basis)	58,47,316	53,20,000
Basic Earning Per Share (Rs)	4.38	3.25
Nominal value per share (Rs)	10/-	10/-

12. Deferred Tax Liabilities as per Accounting Standard -22 issued by the ICAI:

Particulars	Amount in Rs. As on 31.03.2006	Amount in Rs. As on 31.03.2005
A. Deferred Tax Assets		
Provision for Gratuity	62,309	99,779
Provision for Bonus	—	19,213
TOTAL (A)	62,309	118,992
B. Deferred Tax Liabilities		
Difference in WDV as per Income Tax Act and Companies Act.	79,63,090	82,38,726
TOTAL (B)	79,63,090	82,38,726
Net Deferred Tax Liabilities {A-B}	79,00,781	81,19,734

13. As per Accounting Standard-17 "Segment Reporting" issued by ICAI, the Company has identified two reportable business segments viz. Sales (Construction Products) and Royalty. Segments have been identified and reported taking into account the nature of differing risk & returns and the internal business reporting systems. The accounting policies adopted for the segment reporting are in line with the accounting policy of the company with following additional policies for segment reporting:

- Revenue and Expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and Expenses which could not be allocable to a specific segment are being disclosed separately as un-allocable.
- Segment Assets and Segment Liabilities represent assets and liabilities in respective segment. Investments, tax related assets, other assets and liabilities that cannot be allocated to a segment on a reasonable basis have been disclosed as "Un-allocable".

Particulars	Sales		Royalty		Un-allocable		(Amount Rs in Lacs) Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Segment Revenue								
Turnover	13764.79	12629.10	394.84	104.37	—	—	14159.63	12733.47
Less: Excise Duty	1684.53	956.97	—	—	—	—	1684.53	956.97
Net Turnover	12080.26	11672.13	394.84	104.37	—	—	12475.10	11776.50
Segment Results								
Profit before Interest & tax	544.52	491.92	176.38	23.63	—	—	720.90	515.55
Less: Interest					56.93	54.24	56.93	54.24
Less: Un-allocated Expenditure net of Income					262.50	198.22	262.50	198.22
Profit before Tax							401.47	263.09
Tax Expenses								
Current Tax					143.52	87.54	143.52	87.54
Deferred Tax					(2.18)	4.37	(2.18)	4.37
Fringe Benefit Tax					3.11	—	3.11	—
Net Profit After Tax							257.02	171.18
Less: Provision for earlier years							1.10	(1.94)
Profit for the year							255.92	173.12
-Segment Assets	3209.05	2885.51	129.48	43.08	294.71	126.42	3633.24	3055.01
-Segment Lib	838.51	1277.83	18.31	8.27	—	—	856.82	1286.10
-Depreciation	73.19	69.95	—	—	—	—	73.19	69.95
-Non Cash Exps. Other than dep.	19.53	1.11	—	—	—	—	19.53	1.11

14. As per Accounting Standard-18 "Related Party Disclosures" issued by The Institute of Chartered Accountants of India, the disclosure of transactions with the related parties as defined in the Accounting Standard are given below:

Nature of Transactions	Key Mgt. Personnel		Others	
	2005-06 Rs in Lacs	2004-05 Rs in Lacs	2005-06 Rs in Lacs	2004-05 Rs in Lacs
Remuneration to KMP:				
Sh. Satish Kumar Agarwal	6.00	4.50	—	—
Sh. Pradeep Kumar Agarwal	6.00	4.50	—	—
Sh. Sunil Kumar Agarwal	6.00	4.50	—	—
Sh. Saurabh Agarwal	3.00	2.40	—	—
Sh. Sachin Agarwal	2.28	2.28	—	—
Purchase of Goods:				
M/s Raghuvveer Metal Ind. Ltd.	—	—	91.24	511.60
M/s Kamdhenu Industries Ltd	—	—	81.10	—
M/s Kali Metals (P) Ltd	—	—	145.84	—
Advance against Material:				
M/s Raghuvveer Metal Ind. Ltd.	—	—	125.00	—
Sales of Goods:				
M/s Kamdhenu Overseas (P) Ltd.	—	—	84.99	—
Rent:				
Smt Geeta Agarwal	—	—	0.96	—
Sh. Pradeep Agarwal (HUF)	—	—	0.96	—
Notes of related parties and description of relationship				

Nature of Relationship	Name of Related Party
Key Management Personnel	Sh. Satish Kumar Agarwal, Managing Director Sh. Pradeep Kumar Agarwal, Whole Time Director Sh. Sunil Kumar Agarwal, Whole Time Director Sh. Saurabh Agarwal, Whole Time Director Sh. Sachin Agarwal S/o Sh. Satish Kumar Agarwal
Others-Associate Company	M/s Raghuvveer Metal Ind. Ltd., Kamdhenu Industries Ltd.
- Associate Company	Kamdhenu Overseas (P) Ltd., Kali Metal (P) Ltd.
- Relative of Director	Smt. Geeta Agarwal, M/s Pardeep Agarwal (HUF)

15. As per Accounting Standard-28 "Impairment of Assets" issued by ICAI, there are no indication of overall impairment in assets and the need to make an estimation of recoverable amount does not arise.

16. Additional information pursuant to provisions of paragraph 3 & 4 of part II of Schedule VI of the Companies Act, 1956.

A. DETAILS OF LICENCED & INSTALLED CAPACITY AND ACTUAL PRODUCTION:

B. Name of the Product	CTD/TMT BAR & INGOT (Qty in M.T.)	
	2005-2006	2004-2005
Licensed Capacity	N.A.	N.A.
*Installed Capacity CTD/TMT Bars	54,000	36,000
*Installed Capacity Ingot	22,500	22,500
#Actual Production (Bar)	49,159	40,271
#Actual Production (Ingot)	12,780	15,606

* Installed capacity has been re-assessed by the management during the year after increasing the speed of finishing mill. It is certified by the management and being a technical matter relied upon by the Auditor.

Actual production of Bars includes 1178 MT (Previous Year 1636 MT) of Waste & Scrap and Actual production of Ingot includes 742 MT (Previous Year 801 MT) of Runner & Risers.

C. VALUE OF OPENING STOCK, CLOSING STOCK AND TURNOVER OF GOODS PRODUCED:

Year	Particulars	Opening stock	Closing Stock	Turnover
2005-06	Bar and Waste & Scrap	595.42 MT	279.76 MT	49474.35 MT #
		129.91 Lacs	64.02 Lacs	11834.23 Lacs
	Ingot & Runner/Riser	13.99 MT	16.91 MT	12777.14 MT#
		2.31 Lacs	2.36 Lacs	264.35 Lacs
Stock-in-Process	50.00 MT(504 Pcs)	50.00MT (504 Pcs)	NIL	
	9.28 Lacs	8.01 Lacs	—	
2004-2005	BARS & WASTE & SCRAP	832.30 MT	595.42 MT	40508.12 MT #
		130.40 Lacs	129.91 Lacs	9643.68 Lacs
	Ingot & Runner/Riser	55.21 MT	13.99 MT	15646.86 MT#
		8.32 Lacs	2.31 Lacs	58.81 Lacs
Stock-in-Process	50.00 MT(504 Pcs)	50.00MT (504 Pcs)	NIL	
	8.26 Lacs	9.28 Lacs	—	

Note : 1. # Quantity of Turnover of Bars & Waste & scarp included captive consumption of qty 490.00 MT (Previous Year 1486.23 MT) of Waste & Scarps.

2. #Quantity of Turnover of Ingot & Runner/Riser includes captive consumption of Ingot and Runner & Riser 11549.59 MT and NIL (Previous year 14855.14 MT & 386.38 MT) respectively.

D. DETAILS OF GOODS TRADED IN

Year	Opening stock	Purchase	Sales	Closing Stock
2005-06	QTY IN M.T	AMOUNT (IN LACS)	QTY IN M.T	AMOUNT (IN LACS)
	CTD\TMT BAR	—	5890.96 MT	5856.65 MT
M.S.Scrap	—	1370.32 Lacs	1447.34 Lacs	8.45 Lacs
	178.13 MT	1389.86 MT	1567.99 MT	—
P.O.P	21.64 Lacs	167.21 Lacs	218.13Lacs	—
	—	38.00 MT	30.00 MT	8.00 MT
2004-05	—	0.46 Lac	0.73 Lac	0.10 Lac
	CTD\TMT Bar	11.11 MT	11206.46 MT	11217.57 MT
M S Scrap	2.54 Lacs	2768.04 Lacs	2889.04 Lacs	—
	—	433.62 MT	255.49 MT	178.13 MT
P.O.P	—	53.59 Lacs	37.56 Lacs	21.64 Lacs
	—	—	—	—

E. DETAILS OF RAW MATERIAL CONSUMED

	2005-2006		2004-2005	
	QTY IN M.T	AMOUNT (Rs. In Lacs)	QTY IN M.T	AMOUNT (Rs. In Lacs)
M.S INGOT/ BILLETS	50309.04	6435.07	41247.18	4863.74
M.S .SCARP /SPONGE	15009.81	1698.09	18536.49	1817.11

Note : 1. Qty of M.S.Ingot Consumption includes 11549.59 MT (Previous year 14855.10 MT) used as Captive Consumption

2. Qty of MS Scrap/Sponge Consumption includes NIL(Previous Year 386.38 MT) of R/R and 490.00 MT Previous Year 1486.23 MT) of Waste & Scrap used as Captive Consumption.

F. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS, STORES & SPARES CONSUMED AND PERCENTAGE THEREOF:

Particulars	2005-2006		2004-2005	
	Amount (Rs. in Lacs)	%	Amount (Rs. in Lacs)	%
Raw Material				
Imported	241.71	2.97 %	156.71	2.35%
Indigenous	7891.45	97.03 %	6524.14	97.65%
Store & Spares				
Imported	NIL	NIL	NIL	NIL
Indigenous	103.64	100%	144.13	100%

G. CIF value of raw materials Rs.256.84 Lacs (Previous Year Rs.147.99Lacs) imported through third party. The payments have been made by the company in Indian rupees.

H. Expenditure on employees in respect of remuneration in the aggregating not less than Rs. 24,00,000/- P.A if employed through out the year or not less than Rs.2,00,000/- P.M., if employed for part of the Year is NIL (Previous Year NIL).

Schedule "1 to 24" form integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated as such.

Signature to Schedule "1 to 24"
In term of our report of even date,

For S. Singhal & Co.
Chartered Accountants

(Satish Kumar Agarwal)
Managing Director

(Pradeep Kumar Agarwal)
Whole Time Director

(Sunil Kumar Agarwal)
Whole Time Director

(R.K. Gupta)
Partner

(Saurabh Agarwal)
Whole Time Director

(Harish Kumar Agarwal)
Chief Financial Officer

(Arvind Gupta)
Company Secretary

Place : Gurgaon
Dated : 15.07.2006

BALANCE SHEET AND COMPANY'S GENERAL BUSINESS PROFILE

(In term of amendment VI Part IV)

I. REGISTRATION DETAILS:

Registration Number

State Code

Balance Sheet Date
II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousand):

Public Issue

Rights Issue

Bonus Shares

Private Placement
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousand):

Total Liabilities

Total Assets
SOURCES OF FUNDS

Paid-up Capital (incl. share appl. money)

Reserves and Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liability (Net)
APPLICATION OF FUNDS

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure
IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousand):

Total Turnover/Income

Total Expenditure

+ / - Profit/Loss Before Tax

+ / - Profit/Loss After Tax

Earnings Per Share in Rs.

Dividend Rate %
V. GENERIC NAME OF THE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY :

(As per Monetary Terms)

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description
For S. Singhal & Co.
Chartered Accountants

(Satish Kumar Agarwal)
Managing Director

(Pradeep Kumar Agarwal)
Whole Time Director

(Sunil Kumar Agarwal)
Whole Time Director

(R.K. Gupta)
Partner

(Saurabh Agarwal)
Whole Time Director

(Harish Kumar Agarwal)
Chief Financial Officer

(Arvind Gupta)
Company Secretary

Place : Gurgaon
Dated : 15.07.2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

PARTICULAR	2005- 2006 Amount (Rs)	2004- 2005 Amount (Rs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	40,146,685	26,308,816
Adjustments for:		
Depreciation/Amortisation	7,319,487	6,995,423
Loss on sale of Fixed Assets	1,009,629	—
Preliminary & Capital Increasing Exps w/off	944,002	111,307
Interest & Finance Charges	6,866,943	5,932,258
Operating Profit before Working Capital Changes	56,286,746	39,347,804
Adjustments for		
Trade & Other Receivables	(62,836,721)	(87,817,770)
Inventories	35,894,162	(23,409,386)
Trade Payables & Other Liabilities	(42,928,139)	54,916,546
Deferred Revenue Expenditures	—	(589,902)
Cash Used/Generation from Operation		
Interest Paid	(324,177)	(225,176)
Direct Taxes Paid	(14,663,808)	(8,753,884)
Cash Flow before Exceptional Items	28,571,937	(26,531,768)
Excess Provision written back	(110,061)	193,635
Net Cash/ (Used in) from Operating Activities (a)	(28,681,998)	(26,338,133)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(11,166,286)	(11,605,745)
Sale of Fixed Assets	732,000	—
Sale of Investments	—	190,000
Investments	(12,000,000)	—
Preliminary & Pre-Operative Expenses paid	(1,332,893)	(2,200,616)
Net Cash (used in) / from Investing Activites (b)	(23,767,179)	(12,060,659)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest & Finance Charges	(6,542,766)	(5,707,082)
Proceed from issue of Share Capital	8,910,660	—
Share Application Money Received	69,590,850	22,276,650
Share premium	13,365,990	—
Long Term Borrowings/Repayments (Net)	(6,845,814)	2,339,679
Short Term Borrowings/Repayments (Net)	(3,796,520)	2,537,683
Repayment /Received of Unsecured Loan	(5,847,074)	20,900,888
Authorised Share Capital Increase Expenses	(1,560,000)	(965,800)
Public Issue Exps	(7,045,092)	—
Net Cash (used in) / from Financing Activites (c)	60,230,234	41,382,018
Net Change in Cash & Cash Equivalent (a+b+c)	7,781,057	2,983,226
Cash & Cash Equivalent (Opening Balance)	10,313,639	7,330,413
Cash & Cash Equivalent (Closing Balance)	18,094,696	10,313,639

In term of our report of even date,

For S. Singhal & Co.
Chartered Accountants

(Satish Kumar Agarwal)
Managing Director

(Pradeep Kumar Agarwal)
Whole Time Director

(Sunil Kumar Agarwal)
Whole Time Director

(R.K. Gupta)
Partner

(Saurabh Agarwal)
Whole Time Director

(Harish Kumar Agarwal)
Chief Financial Officer

(Arvind Gupta)
Company Secretary

Place : Gurgaon
Dated : 15.07.2006



KAMDHENU ISPAT LIMITED
5/2-PUNJABI BAGH EXTENTION, NEW DELHI -110026

ATTENDANCE SLIP

12th ANNUAL GENERAL MEETING - 22ND SEPTEMBER, 2006 AT 10.00 A.M.

Reg. Folio No.....

Client ID No.....

DP ID No.....

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the 12th ANNUAL GENERAL MEETING of the Company at **Radha Farms, Palla Bakhtawarpur Road, Near G.T. Karnal Highway, Delhi** on **Friday, the 22nd Day of September, 2006** at **10.00 A.M**

.....
Member's/ Proxy's name in BLOCK Letters

.....
Member's/Proxy's Signature

Note : Please fill this attendance Slip and hand it over at the ENTRANCE GATE



KAMDHENU ISPAT LIMITED
5/2-PUNJABI BAGH EXTENTION, NEW DELHI -110026

FORM OF PROXY

I/We
of in the district of
being a member/members of the above named company hereby appoint
..... of
in the district of
or failing him of in the district of
as my/our proxy to vote for me/us on my/our behalf at the 12th ANNUAL GENERAL MEETING of the Company to be held on 22nd September, 2006 and at any adjournment thereof.

Signed this day of 2006

Affix a
Re 1
Revenue
Stamp

Signature

Reg. Folio No./Client ID No. & DP ID No.

NOTE :

This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the time fixed for the meeting.

BOOK - POST

If undelivered please return to:-

KAMDHENU ISPAT LIMITED

5/2-PUNJABI BAGH EXTENTION, NEW DELHI -110026