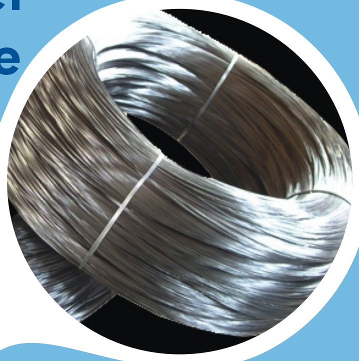
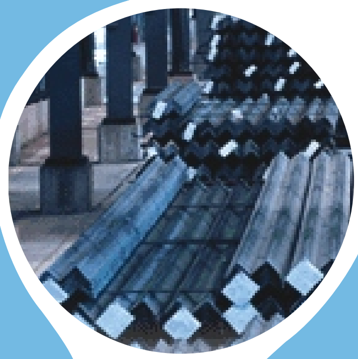
Steel
Wire



Captive
Power

Steel
Billet



Sponge
Iron

Coal &
Iron Ore

GODAWARI POWER AND ISPAT LTD

Annual Report 2007

Contents

About Us

Godawari Power and Ispat Ltd (GPIL) is a flagship Company of the Raipur-based Hira Group of Industries, which has a dominant presence in the long products segment of the Steel industry. The group has interests in various segments of the core sector (steel) of the economy, viz. ferro alloys; sponge iron, steel billets, wire rods, steel wires, power generation, coal beneficiation and mining (iron ore and coal).

The company (GPIL) has come a long way since it started out in Raipur, Chattisgarh as a sponge iron manufacturer in the year 2001. Over the last five years, the company has scaled up its capacity five fold and is today the third largest producer of sponge iron in India and is one of the largest players in the mild steel wires segment. Not only has the company increased its scale during the aforesaid period, it has also moved up the value chain.

Today, GPIL is an end-to-end manufacturer of mild steel wires. In the process, the company manufactures sponge iron, billets, ferro alloys, power, wires rods (through subsidiary company) and steel wires. GPIL was recently awarded rights to mine iron ore and coal for captive consumption, as a result of which the company has managed to traverse the entire value chain (raw material to final product) in steel wires and is now a fully integrated manufacturer.

Our Journey so far...

2007

The second phase of expansion project culminates, catapulting GPIL into the big league of sponge iron and steel wire manufacturers. GPIL acquires the remaining 48.5% stake in R. R. Ispat thereby making it a 100% subsidiary.

2006

The first phase of GPIL's expansion plan gets completed. The second phase of the expansion plan is taken up by GPIL. This phase entails expansion of sponge iron capacity (by 260,000 tonnes), steel billets (150,000 tonnes) and captive power generating capacity (by 25 MW). The allotment of captive coal mines was received from Ministry of Coal, Govt of India.

GPIL successfully completed it's initial public offering and it's shares got listed on the BSE and the NSE on 25th April 2006.

GPIL's first WRBH captive power plant (capacity - 7 MW) also became the first one in the world to be registered with CDM Executive Board for entitlement of carbon credits under the Kyoto Protocol.

2005

The name of the Company was changed to Godawari Power & Ispat Ltd. The company acquired a 51.5% stake in RR Ispat (manufacturer of wires), thereby making its presence across the value chain. During the year, GPIL was also allotted captive iron ore mines in Chattisgarh and was short listed in a consortium for allotment of coal mines in Chattisgarh.

2004

GPIL undertook the first phase of its expansion plan for sponge iron (130,000 tonnes), steel billets (100,000 tonnes) and captive power generation (10 MW). This also included setting up new facilities to manufacture ferro alloys (16,500 tonnes) and HB Wire (60,000 tonnes), the first big step towards moving up the value chain.

2003

The initial project to manufacture sponge iron (capacity – 105,000 tonnes), billets (100,000 tonnes) and generate captive power (18MW) becomes fully operational. During the same year, the company also received a prospecting license to mine iron ore in Chattisgarh.

2001

Commercial operations begin at the company's Sponge Iron plant with an annual capacity of 105,000 tonnes.

1999

Incorporation of the company as Ispat Godawari Ltd with an objective to set-up facilities to manufacture sponge iron, billets, and generate captive power.

Company Information

BOARD OF DIRECTORS	Mr. O.P. Agrawal	Chairman
	Mr. B.L. Agrawal	Managing Director
	Mr. N.P. Agrawal	Non Executive Director
	Mr. Dinesh Agrawal	Executive Director
	Mr. Dinesh Gandhi	Director – Finance
	Mr. B.P. Singh	Director Administration
	Mr. Divesh Nath	Independent Director
	Mr. Kapil Agrawal	Independent Director
	Mr. G. B. Desai	Independent Director
COMPANY SECRETARY	Mr. Y.C. Rao	Compliance Officer
AUDITORS	M/s. O.P. Singhania & Co. Chartered Accountants, Raipur	
BANKERS	Canara Bank	State Bank of India
	UTI Bank	Bank of Baroda
	ICICI Bank	
REGISTERED OFFICE	Plot No.428/2, Phase I, Industrial Area, Siltara – 493 111, Dist. Raipur, Chhattisgarh, India Tel: +91 – 07721 – 406130/31 Fax: 264341/403701	
CORPORATE OFFICE	First Floor, Hira Arcade, Near New Bus Stand, Pandri, Raipur – 492 001, Chhattisgarh, India Tel.: +91 – 771 – 4282700 Fax: 405 7601	
MUMBAI OFFICE	Unit No.606, Town Centre, 6th Floor, Andheri Kurla Road, Andheri Saki Naka, Near Mittal Estate, Mumbai – 400 059, India. Tel: +91 – 22 – 28592621 / 22 / 23 Fax: +91 – 22 - 28592851	

From the MD's Desk

Fellow Shareowners,

Even as I pen this note, my very first to you, since our intial public issue in April 2006, profound thoughts cross my mind as it races back to 1999-00 and remind me of the classic saying, 'Fortune favours the brave'. That was indeed a difficult period when the steel industry was in a slump and our decision to set up facilities and embark on an ambitious program to manufacture steel billets was met with all round skepticism and rejection.

Steadfast in our resolve and confident that we would be proven right over time, we moved ahead with our project and set up manufacturing facilities, even as most banks turned their backs on us and refused to provide financial support. However, time, the ultimate judge, has now proven that our brave decision then, was the right one.

And today, when I present to you a brief review of our performance in FY2006-07, I am reminded of a quote by the late American President, Ronald Reagan, who presided over the successful culmination of the Cold War with the Soviet Bloc – "There are no such things as limits to growth, because there are no limits to the human capacity for intelligence, imagination and wonder".

Truly, if driven by a passion to excel, there can be no such things as limits to growth. A spotlight scan of our performance over the last six years is ample evidence of the same. Our sales between 2001 and 2007 have increased at an impressive average rate of 55 per cent per annum. Now, to sustain such a rate for over half a decade is an achievement in itself, the credit for which should really go to each and every member of GPIL' family which includes the management, officers, workers, customers, bankers, government authorities, vendors and now, public shareholders too.

Fiscal 2007 has indeed been a special one for us for three reasons. Firstly, on account of a healthy response to our public offer (the issue was oversubscribed 2.03 times) and a successful listing on the premier stock exchanges – the NSE and the BSE. Secondly, on account of the timely completion of the expansion projects announced at the time of our IPO and thirdly, ending yet another financial year with a robust performance, both in terms of growth in business and higher profitability.

Gross sales grew by 88.3 per cent to Rs.50,995 lac in fiscal 2007, complemented well by an equally robust profit performance. Profits at the operational level shot up by 121 per cent to Rs.8,158 lac and at the net level they went up by 132 per cent to Rs.5,221 lac.

The sharp upward spike in sales and profits can be attributed largely to higher volumes (thanks to additional capacities that were commissioned during the year) and a healthy improvement in realizations, which on an average, went up by around 10 per cent.

With the undercurrent in the economy remaining positive as evidenced by a 9.4 per cent growth in the country's Gross Domestic Product during Fiscal 2007, demand for steel and steel products remains quite healthy. Increased focus on infrastructure development and buoyant consumer demand are expected to keep the Indian economic growth engine in the fast track mode. The strong demand for basic infrastructure items like steel and cement is therefore expected to continue in the foreseeable future.

Notwithstanding the strong growth in demand for commodities like steel, there are real concerns over rising input costs (due to a large scale demand-supply gap in the international coal and iron ore market) and increased competition (owing to increased supply in the global market from the Chinese).

While the concerns are real, we believe companies with captive access to raw materials and a focus on value added products (especially long products) will be the ones that can successfully ride through the business cycles. Our strategy has been to fully integrate the company from mining of iron ore and coal to manufacturing finished wire, to ensure better margins.

The company has fulfilled almost all the formalities to start the mining operations for iron ore, production of which is expected to begin from the last quarter of the current financial year. Development of coal mines is progressing as per schedule and we expect to start our coal mining operations by 2009-10.

Further, we continue to invest significantly in our downstream business with a clear strategy of moving further into high value-added steel products (i.e. from sponge iron and billets to steel wires of various varieties such as carbon steel and power transmission wires, etc.). Not only will this strategy generate higher revenues and margins for us, but will also reduce some of the cyclicality that is inherent in the steel business.

Going forward, I am quite confident that our strategy to backward integrate and to move up the value chain will not only hold us in good stead but will also be one that adds significant value to our shareholder's wealth.

I sign off here, once again extending our gratitude to our personnel, customers, bankers, vendors, and above all, our shareholders for reposing their faith in us. We shall strive hard to live up to and exceed the expectations in times to come.

B.L.Agrawal
Managing Director

Our Business at a Glance

Segment	Capacity	Description and End Use
Sponge Iron	495,000 TPA	Sponge Iron is primarily used for manufacture of steel as a raw material and as a substitute for steel scrap. Surplus sponge iron, after captive use in steel billets production, is sold in the open market. Currently our billets capacity is inadequate to consume all of sponge iron. In fiscal 2007, this division contributed around 9% (Rs.4,674 lacs) to GPIL's topline. GPIL is the 3rd largest producer of coal-based sponge iron in the country. (Source – SIMA)
Steel Billets	400,000 TPA	Steel billets are primarily used for manufacturing of wire rods (from which steel wires are made), TMT bars, angles, channels, beams, etc. A major portion of GPIL's steel billets production is sold to its subsidiary and associate companies like R.R. Ispat and Hira Steel for conversion into wire rods. Currently, the biggest contributor in topline. Its share in total sales for the year FY07 was 53 % (Rs.27,140 lacs). After the recent expanded capacity (to 400,000 tonnes), surplus billets (after accounting for captive & subsidiary/associate supplies) will be sold in the open market.
Steel Wires	120,000 TPA	Steel wires find application in the infrastructure sector, mainly in construction, railways, power transmission, etc. GPIL makes mild steel wires through cold drawing process using steel wire rod, purchased from subsidiary company as a raw material. This division contributed around 27.4% (Rs.14,018 lac) to GPIL's topline in FY07. GPIL alongwith its subsidiary and associate companies is among the largest producers of mild steel wires in the country.

Our Business at a Glance

Segment	Capacity	Description and End Use
Ferro Alloys	16,500 TPA	Ferro alloys such as silico manganese, ferro manganese, etc. are used as additives in making steel along with sponge iron, scrap, etc Surplus production in ferro alloys is sold in the open market. Given the ongoing expansions, demand for ferro alloys remains healthy. This division contributed 5.8% (Rs.2,944 lac) to GPIL's topline in FY07.
Power Generation	53 MW	Electricity is one of the main inputs and one of the major cost components in the steel manufacturing process. Most of the electricity generated by GPIL is consumed captively. However, surplus power is sold to subsidiary / associate companies. For FY07, this segment contributed 0.4% to GPIL's topline. GPIL generates power through waste heat gases from sponge iron kiln, which qualifies for carbon credit under Kyoto protocol.
Oxygen Gas	1.1 million CUM Per Annum	Oxygen gas is one of the important inputs required during the steel manufacturing process. Most of oxygen produced from our gas plant is used captively while the surplus is sold.

Note: A large part of GPIL's capacities were commissioned recently, viz. sponge iron (by 260,000 tonnes), billets (150,000 tonnes), wires (60,000 tonnes) and captive power (25 MW), which have gone into production during current financial year, i.e. FY08.

As of 31-Mar-07, the six divisions mentioned above accounted for close to 98 per cent of GPIL's business. The remaining two percent is divided between sale of by-products (such as iron ore fines, char/dolochar, etc) and sale of carbon credits (Rs. 525 lac).

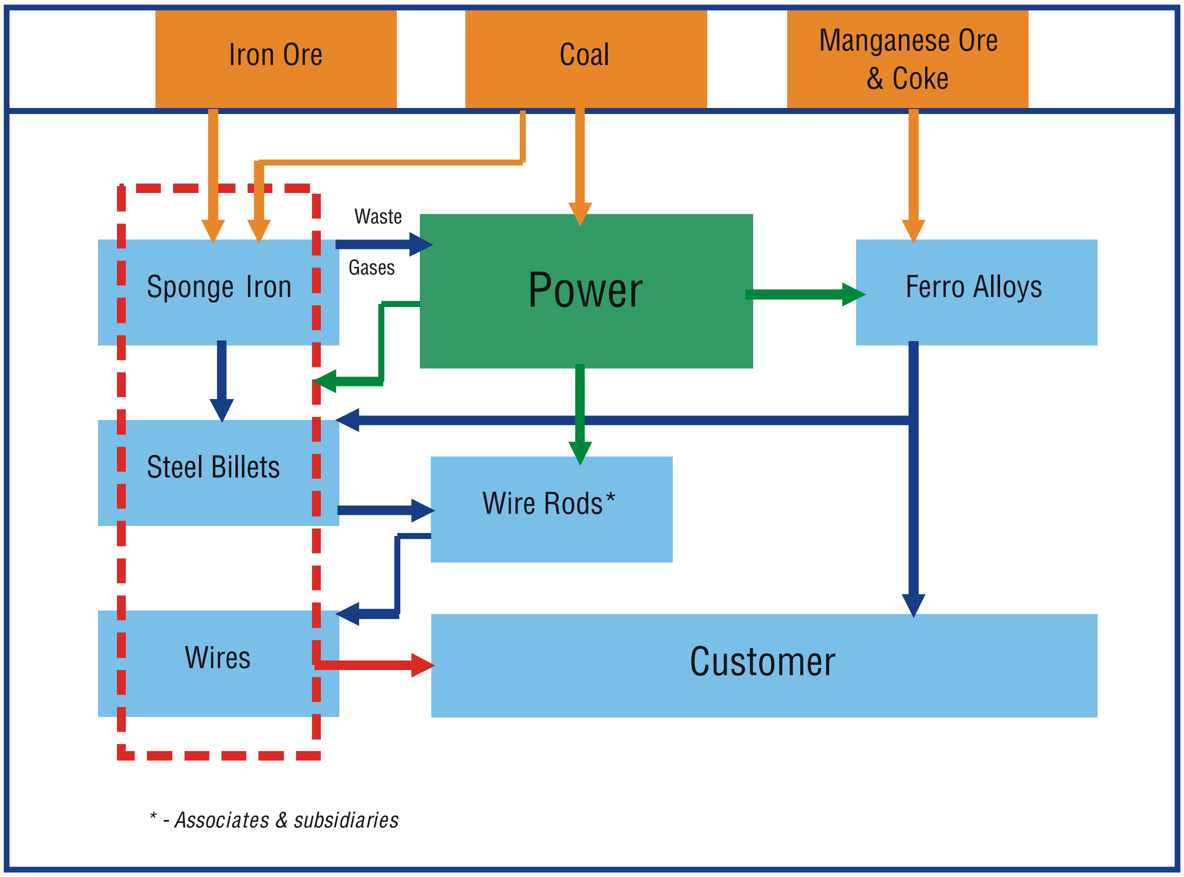
Our Business at a Glance

GPIL's business model includes manufacturing of sponge iron from iron ore and coal, electric power generation through waste hot flu gases from sponge iron plant, steel billets by using captive power and sponge iron, and then rolling of steel billets into wire rods through subsidiary Company and wire drawing from the wire rods.

GPIL, therefore, has a fully integrated value chain to manufacture mild steel wires from iron ore & coal, resulting into substantial value addition.

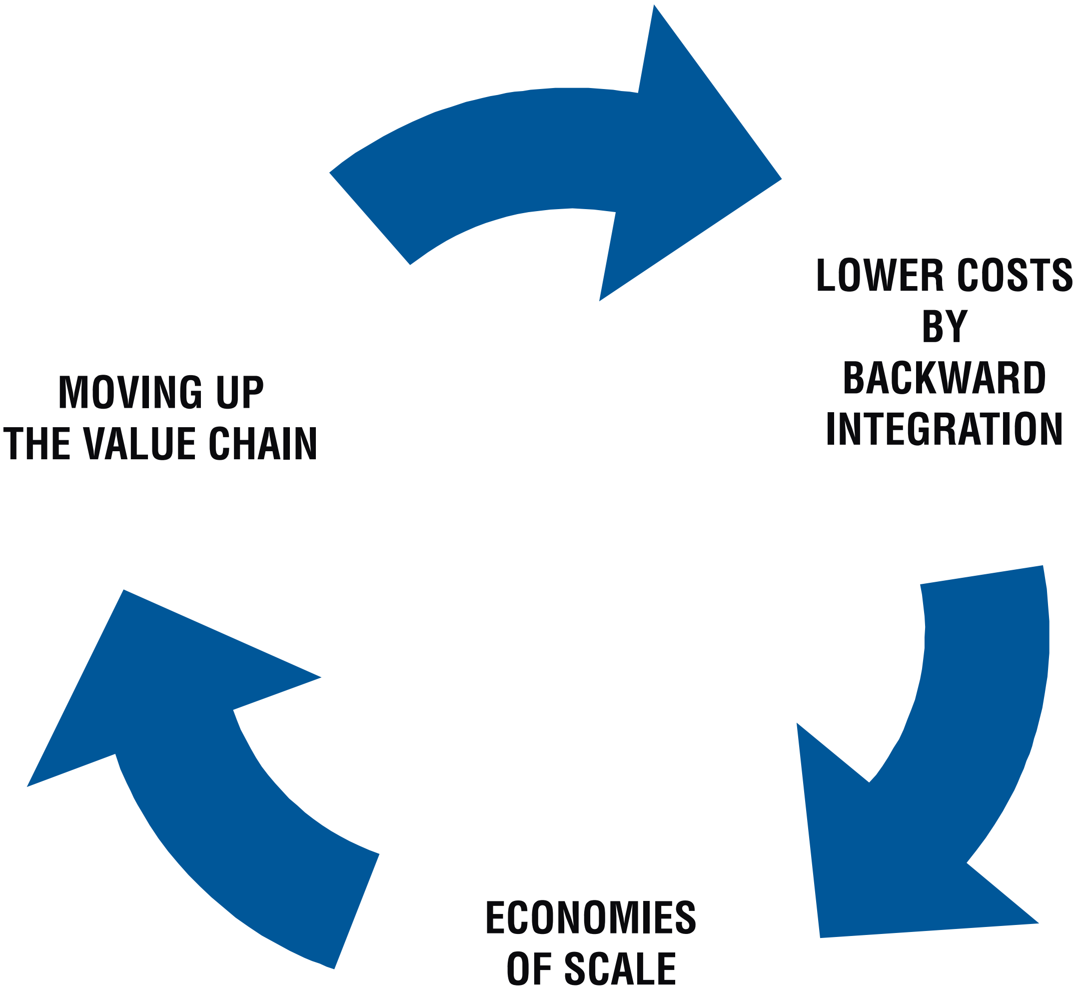
The value chain of the business operations of the Company is shown in flowchart given below:

An overview of our Business Model -



Creating Value – Our Business Strategy

Creating value is the central task of any responsible management of a company. Presented below is a pictorial depiction of our strategy which reflects our three pronged approach to Creating Value for our business.



Lowering Costs By Backward Integration

Captive Mines – Iron Ore and Coal

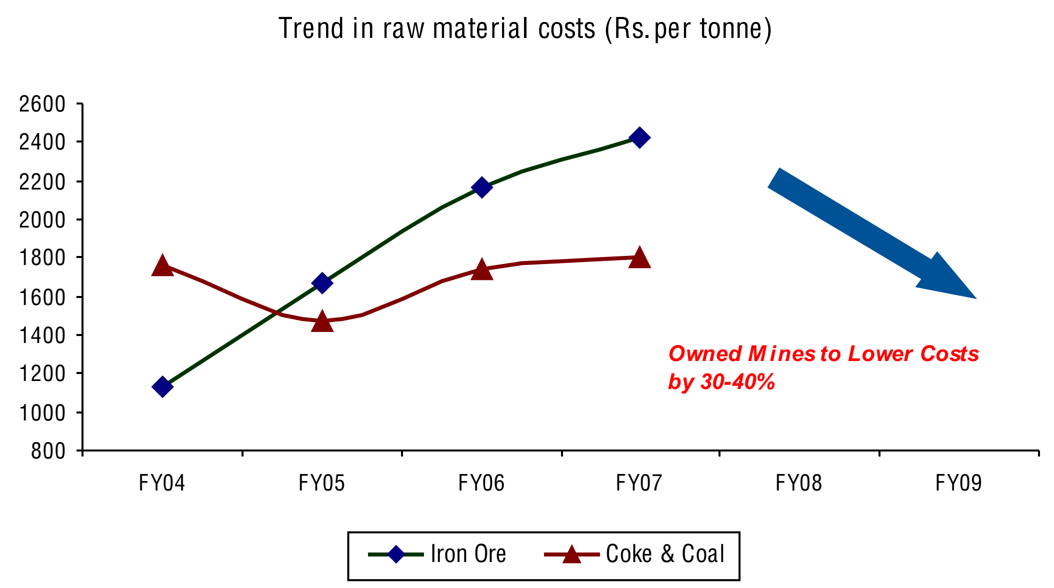
Iron ore and coal are the primary raw materials used in steel production. Prices of both these raw materials have witnessed a substantial jump in the last few years, driven primarily by surging global demand, especially from China, which now accounts for over a third of total world steel production. India is home to one of the world's largest iron ore (high quality) and non-cooking coal reserves, thereby making it an obvious raw material supplier of choice for leading steel manufacturers, including China.

Most of the integrated steel manufacturers in India like the Steel Authority of India and TISCO have their own mines, which gives them a cutting edge in terms of cost control. As a manufacturer of mild steel (sponge iron, billets and wires), GPIL's primary raw material requirements include iron ore and non-cooking coal. Taken together, they account for around 40 per cent of our operating costs.

The company has been awarded two iron ore mines (with estimated reserves of 15 million tonnes) and coal mines with reserves of 243 million tonnes in consortium (GPIL's share – 63 million tonnes). Almost all the necessary approvals for the iron ore mines have been received, except forest clearance, which is still awaited. It is quite likely that the company will start mining iron ore from the last quarter of fiscal 2008. The activities related to coal mines are progressing as per schedule and the company expects to start mining operations from fiscal 2010.

Use of captive iron ore and coal, will result in savings of about 30-40 per cent in raw material costs for the Company.

Furthermore, GPIL has set up captive power generation facilities with a capacity to generate 53 MW of power. **As a result, most of GPIL's power requirements will now be met indigenously, resulting into substantial savings in power costs, a major cost component in the manufacturing of steel billets & ferro alloys.**



Moving Up the Value Chain

Value added products – Carbon Steel Wires

GPIL has come a long way since starting out as a sponge iron manufacturer in Raipur, Chattisgarh. Today, it not only manufactures sponge iron, but also produces steel billets, ferro alloys and wires. Our manufacturing footprint also encompasses captive electricity generating capacities thereby making us self-sufficient in our power requirements, a key component of the steel manufacturing process.

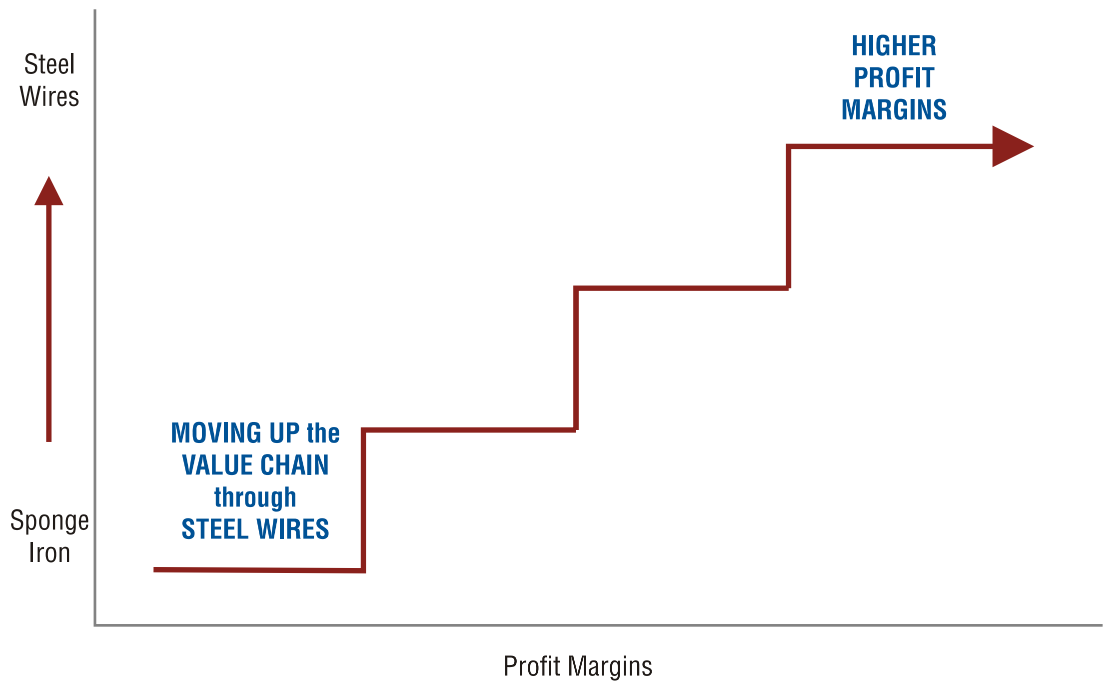
As mentioned in the previous section, GPIL will soon source raw materials – iron ore and coal from captive mines. Thus, the company will soon have fully integrated operations, covering the entire chain from iron ore to steel wire. However, as of now, a large part of our revenues come from steel billets and sponge iron, which are intermediate products. Steel billets and sponge iron are like commodities, whereas mild steel wires are value-added products.

As has been the case in the past, GPIL remains committed to its strategy of moving up the value chain. The focus over the next few years will therefore be towards increasing the share of the steel wires business vis-à-vis billet sales and sponge iron and thereby enhancing the operating margins.

The company intends to utilize a major portion of its upcoming sponge iron and billet producing capacity for captive purposes, i.e. towards manufacturing steel wires. And, given the ongoing infrastructure-led investment boom, and therefore a concurrent boom in construction activity, demand for steel wires is expected to remain robust.

Some of areas where mild steel wires (barbed or GI category) are used are: binding of tor steel in construction activities, fencing, gabions, netting, nail-making, among others.

The company also intends to get into other high value added products such as carbon steel wires and into manufacturing of power transmission wires. Demand for these products, especially the latter, is expected to be healthy given the kind of investments pouring into the power sector.



Gaining Economies of Scale

Capacity Expansion through the Organic route

GPIL's vision has been to integrate its operation by setting up facilities to cover the entire value chain (from raw material – iron ore and coal to final product – steel wires) and emerge as a fully integrated company in the steel wires segment. And, in view of growing demand and with full integration in place, GPIL embarked upon a massive expansion plan, which was funded partly by GPIL's initial public offer last year and partly by loans from banks.

Having created a low cost manufacturing base, the expansion plan was aimed at gaining benefits of economies of scale by raising sizeable manufacturing facilities. The new capacities are in place now, as indicated in the table below.

Division	Existing Capacity	Post-Expansion*	% Increase
Sponge Iron	235,000	495,000	110.6%
Steel Billets	250,000	400,000	60.0%
Ferro Alloys	16,500	16,500	0.0%
Wire Drawing	60,000	120,000	100.0%
Captive Power	28 MW	53 MW	89.3%

Note: Capacities in tonnes per annum
** - to be fully commisioned by Sep'07*

The commissioning of these capacities has catapulted GPIL among the largest manufacturers of sponge iron and steel wires (along with its subsidiaries) in India.

In future, GPIL intends to fully integrate operations and raise the overall steel wire manufacturing capacity to 0.5 million tonnes and thereafter enhance its finished steel manufacturing capacity to one million tonnes per annum. The Company signed an MOU with the Chattisgarh government in August 2004 to undertake an investment of Rs. 493 crore in steel and captive power generation capacities. The State Government would in turn (as per the MOU) facilitate obtaining the mining rights (for both iron ore and coal) and the necessary approvals from the appropriate state and central governments.

Besides this, the Company also intends to set up an iron ore palletisation plant as a backward integration to sponge iron. Iron ore pallets are used in manufacturing of sponge iron, which besides captive consumption, can be sold in the open market, especially to other sponge iron manufacturers.

Suitable plans towards the above shall be finalized in due course of time.

Addressing Key Risks

In a free-wheeling discussion, Mr. Dinesh Gandhi, GPIL's Director (Finance) addresses potential areas of concern. Hereunder are key excerpts from the discussion:

Group sales account for a significant portion of GPIL's revenues?

GPIL meets about 40 per cent of the steel billet requirements of its subsidiary and associate companies. These are essentially supporting companies for GPIL given that they manufacture wire rods and supply the same back to GPIL for conversion into steel wire, to be sold in the market. Further, these subsidiary/associate companies are not contractually bound to meet their requirements from GPIL, the company believes that its offering is quite competitive in terms of quality, price and delivery time AND thereby sees no major threat of this channel being plugged off.

Then, why are these not being merged with GPIL?

GPIL receives significant sales tax (VAT) benefits and merging these companies will result in a discontinuation of these benefits. As a result, the management decided to keep the subsidiary/associate companies as separate entities. However, over a period of time, GPIL has increased its direct stake in these companies and in the last fiscal; RR Ispat was converted into 100% subsidiary company by buying out equity from the promoters at book value. Further, purchase/ sales transactions undertaken between GPIL and its subsidiary/associate companies are done at market rates, thereby ensuring full transparency in our overall operations.

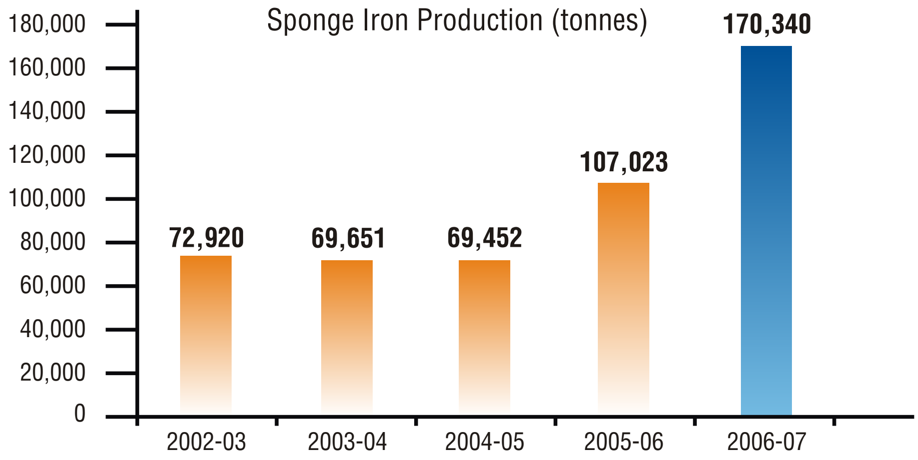
Marketing incremental produce and entry into newer markets remains a challenge, how is the company addressing this?

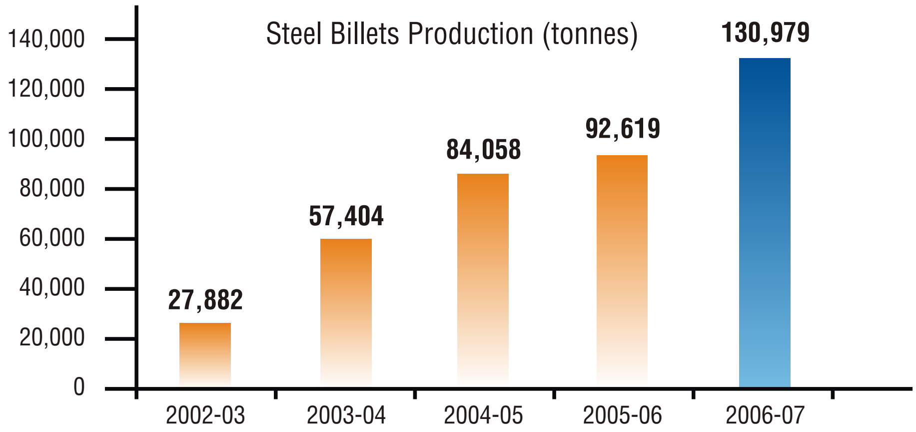
There are around 100 steel mills in and around Raipur, which consume close to two lac tonnes of mild steel (sponge iron and steel billets) per month. Further, there are several galvanizing and barbed wire manufacturing companies around this area too (consumers of steel wires). There is sufficient demand for our wires in Chhattisgarh alone. And, given that we are looking to expand our presence at a national level, our capacity expansions are actually being undertaken at an opportune time.

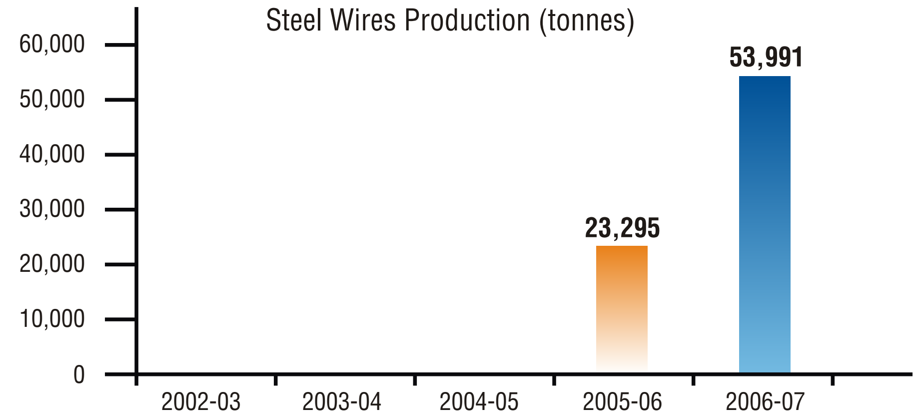
As per the MOU, GPIL is required to augment its finished steel manufacturing capacity to one million tonnes by FY12? When does the next phase of expansion begin? And, how will GPIL utilize the additional capacities?

The key in our expansion plans in full integration. Once we achieve that most of the intermediate products like sponge iron and steel billets will be used for captive purposes and our main focus then will be to sell finished steel products. With the Indian economy growing at around nine per cent per annum, demand for core sector products like steel and cement will remain strong and is expected to grow at around 8% per annum. The Company would announce the further capacity expansion plans in due course of time.

Operational Highlights

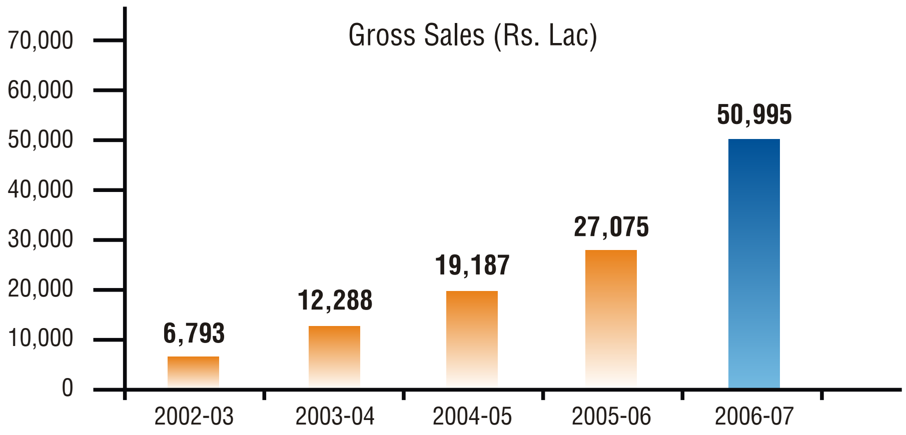


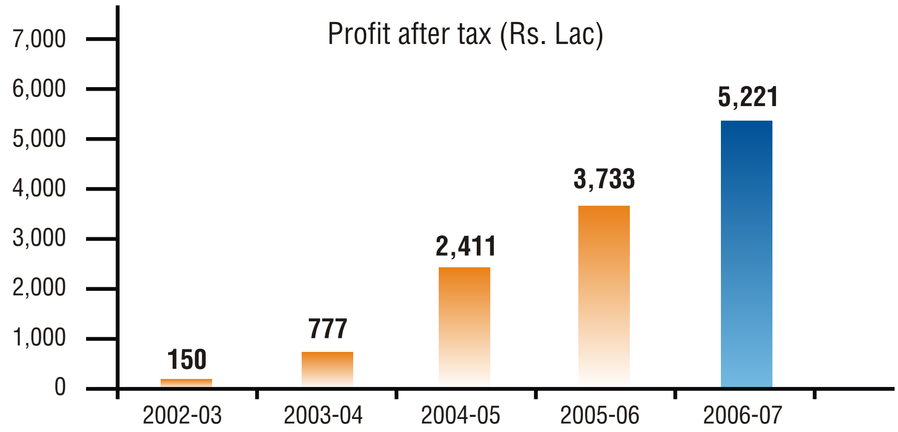


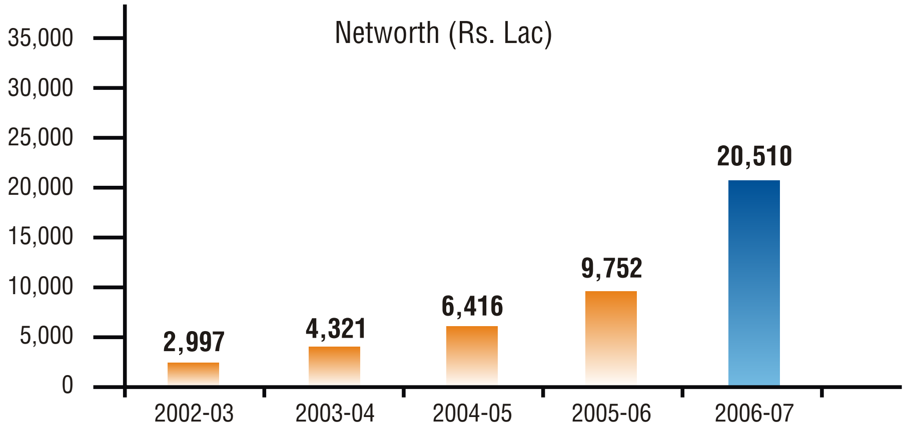


GPIL added steel wires to its business in 2005-06 as a part of its strategy to move higher in the value chain. Some of the other associate companies were however already producing wires.

Financial Highlights







Numbers Speak...

(Rs. Lac)

Operational Review	2002-03	2003-04	2004-05	2005-06	2006-07
Gross Sales	6,793	12,288	19,187	27,075	**50,995**
PBDITA	853	2,122	3,791	3,686	**8,159**
Depreciation	544	969	884	608	**1,087**
Interest	146	310	288	595	**1,173**
PBT	163	843	2,619	2,483	**5,899**
PAT	150	777	2,411	3,733	**5,221**
Financial Structure					
Net Fixed Assets	4,450	4,951	10,437	18,896	**36,605**
Net Current Assets	1,246	2,949	3,344	5,983	**9,568**
Investment	0	541	910	936	**2,086**
Total Assets	5,696	8,441	14,691	25,815	**48,260**
Net Worth	2997	4,321	6,416	9,752	**20,510**
Borrowings	2,729	4,137	8,314	16,150	**27,750**
Micellaneous Expenditure	-30	-17	-39	-87	**0**
Total Liabilities	5,696	8,441	14,691	25,815	**48,260**
Margin & Ratios					
PBDITA Margins	12.60%	17.30%	19.80%	13.60%	**16.00%**
PAT Margins (%)	2.20%	6.30%	12.60%	13.80%	**10.20%**
Debt-to-Equity (times)	0.9	1	1.3	1.7	**1.4**
Interest Cover (times)	2.1	3.7	10.1	5.2	**6**
Return on Net Worth (%)	5.00%	18.00%	37.60%	38.30%	**25.50%**
Return on Capital Employed (%)	2.60%	9.20%	16.40%	14.50%	**10.80%**

Strengths Beyond Numbers...

Leading Player in the Mild Steel Wires segment

GPIL (alongwith its subsidiary and associate companies) is among the leading players in the mild steel wires segment in India, especially in the Central parts of the country. The Mild steel wire industry is predominantly unorganized in India. GPIL has close to a 30% share in the Chattisgarh market and with higher capacities being commissioned soon; the company is looking to expand its reach across the nation.

Fully Integrated Operations

Having started out as a small sponge iron producing company, GPIL today has integrated its operations substantially. It's production range not only includes sponge iron but also ferro alloys, steel billets, steel wires, captive power and soon, it will also include iron ore and coal. Full integration gives tremendous flexibility to any steel company, given the high dependence on iron ore and coal and an unabated rise in the prices of the same.

Captive Iron Ore and Coal Mines

As mentioned before, GPIL has been awarded rights to mine iron ore and coal by the Chattisgarh State Government. The company's share in the coal mine stands at 63 million tonnes (sufficient to last for over 30 years) and that in the iron ore mine is about 15 million tonnes (sufficient to last for around 15 years). Use of iron ore and coal from captive mines will result in savings of about 30-40 per cent in raw material costs.

Locational Advantage

Godawari Power and Ispat's manufacturing plant is located closer to both, the main raw material source – mines and the main market for its wires. Further, the company also owns a railway siding for its captive use. Each of these results in major savings for the company in terms of handling and transportation costs.

On the right side of the Cost/Return Curve

A major part of GPIL's capacity expansion plans (and the resultant capital costs & cash outflows) has been undertaken and completed, and the same reflects on its expenditure side. The company can now look forward to higher cash inflows on the back of higher revenues from the new capacities.

Strong Management and Promoter Group Backing

GPIL is promoted by the Hira Group that has a significant presence in core industrial sector of the economy. It's presence is particularly strong in the Central parts of the country. Further, GPIL's top management team comprises vastly experienced people with careers spanning over two decades in the steel market.

Highly Skilled and Experienced Managerial Team

GPIL is a family-managed, but professionally-run Company. At the base level, our operations are run by a highly talented and motivated managerial team. The team boasts of some of the most qualified and experienced, and therefore, expert hands in the metals and mining industry.

State-level Tax Exemptions

GPIL has received a sales tax exemption for a period of 11 years (starting April 2001), with an upper limit amounting to 150 per cent of capital investment in production facilities upto March 2006. Further, the company is also exempt from income tax for a period of 10 years under Sec.80 IA on profits of the power division.

Carbon Credits

The Company's power plants (of 17 MW capacity) are registered with the CDM Executive Board for the entitlement of carbon credits under the Kyoto Protocol. The recently installed 25 MW capacity is currently under the registration process. Carbon credits are an additional source of revenue for the Company, at no major incremental cost, thereby affecting margins positively.

Gainful Utilization of Waste Material

Waste material disposal is a big health concern for environmental agencies, governments and companies across-the-globe. GPIL appreciates this concern and has identified ways to gainfully use waste material, instead of dumping the same. For example, the company uses waste gases and byproducts such as char/dolochar (released during sponge iron production) to generate power whereas fly ash is converted into bricks and sold in the open market. These measures ensure better utilization of resources and positive impact on profit margins.

Our People, Our Strength

Our Executive Directors

B. L. Agrawal

Managing Director

An Electronic Engineer, he is a first generation entrepreneur. While his family concentrated on its traditional trading business, it was his entrepreneurial spirit that laid the foundation of GPIL and the entry of the Agrawal family into the metals business.

Dinesh Agrawal

Executive Director

Associated with GPIL for over 9 years, he is an Electrical Engineer and has been associated with the company's ferro alloys and steel rolling units in the past. He is currently overseeing the setting up of the captive power plant.

Dinesh Gandhi

Director (Finance)

A Chartered Accountant and Company Secretary by qualification, he brings to the table his two decades of experience in the areas of accounts, finance, project planning and financing.

B.P.Singh

Whole-time Director

With a career spanning 18 years, Mr. Singh with his vast experience supervises all the activities pertaining to accounting, central excise and general administration. He holds a post-graduate degree in Commerce and is a diploma holder in Personnel Management.

Our People, Our Strength

Key Personnel

Chief Executive Officer

Siddharth Agrawal
Qualification – B.Com, MBA
Experience – 5 years

Divisional Presidents

N. Patra
Division – Sponge Iron
Qualification – MIE (Mech)
Experience – 23 years

J.P.Tiwari
Division – Power
Qualification – B.E. (Electrical)
Experience – 18 years

Laxman Prasad
Division – Environment & Mineral Resources
Qualification – M.Tech
Experience – 25 years

S.S. Thakur
Division – Mining & Geology
Qualification – M.Tech
Experience – 45 years

R.S. Thakur
Division - Raw Materials
Qualification – M.Sc. (Chemistry)
Experience – 36 years

Mahendra Lakhotia
Division – Corporate Affairs
Qualification – B.Com
Experience – 28 years

Vice Presidents

Vinay Sandalia
Division – Power
Qualification – B.E. (Mech)
Experience – 13 years

Sudhansu Verma
Division – Steel
Qualification – B.E. (Metallurgy)
Experience – 20 years

Y.K. Jain
Division – Equipments
Qualification – B.E. (Mech)
Experience – 36 years

S.K. Bothra
Division – Finance & Accounts
Qualification – B.Com, FCA
Experience – 15 years

D.K. Marathe
Division – Co-ordination
Qualification – B.Com
Experience – 25 years

Y.C. Rao
Division - Legal and Company Secretary
Qualification – B.Com, LLB, FCS, AICWA
Experience – 15 years

Managers

Prashant Kumar Panda
General Manager - Ferro Alloys
Qualification – B.E.(Mech)
Experience – 15 years

M.K. Gupta
General Manager (Marketing)
Qualification – M.Com
Experience – 10 years

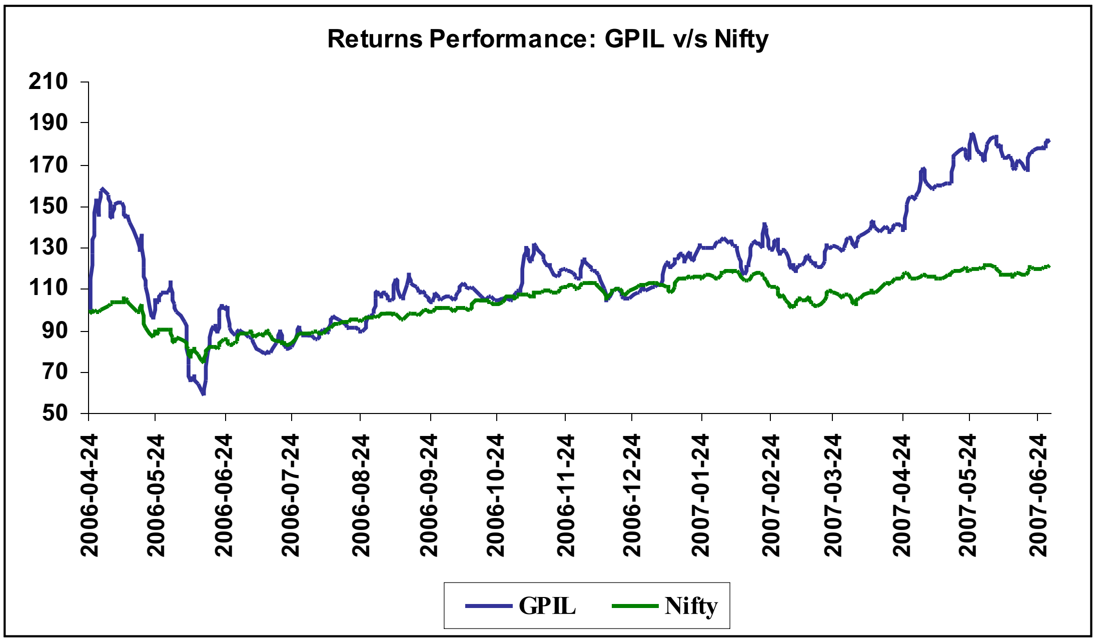
Rahul Karwal
Manager (Wire Drawing)
Qualification – B.E. (Mech)
Experience – 5 years

Creating Shareholder Wealth

Total Shareholder return is a measure of the gain delivered to the shareholders of the company not only on account of dividends but also by way of capital appreciation in the underlying investment.

GPIL has been one of the fastest growing steel products companies in recent times. The growth in the company's business over the last six years has been quite spectacular, averaging approximately a 55 per cent growth rate per annum.

The company came out with its maiden public offer in March 2006 at Rs.81 per share. The issue received a good response and was oversubscribed 2.03 times. The stock performance has since been good, except for a brief period of May-June 2006 that witnessed turmoil in equity markets in general. More importantly, the stock has been able to outperform the benchmark indices (BSE Sensex and NSE Nifty) quite comfortably.



Note: The Nifty and GPIL scrip have been indexed to 100, starting 24-Apr-06, for the returns comparison.
Source: www.nseindia.com

An investment of Rs.10,000 in the GPIL stock at the time of the IPO would have become Rs.18,100 (or a handsome yield of 81 per cent, as of 30-Jun-07) as compared to 21.7 per cent posted by the Nifty. The chart shown above compares the performance of the GPIL stock versus the NSE Nifty (both indexed to Rs.100 at the beginning).

Directors' Report

Dear Shareholders,

GODAWARI POWER AND ISPAT LIMITED

Raipur - Chhattisgarh

Your Directors have immense pleasure in presenting the Eighth Annual Report of the Company together with the Audited Financial Statement of Accounts and the Auditors' Report thereon for the year ended 31st March, 2007. The summarized financial results for the year ended 31st March 2007 as compared to the previous year are as under:

FINANCIAL RESULTS:-

Particulars	**Standalone**		**Consolidated**	
	Year ended 31.03.2007 (Rs. in lacs)	Year ended 31.03.2006 (Rs. in lacs)	**Year ended 31.03.2007 (Rs. in lacs)**	Year ended 31.03.2006 (Rs. in lacs)
Sales	**50995.06**	27075.22	55087.02	36217.34
Other Income	**223.73**	85.20	237.73	140.70
Total Income from Operations	**51218.79**	27160.42	55324.75	36358.04
Profit before Interest, Depreciation and Tax	**8158.56**	3685.85	8721.94	4167.89
Finance Charges	**1172.54**	594.94	1296.96	697.13
Depreciation for the year	**1087.23**	608.31	1221.31	731.52
Profit Before Tax	**5898.79**	2482.60	6203.67	2739.24
Add: Excess provision for depreciation for earlier years written back.	**0.00**	1483.24	0.00	1483.24
Less: Share of profit in associate company minus minority interest and pre acquisition profit	**NA**	NA	80.48	84.78
Provision for Income Tax, Fringe Benefit Tax and income tax of earlier year	**677.59**	232.51	789.04	304.74
Net Profit after Tax	**5221.20**	3733.33	5334.15	3832.94
Add: Balance Brought forward from Previous year	**4239.94**	2303.62	4340.59	2302.74
Profit available for appropriations	**9461.14**	6036.95	9674.74	6135.68
Appropriations:				
Interim Dividend	**248.44**	0.00	237.19	0.00
Provision for Dividend	**496.88**	248.44	485.63	246.53
Corporate Tax on Dividend	**104.53**	34.84	104.53	34.84
Transfer to General Reserve	**1500.00**	1500.00	1500.00	1500.00
Less: Adjustment of Miscellaneous Expenditure	**0.00**	13.72	0.00	13.72
Balance carried to Balance Sheet	**7111.29**	4239.94	7347.39	4340.60

REVIEW OF OPERATIONS

Your directors are glad to inform you that your company's overall performance has shown considerable improvement during the year under review. Your company has crossed the turnover of Rs 50000 lacs during the year and recorded a gross turnover of Rs. 50995 lacs as compared to turnover of Rs. 27075 lacs during the previous year, registering a growth of 88%. The Company has achieved a net profit of Rs 5221 lacs for the year as against net profit of Rs 2250 lacs during the previous year (before extra ordinary items). The excellent performance has been possible due to expansion in manufacturing capacities of all divisions and various efforts on cost savings initiated by the Company. The detailed performance and financial review has been given in the Annexure to the Directors Report titled "Management discussions and Analysis". Given the current economic growth rate in our country and government focus on infrastructure development coupled with successful commissioning of phase – II expansion project, your Company is poised for significant growth even during the current year.

DIVIDEND

In view of the excellent performance of the Company during the year under review, the Board of Directors has already paid an interim dividend @ of 10% (i.e. Re. 1/- per equity share of Rs 10/- each) to the shareholders on 27th March, 2007. In addition to above, your directors have pleasure in recommending payment of final dividend @ Rs. 2/- per equity share for financial year 2006-07. The total outgo of funds on account of payment of dividend is Rs 849.85 Lacs (including dividend tax of Rs. 104.53 lacs). The shareholders are requested to approve the payment of dividend. The final dividend shall be paid to the shareholders whose name appears in the register of members as on the record date i.e. 18th September, 2007 fixed for the payment of dividend subject to its approval.

FINANCE:

The Company has during the year under review completed initial public offering of equity shares which received overwhelming response from investing community. The funds mobilized from IPO proceeds amounting to Rs 7043 lacs have been fully deployed in the phase – II expansion project and general corporate purposes after payment of expenses relating to the issue.

During the year, Company raised fresh term loan/working capital loans of Rs 13182 lacs and external commercial borrowing of US $ 5 million for meeting requirements of funds for expansion projects and existing operation and repaid term loan of Rs. 1583 lacs and unsecured loan of Rs.1730 lacs.

Your company has not accepted any deposits from Public within the meaning of section 58A of the Companies Act, 1956.

EXPANSION/NEW PROJECTS:

The phase II expansion project taken up by the Company during last financial year for increase in capacity of Sponge Iron by 260000 MTs per annum, Mild Steel billets by 150000 MTs and captive power plant by 25 MW by using waste heat recovery from Sponge Iron Division has been completed during the year under review within the scheduled time. The sponge iron division has started production from 31st March, 2007 and the 25 MW power plant and steel billets facility started production from April, 2007. The Company during the last year also decided to increase the capacity of wire drawing plant by 60000 MTs, which has also partially started production from April, 2007. The Company has incurred capital expenditure of Rs. 18866 lacs during the year on the expansion projects. The expansion capacities are expected to reach normal production from second quarter of the current year. Due to increase in production capacities, the production and sales volumes are expected to register a significant growth during the current financial year.

IRON ORE MINES:

Your Company has been granted a captive iron ore mining lease over 216 hectares at Boria Tibu and Ari Dongri in Chhattisgarh about 150 km away from the plant location of the Company. The Company is required to obtain the environment and forest approval from Ministry of Forest and Environment of the Government of India before commencement of mining activities. While the Environmental Clearance for Boria Tibu mines has been obtained, the Forest clearance is still awaited. The Company has also submitted application for environment and forest clearance for Ari Dongri mines, which are presently under the consideration of the Central Government. The iron ore mining operations from Boria Tibu mines are expected to commence production after the forest approval is received. Your Company is expected to substantially benefit from the captive iron ore mines after commencement of production at these mines.

COAL MINES

Your Company has been allotted captive Coal Blocks of Nakia I & II, Madanpur (North) and Madanpur (South) by the Ministry of Coal in consortium with four other companies. Out of the total reserves of 243 million tons of these coal blocks, the share of your Company was 88 Million tons of coal.

Your Company had entered into a joint venture agreement with the consortium partners and a special purpose Company named Chhattisgarh Captive Coal Mining Ltd has been incorporated for the development and operation of coal blocks allocated to the consortium. Thereafter, due to certain differences amongst the consortium partners in development of coal blocks, the joint venture agreement was terminated. The differences with the consortium partners have since been resolved by revision in the allocated quantity of coal which has been approved by the Ministry of Coal of the Government of India.

We would like to state that, although as per the revised allocated quantities of coal, the quantity of coal allocated to your Company has been reduced from 88 Million Tones to 63 Million Tones, the quantities now allocated will be sufficient enough to meet the Company's coal requirement for the next thirty years for its existing manufacturing capacities of sponge iron and power generation.

The joint venture Company is now pursuing activities relating to development of coal blocks and obtaining necessary statutory approvals for starting mining of coal. The development activities are expected to take about two years before mining operations can be started. Till then your Company would continue to source the coal requirement through coal linkages with South Eastern Coal Fields Limited and open market purchases through e-auction.

CDM POWER PROJECTS AND CARBON CREDITS:

The waste heat recovery power generation plants of the Company qualify as CDM project under Kyoto Protocol within the guidelines of the United Nations Framework Convention on Climate Change (UNFCCC). The first WHRB 7 MW and second WHRB 10 MW CDM projects of your Company have been validated and registered by CDM Executive Board for availing carbon credit. The process for registration of 25 MW power plant recently commissioned by the Company is going on, which is expected to be completed during the current year. The Company has been awarded with 66356 units Certified Emission Reductions (CERs) concerning for the period from September, 2002 to December, 2005 for 7 MW WHRB and same has been sold during the year under review.

SUBSIDIARY/ASSOCIATE/JOINT VENTURE COMPANIES:

RR Ispat Limited: Subsidiary Company

As part of forward integration process, your Company has acquired 100% equity share capital of M/s. R. R. Ispat Ltd, a Company engaged in the rolling of billets manufactured by your Company into wire rods and further conversion of wire rods into wires. The operation of the Subsidiary Company for the financial year 2006-07 has been quite satisfactory. The company has achieved sales turnover of Rs. 14562 lacs and net profit of Rs. 212 lacs during the year under review.

As required under the provisions of Accounting Standard (AS) 21, the financial statements of Accounts of the Company have been consolidated in the Consolidated Statements of Accounts presented with this report.

As per Section 212 of the Companies Act, 1956, the financial statement of the accounts of the subsidiary Company along-with Director's Report and auditors report thereon are required to be attached with the annual report. The Company has sought an exemption from the Department of Company Affairs, Ministry of Corporate Affairs, Government of India, for publication of financial statements of the subsidiary under section 212 of the Companies Act, 1956 and accordingly the financial statements of subsidiary Company are not separately included in the annual report. As required under the provisions of Accounting Standard (AS) 21, the financial statements of Accounts of the subsidiary Company have been consolidated in the Consolidated Statements of Accounts presented with this report. The annual accounts of the subsidiary company and the related detailed information will be made available to the shareholders/investors seeking such information from the Company, at any point of time. The accounts of the subsidiary Company are also available for inspection at the registered office of the Company.

Hira Steels Limited: Associate Company

Hira Steels Limited, an Associate Company engaged in rolling of steel billets into wire rods and further conversion of wire rods into wires has achieved sales turnover of Rs. 17018.80 lacs with a net profit of Rs. 58.31 lacs. In compliance with provision of Accounting Standard (AS) 23, the Financial Statements of Accounts of the Company have been consolidated in the Consolidated Statements of Accounts your Company presented with this report.

JV Companies:

Your Company has made investments in two other special purpose joint venture Companies, namely Chhattisgarh Captive Coal Mining Limited and Raipur Infrastructure Company Pvt. Limited for development of Coal mines and setting up railway siding for captive use respectively. The railway sliding has started commercial operation during the year under review. The un-audited accounts of these Companies have been consolidated into the consolidated financial statements, as the audited accounts were not available.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company has incurred foreign currency of Rs 1378 lacs for import of capital goods and incurred other expenditures of Rs. 40 lacs in foreign currency towards travelling etc. The company has also earned Rs. 525 lacs in foreign currency during the year under review on account of sale of Certified Emission Reductions (CERs).

PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri Dinesh Gandhi, Shri Dinesh Agrawal and Shri Kapil Agrawal, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. There is no other change in the Directors of the company during the period.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state:

a. That in the preparation of the annual accounts, the applicable accounting standards have been followed;

b. That your Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

c. That your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities; and

d. That your Directors have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

Information on Conservation of Energy, required to be disclosed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988, are given in the annexure to this report.

AUDITORS

M/s O.P. Singhania and Co., Chartered Accountants, the statutory auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

AUDITOR'S REPORT

There are no qualifying remarks in the Auditor's Report on the Accounts of the company for the financial year 2006-07 excepting 4(iv) relating to provision of gratuity on the basis of actuarial valuation and that the entries related to ongoing expansions/ additions are yet to be updated in the records relating to fixed assets as mentioned in para (i) (a) of Annexure to the Auditor's Report. The company has made the provision for gratuity to the tune of actual liability as on 31st March, 2007. However to comply with the Accounting Standard AS-15 requirement, the company has initiated process for actuarial valuation of gratuity liability. As regards maintenance of Fixed Assets Register, since various projects undertaken by the company are still under progress, the fixed asset register is in the process of up-dation and completion. The other remarks/ qualifications are self explanatory in nature.

ACKNOWLEGEMENTS

The Board expresses its sincere gratitude to the shareholders, the bankers of the Company, State and Central Government authorities, the valued customers for their continued support. The Board also wholeheartedly acknowledges with thanks the dedicated efforts and commitment of all the staff and employees of the Company.

For and on behalf of Board of Directors

Chairman

Date : 26th June, 2007

Place : Raipur

Annexure - "A" to the Director's Report

STATEMENT CONTAINING PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTOR'S REPORT

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken:

i. Balancing of various electrical consuming equipments such as change of motors and speed of equipments for optimizing the energy consumption.

ii. Replacement of 3 X 10 MW power generating turbines with one new 30 MW turbine resulting reduction in steam consumption by 8 to 9% thereby increase in power generation by 2 MW, without increase in fuel consumption.

(b) Additional Investments and proposals, if any being implemented for the reduction of energy consumption:

i. Setting up of Pre-heater in the sponge iron division at a cost of Rs.20 crore approx. to pre-heat iron ore with the help of waste gas of Rotary Kiln so as to reduce the energy (coal) consumption by 15 to 20% per ton of production of sponge iron and to increase the power generation and production of sponge iron by 20 to 25% approximately.

ii. Installation of Air Cooled condenser which may result into auxiliary consumption in power plant by 1.50 to 2.00%.

(c) The impact of measures at (A) and (B) above, for reduction of energy consumption and consequent impact on the cost of production of goods:

i. Energy consumption in sponge iron division and steel division has been substantially reduced and.

ii. Reduction in steam consumption by 8 to 9% thereby increasing power generation without any increase in fuel consumption.

iii. The energy consumption is further expected to reduce upon the successful implementation of the project investment proposal.

(d) The required data in form A of the Annexure to the aforesaid Rules as applicable are furnished below:

I. POWER AND FUEL CONSUMPTION

Particulars	Units/Mts in lacs		Total Amount Rs. In lacs		Average Amount per Unit/ MT	
	Current year	Previous year	**Current year**	Previous year	**Current year**	Previous year
Electricity (Units)						
a. Purchased	**98.84**	94.27	**409.33**	390.29	**4.14**	4.14
b. Own generation	**1743.05**	1119.46	—	—	—	—
Coal and Char (MTS)	**3.39**	2.295	**6136.03**	3997.26	**1810**	1741

II CONSUMPTION PER UNIT OF PRODUCTION (PER MT)

Particulars	PRODUCTION		CONSUMPTION OF ELECTRICITY IN UNITS		AVERAGE CONSUMPTIONOF ELECTRICITY UNITS PER MT OR UNIT	
	Current year	Previous year	**Current year**	Previous year	**Current year**	Previous year
Power						
Sponge Iron (MTs)	**170340**	107023	**11092872**	8178206	**65**	76
Steel Ingots and Billets (MTs)	**130979**	92619	**104598986**	78719837	**799**	841
Ferro Alloys	**9283**	2201	**28970350**	6600300	**3120**	2998
H.B. Wires	**53991**	23295	**5129167**	2118934	**95**	91
Power (Units)	**174305276**	111946064	**19502969**	14751339	**0.11**	0.13

Particulars	PRODUCTION		CONSUMPTION OF ELECTRICITY IN UNITS		AVERAGE CONSUMPTIONOF ELECTRICITY UNITS PER MT OR UNIT	
	Current year	Previous year	**Current year**	Previous year	**Current year**	Previous year
Coke and Coal						
Sponge Iron (MTs)	**170340**	107023	**258031**	124342	**1.51**	1.16
Power (Units)	**174305276**	111946064	**95898**	81172	**0.55(Kgs.)**	0.72(Kgs.)

B. TECHNOLOGY ABSORPTION :

RESEARCH AND DEVELOPMENT (R & D)

(a) Research and Development :

1. Specific Area in which R& D carried out by the Company : Recycling of drained bed materials in the AFBC;
2. Benefits derived as a result of the Above R & D : Cost of Bed Material consumption reduced in AFBC Boiler.
3. Future plan of action : None
4. Expenditure on R & D. : No substantial additional expenditure is involved in recycling of used bed materials.

For and on behalf of the Board of Directors

Chairman

Place : Raipur

Date : 26th June, 2007

Management Discussion And Analysis

The management of your Company is pleased to present the discussions and analysis on operating and financial performance covering segment wise industry structure, developments and future outlook.

The Company's operations are divided into two major segments i.e. Steel Division and Power Division. The Company is engaged in manufacturing steel intermediate products i.e. Sponge Iron and Ferro Alloys and finished long steel products i.e. billets, wire rods (through subsidiary Company) and mild steel wires which find application in the construction and infrastructure sectors.

While sponge iron & ferro alloys are mainly captive for the manufacturing of steel billets, the Company also makes merchant sales of these products. Power generation is captive for use in company's Steel and Ferro Alloys Plants.

I - REVIEW STEEL INDUSTRY STRUCTURE AND DEVELOPMENT:

a) Steel Industry Scenario:

The steel industry that was facing a recession for some time has staged a turnaround since the beginning of 2002 and has been growing at a compounded growth rate of over 9% during last 5 years. Production of finished steel in India increased to 49.39 million tons during FY07 from 30.63 million tons during FY02. In line with growth in production, the consumption of finished steel has increased to 43.47 million tons in FY07 from 27.35 tons during FY02. However as compared to other developing countries, especially China, the production and consumption of steel in India is very low. The per Capita consumption in India is about 20 kg as compared to consumption of 80 Kg in China and 92.6 kg in South Korea. Hence there is a good potential of growth in production and consumption of finished steel in India.

During the year under review, domestic steel production as per the provisional figures released by Ministry of Steel touched a new high of 49.39 million tons from a level of 44.54 million tons during the previous year. Demand in domestic market was robust with strong growth in demand from infrastructure and capital goods sectors. Domestic steel prices during the year under review moved in tandem with the prices in international markets showing increase in prices over the earlier year. Going forward the domestic steel prices are likely to remain firm in view of high raw material cost and increasing demand from China.

b) Future Industry Outlook:

Demand from infrastructure & construction sector is the key driver for growth in consumption of long products. With infrastructure development activity witnessing a boom, demand for long products is likely to witness robust growth going forward. Government infrastructure spending is also expected to witness a marked increase going forward. Demand from industrial projects (capacity expansions in sectors like refineries) will further aid demand for long products. The ministry of steel has projected production of 100 million tons of steel in India by FY 2020. The demand for long steel production and consumption in India is expected to grow in line with growth in GDP over the next couple of years and the Company is consolidating its position in long products.

c) Company's Growth Plans:

In line with anticipated increase in production and consumption of steel in India, the Company has chalked out a growth plans to increase the production capacities to 1 million tons by the year 2010 and also signed an MOU with State Government for total investments of Rs 493 crore in steel manufacturing & captive power generation facilities. Going forward the Company plans to capture the sizeable market share in the domestic wire production and sales. The Company has taken various initiatives to emerge out as low cost steel wire producer with captive iron ore mines, coal mines and power generation facilities which form part of 60 to 70 % of the cost of production of finished steel. The Company has also made arrangements for captive railway sliding which has already started operation. The Company is now planning to implement a balancing scheme to fully integrate its production facilities to 0.5 million tons of steel wire production and foray into higher value added wires such carbon steel wire, used in electricity transmission, railway slippers etc.

d) Opportunities:

With continued focus of the government on the infrastructure development, the consumption of steel is expected to increase which is expected to translate into demand growth for sponge iron and finished steel in form of rods, bars and wires. Domestic demand is also expected to be robust because of sustained growth of major steel consuming sector such as construction and infrastructure and capital goods sectors. Prices of finished steel have been rising because of robust domestic demand and due to firm international prices.

e) Threats:

Any changes in the Government Policies will effect operations of the company. Logistics and raw materials availability at competitive cost poses significant challenges in the near future. High consolidation in the industry, high operating rates, shortage of key materials such as scrap, coke and cooking coal may lead to a reduced growth in meeting with increased demand. Steel making cost have been increasing due to increase in the prices of inputs such as scrap, iron ore, coke and coal etc. The threat of imports from other developing countries such as China may also put pressure on the prices. Further any reduction in consumption levels of finished steel in China may also lead to pricing pressure due to threat of imports.

II - ANALYSIS & DISCUSSION OF THE FINANCIAL PERFOMANCE OF THE COMPANY:

1) Review of Operations:

The Company has achieved growth in production volumes of sponge iron by 59.16% and steel billets by 41.42% during the year under review as compared to previous year. The production and sales volumes of different products are given below:

Item	Unit	Actual Production		Sales	
		FY 2006-07	FY 2005-06	FY 2006-07	FY 2005-06
Sponge Iron	MT	170340	107023	36226	21217
Steel Billets	MT	130979	92619	132024	91494
HB WIRE	MT	53991	23295	54229	22915
Ferro Alloys	MT	9283	2200	9198	2031

The sponge iron, power generation and oxygen production is captive for the internal consumption to the extent of requirement and balance is sold in the market. The above sales volumes are net of captive consumption. The sales volumes of the Company were in line with production volumes after captive consumption. The sponge iron division has been operating at annualized capacity utilization of about 72% due to lower feed rate of coal in the kiln. The Company is getting E & F grade of coal from South Eastern Coal Fields, which has lower calorific value as compared to A & B grade of coal. Due to lower calorific value the feeding rate is required to be reduced which results into lower production volume, although the rated capacity of the plant is higher. Due to lower production volume in sponge iron the steam generation in power division is also lower which results in lower capacity utilization and due to lower power availability the capacity utilization in steel division was also lower. The Company is taking necessary steps to balance the production capacities in various divisions to ensure optimum utilization of available production facilities, the results of which would be seen in coming years.

The Company has during the year commissioned 2nd phase of expansion project for increase in capacity of Sponge Iron, Steel Billets, Power generation and HB wires. The sponge iron division has been commissioned on 31st March, 2007 and power plant and steel billet facilities have been partially commissioned and started production from April, 2007. The production from full capacity expansion is expected by end of July, 2007. With enhancement in capacities, the increase in production volumes and sales volumes are expected to substantially increase during the current year.

2) Review of Financial performance:

(a) Net sales/ Income from operations:

(Rs in lacs)

Particulars	FY 2006-07	FY 2005-06	Change	% growth
Sale of Manufactured Goods				
Steel Billets	27140.15	17108.43	10031.72	58.64
Sponge Iron	4674.54	2353.64	2320.90	98.61
H.B. Wires	14018.63	5486.91	8531.72	155.49
Ferro Alloys	2944.21	580.19	2364.02	407.46
Power	207.33	325.71	-118.38	-36.35
Sale of CERs	525.04	0.00	525.04	NA
By-products and others	1485.16	1220.35	264.81	21.70
Other Income	223.73	85.20	138.53	162.59
Net sales / Income from Operations	51218.79	27160.43	24058.36	89

The sale of manufactured goods increased by 88% to Rs 50262.69 lacs in FY 07 from Rs. 26749.52 Lacs in FY 06 due to increase in production volumes. Whereas the sale of the electricity is reduced by 36% to Rs. 207.32 lacs in FY 07 as compared to Rs.325.70 lacs in FY 06 due to higher captive consumption. During the year under review the selling prices of finished steel and sponge iron remained firm and were higher by about 15% as compared to previous year. The company has realized sales revenue of Rs.525 lacs from sale of Carbon Credits accrued till December, 2005 and certified during the year by the CDM Executive Board.

Other income includes income received from interest on deposits with banks and others and gains from derivative transaction from currency hedging.

b) Cost of Production & Operating Expenses:

The breaks up of the cost of production and other operating overheads as % of the gross sales are given below:

(Rs. In lacs)

S. No	Item	FY 2006-07		FY 2005-06	
		Amount	% of Gross sales	Amount	% of Gross sales
I	Raw materials	32281.60	63.30	18191.36	67.19
II	Operating and other Expenses	3273.33	6.41	2183.94	8.06
III	Personnel Expenses	493.68	0.96	312.05	1.15
IV	Financial charges	1172.52	2.30	594.94	2.19
V	Depreciation	1087.23	2.13	608.31	2.24
	Total Cost	**38308.36**	**75.10**	**21890.60**	**80.83**

The overall operating cost has gone down to 75.10% as compared to 80.83% during the previous year. This was mainly on account of change in production mix and better sales realization coupled with cost reduction measures taken up by the company. During the year the power consumption per tonne of Steel Billets has gone down from 841 units to 799 units. The reasons for variations in the various items of cost of production are discussed below:

(i) Raw materials consumed

Although the overall raw material cost decreased from 67.19% to 63.30% due to better operating margins on account of benefits received from VAT exemption, the average landed cost per tonne of iron ore have gone up from Rs.2167 to Rs.2428 during the year. The price of coal during the year increased from Rs.1741 per tonne to Rs. 1808 per tonne. The prices of both the raw materials are expected to remain firm going forward.

(ii) Operating & Other Expenses

The manufacturing and other operating expenses have gone down from 8.06% of cost of production to 6.41% mainly on account of economies of scale due to higher business volumes. The company was enjoying entry tax exemption for a period of 5 years till March, 2006. During the year our company has paid entry tax of Rs. 114.95 lacs. The repairs & maintenance expenses have increased compared to last year mainly due to increase in plant capacities and one time expenses incurred for maintenance of sponge iron Kiln which suffered break down in August, 2006.

(iii) Payment to and provisions for employees

The employees cost during the year increased by 58% to Rs. 493.68 lakhs from Rs.312.05 lakhs in previous year. The increase in employees cost is due to induction of new staff to cope with increased volume of operations, commissioning of enhanced production capacities and due to annual increments in salaries given to the employees. However the overall employees cost reduced to 0.96 % of the sales as compared to 1.15% during previous year.

(iv) Interest & Financial Charges:

(Rs. Lacs)

	FY 2006-07	FY 2005-06	Change	Change %
Interest on Term Loan	1404.94	736.51	668.43	90.76
Interest on working Capital Loan	276.89	232.19	44.70	19.25
Interest to others	4.99	0.30	4.69	1563.33
Bank Charges & Commission	167.60	67.56	100.04	148.07
Total Finance Cost	1854.42	1036.56	817.86	78.90
Less: Interest Capitalized	681.88	441.62	240.26	54.40
Net Interest	1172.54	594.94	577.60	97.09

The total amount of interest cost and bank charges during the year has increased due to additional term loan of about Rs. 10823 lacs raised for funding the expansion projects. Further the working capital borrowings have also increased from Rs 2914.56 lacs to Rs. 5273.79 lacs during the year under review due to increased volumes. The bank charges has increased substantially due to higher utilization of non funds based limits from banks, up-front fees and processing charges for additional credit facilities sanctioned. The benefits of the expanded capacity shall accrue in near future. The interest cost to the extent of Rs. 681.88 lacs attributable to projects under implementation has been capitalized and added to the cost of fixed assets. The interest expenses towards operations have gone up to 2.30% of the sales as compared to 2.19 % mainly due increase in working capital borrowing. During the second half of the year rate of interest on borrowings from banks has also gone up from 9% to 11.50%.

c) Profit Before Tax:

The Company has achieved net profit before tax and extra-ordinary items of Rs. 5898.79 lacs which was 13.34% of net sales of the Company, as compared to Rs. 2482.60 lacs which was 10.57% of net sales during the previous year.

d) Provision for taxation:

The provision for income tax has been made under section 115J of the Income Tax Act. The Company is enjoying tax exemption for a period of 10 years on the profit of the power division u/s 80I of the Income Tax Act, and therefore there is no income tax liability except MAT. The provision for fringe benefit tax has been made as per applicable rules.

(e) Appropriation

The Company has transferred Rs. 1500 lacs to the General Reserve during the FY 07.

(f) Provision for Dividend & Dividend Tax

The Board of Directors of the Company has recommended a final dividend @ 20% (Rs. 2/- per share) for the year ended 31st March 2007, subject to approval of the shareholders in addition to the interim dividend already paid to the shareholders @10% (Re.1 per share) during the year. Further provision of dividend distribution tax of Rs 104.53 lacs has been made. The total outgo of funds on account of dividend payment including corporate tax on dividend for the year is Rs. 849.85 lacs.

(g) Fixed Assets

(Rs. In lacs)

	FY 2006-07	FY 2005-06	Change	Change %
Gross Block	29103.05	15930.40	13172.65	82.69
Less Depreciation	2817.18	1742.09	1075.09	61.71
Net Block	26285.87	14188.31	12097.56	85.26
Capital WIP & Pre-Op Exp	10319.02	4707.98	5611.04	119.18
Net Fixed Assets	**36604.89**	**18896.29**	**17708.60**	**93.71**

The Company has incurred capital expenditure during the year towards phase – II expansion project, which was implemented during the year. The capacity expansion in Sponge Iron division has been fully commissioned in March, 2007 and capitalised during the year. The work in progress represents expenses incurred for 25 MW captive power plant, increase in capacity of steel billets and wire drawing facilities, which will be capitalised during the FY08. Depreciation is charged on SLM at rates and in manner specified in Schedule XIV of the Companies Act 1956.

(h) Investments

(Rs. In Lacs)

Particulars	FY 2006-07	FY 2005-06	Change	Change
Investment in Subsidiary Company	1724.99	614.90	1110.09	180.00
Other investments	341.40	311.00	30.40	9.77
Net investment in mutual funds	**20.00**	**10.00**	**10.00**	**100.00**

During the year, your Company has increased its holdings to 100% in its subsidiary company M/s. R.R. Ispat Limited by acquiring 11,32,750 shares @ Rs.98 per share. All investments are long term in nature except investments in mutual funds, which is short term.

(i) Inventories

(Rs. In lacs)

Particulars	FY 2006-07	FY 2005-06	Change	Change %
Raw Materials	5778.91	2621.88	3157.03	120.41
Finished Goods & By products	954.90	1276.88	-321.98	-25.22
Stores & Spares	294.27	271.66	22.61	8.32
Total	**7028.08**	**4170.42**	**2857.66**	**68.52**

The overall value of inventory increased to Rs 5778.91 lacs as on 31st March 2007 as compared Rs 2621.88 as on 31st March 2006 due to increase in volume of operations and increase on prices of raw materials. The average level of holding of raw material was at 2.15 months of consumption as compared to level of 1.73 months during the previous year. The Company has during the last quarter procured additional raw material required for commencement of production in expanded capacity and therefore the inventory level was higher at 120.41% as compared to increase in sales volumes during the year at 88.27%. The inventory of finished goods & by products has gone down despite higher production volumes.

(j) Sundry Debtors

(Rs. In lacs)

Particulars	FY 2006-07	FY 2005-06	Change
Debts outstanding for a period exceeding six months	437.22	66.19	371.03
Other debts	1907.87	1529.03	378.84
Total	**2345.09**	**1595.22**	**749.87**

The average number days sales outstanding for the FY 07 is 17 days as compared to 21 days in FY 06 which was normal The debts outstanding for a period of more than 6 months increased to Rs 437.22 lacs due to delay in realization of payments from few parties. The Company has initiated necessary action for recovery of the dues and the management of the Company is confident of realization of dues.

(k) Loans and Advances

(Rs. In lacs)

Particulars	FY 2006-07	FY 2005-06	Change	Change %
Advances recoverable in cash or Kind or for value to be received	1784.05	1465.57	318.48	21.73
Deposit with Govt. & others	147.79	104.88	42.91	40.91
Other current assets	647.07	155.36	491.71	316.50
Advance against Excise duty	685.26	240.01	445.25	185.51
Total	**3264.17**	**1965.82**	**1298.35**	**66.05**

The loans and advances as on 31st March 07 increased by 21.73% as compared to 31st March 06, which mainly includes the advances paid to raw material suppliers for ensuring regular supplies of raw materials i.e. iron ore & coal for enhanced production capacity. The advances are normal in ordinary course of business of the Company and as per the industry practice. The Company has not granted any loans during the year except loans & advances to employees of the Company.

(l) Current Liabilities and Provisions:

(Rs. In Lacs)

Particulars	FY 2006-07	FY 2005-06	Change	Change %
Acceptances	447.46	441.66	5.80	1.31
Creditors for Goods & services	1424.26	653.81	770.45	117.84
Creditors for Capital Goods	711.26	291.50	419.76	144.00
Advances from Customers	70.74	141.35	-70.61	-49.95
Other Current Liabilities	801.63	186.74	614.89	329.27
Other Provisions	33.24	13.11	20.13	153.54
Provisions for Income Tax & Dividend including provision for Dividend Tax	865.94	381.79	484.15	126.81
Total	**4354.53**	**2109.96**	**2244.57**	**106.38**

The overall current liabilities increased due to increase in the volume of operations of the Company. The purchases of raw materials increased by 88% in FY07 as compared to FY 06 to cope with the increased production, thereby increasing the liability towards supplies to the extent of 117%. The acceptances represent the goods purchased under letter of credits issued by bankers of the Company. Since the Company is in expansion mode, there were some outstanding towards payment to suppliers for capital goods which is in the normal course of business.

(m) Secured and Unsecured Loans

(Rs. In Lacs)

Particulars	FY 2006-07	FY 2005-06	Change	Change %
Secured loans				
- Term loans	19494.85	10532.75	8962.10	85.09
- Working capital loans	5273.79	2914.56	2359.23	80.95
Unsecured Loans	0.00	1730.00	-1730.00	-100.00
Other Loans	2980.35	972.45	2007.90	206.48
Total	**27748.99**	**16149.76**	**11599.23**	**71.82**

During the year Company raised additional term loan of Rs 10823 lacs from bankers for funding its expansion projects and repaid term loans of Rs. 1583 lacs as per repayment schedule with banks. The working capital borrowings increased by Rs 2359.23 lacs due to increase in volume of business. The Company has repaid temporary unsecured loans raised during previous year for investment in the capital expenditure.

n) Key Financial Indicators:

The key financial ratios of the Company for the year under review as compared to previous year as given below:

Particulars	**2006-07**	2005-06
EBIDTA to Net sales (%)	**18.46**	13.6
Profit after Tax to sales (%)	**11.81**	9.59
Earning Per Share excluding exceptional items	**21.01**	13.93
Cash Earning Per Share (Rs)	**25.39**	17.70
Net Worth Per Share (Rs)	**82.55**	59.85
Current Ratio	**3.20**	3.84
Debt Equity Ratio	**1.35:1**	1.66:1

III- INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Monthly information system is backbone of our internal control system. Roles and responsibilities for all managerial positions have been clearly defined. All operating parameters are closely monitored and controlled. The management also regularly reviews the operational efficiencies, utilization of fiscal resources, and compliance with laws so as to ensure optimum utilization of resources and achieve better efficiencies. The Company has adequate internal control system.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT

The employees are basically its human resource assets. They have played significant role in growth of the Company and enabled Company to deliver superior performance during the year. The Company has initiated several steps for overall development, training and welfare of its human resource asset and progress is monitored on regular basis. Employee relations have continued to remain cordial during the year under review. The Company also initiated the action for overall welfare of the employees and workmen and in line with its objectives, constructed and renovated primary school building in the Village Siltara, Dist: Raipur, where the Company's plant is located.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis and the annual report describing the company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations in India and other countries. Actual results could defer materially from those expressed or implied. Important factors that could make a difference to the company's operations include economic conditions affecting demands/supply and price conditions in the domestic markets in which the company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors and unforeseen circumstances.

For and on behalf of the Board of Directors

Chairman

Place : Raipur

Date : 26th June, 2007

Corporate Governance Report

The Board of Directors of the company pays utmost importance on the broad principles of Corporate Governance. The company is complying with all the disclosure norms and requirements under clause 49 of the Stock Exchange Listing Agreement.

1. Company's philosophy on Corporate Governance:

Code of Corporate Governance is the means of achieving Corporate Objectives. The Company believes that maintenance of Code of Corporate Governance is essential for economic growth of the Company and protecting the interest of the all Stakeholders. Therefore, the Company is trying its best to follow the Code of Corporate Governance.

2. Board of Directors:

The Board of Directors has a combination of Executive and Non-Executive Directors. The Board comprises of four Whole-time Directors (the Managing Director and three Executive Directors) and five Non-executive Directors including the Chairman of the Board. Three of the Non-executive Directors are Independent Directors. Accordingly, the composition of the Board is in conformity with the Stock Exchange Listing Agreement.

Except the Managing Director, all other Directors are liable to retire by rotation as per the provisions of the Companies Act, 1956.

The names and categories of the Directors on the Board and also the number of Directorships and Committee Memberships held by them during 2006-07 in other Companies are as under:

2.1

Name of the Directors	Category of Directors	No. of other Director-ship held*attended	No. of Board Meetings	Last AGM attended	No. of other Board committees member/ chairman
Mr. O.P. Agrawal	Chairman- Non-Executive	04	04	Absent	Nil
Mr. B.L. Agrawal	Managing Director - Executive	11	09	Present	01
Mr. N.P. Agrawal	Non-Executive	02	04	Absent	01
Mr. Dinesh Agrawal	Executive	03	09	Present	Nil
Mr. B.P. Singh	Executive	Nil	08	Present	Nil
Mr. Dinesh Gandhi	Executive	Nil	07	Present	03
Mr. Divesh Nath	Independent	Nil	03	Absent	02
Mr. Kapil Agrawal	Independent	02	04	Absent	03
Mr. G. B. Desai	Independent	01	02	Absent	01

*Other Directorship excludes Directorship in Private Companies.

There is no Change in the composition of Directors during the year.

2.2 Number of Board Meeting held:

During the year 2006-07, the Board met 09 times during the last year and agenda papers were circulated well in advance of each meeting of the Board of Directors. In order to ensure fruitful deliberations at the meetings, the Board of Directors of your company is provided with all relevant information on various matters related to the working of the company. The dates on which Meetings of the Board of Directors were held and the number of Directors present in each meeting are given in Table 2 below:

S. No.	Date of Meeting	No. of Directors Present
1	07.04.2006	08
2	20.04.2006	08
3	13.05.2006	05
4	20.06.2006	06
5	27.07.2006	06
6	31.10.2006	05
7	08.12.2006	05
8	19.01.2007	06
9	02.03.2007	08

Code of Conduct

The Board of Directors has laid down a Code of Conduct for all Board members and senior management of the Company. All the Board members and senior management personnel have affirmed compliance with the Code of Conduct. The Annual Report of the Company shall contain a declaration to this effect signed by the Chief Executive Officer (CEO).

3. AUDIT COMMITTEE:

The Board of Directors constituted an Audit Sub- Committee consisting of one executive Director and two Independent Directors with effect from 22.03.2005.

The committee met Four times during the year 2006-07 and the attendance of the members at these meetings was as follows:

Name of the Chairman/ Member	Status	Meetings attended
1. Mr. Kapil Agrawal	Chairman (Independent Director)	04
2. Mr. Divesh Nath	Member (Independent Director)	04
3. Mr. Dinesh Gandhi	Member (Executive Director)	04

All the members of the Audit Committee are financially literate as required by the revised Clause 49 of the Listing Agreement and Mr. Divesh Nath and Mr. Dinesh Gandhi are having accounting or related financial management expertise.

The Functioning and terms of reference of the Audit Committee the role, powers and duties, quorum for meeting and frequency of meetings, have been devised keeping in view the requirements of Section 292A of the Companies Act, 1956 and Listing Agreements with the Stock Exchanges as are in force/ applicable from time to time.

SUBSIDIARY COMPANIES

The Board of Directors nominated Mr. Kapil Agrawal as independent director of the company's subsidiary i.e. R.R. Ispat Limited.

The minutes of the board meetings of subsidiary Company are being regularly put up before the Board of the Company and the audit committee of the company reviews the financial statements of the Subsidiary Company.

DISCLOSURE:

Basis of related party transaction:

A statement, in summary form, of all the transactions entered into with the related parties in the ordinary course of business, details of material individual transactions with related parties are placed before the audit committee for the review. There are no material transactions with related parties, which require separate disclosure. A comprehensive list of transactions entered into with the related parties as required by the Accounting Standards (AS) 18 issued by the Institute of Chartered Accountants of India is given at note No.11 of schedule 22 to the accounts in the Annual Report.

Disclosure of accounting treatment

The Company has followed all relevant accounting standards while preparing the financial statements except the accounting standard AS 15 relating accounting for gratuity & employees retirement benefits, the provision for which has been made based on the actual liability as on the date balance sheet. The management has initiated necessary steps for actuarial valuation of gratuity liability.

Risk Management

The risk management issues are discussed in detail in the report of Management Discussion and Analysis. The Company has taken necessary steps for risk management and the system is being strengthened on a continuous basis. The Company is in process of devising the risk assessment and minimization procedures which shall be laid before the Board of Directors of the company for approval in due course.

Proceeds from public issues, right issues, preferential issues etc

Your Company made an initial public offer (IPO) for 8,695,000 Equity Shares of Rs.10/- at a price of Rs 81/- per share including premium of Rs 71 per share which opened on March 28, 2006 and closed on April 4, 2006 and raised a sum of Rs 7042.95 lacs. The equity shares thus allotted rank pari passu with the existing shares of the Company.

Out of the IPO Proceeds, Rs. 326 lacs have been utilized for General Corporate purpose; Rs. 651 lacs have been incurred on share issue expenses and balance Rs. 6066 lacs have been invested in phase II expansion project of the company as per plan.

Details of non-compliance by the Company, penalties and strictures imposed etc.:

The company has complied with the requirements of regulatory authorities on capital markets and no penalty/ stricture was imposed on the Company by stock exchange or SEBI or any statutory authority, on any matter related to capital markets during the last one year from the date of its listing on the stock exchanges.

4. REMUNERATION COMMITTEE:

Company constituted a Remuneration Committee consisting of three directors w.e.f. 22.03.2005. The detailed composition of the members of the Remuneration Committee as at present is given below:

1. Mr. Kapil Agrawal : Chairman (Independent Non-Executive Director)
2. Mr. G.B. Desai : Member (Independent Non-Executive Director)
3. Mr. Dinesh Gandhi : Member (Executive Director)

REMUNERATION OF DIRECTORS:

The non- executive directors are paid sitting fee of Rs.5000 for each meeting for attending Board or Committee Meetings. The company has paid a remuneration of Rs. 15.00 Lacs to Mr. B.L. Agrawal, Managing Director, Rs. 12.00 lacs to Mr. Dinesh Agrawal, Executive Director, Rs.9.00 lacs to Mr. Dinesh Gandhi, Director (Finance) and Rs. 4.80 Lacs to Mr. B.P. Singh, Director of the company during the financial year 2006-07.

Disclosure of material transactions

No material transaction has been entered into by the Company with the promoters, directors or the management, their subsidiaries or relatives etc that may have a potential conflict with interests of the company.

Insider Trading Disclosure:

Comprehensive insider trading disclosure guidelines in line with the SEBI Regulations have been adopted by the Board in which the procedure to be followed by all the key managerial persons, staff and other relevant business associates for disclosure of all security transactions of the shares of the company

SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE:

The Board of Directors constituted an Investors' Grievance Committee consisting of Three Directors with effect from 22.03.2005. The detailed composition of the members of the Shareholders/Investors Grievances Committee at present is given below:

1. Mr. Kapil Agrawal : Chairman (Independent Non-Executive Director)
2. Mr. Divesh Nath : Member (Independent Non-Executive Director)
3. Mr. Dinesh Gandhi : Member (Executive Director)

Other information to Shareholders:

The location, date and time of the last three Annual General Meetings were as under:

YEAR	DATE	TIME	VENUE
2003-2004	01.09.2004	11.00 a.m.	Plot No. 428/2, Phase-I, Industrial Area, Siltara, Raipur (C.G.)
2004-2005	30.09.2005	11.00 a.m.	Plot No. 428/2, Phase-I, Industrial Area, Siltara, Raipur (C.G.)
2005-2006	26.09.2006	03.00 p.m.	Lav Kush Vatika, VIP Road, Raipur (C.G.)

No Special Resolution was passed in any of the Annual General Meetings except two Special Resolutions passed in the last Annual General Meeting held on 26.09.2006 for alteration of Article 82 of Articles of Association of the company and for appointment of a relative of the Managing Director for office or place of profit.

No resolution has been put through Postal Ballot.

No Special Resolution is proposed to be conducted through postal ballot.

GENERAL INFORMATION:

1. Annual General Meeting:

   Date : 25th September, 2007

   Time : 01.00 p.m.

   Venue : Corporate Office at First Floor, Hira Arcade, Pandri, Raipur (C.G.)

2. Financial Calander (2006-2007) (tentative) :

   Board Meeting (for Financial Result)-

   Quarter ending on 30th June 2007 : Last week of July, 2007

   Half-year ending on 30th September 2007 : Last week of October, 2007

   Quarter ending on 31st December 2007 : Last week of January, 2007

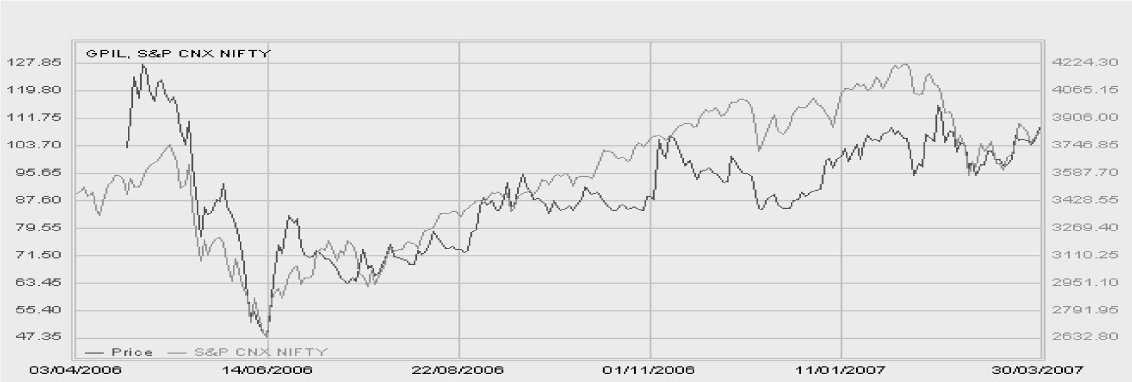
   Year ending on 31st March 2008 : April/May, 2008

3. Date of Book Closure : 18th to 25th September, 2007
4. Dividend Payment Date : Second Week of October, 2007.
5. Listing on Stock Exchange : The shares of the company are Listed with National Stock Exchange and Stock Exchange, Mumbai.
6. Stock Code : NSE : GPIL

   BSE : 532734

   ISIN : INE177H01013

7. Market Price Data



8. The monthly high and low quotations of shares traded on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited are as follows:

Month	National Stock Exchange of India Ltd.		Bombay Stock Exchange Ltd.	
	High	Low	High	Low
April, 2006	135.80	95.00	136.00	90.25
May, 2006	134.00	70.00	134.90	71.75
June, 2006	95.70	46.50	90.20	46.00
July, 2006	77.90	61.00	78.00	60.00
August, 2006	93.25	66.80	93.20	66.50
September, 2006	98.70	71.10	98.65	82.90
October, 2006	96.00	83.25	95.80	83.50
November, 2006	111.50	85.50	111.60	85.15
December, 2006	102.45	78.20	102.50	82.05
January, 2007	113.50	88.55	113.20	88.50
February, 2007	123.65	93.95	121.90	94.00
March, 2007	113.00	93.05	112.90	92.40

9. Registrar and Transfer Agent:

M/s. Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup(W), Mumbai 400 078
Ph: 2596 3838 Fax: 2594 6969
Email: godawaripower@intimespectrum.com
Website: www.intimespectrum.com

10. Share transfer system:

The company's shares can be dematerialized with the Depositories namely CDSL or NSDL through the Depository Participants. The company's shares are compulsorily traded in the demat mode. Therefore, the investors/shareholders are requested to kindly note that physical documents, viz. Demat Request Forms (DRF) and Share Certificates, etc. should be sent by their Depository Participants (DPs) directly to the Share Transfer Agents. Any delay on the part of the DPs to send the DRF and the Share Certificates beyond 15 days from the date of generation of DRN by the DP will be rejected/cancelled. This is being done to ensure that no demat requests remain pending with the Share transfer Agents beyond a period of 21 days. Investors/shareholders should therefore, ensure that their DPs do not delay in sending the DRF and Share Certificates to the Share Transfer Agent after generating the DRN.

11. **DISTRIBUTION OF SHAREHOLDING as on 31.03.2007:**

Shareholding of Nominal Value (Rs.)	Shareholders		Shares Held	
	Number	% to Total	Number	% to Total
Up to 5000	11589	92.6970	1533577	6.1730
5001 - 10000	441	3.5270	374160	1.5060
10001- 20000	197	1.5760	308155	1.2400
20001 - 30000	80	0.6400	201990	0.8130
30001 - 40000	36	0.2880	133273	0.5360
40001 - 50000	35	0.2800	168441	0.6780
50001 - 100000	48	0.3840	354041	1.4250
100001 and above	76	0.6080	21770363	87.6280
TOTAL	**12502**	**100**	**24844000**	**100**

SHAREHOLDING PATTERN AS ON 31ST MARCH 2007:

Sl. No.	Category	No. of Shares held	Percentage
1	Promoters (including person acting in concert)	1,57,62,000	63.4439
2	Institutional Investors i.e. MFs, FIIs, banks etc	4551235	18.3192
3	Corporate Bodies	984256	3.9617
4	NRIs/ OCBs	21177	0.0852
5	General Public	3525332	14.1899
	TOTAL	**24844000**	**100**

12. **DEMATERIALIZATION OF SHARES :** The Company has entered into agreement with National Securities Depository Ltd. and Central Depository Services (India) Ltd. for dematerialization of its Shares.

13. Location of Plant, Registered Office and Corporate Office:

Plant & Registered Office

428/2,Phase-I, Industrial Area, Siltara - 493111, Dist. Raipur, Chhattisgarh, India.

Tel: +91-7721-264342/406130; Fax: +91-7721-264341/403701

Corporate Office

First Floor, Hira Arcade, New Bus Stand, Pandri, Raipur - 492001 Chhattisgarh, India.

Tel: +91-771-4057600; Fax: +91-771-4057601

CEO/CFO Certification

The Chief Executive Officer and the Chief Financial Officer have certified to the Board with regard to the financial statements and other matters as required in clause 49 of the listing agreement and the said certificate is contained in this annual report.

Report on Corporate Governance

This chapter, read together with the information given in the chapter titled Management Discussion and Analysis constitute compliance report on Corporate Governance during 2006-07.

For and on behalf of the Board of Directors

Chairman

Place : Raipur

Date : 26th June, 2007

Certification by Chief Executive Officer and Chief Financial Officer

To,
The Board of Directors
Godawari Power and Ispat Limited

Date: 26/06/2007

We have reviewed the financial statements and the cash flow statement for the financial year 2006-07 and hereby certify that to the best of our knowledge and belief:-

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
2. These statements together present a true and fair view of the Company's affair and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2006-07 which are fraudulent, illegal or violate the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control system for the purpose of financial reporting of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems for the purpose of financial reporting and that we have taken the required steps to rectify these deficiencies.
5. We further certify that :-
   a) There have been no significant changes in internal control during this year.
   b) There have been no significant changes in accounting policies during this year.
   c) There have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system

B.L. AGRAWAL
Managing Director

DINESH GANDHI
Director, Finance

Auditors' Certificate

(On Corporate Governance)

To
The Members of
Godawari Power and Ispat Limited

We have examined the compliance of conditions of Corporate Governance of M/s. Godawari Power and Ispat Limited for the year ended 31st March, 2007, as stipulated in Clause 49 of the Listing Agreements of the said Company, with the stock exchange(s).

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 and the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **O.P. SINGHANIA & CO.**
Chartered Accountants

O.P. Singhania
Partner
(Membership No.51909)

Place : Raipur
Date : 26th June, 2007

Auditors' Report

To the Members of
Godawari Power & Ispat Limited

1. We have audited the attached balance sheet of Godawari Power & Ispat Limited as at 31st March, 2007, the profit and loss account and also 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.
2. We conducted our audit in accordance with the 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (As Amended) issued by the Central Government of India, in terms of sub section (4A) of Section 227 of the Companies Act, 1956. We enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said order.
4. Further to our comment in the Annexure referred to above, we report that:
   (i) 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;
   (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 *except the compliances of AS-15 (revised) in relation to the provision of gratuity on the basis of actuarial valuation as referred in Note No.15 of Schedule 22*;
   (v) On the basis of written representations received from the directors as on 31st March 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
   (vi) In our opinion and to the best of our information and according to the explanations given to us the said accounts read alongwith the notes thereon, 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:
      (a) in the case of the balance sheet, of the state of the affairs of the Company, as at 31st March, 2007.
      (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
      (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For, **OPSinghania & Co**.
Chartered Accountants

O.P.SINGHANIA
Partner
MEMBERSHIP No: 51909

Place : Raipur,
Date : 26th June, 2007

Annexure

Re: Godawari Power & Ispat Limited

Referred to in paragraph 3 of our report of even date,

(i) (a) The Company has generally maintained the proper records showing full particulars including quantitative details and situation of fixed assets, *however the entries related to ongoing expansions/additions are yet to be updated.*

(b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals, in phased verification programme, which, in our opinion, is reasonable, looking to the size of the company and the nature of its business. According to the information and explanations given to us , no material discrepancies were noticed on such verification.

(c) The company has not disposed off any substantial part of its fixed assets during the year so as to affect its going concern status.

(ii) (a) As explained to us, inventories have been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) On the basis of our examination of the inventory records of the company, we are of the opinion that, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) (a) The company has not granted any loan other than advances given in the normal course of business to companies, firms or any other parties covered in the register maintained under section 301 of the companies Act, 1956 during the year, therefore, the provisions of clause 4(iii) (a), (b), (c) & (d) of the Companies (Auditor's Report) Order,2003 are not applicable to the company.

(e) The company has taken unsecured loans from four companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1220 Lacs and the year-end balance of loans taken was Rs.Nil.

(f) In our opinion, the terms & conditions on which loans have been taken from companies listed in the register maintained under section 301 of the Companies Act 1956, are not prima facie prejudicial to the interest of the company.

(g) The company was regular in repaying the amount as stipulated.

(iv) In our opinion and according to the information & explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of inventory, 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 controls.

(v) (a) According to the information & explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information & explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) According to the information and explanations given to us, the company has not accepted deposits from public during the year therefore, the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(vii) In our opinion the company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(i)(d) of the Companies Act,1956, in respect of Company's products to which the said rules are made applicable and are of the opinion that, prima facie, the prescribed accounts and records, have been made and maintained. We have, however, not made a detailed examination of the records.

(ix) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, wealth tax, service tax, income tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information & explanations given to us, no undisputed amounts of statutory dues as stated above were in arrears as at 31st March 2007 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute except the following:

Name of the Statue	**Nature of Dues**	**Year**	**Amount (Rs. In lacs)**	**Forum where dispute is pending**
Service Tax	Disallowance of credit of Service Tax paid on onward freight and credit taken on the strength of TR6 Challan	2005	20.74	Central Excise and Service Tax Appellate Tribunal, New Delhi.

(x) The company does not have any accumulated losses and has not incurred cash losses during the financial year covered by our audit and also in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to the banks.

(xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans & advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xiv) In our opinion and according to information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given corporate guarantees to the bank for loans taken by other company are not prima facie prejudicial to the interest of the company.

(xvi) In our opinion, the term loans have been applied progressively for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that, prima facie short-term funds have not been used for long term investment.

(xviii) According to the information and explanations given to us the company has not made preferential allotment of shares to parties and companies covered in the register mentioned under section 301 of the Act. Therefore the provisions of clause 4(xviii) of the of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xix) The company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xx) The Company has made an Initial Public Offer during the year which was closed on April 4, 2006 and shares have been allotted on April 20, 2006. The end use of public issue proceeds has been verified and disclosed in Note No.3 of Schedule-22 of the financial statements.

(xxi) In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year. Therefore, the provisions of clause 4(xxi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

For **OPSinghania & Co**.
Chartered Accountants

O.P.SINGHANIA
Partner
MEMBERSHIP No: 51909

Place : Raipur,
Date : 26th June, 2007

Balance Sheet as at 31st March, 2007

	Schedules	2007 (Rs. In lacs)	2006 (Rs. In lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	**2,484.40**	1,614.90
Reserves and surplus	2	**18,026.60**	8,137.32
		20,511.00	9,752.22
Loan Funds			
Secured Loans	3	**27,748.98**	14,419.76
Unsecured Loans	4	**-**	1,730.00
		27,748.98	16,149.76
TOTAL		**48,259.98**	25,901.98
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		**29,103.05**	15,930.40
Less : Accumulated Depreciation		**2,817.19**	1,742.09
Net Block		**26,285.86**	14,188.31
Capital work-in-progress including capital advances		**10,319.02**	4,707.98
		36,604.88	18,896.29
Investments	6	**2,086.40**	935.90
Current Assets, Loans and Advances			
Inventories	7	**7,109.66**	4,219.58
Sundry debtors	8	**2,345.10**	1,595.22
Cash and bank balances	9	**1,203.40**	312.46
Loans and advances	10	**3,264.17**	1,965.82
		13,922.34	8,093.08
Less : Current Liabilities and Provisions			
Current Liabilities	11	**3,455.35**	1,715.04
Provisions	12	**899.18**	394.92
		4,354.53	2,109.96
Net Current Assets		**9,567.80**	5,983.12
Miscellaneous Expenditure	13	**0.90**	86.67
(to the extent not written off or adjusted)			
TOTAL		**48,259.98**	25,901.98
Notes to Accounts	22		

The Schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For OPSinghania & CO.
Chartered Accountants

O P Singhania
Partner
Membership No.51909

Place: Raipur
Date: 26th June,2007

For and on behalf of the Board of Directors of Godawari Power & Ispat Limited

B.L.AGRAWAL, Managing Director

DINESH AGRAWAL, Director

DINESH GANDHI, Director Finance

Y.C.RAO, Company Secretary

Profit & Loss Account for the year ended March 31st, 2007

	Schedules	2007 (Rs. In lacs)	2006 (Rs.in lacs)
INCOME			
Turnover (Gross)	14	**50,995.06**	27,075.22
Less: Excise duty		**6,785.87**	3,594.24
Turnover (Net)		**44,209.19**	23,480.98
Other Income	15	**223.73**	85.20
Increase/(Decrease) in Stock in trade	16	**(179.41)**	807.03
TOTAL		**44,253.51**	24,373.21
EXPENDITURE			
Purchase of Trading Goods		**46.33**	-
Raw material consumed	17	**32,281.61**	18,191.36
Personnel expenses	18	**493.68**	312.05
Operating and other expenses	19	**3,273.34**	2,183.95
Depreciation		**1,087.23**	608.31
Financial expenses	20	**1,172.54**	594.94
TOTAL		**38,354.73**	21,890.61
Profit before tax and exceptional items		**5,898.78**	2,482.60
Provision for Current Tax		**665.00**	220.00
Frienge Benefit Tax		**12.00**	6.00
Tax related to earlier year		**0.58**	6.51
Total Tax Expense/income		**677.58**	232.51
Profit after tax and before exceptional items		**5,221.20**	2,250.09
Adjustment relating to depreciation on account of change in accounting policy		**-**	1,483.24
Net profit		**5,221.20**	3,733.33
Balance brought forward from previous year		**4,239.95**	2,303.62
Profit available for appropriation		**9,461.15**	6,036.95
Appropriations:			
Transfer to General Reserve		**1,500.00**	1,500.00
Interim dividend		**248.44**	-
Proposed dividend		**496.88**	248.44
Tax on dividend		**104.53**	34.84
Adjustment of Miscellaneous Expenditure		**-**	13.72
Surplus carried to Balance Sheet		**7,111.30**	4,239.95
Earning Per Share	21		
Basic & Diluted EPS			
- Computed on the basis of earnings excluding exceptional items		**21.41**	13.93
- Computed on the basis of earnings including exceptional items		**21.41**	23.12
Notes to Accounts	22		

The Schedules referred to above and notes to accounts form an integral part of the Profit & Loss Account.

As per our report of even date

For OPSinghania & CO.
Chartered Accountants

O P Singhania
Partner
Membership No.51909

Place: Raipur
Date: 26th June,2007

For and on behalf of the Board of Directors of Godawari Power & Ispat Limited

B.L.AGRAWAL, Managing Director

DINESH AGRAWAL, Director

DINESH GANDHI, Director Finance

Y.C.RAO, Company Secretary

Cash Flow Statement as at 31st March, 2007

			2007 (Rs. In lacs)	2006 (Rs.in lacs)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before Tax		**5,898.78**	2,482.60
	ADJUSTMENTS FOR:			
	Depreciation		**1,087.23**	608.31
	Misc. Expenses Written off (Net)		**0.90**	7.84
	Provision for Gratuity		**20.14**	13.11
	Interest Charges		**1,172.54**	594.94
	Interest Received		**(54.75)**	(10.37)
	Dividend Received		**(0.26)**	(0.04)
	(Profit)/Loss on sale of Investments		**-**	(46.02)
	(Profit)/Loss on sale of Fixed Assets		**6.03**	-
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**8,130.61**	3,650.37
	ADJUSTMENTS FOR:			
	(Increase)/Decrease in Receivables and Advances		**(2,048.24)**	(1,555.68)
	(Increase)/Decrease in Inventories		**(2,890.08)**	(1,647.89)
	Increase/(Decrease) in Trade payables		**1,740.31**	491.09
	CASH GENERATED FROM OPERATIONS		**4,932.61**	937.89
	Direct Taxes Paid/Deducted at Source		**(476.74)**	(163.09)
	NET CASH FROM OPERATING ACTIVITIES	**A**	**4,455.87**	774.80
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of Fixed Assets/Capital Expenditure		**(18,866.93)**	(7,590.51)
	Proceeds from Sale of Fixed Assets		**65.08**	-
	Interest received		**54.75**	10.37
	Dividend Received		**0.26**	0.04
	Sale of Investments		**-**	78.60
	(Increase)/Decrease in Investments		**(1,150.50)**	(58.34)
	NET CASH USED IN INVESTING ACTIVITIES	**B**	**(19,897.34)**	(7,559.85)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Proceeds from issue of equity shares including premium		**7,042.95**	-
	Proceeds/(Payment) of Long Term Borrowings from Banks		**10,823.03**	5,579.09
	Proceeds/(Payment) of Short Term Borrowings from Banks		**2,359.22**	1,222.16
	Proceeds/(Payment) of Other Borrowings		**(1,583.03)**	986.31
	Share Issue Expenses		**(570.66)**	(64.04)
	Refund of Share Application Money		**-**	(100.00)
	Dividend and tax thereon Paid		**(566.57)**	(40.42)
	Interest Charges		**(1,172.54)**	(594.94)

Cash Flow Statement as at 31st March, 2007 (Cont..)

		2007 (Rs. In lacs)	2006 (Rs.in lacs)
NET CASH USED IN FINANCING ACTIVITIES	**C**	**16,332.40**	6,988.17
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)		**890.94**	203.12
Cash and Cash Equivalents at the beginning of the year		**312.46**	109.33
Cash and Cash Equivalents at the end of the year		**1,203.40**	312.46
Components of cash and cash equivalents as at		**2007 (Rs. In lacs)**	2006 (Rs. In lacs)
Cash in hand		**10.05**	21.97
With banks- on current account		**129.10**	31.07
- on deposit account		**1,052.78**	259.42
- on unpaid dividend account*		**9.31**	-
- on public issue refund account*		**2.16**	-
		1,203.40	312.46

Notes :

1. Figures for the previous year have been regrouped/rearranged wherever found necessary.
2 Interest charges excludes interest capitalised Rs.681.88 lacs (previous year Rs.441.62 lacs).
3. *Balances held by the company which are not available for use by it.

As per our report of even date

For OPSinghania & CO.
Chartered Accountants

O P Singhania
Partner
Membership No.51909

Place: Raipur
Date: 26th June,2007

For and on behalf of the Board of Directors of Godawari Power & Ispat Limited

B.L.AGRAWAL, Managing Director

DINESH AGRAWAL, Director

DINESH GANDHI, Director Finance

Y.C.RAO, Company Secretary

Schedules to the Accounts

	2007 (Rs. In lacs)	2006 (Rs.in lacs)
Schedule 1 : Capital		
Authorised		
25,000,000 (Previous year: 25,000,000) equity shares of Rs.10/- each	**2,500.00**	2,500.00
Issued		
24,844,000 (Previous year: 16,149,000) equity shares of Rs.10/- each	**2,484.40**	1,614.90
Subscribed & Paid up		
24,844,000 (Previous year: 16,149,000) equity shares of Rs.10/- each fully paid	**2,484.40**	1,614.90
Of the above:		
12,919,200 (Previous year: 12,919,200) Equity Shares of Rs.10/- each issued and allocated as fully paid up Bonus Shares by capitalisation of Securities Premium.		
Schedule 2 : Reserves and Surplus		
Securities Premium		
Balance as per last account	**1,397.37**	1,397.37
Add: On account of Public Issue during the year	**6,173.45**	-
Less: Utilized against Share Issue Expenses (refer note No.p of schedule-22)	**655.52**	-
	6,915.30	1,397.37
General Reserve		
Balance as per last account	**2,500.00**	1,000.00
Add: Transferred from Profit and Loss Account	**1,500.00**	1,500.00
	4,000.00	2,500.00
Profit and Loss Account	**7,111.30**	4,239.95
	18,026.60	8,137.32
Schedule 3 : Secured Loans		
Loans and advances from banks		
- Cash Credit Facilities	**5,273.78**	2,914.56
- Term Loans	**19,494.85**	10,532.75
- Foreign Currency Buyers Credit facility	**628.11**	945.66
- External Commercial Borrowings	**2,178.47**	-
Other Loans & Advances	**173.77**	26.79
	27,748.98	14,419.76

Security and terms & conditions for above loans:

1. The rupee term loans including ECB aggregating to Rs.21673.32 lacs (previous year Rs.10532.75 lacs) from banks are secured by a first pari passu charge over entire movable and immovable assets of the company, both present and future, subject to prior charge over the current assets of the company i.e. stocks of raw materials, finished goods, stock in process, stores & consumables, trade receivables in favour of the bankers of the company or securing working capital facilities from banks.
2. The foreign currency buyers credit facility of 628.11 lacs (previous year Rs.945.66 lacs) from ICICI Bank Ltd. is secured by the prior first charge over the euquipment financed by them under the facility.
3. The working capital facilities aggregating to Rs.5273.79 lacs (previous year Rs.2914.56 lacs) from Banks are secured by first pari passu charge over entire current assets i.e. stocks of raw materials, finished goods, stock in process, stores & consumables, trade receivables of the Company and second charge over the other movable assets and immovable assets of the Company.
4. The above credit facilities are also secured by personal guarantee of promoter directors of the Company their relatives and associate companies. The credit facilities from Canara Bank and State Bank of India are also secured by the mortgage of certain fixed assets belonging to promoters and directors of the company.
5. Further the term loans and working capital facilities aggregating to Rs.7602.15 lacs are also secured by pledge 16,00,000 equity shares of the Company held as investments in Hira Steels Ltd.
6. Other loans are secured by hypothecation of vehicles

Schedules to the Accounts

	2007 (Rs. In lacs)	2006 (Rs.in lacs)
Schedule 4 : Unsecured Loans		
Other loans and advances		
- From Body Corporates	-	1,690.00
Securities Deposits from parties	-	40.00
	-	1,730.00

Schedule 5 : Fixed Assets

(Rs.in lacs)

Description of Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2006	Additions during the year	Deductions/ sale During the year	As at 31.3.2007	Upto 31.3.2006	During the year	Deductions/ Adjustment During the year	Upto 31.3.2007	As at 31.3.2007	As at 31.3.2006
Freehold Land	182.63	80.60	-	263.23	-	-	-	-	263.23	182.63
Leasehold Land	63.49	1.90	-	65.39	-	-	-	-	65.39	63.49
Site & Land Development	5.96	279.27	-	285.23	-	-	-	-	285.23	5.96
Factory Shed & Building	1,644.78	172.80	-	1,817.58	86.94	56.18	-	143.12	1,674.46	1,557.84
Plant & Machinery	13,929.76	12,612.57	83.24	26,459.09	1,632.30	1,017.14	12.13	2,637.31	23,821.78	12,297.46
Furniture & Fixture	29.79	17.15	-	46.94	7.41	2.37	-	9.78	37.15	22.38
Vehilces	73.99	91.61	-	165.60	15.44	11.55	-	26.98	138.62	58.56
TOTAL	**15,930.40**	**13,255.90**	**83.24**	**29,103.05**	**1,742.09**	**1,087.23**	**12.13**	**2,817.19**	**26,285.87**	**14,188.31**
PREVIOUS YEAR	6,503.76	9,426.64	-	15,930.40	2,617.01	608.31	1,483.24	1,742.09	14,188.31	3,886.75
Capital Work in Progress & Pre-operative Expenses including capital advances	**4,707.98**	**18,675.68**	**13,064.64**	**10,319.02**	**-**	**-**	**-**	**-**	**10,319.02**	**4,707.98**
PREVIOUS YEAR	6,549.77	7,462.65	9,304.44	4,707.98	-	-	-	-	4,707.98	6,549.77

Note :

1. The capital work in progress represents the amount invested by the company towards implementation of Phase-II expansion project of the company.
2. The expenditure incurred during construction stage and also upto the date of commercial production for setting-up the relevant project are groupped under the head “Pre-operative Expenses” and allocated to related assets on pro-rata basis.
3. The depreciation deduction/adjustment for the year represents depreciation related to sale of assets and previous year represents adjustment on account of changes in accounting policy from WDV to SLM method.

	2007 (Rs.in lacs)	2006 (Rs.in lacs)
Schedule 6 : Investments		
Long Term Investment (At cost)		
A. Trade		
Unquoted, fully Paid up		
*2,240,100 equity shares of Rs.10/- each in Hira Steels Limited	**224.01**	224.01
10,000 equity shares of Rs.10/- each in Chhattisgarh Power & Coal Benification Ltd	**1.00**	1.00
46,200 equity shares of Rs 10/- each in Raipur Infrastructure Company Pvt. Ltd	**41.70**	41.70
**48,900 equity shares of Rs 10/- each in Chhattisgarh Capitive Coal Mining Ltd	**4.89**	4.89
52,000 equity shares of Rs 10/- each in Hira Ferro Alloys Ltd	**36.40**	36.40
***20,000 equity shares of Rs 10/- each in Chhattisgarh Ispat Bhoomi Ltd	**2.00**	2.00

Schedules to the Accounts

		2007 (Rs. In lacs)	2006 (Rs.in lacs)
B.	**Other than trade**		
	Unquoted		
	Shares		
	10,000 equity shares of Rs 10/- each in Hira Power & Alloys Ltd	**1.00**	1.00
	10,000 equity shares of Rs.10/- each in Shourya Diamond Ltd	**1.00**	-
	Units		
	100,000 units of Rs.10/- each in SBI Blue Chip Fund Growth	**10.00**	10.00
	100,000 units of Rs.10/- each in SBI One India Growth Fund	**10.00**	-
C.	**In Subsidiary Companies (Wholly owned)**		
	Unquoted, fully Paid up		
	2,332,750(P.Y. 1,200,000) Equity shares of Rs.10/- each in R.R. Ispat Ltd	**1,410.10**	300.00
	3,149,000 Non-Cumulative redeemable Pref.shares of Rs.10/- each in R.R. Ispat Ltd	**314.90**	314.90
D.	**Share Application Money Pending for Allotment**		
	In Chhattisgarh Ispat Bhoomi Ltd	**29.40**	-
		2,086.40	935.90
	Agreegate Amount of unquoted investments	**2,057.00**	935.90

* Out of 2240100 equity shares, 1600000 equity shares pledged with Bankers as security for credit facilities sanctioned to the company.

** Out of 48900 equity shares, 10000 equity shares held in the name of Director as nominee of the company.

*** Held in the name of Director as nominee of the company.

	2007	2006
Schedule 7 : Inventories (at lower of cost and net realisable value)		
Raw materials and components (incl. Stock in transit Rs.928.28 lacs (P.Y. Rs.196.73 lacs)	**5,778.92**	2,621.88
Stores and spares	**294.27**	271.66
	-	-
	-	-
Work-in-progress	**52.40**	49.16
Finished Goods and By-Products	**954.90**	1,276.88
Trading Goods	**29.17**	-
	7,109.66	4,219.58
Schedule 8 : Sundry Debtors		
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six months	**437.23**	66.19
Others	**1,907.87**	1,529.03
	2,345.10	1,595.22
Schedule 9 : Cash and Bank Balances		
Cash in hand	**10.05**	21.97
Balances with Scheduled Banks		
On current accounts	**129.10**	31.07
On deposits accounts*	**1,052.78**	259.42
On Unpaid dividend account	**9.31**	-
On Public Issue Refund account	**2.16**	-
	1,203.40	312.46

* Out of total Fixed Deposits, Rs.189.60 lacs (previous year Rs.259.42 lacs) are pledged with various banks for availing LC, Bank Guarantee, OD facilities and pledged with other Govt. Departments.

Schedules to the Accounts

	2007 (Rs. In lacs)	2006 (Rs.in lacs)
Schedule 10 : Loans and Advances		
(Unsecured considered good)		
Advances recoverable in cash or in kind or for value to be received	**1,784.05**	1,465.57
Balances with Custom, Excise etc.	**685.26**	240.01
Deposits others	**147.79**	104.88
Others	**647.07**	155.36
	3,264.17	1,965.82
Schedule 11 : Current Liabilities		
Acceptances	**447.46**	441.66
Sundry Creditors for goods, services & expenses	**1,424.27**	653.80
Subsidiary company	**230.94**	61.39
Advance from customers	**70.74**	79.96
Creditors for capital goods	**711.26**	291.50
Investor Education and Protection Fund shall be credited by namely:		
(as and when due)		
(a) Unclaimed dividend	**9.31**	-
(b) Unclaimed Public Issue Refund of application money	**2.16**	-
Interest accrued but not due on loans	**210.92**	72.96
Others	**348.29**	113.78
	3,455.35	1,715.04
Due to other than small scale industrial undertakings included in sundry creditors	**0.01**	0.01
Dues to small scale industrial undertakings included in sundry creditors	**41.61**	39.90
Schedule 12 : Provisions		
Provision for taxation (net of advance payments)	**299.37**	98.53
Provision for gratuity	**33.24**	13.11
Proposed dividend	**496.88**	248.44
Tax on proposed dividend	**69.69**	34.84
	899.18	394.92
Schedule 13 : Miscellaneous Expenditure		
(to the extent not written off or adjusted)		
Share issue expenses		
Balance as per last account	**84.86**	-
Add: On account of Public Issue	**570.66**	84.86
Less: Written off against Securities Premium Account (refer note No.3)	**655.52**	-
	0.00	84.86
Loan processing & documentation charges	**0.90**	1.81
	0.90	86.67
Schedule 14 : Gross Turnover		
Sale of Manufacturing Goods	**50,251.81**	26,749.52
Sale of Trading Goods	**10.88**	-
Sale of Electricity	**207.32**	325.70
Sale of Carbon Credit (CER)	**525.05**	-
	50,995.06	27,075.22

Schedules to the Accounts

	2007 (Rs. In lacs)	2006 (Rs.in lacs)
Schedule 15 : Other Income		
Interest		
Bank deposits (TDS Rs.646542/- Previous year Rs.156066/-)	**49.71**	9.18
Security deposit with CSEB (TDS Rs.62935/- Previous year Rs.26703/-)	**2.81**	1.19
From Advances (TDS Rs.49972/- Previous year Rs.Nil)	**2.23**	-
Dividend income		
Trade investments-Long-term	**0.26**	0.04
Profit on disposal of long-term (trade) investments	**-**	46.02
Gain on Currency Hedge transactions	**140.30**	23.46
Miscellaneous Income	**28.42**	5.31
	223.73	85.20
Schedule 16 : Increase/(decrease) in Stock in trade		
Closing Stock		
- Work-in-progress	**52.41**	49.16
- Finished Goods & By-Products	**954.90**	1,276.88
- Traded Goods	**29.17**	-
	1,036.48	1,326.04
Opening Stock		
- Work-in-progress	**49.16**	-
- Finished Goods & By-Products	**1,276.88**	386.33
	1,326.04	386.33
Net Increase/(Decrease) in Stock in trade	**(289.57)**	939.72
Excise Duty on Stocks (Refer Note No.14 of Schedule-22)	**110.16**	(132.69)
	(179.41)	807.03
Schedule 17 : Raw Material Consumed		
Opening Stock	**2,621.88**	1,957.60
Add: Purchases	**35,438.64**	18,855.64
	38,060.52	20,813.24
Less: Closing Stock	**5,778.91**	2,621.88
	32,281.61	18,191.36
Schedule 18 : Personnel Expenses		
Salaries, wages and bonus	**387.64**	272.94
Contribution to provident fund	**25.54**	13.63
Contribution to gratuity	**20.34**	13.11
Contribution to other funds	**11.80**	6.38
Workmen and staff welfare expenses	**48.36**	5.99
	493.68	312.05

Schedules to the Accounts

	2007 (Rs. In lacs)	2006 (Rs.in lacs)
Schedule 19 : Operating and Other Expenses		
Consumption of stores and spares	**1,177.16**	799.82
Process charges	**115.08**	113.72
Power charges	**121.12**	390.30
Water Charges	**109.32**	42.11
Other manufacturing expenses	**439.66**	298.30
CDM Expenses	**77.30**	7.67
Rent	**16.22**	8.96
Rates and taxes		
- Sales tax	**20.22**	-
- Entry tax	**114.95**	4.76
- Excise duty	**4.63**	-
- Others	**0.05**	0.05
Insurance	**21.62**	12.54
Repairs and maintenance		
- Plant and machinery	**663.33**	277.30
- Buildings	**19.67**	11.92
- Others	**9.87**	3.82
Rebate, shortage claims & other deductions	**16.92**	3.47
Commission		
- Other than Sole selling agents	**19.78**	9.76
Travelling and conveyance (incl. director's travelling Rs.4.92 lacs (P.Y. Rs.4.16 lacs)	**55.59**	56.31
Communication costs	**36.29**	34.06
Printing and stationery	**12.23**	12.66
Legal and professional fees	**12.28**	12.62
Directors' sitting fees	**0.55**	-
Directors' remuneration	**40.80**	10.80
Frieght and forwarding charges	**2.38**	5.17
Security service charges	**37.85**	14.26
Loss on sale of fixed assets	**6.03**	-
Miscellaneous expenses	**121.53**	45.73
Miscellaneous expenditure written off	**0.90**	7.84
	3,273.34	2,183.95
Schedule 20 : Financial Expenses		
Interest		
- on term loans	**1,404.93**	736.51
- on working capital	**276.89**	232.19
- on others	**4.99**	0.30
Bank charges	**167.61**	67.56
	1,854.42	1,036.56
Less: Interest capitalised	**681.88**	441.62
	1,172.54	594.94
Schedule 21 : Earning per share (EPS)		
Net profit as per profit and loss account including extra-ordinary items	**5,221.20**	3,733.33
Net profit for calculation of basic EPS & Diluted EPS	**5,221.20**	3,733.33
Net profit as per profit and loss account excluding extra-ordinary items	**5,221.20**	2,250.09
Net profit for calculation of basic EPS & Diluted EPS	**5,221.20**	2,250.09
Weighted average number of equity shares in calculating basic& Diluted EPS	**24,391,384**	16,149,000
Basic & Diluted EPS		
- Computed on the basis of earnings excluding exceptional items	**21.41**	13.93
- Computed on the basis of earnings including exceptional items	**21.41**	23.12

SCHEDULE '22'

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations

The company is mainly engaged in generation of electricity and manufacturing of Steel Billets, Sponge Iron, Ferro Alloys, H.B. Wire and Oxygen Gas

2. SIGNIFICANT ACCOUNTING POLICIES

a) System of Accounting

i) The financial statements are prepared under the historical cost convention, on going concern concept and in compliance with the accounting standards issued by The Institute of Chartered Accountants of India.

ii) The Company follows mercantile system of accounting and recognizes income and expenditure on an accrual basis except those with significant uncertainties.

b) Fixed Assets

i) Fixed Assets are stated at acquisition cost less depreciation. Cost includes taxes, duties, freight, installation and other direct or allocated expenses upto the date of commercial production and are net of CENVAT credit.

ii) The various expenditure incurred during the construction stage and upto the date of commercial production for setting-up the relevant project are grouped under the head "Pre-operative Expenditure" and allocated to related assets on pro-rata basis.

c) Depreciation

i) Depreciation is provided on Straight Line Method based on estimated useful life of the assets which is same as envisaged in schedule XIV of the Companies Act, 1956.

ii) Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.

iii) Fixed Assets costing below Rs. 5000/- are fully depreciated in the year of acquisition itself.

iv) Free-hold land, leasehold land and site & land development cost are not depreciated/amortized.

d) Investments :

i) Long Term Investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.

ii) Current Investments are stated at lower of cost and fair value.

e) Inventories :

i) Inventories are valued at lower of cost and net realizable value.

ii) Cost of Raw Materials and stores & spares are computed on FIFO basis and cost of Finished Goods & Goods in Process are computed on Weighted average basis.

iii) Cost of Finished Goods and Goods in Process includes direct materials, labour, conversion and proportion of manufacturing overheads incurred in bringing the inventories to their present location and condition.

iv) Proceeds in respect of sales/disposal of raw materials is credited to the raw material purchase account.

f) Excise Duty

i) The Excise Duty in respect of closing inventory of finished goods is provided in books of account and included as part of inventory.

ii) CENVAT Credit relating to raw materials/components are debited under current assets for availing credit against CENVAT and credited to respective materials/component account.

g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

i) Sale of Products

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arised during the year.

ii) Interest

Revenue is recognised on a time proporation basis taking into account the amount outstanding and the rate applicable.

iii) Dividends

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are recognised after the balance sheet date but pertains to period on or before the date of balance sheet as per requirement of Schedule VI of the Companies Act, 1956.

iv) Carbon Credit (Certified Emission Reduction)

Revenue is recognised when the company received certification of quantity of CERs from CDM board.

h) Deferred Revenue Expenditure

In the case of project expenditure incurred in respect of loan processing and documentation expenditure proir to 01.04.2003 are written off in five equal annual installments.

i) Borrowing Cost

Interest and other costs in connection with the borrowing of the funds to the extent related/attributed to the acquisition/ construction of fixed assets are capitalized only with respect to qualifying fixed assets i.e. those which take sustantial period of time to get ready for its intended use.

j) Contingent Liabilities

Liabilities which are material and whose future outcome cannot be reasonably ascertained are treated as contingent and not provided for and disclosed by way of notes to the accounts.

k) Taxes on Income

Current Taxes and FBT are accounted based on provisions of Income Tax Act,1961. Deferred Taxes are not recognised for those timing differences which reverse in tax holiday period.

l) Foreign Currency Transactions

i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction.

ii) Foreign currency monetary items are reported using closing rate. Non-monetary items which are carried in terms of historical cost denominating in a foreign currency are reported using the exchange rate at the date of transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values are determined.

iii) Exchange differences arising on the settlement of monetary items or on reporting company's monertary items at the rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise. Exchange differences arising in respect of fixed assets acquired from outside India are capitalised as a part of fixed assets.

iv) All loans and deferred credits repayable in foreign currency and outstanding at the close of the year are expressed in Indian currency at the appropriate rates of exchange prevailing as on the date of the balance sheet, except in cases where these borrowings are covered by forward exchange contracts. Any increase or reduction in these liabilities, to the extent they relate to borrowings for financing imported fixed assets, is shown as addition to or deduction from the cost of the assets acquired out of such borrowings and balance is booked to revenue.

v) In respect of transactions covered by Forward Foreign Exchange Contracts, the difference between the forward rate and exchange rate at the inception of contract is recognized as income or expenses over the life of the contract except for contracts relating to liabilities incurred for purchase of Fixed Assets, the difference thereof is adjusted in the carrying amount of respective Fixed Assets.

vi) The loss/gain in respect of currency hedge transactions, where the certainties of liability/gain is not ascertainble as on the date of balance sheet, are recognized and accounted for on the actual date of final settlement of such transctions and where the amount of such gain/loss to the extent ascertainable on the date of balance are recognized on accural basis.

m) Retirement Benefits

Company's contribution to Provident Fund is charged to Profit and Loss Account. Provision for gratuity liability are valued and accounted for on the basis of Payment of Gratuity Act,1972 and value of encashable leave are encashed during the year and charged to Profit & Loss Account.

n) Provisions

Provisions are recognised, where the company has any legal or constructive obligation or where realiable estimate can be made for the amount of the obligation and as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligaiton at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

o) Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to profit & loss account. If at the balance sheet date there is an indication that previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

p) Treatment of Share Issue Expenses

Share issue expenses related to initial public offer has been shown under miscellaneous expenditure (to the extent not written off) till the completion of IPO proceedings and thereafter share issue expenses shall be charged, first against available balance in securities premium account and balance, if any, shall be charged to revenue.

q) Cash and Cash equivalents

Cash and Cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

r) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a right issue to existing shareholders.

3. The company has made an Initial Public Offer (“IPO”) for 8,695,000 Equity Shares of Rs.10/-each, including employee reservation portion of 400,000 Equity Shares, which opened on March 28, 2006 and closed on April 4, 2006.

The company, in consultation with the Book Running Lead Managers for the IPO, fixed the price per share at Rs.81/- and allotted the shares on April 20, 2006, as per the terms of allotment given in the prospectus filed with the Registrar of Companies.

The details of IPO collections, utilization and expenses incurred are as follows: (Rs. In Lacs)

Total Fund Raised		7,042.95
Utilization		
On Project Phase-II Expansion	6,061.43	
Share Issue Expenses	655.52	
General Corporate Purpose	326.00	7,042.95

4. Contingent Liabilities and Capital Commitments are not provided for in respect of :-

i) Counter Guarantees given to banks against Bank guarantees issued by the Company Banker aggregate to Rs.148.72 lacs (Previous Year Rs.78.72 lacs.)

ii) Corporate Guarantees issued in favour of bank aggregating to Rs.14200 lacs (Previous Year Rs. 13670 lacs) in respect of financing facilities granted to other body corporate.

iii) Disputed liability of Rs.20.74 lacs (P.Y. Nil) on account of Service Tax against which the company has preferred an appeal.

iv) Estimated amount of contracts remaining to be executed on capital accounts Rs.1025 lacs (Previous Year Rs.3600 lacs).

5. During the year the Income Tax Department has conducted search operation u/s 132 of the Income Tax Act,1961. No material discrepancies were found during the course of search.

6. In the opinion of the Board, the value of realisation of loans, advances and current assets in the ordinary course of business will not be less than the amount at which they are stated in the balance sheet.

7. Inventories and consumption of stores materials have been taken as valued and certified by the management.

8. As per Accounting Standard AS-26 (Intangible Assets) the Company has appropriated Rs.Nil (P.Y. Rs.13.72 lacs) Miscellaneous Expenditure to the extent not written off from the balance of Profit & Loss Account.

9. No deferred tax liability/assets is provided for timing differences in view of the benefits available u/s 80IA of the Income-tax Act for power division of the company and overall minimum alternative tax payable.

10. Miscellaneous expenses includes, payment to Auditors (excluding service tax, as applicable). (Rs.in lacs)

	2006-07	2005-06
Towards Audit Fees	**5.00**	3.25
Towards Tax Audit fees	**0.75**	0.50
Towards other Services	**1.28**	1.93
Towards taxation matters	**0.25**	0.50

11. Information on Related Party as required by Accounting Standard-18, “Related Party Disclosures” issued by The Institute of Chartered Accountants of India, are given below :

i) **Related Parties**

a) **Subsidiary (Wholly owned)**

R.R.Ispat Limited

b) **Associate**

Hira Steels Limited

c) **Other Related Enterprises where control exist**

— Hira Ferro Alloys Ltd.

— Alok Ferro Alloys Ltd.

— Hira Industries Ltd.

— Shree Hira Exim Ltd.

— Jagdamba Power & Alloys Ltd.

— Sagar Energy & Steel Ltd.

— Chhattisgarh Power & Coal Benefication Ltd.

— Hira Power & Steel Ltd.

d) **Joint Ventures**

— Raipur Infrastructure Company Pvt.Ltd.

— Chhattisgarh Captive Coal Mining Ltd.

e) **Key Management Personnel**

— Shri B.L.Agrawal

— Shri Dinesh Agrawal

f) **Relatives of Key Management Personnel****

— Shri Siddarth Agrawal

ii) **Transaction with Related Parties in the ordinary course of business (Rs.in lacs)**

			2006-07	2005-06
a)	**Subsidiary**	Purchase of Materials	**5885.08**	632.37
		Sale of Materials	**6847.91**	3725.25
		Sale of Electricity	**117.84**	142.44
		Outstandings		
		Payables	**230.94**	61.39
b)	**Associate**	Purchase of Materials	**6036.74**	5380.98
		Sale of Materials	**13289.13**	8139.30
		Sale of Electricity	**89.48**	80.14
		Security Deposit Refunded	**0.00**	500.00
		Loans Received	**0.00**	300.00
		Repayment of Loans	**300.00**	0.00
		Outstandings		
		Receivables	**447.63**	91.17
		Unsecured Loans	**0.00**	300.00
c)	**Other Related Enterprises where control exist**	Purchase of Materials	**3108.13**	1629.66
		Sale of Materials	**571.69**	132.67
		Sale of Fixed Assets	**74.11**	0.00
		Job Charges received	**0.12**	0.00
		Service Charges Paid	**662.18**	661.61
		Sale of Investments	**0.00**	78.60
		Repayment of Loans	**1390.00**	327.00
		Loans Received	**0.00**	1495.00
		Outstandings		
		Receivables	**715.08**	129.94
		Payables	**0.27**	34.22
		Unsecured Loans	**0.00**	1390.00
		Guarantee & Colleterals	**14200.00**	13670.00
d)	**Joint Ventures**	Interest received	**2.23**	0.00
		Service Charges Paid	**56.46**	0.00
		Investment during the year	**0.00**	46.34
		Advances given	**27.56**	55.92
		Advances received	**37.17**	0.00

			2006-07	2005-06
		Outstandings		
		Receivables	**48.03**	55.92
		Payables	**21.86**	0.00
e)	**Key Management**	Remuneration Paid	**27.00**	3.00
		Rent Paid	**3.00**	0.00
f)	**Relative of Key Management**	Salary Paid	**5.40**	3.00

iii) **Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year**

			(Rs. In lacs)
a)	**Purchase of Materials:**		
	R.R.Ispat Ltd	**5885.08**	632.37
	Hira Steels Ltd	**6036.74**	5380.98
	Hira Ferro Alloys Ltd	**1636.13**	1284.90
	Alok Ferro Alloys Ltd	**920.60**	12.46
	Hira Power & Steel Ltd	**459.28**	20.61
	Hira Industries Ltd	**66.90**	1.57
b)	**Service Charges Paid:**		
	Hira Industries Limited	**246.73**	284.52
	Chhattisgarh Power & Coal Benefication Limited	**415.45**	372.00
	Raipur Infrastructure Company Pvt.Limited	**56.46**	0.00
c)	**Sale of Materials:**		
	R.R.Ispat Ltd	**6847.91**	3725.25
	Hira Steels Ltd	**13289.13**	8139.30
	Hira Ferro Alloys Ltd	**306.39**	102.72
	Jagdamba Power & Alloys Limited	**82.37**	1.57
	Maruti Clean Coal & Power Limited	**95.44**	0.00
d)	**Sale of Fixed Assets:**		
	Hira Ferro Alloys Ltd	**74.11**	0.00
e)	**Sale of Electricity:**		
	R.R.Ispat Ltd	**117.84**	142.44
	Hira Steels Ltd	**89.48**	80.14
f)	**Interest Received:**		
	Raipur Infrastructure Company Pvt. Limited	**2.23**	0.00
g)	**Repayment of Unsecured Loans:**		
	Sagar Energy & Steel Limited	**470.00**	0.00
	Hira Steels Ltd	**300.00**	0.00
	Jagdamba Power & Alloys Limited	**750.00**	0.00
h)	**Advances Given**		
	Raipur Infrastructure Company Pvt. Limited	**0.00**	55.92
	Chhattisgarh Captive Coal Mining Limited	**27.56**	0.00
i)	**Advances Received**		
	Raipur Infrastructure Company Pvt. Limited	**37.17**	0.00
j)	**Rent Paid:**		
	Shri Dinesh Agrawal	**3.00**	0.00
k)	**Remuneration Paid:**		
	Shri B.L.Agrawal	**15.00**	3.00
	Shri Dinesh Agrawal	**12.00**	0.00
l)	**Salary Paid:**		
	Shri Siddarth Agrawal	**5.40**	3.00
m)	**Guarantees & Colleterals**		
	Alok Ferro Alloys Limited	**0.00**	2170.00
	Hira Ferro Alloys Ltd	**5920.00**	3670.00
	Jagdamba Power & Alloys Limited	**8280.00**	7830.00

12. Segment-wise Revenue Results :

Basis of preparation :

i) Business segments of the company have been identified as distinguishable components that are engaged in a group of related product and that are subject to risks and returns different from other business segments. Accordingly Steel, Electricity and other operations have been identified as the business segments. Other operations segments include Oxygen Gas and Equipment Manufacturing.

ii) The geographic segments identified as secondary segments are "Domestic Market" and "Export Market". Since there is no Export Market Revenue, the same has not been disclosed. The entire capital employed is within India.

Information about business Segments-Primary **Rs.in Lacs**

Particulars	External Sales		Inter Segment Sales		Eliminations*		Total	
	2006-07	2005-06	**2006-07**	2005-06	**2006-07**	2005-06	**2006-07**	2005-06
A) REVENUE								
Steel Segment	**49744.16**	26705.07	**243.44**	152.68	**(243.44)**	(152.68)	**49744.16**	26705.07
Electricity Segment	**733.08**	227.19	**5559.24**	3366.96	**(5543.31)**	(3253.53)	**749.01**	340.62
Other Operations	**389.32**	26.07	**140.16**	14.14	**(27.59)**	(10.68)	**501.89**	29.53
Total Segment Revenue	**50866.56**	26958.33	**5942.84**	3533.78	**(5814.34)**	(3416.89)	**50995.06**	27075.22
* Elimination do not include the inter segment sales for project work Rs.128.50 lacs (P.Y. Rs.116.89 lacs)								
B) RESULTS								
Segment Operational Profit								
Steel Segment							**2739.01**	1166.38
Electricity Segment							**4532.13**	2157.54
Other Operations							**163.99**	(4.73)
Total Segment Results							**7435.13**	3319.19
Un-allocated expenditure net off unallocated income							**(363.81)**	(241.65)
Operating Profit							**7071.32**	3077.54
Interest Expenses							**(1172.54)**	(594.94)
Income-tax & Fringe Benefit Tax Paid/Provided							**(677.58)**	(232.51)
Profit after taxation and before exceptional items							**5221.20**	2250.09
Adjustment relating to depreciation on account of change in accounting policy							**0.00**	1483.24
Net Profit							**5221.20**	3733.33
C) OTHER INFORMATION								
Segment Assets								
Steel Segment							**31800.09**	17163.31
Electricity Segment							**13759.01**	7600.86
Other Operations							**699.77**	598.13
Total Segment Assets							**46258.87**	25362.30
Un-allocable Assets							**6354.56**	2562.96
Total Assets							**52613.43**	27925.26
Segment Liabilities and Provisions								
Steel Segment							**17917.34**	11522.08
Electricity Segment							**6818.62**	5843.53
Other Operations							**27.75**	29.58
Total Segment Liabilities & Provisions							**24763.71**	17395.19
Un-allocable Liabilities and Provisions							**7339.81**	864.52
Total Liabilities and Provisions							**32103.52**	18259.71
Capital Expenditure								
Steel Segment							**10638.31**	3338.02
Electricity Segment							**6478.37**	3564.39
Other Operations							**325.91**	114.55
Un-allocable Capital Expenditure							**1424.34**	567.89
Total Capital Expenditure							**18866.93**	7584.85
Depreciation								
Steel Segment							**660.61**	333.98
Electricity Segment							**413.43**	256.28
Other Operations							**13.19**	18.05
Total Segment Depreciation							**1087.23**	608.31

13. Interest in Joint Ventures:

The Company's interests, as a venturer, in jointly controlled entities (incorporated Joint Ventures) are:

Name	Country of Incorporation	Percentage of ownership interest as at 31st March,2007	Percentage of ownership interest as at 31st March,2006
Chhattisgarh Capitive Coal Mining Ltd.	India	**36.20%**	36.20%
Raipur Infrastructure Co.Pvt.Ltd.	India	**33.33%**	33.33%

The Company's interests in these joint ventures are reported as Long Term Investments (Schedule-6) and stated at cost. However, the company's share of each of the assets, liabilities, income & expenses etc. (each without elimination of, the effect of the transactions between the company and the joint venture) related to its interests in these joint ventures, based on financial information as certified by the directors of the joint ventures, are :

(Rs.in lacs)

Particulars	**As at 31st March,2007**	As at 31st March,2006
Fixed Assets(including Capital WIP & Pre-operative expenses)	**142.62**	102.79
Current Assets	**12.28**	14.34
Loan Fund	**93.28**	64.99
Current Liabilities	**5.28**	6.21
Revenue	**19.72**	0.00
Expenses	**9.37**	0.00
Other Matters		
Contingent Liabilities	—-	—-

14. In accordance with AS-14 on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, differential excise duty on opening and closing stock of finished goods amounting to Rs.110.17 lakhs (PY Rs.132.69 lakhs) has been adjusted from increase/(decrease) in stock in trade in schedule -16

15. The company has provided gratuity liability as worked out on the basis of the Payment of Gratuity Act,1972. However, the company is in process of getting the actuarial valuation to comply with the Accounting Standard 15 (revised) as issued by the Institute of Chartered Accountants of India.

16. Debtors includes dues from the companies under the same management are: (Rs. In Lacs)

	2006-07	2005-06
(a) Hira Industries Limited	**109.58**	-
(b) Alok Ferro Alloys Limited	**0.97**	-
(c) Hira Steels Limited	**447.63**	91.17

17. Loans and Advances includes advances receivable from the companies under the same management are: (Rs. In Lacs)

Alok Ferro Alloys Ltd	**86.51**	-
Hira Industries Ltd	**-**	9.84
Chhattisgarh Capitive Coal Mining Ltd	**27.56**	-
Raipur Infrastructure Company Pvt Ltd	**20.48**	55.92

18. The Small Scale Industrial Undertakings to whom amounts are outstanding for more than 30 days are :

(a) Anant Refractory Products Pvt. Ltd.
(b) Arvind Industries
(c) Bajrang Conveyors
(d) CPP Thermodevice Pvt. Ltd.
(e) Hi-Tech Metachemicals Pvt. Ltd.
(f) Jajoo Chemical Industries
(g) Shri Balaji Ceramic Products
(h) Sunil Steel Wires
(i) Satyam Industries
(j) C.G. Mineral Industries
(k) Bhilai Auxiliary Industries
(l) Bansal Commercial Company
(m) Assam Carbon Products
(n) Brijesh Concrete Products

19. Additional information pursuant to provision of paragraph 3, 4C & 4D of Part II of Schedule VI to the Companies Act, 1956 (As certified by the management)

A) TURNOVER (EXCLUDING INTER DIVISIONAL TRANSFER) (Rs. in lacs)

	UNIT	CURRENT YEAR		PREVIOUS YEAR	
		Quantity	Amount	Quantity	Amount
Steel Billets & Ingots	M.T.	132024.215	27140.15	91494.125	17108.43
Sponge Iron	M.T.	36226.045	4674.54	21216.595	2353.64
H.B.Wire	M.T.	54229.590	14018.63	22915.120	5486.91
Ferro Alloys	M.T.	9198.200	2944.21	2031.200	580.19
Electricity *	KWH	*6282540	207.33	*9494851	325.71
By-Products & Others		—	2010.20	—	1220.35
Total			50995.06		27075.22

* Excluding 698060 KWH (922349 KWH) deducted by CSEB towards wheeling charges and includes Nil KWH (2750000 KWH) amounting to Rs.Nil (Rs.103.12 lacs) power used for project work.

B) OPENING STOCK

Steel Billets & Ingots	M.T.	1492.620	287.90	367.800	73.70
Sponge Iron	M.T.	4482.668	554.96	1463.458	166.83
H.B.Wire	M.T.	379.802	100.02	—	0.00
Ferro Alloys	M.T.	169.700	45.84	—	0.00
By-Products & Others		—	288.16	—	145.79
Work in Process		—	49.16	—	0.00
Total			1326.04		386.33

C) CLOSING STOCK

Steel Billets & Ingots	M.T.	447.740	101.77	1492.620	287.90
Sponge Iron	M.T.	3538.623	433.30	4482.668	554.96
H.B.Wire	M.T.	141.447	38.39	379.802	100.02
Ferro Alloys	M.T.	254.600	84.58	169.700	45.84
By-Products & Others		—	326.03	—	288.16
Work in Process		—	52.40	—	49.16
Total			1036.47		1326.04

D) RAW MATERIAL CONSUMED (EXCLUDING OWN MANUFACTURED ITEM)

Iron Ore	M.T.	377265.741	9159.41	215843.923	4676.99
Coke & Coal	M.T.	339276.163	6136.03	229525.360	3997.26
Pig Iron & Scrap	M.T.	27808.000	4030.32	22466.945	2974.89
Ferro Alloys	M.T.	1950.153	447.48	1492.465	329.50
Sponge Iron	M.T.	0.000	0.00	13216.305	1269.81
M.S. Round (in Coils)	M.T.	54536.551	11120.73	23550.217	4540.03
Maganese Ore	M.T.	23571.135	956.54	5697.890	191.71
Others		—	431.09	—	211.17
			32281.61		18191.36

E) BREAKUP OF RAWMATERIAL CONSUMED

	%	Amount	%	Amount
Imported	0.56	180.83	1.57	285.09
Indigenous	99.44	32100.78	98.43	17906.27
	100.00	32281.61	100.00	18191.36

F) STORES CONSUMED

	%	Amount	%	Amount
Indigenous	**100.00**	**1177.16**	100.00	799.82
Imported	**0.00**	**0.00**	0.00	0.00
	100.00	**1177.16**	100.00	799.82

G) Value of import on CIF basis

- Raw Materials	**0.00**	709.40
- Capital Goods	**1378.41**	1154.36

H)

Expenditure in Foreign Currency	**39.99**	5.39

I) Earning in Foreign Exchange on

Sale of carbon credits (CER)	**525.05**	0.00

J) INSTALLED CAPACITIES AND PRODUCTION (P.A.)

	Unit	Installed Capacity		Actual Production	
		Current Year	Previous Year	**Current Year**	Previous Year
Sponge Iron*	M.T.	**495000**	235000	**170340.000**	107023.000
Steel Billets				**130979.335**	92497.635
or	M.T.	**250000**	250000		
Steel Ingots				**0.000**	121.310
Electricity**	MW/KWH	**28**	28	**174305276**	111946064
H B Wire	M.T.	**62500**	41600	**53991.235**	23294.922
Ferro Alloys	M.T.	**16500**	16500	**9283.100**	2200.900
Oxygen Gas***	CUM	**1095000**	1095000	**1070727**	441833

* Includes 135058.000 MT (82787.195 MT) internally consumed

** Includes 167324676 KWH (104278864 KWH) consumed auxillarily and by other divisions.

*** Includes 430696 CUM (174517 CUM) consumed by other divisions.

20. The previous year figures have been regrouped and/or rearranged wherever necessary.

For OPSinghania & CO.
Chartered Accountants

O P Singhania
Partner
Membership No.51909

Place : Raipur
Date : 26th June, 2007

For and on behalf of the Board of Directors of
Godawari Power & Ispat Limited

B.L.AGRAWAL, Managing Director

DINESH AGRAWAL, Director

DINESH GANDHI, Director Finance

Y.C.RAO, Company Secretary

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile

1. Registration Details	
Registration No.	13756
State Code	10
Balance Sheet Date	31.03.2007
2. Capital raised during the year	(Rs. in thosands)
Public Issue	704295
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
3. Position of mobilisation and deployment of funds	(Rs. in thosands)
Total Liabilities	5261452
Total Assets	5261452
..... Sources of Funds	(Rs. in thosands)
Paid-up Capital	248440
Share Application Money	NIL
Reserves & Surplus	1802660
Secured Loans	2774898
Unsecured Loans	NIL
..... Application of Funds	(Rs. in thosands)
Net Fixed Assets	3660488
Investments	208640
Net Current Assets	956780
Miscellaneous Expenditure	90
Accumulated Losses	NIL
4. Performance of the Company	(Rs. in thosands)
Turnover (Gross Receipts)	4425351
Total Expenditure	3835473
Profit/(Loss) before tax	589877
Profit/(Loss) after tax	522120
Earning per Share	
- Basic (Rs.)	21.41
- Diluted (Rs.)	21.41
Dividend Rate Including Special Dividend, if any	
— on Preference Shares	NIL
— on Equity Shares	30%
5. Generic Name of Principal Products, services of the Company :	
Item Code No. (ITC Code)	820310
Product Description	Sponge Iron
Item Code No. (ITC Code)	720690
Product Description	M.S.Billets
Item Code No. (ITC Code)	7207
Product Description	M.S.Ingots
Item Code No. (ITC Code)	98010003
Product Description	Electricity
Item Code No. (ITC Code)	72170000
Product Description	H.B. Wire
Item Code No. (ITC Code)	72022100
Product Description	Ferro Manganese
Item Code No. (ITC Code)	280440
Product Description	Oxygen Gas

For and on behalf of the Board of Directors of Godawari Power & Ispat Limited

B.L. AGRAWAL, Managing Director
DINESH GANDHI, Director Finance
DINESH AGRAWAL, Director
Y.C.RAO, Company Secretary

Place : Raipur
Date : 26th June, 2007

Statement Pursuant to Section 212 of the Companies Act, 1956, Related to Subsidiary Company

1. Name of the Subsidiary Company:		R.R.Ispat Limited
2. Financial Year of the Subsidiary Company ended on:		March 31, 2007
3. Extent of Interest in the Subsidiary Company:		100%
4. Share Capital:		Rs.548.17 Lacs
5. Reserves & Surplus:		Rs.846.32 Lacs
6. Total Assets:		Rs.3461.02 Lacs
7. Total Liabilities (Excluding Share Capital and Reserves & Surplus):		Rs.2066.53 Lacs
8. Investment (included in Total Assets):Long Term Investments (at cost) –		
A. Other than trade (Unquoted Shares):		
a) 5000 Equity Shares of Rs. 10/- each in M/s. Refra Mining and Power Limited:	Rs.0.50 Lacs	
b) 4000 Equity Shares of Rs.10/- each in M/s. Hira Power & Alloys Ltd:	Rs.0.40 Lacs	
c) 16850 Equity Shares of Rs.10/- each in M/s. Chhattisgarh Power and Coal Beneficiation Ltd:	Rs.10.11 Lacs	
d) 52000 Equity Shares of Rs.10/- each in M/s. Hira Ferro Alloys Ltd:	Rs.5.20 Lacs	
(Quoted Equity Shares fully paid up):		
14412 Equity Shares of Rs.10/- each in M/s. Bank of Baroda:	Rs.33.15 Lacs	
B. In Holding Company (Shares Quoted fully paid up):		
1125000 Equity Shares of Rs.10/- each in M/s. Godawari Power and Ispat Ltd:	Rs.22.50 Lacs	Rs.71.86 Lacs
9. Net turnover and Other Income:		Rs.14598.08 Lacs
10. Profit before Taxation:		Rs.323.14 Lacs
11. Provision for Taxation:		Rs.111.46 Lacs
12. Profit after Taxation:		Rs.211.68 Lacs
13. Proposed Dividend:		NIL
14. Net aggregate amount of the profits of the Subsidiary Company as far as it concerns the members of the Company:		
a) Dealt with in Company's Accents		
i) for the financial year of the Subsidiary:		NIL
ii) for the previous financial years of the Subsidiary since it became the Subsidiary of the Company:		NIL
b) Not Dealt with in Company's Accents		
i) for the financial year of the Subsidiary:		Rs.211.68 Lacs
ii) for the previous financial years of the Subsidiary since it became the Subsidiary of the Company:		Rs.160.00 Lacs

Note:

The company has obtained an exemption from the Government of India, Ministry of Corporate Affairs (MCA) vide its letter no. 47/348/2007-CL-III dated 27/07/2007 for publication of the Accounts of its subsidiary under the provisions of Section 212(8) of the Companies Act, 1956. The accounts of the subsidiary company are not separately included in the Annual Report. However, the Consolidated Financial Statements of the Subsidiary in accordance with the Accounting Standards of the Institute of Chartered Accountants of India, duly audited by the Statutory Auditors, form part of the Annual Report and are reflected in the consolidated accounts.

The Financial Statements of the subsidiary company and other detailed information will be made available to the investors seeking such information at any point of time. The annual accounts of the subsidiaries company will also be made available for inspection at the Registered Office of the Company as well as the respective Registered Office of subsidiary company.

Auditors' Report to the Board of Directors of Godawari Power & Ispat Limited on the Consolidated Financial Statements of Godawari Power & Ispat Limited

1. We have examined the attached Consolidated Balance Sheet of Godawari Power & Ispat Limited and its subsidiary (the Group) as at 31st March, 2007 and also the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the management of Godawari Power & Ispat Limited and have been prepared by the management on the basis of separate financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the 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 amount 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.
3. We report that the consolidated financial statements have been prepared by the parent company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and (AS) 27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
4. Based on our audit and on consideration of unaudited financial statements of joint ventures and audited reports of subsidiary and associates and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, read together with para 3 above, give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in case of the Consolidated Balance Sheet, of the state of affairs of Godawari Power & Ispat Limited and its subsidiary (the Group) as at 31st March, 2007;
   (b) in case of the Consolidated Profit and Loss Account, of the consolidated results for the year ended on that date; and
   (c) in case of the Consolidated Cash Flow Statement, of the consolidated cash flows for the year ended on that date.

For **OPSinghania & Co.**
Chartered Accountants,

O.P.Singhania
Partner
Membership No. 51909

Place : Raipur

Date : 26.06.2007

Consolidated Balance Sheet as at 31st March,2007

	Schedules	2007 (Rs. In lacs)	2006 (Rs. In lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	**2,371.90**	1,502.40
Reserves and surplus	2	**18,372.82**	8,540.22
		20,744.72	10,042.62
Minority Interests		-	417.93
Loan Funds			
Secured Loans	3	**28,782.63**	15,333.02
Unsecured Loans	4	**156.02**	1,921.15
		28,938.65	17,254.17
Deferred Tax Liabilities (Net)		**185.85**	189.53
TOTAL		**49,869.22**	27,904.25
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		**31,168.49**	17,780.44
Less : Accumulated Depreciation		**3,441.50**	2,232.31
Net Block		**27,726.99**	15,548.13
Capital work-in-progress including capital advances		**10,336.12**	4,810.78
		38,063.11	20,358.91
Goodwill Arising on consolidation		**456.20**	39.49
Investments	6	**491.07**	443.98
Current Assets, Loans and Advances			
Inventories	7	**7,614.25**	4,830.72
Sundry debtors	8	**2,813.09**	1,880.07
Cash and bank balances	9	**1,253.30**	439.28
Loans and advances	10	**4,066.38**	2,520.30
		15,747.02	9,670.37
Less : Current Liabilities and Provisions			
Current Liabilities	11	**3,878.42**	2,273.08
Provisions	12	**1,010.66**	422.09
		4,889.08	2,695.17
Net Current Assets		**10,857.94**	6,975.20
Miscellaneous Expenditure	13	**0.90**	86.67
(to the extent not written off or adjusted)			
TOTAL		**49,869.22**	27,904.25
Notes to Accounts	22		

The Schedules referred to above and notes to accounts form an integral part of the Consolidated Profit & Loss Account.

As per our report of even date

For OPSinghania & CO.
Chartered Accountants

O P Singhania
Partner
Membership No.51909

Place: Raipur
Date: 26th June,2007

For and on behalf of the Board

B.L.AGRAWAL, Managing Director

DINESH AGRAWAL, Director

DINESH GANDHI, Director Finance

Y.C.RAO, Company Secretary

Consolidated Profit & Loss Account for the year ended March 31st, 2007

	Schedules	2007 (Rs. In lacs)	2006 (Rs.in lacs)
INCOME			
Turnover (Gross)	14	**55,087.02**	36,217.34
Less: Excise duty		**7,342.30**	4,910.16
Turnover (Net)		**47,744.72**	31,307.18
Other Income	15	**237.73**	140.70
Increase/(Decrease) in Stock in trade	16	**(360.44)**	650.24
TOTAL		**47,622.02**	32,098.12
EXPENDITURE			
Purchase of Trading Goods		**46.33**	-
Raw material consumed	17	**33,926.75**	24,526.10
Personnel expenses	18	**564.04**	372.72
Operating and other expenses	19	**4,362.94**	3,031.42
Depreciation		**1,221.32**	731.52
Financial expenses	20	**1,296.96**	697.12
TOTAL		**41,418.34**	29,358.88
Profit before tax and exceptional items		**6,203.67**	2,739.24
Provision for Current Tax		**778.60**	243.00
Frienge Benefit Tax		**13.54**	7.30
Tax related to earlier year		**0.58**	6.51
Provision for Deferred Income Tax		**(3.68)**	47.93
Total Tax Expense/income		**789.04**	304.73
Profit after tax and before exceptional items		**5,414.63**	2,434.51
Adjustment relating to depreciation on account of change in accounting policy		**-**	1,483.24
Net profit		**5,414.63**	3,917.75
Balance brought forward from previous year		**4,340.60**	2,302.73
Add : Share in profit in associate Company		**7.24**	4.76
Less : Pre Acquisition Profit		**87.73**	-
Less : Minority Interest		**-**	89.55
Profit available for appropriation		**9,674.74**	6,135.69
Appropriations:			
Transfer to General Reserve		**1,500.00**	1,500.00
Interim dividend		**237.19**	-
Proposed dividend		**485.63**	246.53
Tax on dividend		**104.53**	34.84
Adjustment of Miscellaneous Expenditure		**-**	13.72
Surplus carried to Balance Sheet		**7,347.39**	4,340.60
Earning Per Share	21		
Basic & Diluted EPS			
- Computed on the basis of earnings excluding exceptional items (Rs.)		**23.30**	16.24
- Computed on the basis of earnings including exceptional items (Rs.)		**23.30**	26.11
Notes to Accounts	22		

The Schedules referred to above and notes to accounts form an integral part of the Consolidated Profit & Loss Account.

As per our report of even date

For OPSinghania & CO.
Chartered Accountants

O P Singhania
Partner
Membership No.51909

Place: Raipur
Date: 26th June,2007

For and on behalf of the Board

B.L.AGRAWAL, Managing Director

DINESH AGRAWAL, Director

DINESH GANDHI, Director Finance

Y.C.RAO, Company Secretary

Consolidated Cash Flow Statement as at 31st March, 2007

			2007 (Rs. In lacs)	2006 (Rs. In lacs)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before Tax		**6,203.67**	2,739.24
	ADJUSTMENTS FOR:			
	Depreciation		**1,221.32**	731.52
	Misc. Expenses Written off (Net)		**0.94**	7.84
	Provision for Gratuity		**21.35**	14.71
	Interest Charges		**1,296.96**	697.12
	Interest Received		**(55.42)**	(13.93)
	Dividend Received		**(1.24)**	(0.68)
	(Profit)/Loss on sale of Investments		**-**	(97.15)
	(Profit)/Loss on sale of Fixed Assets		**6.03**	1.46
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**8,693.61**	4,080.14
	ADJUSTMENTS FOR:			
	(Increase)/Decrease in Receivables and Advances		**(2,479.10)**	(2,017.02)
	(Increase)/Decrease in Inventories		**(2,786.33)**	(1,626.49)
	Increase/(Decrease) in Trade payables		**1,605.34**	756.76
	CASH GENERATED FROM OPERATIONS		**5,033.53**	1,193.37
	Direct Taxes Paid/Deducted at Source		**(507.57)**	(176.24)
	NET CASH FROM OPERATING ACTIVITIES	**A**	**4,525.96**	1,017.13
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of Fixed Assets/Capital Expenditure		**(18,996.63)**	(7,838.73)
	Proceeds from Sale of Fixed Assets		**65.08**	4.30
	Interest received		**55.42**	13.93
	Dividend Received		**1.24**	0.68
	Sale of Investments		**-**	131.23
	(Increase)/Decrease in Investments		**(1,154.70)**	(44.90)
	NET CASH USED IN INVESTING ACTIVITIES	**B**	**(20,029.58)**	(7,733.48)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Proceeds from issue of equity shares including premium		**7,042.95**	-
	Proceeds/(Payment) of Long Term Borrowings from Banks		**10,672.99**	6,054.39
	Proceeds/(Payment) of Short Term Borrowings from Banks		**2,776.61**	764.17
	Proceeds/(Payment) of Other Borrowings		**(1,765.13)**	1,096.18
	Share Issue Expenses		**(570.65)**	(64.04)
	Refund of Share Application Money		**-**	(100.00)
	Dividend and tax thereon Paid		**(542.15)**	(38.51)
	Interest Charges		**(1,296.96)**	(697.12)
	NET CASH USED IN FINANCING ACTIVITIES	**C**	**16,317.65**	7,015.07
	NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)		**814.02**	298.72
	Cash and Cash Equivalents at the beginning of the year		**439.28**	140.56
	Cash and Cash Equivalents at the end of the year		**1,253.30**	439.28

Components of cash and cash equivalents as at		2007 (Rs. In lacs)	2006 (Rs. In lacs)
Cash in hand		**58.77**	115.39
With banks`	- on current account	**130.23**	64.42
`	- on deposit account	**1,052.83**	259.47
	- on unpaid dividend account*	**9.31**	-
	- on public issue refund account*	**2.16**	-
		1,253.30	439.28

Notes :

1. Figures for the previous year have been regrouped/rearranged wherever found necessary.
2. Interest charges excludes interest capitalised Rs.681.88 lacs (previous year Rs.441.62 lacs).
3. *Balances held by the company which are not available for use by it.

As per our report of even date

For OPSinghania & CO.
Chartered Accountants

O P Singhania
Partner
Membership No.51909

Place: Raipur
Date: 26th June,2007

For and on behalf of the Board

B.L.AGRAWAL, Managing Director

DINESH AGRAWAL, Director

DINESH GANDHI, Director Finance

Y.C.RAO, Company Secretary

Consolidated Schedules to the Accounts

	2007 (Rs. In lacs)	2006 (Rs.in lacs)
Schedule 1 : Capital		
Authorised		
275,00,000 (Previous year: 275,00,000) equity shares of Rs.10/- each	**2,750.00**	2,750.00
3200000 (Previous Year 3200000) Preference Shares of Rs.10/- each	**320.00**	320.00
Issued		
23,719,000 (Previous year: 15024000) equity shares of Rs.10/- each	**2,371.90**	1,502.40
Subscribed & Paid up		
23,719,000 (Previous year: 15024000) equity shares of Rs.10/- each fully paid	**2,371.90**	1,502.40
Schedule 2 : Reserves and Surplus		
Securities Premium		
Balance as per last account	**1,579.96**	1,585.96
Add: On account of Public Issue during the year	**6,173.45**	-
Less: Utilized against Share Issue Expenses	**655.52**	-
Less: Adjustment on consolidation	**192.11**	6.00
	6,905.78	1,579.96
General Reserve		
Balance as per last account	**2,500.00**	1,000.00
Add: Transferred from Profit and Loss Account	**1,500.00**	1,500.00
	4,000.00	2,500.00
Profit and Loss Account	**7,347.39**	4,340.60
Share in Reserves of Associate Company		
Capital Reserve:		
As per last Balance Sheet	**119.65**	-
Add : Addition during the year	**-**	119.65
	119.65	119.65
	18,372.82	8,540.22
Schedule 3 : Secured Loans		
Loans and advances from banks		
- Cash Credit Facilities	**5,815.36**	3,038.75
- Term Loans	**19,957.37**	11,308.39
- Foreign Currency Buyers Credit facility	**628.11**	945.66
- External Commercial Borrowings	**2,178.47**	-
Other Loans & Advances	**193.34**	40.23
Interest accrued & due on Term Loan	**9.98**	-
	28,782.63	15,333.02
Schedule 4 : Unsecured Loans		
Other loans and advances		
- From Body Corporates	**145.27**	1,870.40
Securities Deposits from parties	**10.75**	50.75
	156.02	1,921.15

Consolidated Schedules to the Accounts

Schedule 5 : Fixed Assets

(Rs.in lacs)

Description of Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2006	Additions during the year	Deductions/ sale During the year	As at 31.3.2007	Upto 31.3.2006	During the year	Deductions/ Adjustment During the year	Upto 31.3.2007	As at 31.3.2007	As at 31.3.2006
Freehold Land	194.45	80.60	-	275.04	-	-	-	-	275.04	194.45
Leasehold Land	67.98	1.90	-	69.88	-	-	-	-	69.88	67.98
Site & Land Development	28.57	286.76	-	315.34	-	-	-	-	315.34	28.57
Factory Shed & Building	1,808.64	181.57	-	1,990.21	105.18	61.68	-	166.86	1,823.35	1,703.46
Plant & Machinery	15,520.93	12,658.19	83.24	28,095.88	2,093.91	1,136.63	12.13	3,218.41	24,877.47	13,427.02
Furniture & Fixture	39.52	23.31	-	62.83	7.55	3.37	-	10.93	51.90	31.97
Vehilces	120.35	111.10	-	231.45	25.67	17.27	-	42.94	188.51	94.69
Railway Siding & Lighting System	-	127.86	-	127.86	-	2.36	-	2.36	125.50	-
TOTAL	**17,780.44**	**13,471.29**	**83.24**	**31,168.49**	**2,232.31**	**1,221.32**	**12.13**	**3,441.50**	**27,726.99**	**15,548.13**
PREVIOUS YEAR	8,218.55	9,571.41	9.51	17,780.44	2,987.78	731.52	1,486.99	2,232.31	15,548.13	5,230.77
Capital Work in Progress & Pre-operative Expenses including capital advances	**4,810.78**	**18,717.85**	**13,192.51**	**10,336.12**	**-**	**-**	**-**	**-**	**10,336.12**	**4,810.78**
PREVIOUS YEAR	6,553.36	7,565.45	9,308.03	4,810.78	-	-	-	-	4,810.78	6,553.36

	2007 (Rs.in lacs)	2006 (Rs.in lacs)
Schedule 6 : Investments		
Long Term Investment (At cost)		
A. Trade		
In Associates		
Equity Shares Unquoted	**350.91**	348.42
In other Companies		
Equity Shares Unquoted	**54.71**	49.51
B. Other than trade		
In other Companies		
Equity Shares quoted	**33.15**	33.15
Equity Shares Unquoted	**2.90**	2.90
In Mutual Funds Units	**20.00**	10.00
C. Share Application Money Pending for Allotment	**29.40**	-
	491.07	443.98

Schedule 7 : Inventories		
Raw materials and components	**6,100.09**	2,845.21
Stores and spares	**376.18**	347.53
Work-in-progress	**52.40**	49.16
Finished Goods and By-Products	**1,056.40**	1,588.82
Trading Goods	**29.17**	-
	7,614.25	4,830.72

Consolidated Schedules to the Accounts

	2007 (Rs.in lacs)	2006 (Rs.in lacs)
Schedule 8 : Sundry Debtors		
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six months	**464.07**	126.32
Others	**2,349.02**	1,753.75
	2,813.09	1,880.07
Schedule 9 : Cash and Bank Balances		
Cash in hand	**58.77**	115.39
Balances with Scheduled Banks		
On current accounts	**130.23**	64.42
On deposits accounts.	**1,052.83**	259.47
On Unpaid dividend account	**9.31**	-
On Public Issue Refund account	**2.16**	-
	1,253.30	439.28
Schedule 10 : Loans and Advances		
(Unsecured considered good)		
Advances recoverable in cash or in kind or for value to be received	**2,184.86**	1,951.96
Inter-corporate loans	**347.24**	-
Balances with Custom, Excise etc.	**734.38**	271.41
Deposits others	**150.44**	141.30
Others	**649.46**	155.63
	4,066.38	2,520.30
Schedule 11 : Liabilities		
Acceptances	**447.46**	441.66
Sundry Creditors	**1,836.32**	1,207.74
Advance from customers	**291.61**	101.25
Creditors for capital goods	**711.26**	291.50
Investor Education and Protection Fund shall be credited by namely (As & when due)		
Unclaimed Dividend	**9.31**	-
Unclaimed Public Issue Refund of Application money	**2.16**	-
Interest accrued but not due on loans	**210.92**	72.96
Others	**369.36**	157.98
	3,878.42	2,273.08
Schedule 12 : Provisions		
Provision for taxation (net of advance payments)	**405.73**	121.80
Provision for gratuity	**38.36**	17.01
Proposed dividend	**496.88**	248.44
Tax on proposed dividend	**69.69**	34.84
	1,010.66	422.09

Consolidated Schedules to the Accounts

	2007 (Rs.in lacs)	2006 (Rs.in lacs)
Schedule 13 : Miscellaneous Expenditure		
(to the extent not written off or adjusted)		
Share issue expenses		
Balance as per last account	**84.86**	84.86
Add: On account of Public Issue	**570.65**	-
Less: Written off against Securities Premium Account (refer note No.)	**655.52**	-
	-	84.86
Loan processing & documentation charges	**0.90**	1.80
	0.90	86.67
Schedule 14 : Gross Turnover		
Sale of Manufacturing Goods	**54,461.62**	36,022.02
Sale of Trading Goods	**10.88**	-
Sale of Electricity	**89.48**	183.27
Sale of Carbon Emission Reduction Credit	**525.05**	-
Conversion Charges & other revenues	**-**	12.05
	55,087.02	36,217.34
Schedule 15 : Other Income		
Interest		
Bank deposits	**49.71**	9.18
Security deposit with CSEB	**4.19**	4.76
From Advances	**1.52**	-
Dividend income	**-**	
Trade investments-Long-term	**1.24**	0.68
Profit on disposal of long-term (trade) investments	**-**	97.15
Gain on Currency Hedge transactions	**140.30**	23.47
Miscellaneous Income	**40.77**	5.47
	237.73	140.70
Schedule 16 : Increase/(decrease) in Stock in trade		
Closing Stock		
- Work-in-progress	**52.40**	49.16
- Finished Goods & By-Products	**1,056.40**	1,588.82
- Traded Goods	**29.17**	-
	1,137.98	1,637.98
Opening Stock		
- Work-in-progress	**49.16**	-
- Finished Goods & By-Products	**1,588.82**	879.05
	1,637.98	879.05
	(500.00)	758.92
Excise Duty on Stocks	**139.57**	(108.68)
	(360.44)	650.24

Consolidated Schedules to the Accounts

	2007 (Rs.in lacs)	2006 (Rs.in lacs)
Schedule 17 : Raw Material Consumed		
Opening Stock	**2,845.21**	2,032.75
Add: Purchases	**37,181.62**	25,338.56
	40,026.83	27,371.31
Less: Closing Stock	**6,100.09**	2,845.21
	33,926.75	24,526.10
Schedule 18 : Personnel Expenses		
Salaries, wages and bonus	**447.52**	325.06
Contribution to provident fund	**29.89**	17.68
Contribution to gratuity	**21.87**	14.90
Contribution to other funds	**13.70**	8.25
Workmen and staff welfare expenses	**51.05**	6.84
	564.04	372.72
Schedule 19 : Operating and Other Expenses		
Consumption of stores and spares	**1,396.74**	1,277.01
Process charges	**115.08**	113.72
Power charges	**819.21**	652.78
Water Charges	**109.32**	42.11
Other manufacturing expenses	**457.28**	331.33
CDM Expenses	**77.30**	7.67
Rent	**17.54**	8.96
Rates and taxes		
- Sales tax	**23.72**	2.42
- Entry tax	**115.80**	6.69
- Excise duty	**4.63**	-
- Others	**1.46**	1.57
Insurance	**27.06**	17.15
Repairs and maintenance		
- Plant and machinery	**705.34**	294.13
- Buildings	**22.86**	12.70
- Others	**12.12**	6.11
Rebate, shortage claims & other deductions	**18.08**	7.29
Commission		
- Other than Sole selling agents	**20.73**	11.24
Travelling and conveyance	**64.92**	63.51
Communication costs	**40.98**	40.79
Printing and stationery	**16.48**	15.28
Legal and professional fees	**14.79**	15.26
Directors' sitting fees	**0.55**	-
Directors' remuneration	**52.80**	16.80
Frieght and forwarding charges	**15.91**	6.53
Security service charges	**38.07**	14.26
Loss on sale of fixed assets	**6.03**	1.46
Miscellaneous expenses	**167.18**	56.82
Miscellaneous expenditure written off	**0.94**	7.84
	4,362.94	3,031.42

Consolidated Schedules to the Accounts

	2007 (Rs.in lacs)	2006 (Rs.in lacs)
Schedule 20 : Financial Expenses		
Interest		
- on term loans	**1,462.14**	771.76
- on working capital	**330.44**	283.14
- on others	**16.74**	11.07
Bank charges	**169.52**	72.76
	1,978.84	1,138.75
Less: Interest capitalised	**681.88**	441.62
	1,296.96	697.12
Schedule 21 : Earning per share (EPS)		
Net profit as per profit and loss account including extra-ordinary items	**6,643.18**	4,654.02
Net profit for calculation of basic EPS & Diluted EPS	**6,643.18**	4,654.02
Net profit as per profit and loss account excluding extra-ordinary items	**6,643.18**	3,170.78
Net profit for calculation of basic EPS & Diluted EPS	**6,643.18**	3,170.78
Weighted average number of equity shares in calculating basic& Diluted EPS	**232.66**	150.24
Basic & Diluted EPS		
- Computed on the basis of earnings excluding exceptional items	**23.30**	16.24
- Computed on the basis of earnings including exceptional items	**23.30**	26.11

SCHEDULE '22'

A. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

1. PRINCIPLES OF CONSOLIDATION :

The Consolidated Financial Statements relate to the Godawari Power & Ispat Limited ("the Parent Company"), its Subsidiary Company R.R.Ispat Limited and Joint Ventures Companies viz. Raipur Infrastructure Company Private Limited & Chhattisgarh Captive Coal Mining Limited and an Associate Hira Steel Limited, collectively referred to as 'the Group'. The consolidted financial statements have been prepared on the following basis :

a) The Financial Statements of the parent company and its subsidiary company have been combined on a line-by-line basis by adding together the book values of items like assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profit or losses in accordance with the Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. Further in accordance with AS-27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India, the group has accounted for its proportionate share of interest in joint ventures by the proportionate consolidation method.

b) In case of associate where the company directly or indirectly through subsidiary holds more than 20% of equity, investments in associates are accounted for using equity method in accordance with Accounting Standard (AS) 23 - "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

c) The difference between the cost of investment in the subsidiary, over the net assets at the time of acquisition of shares in the subsidiary is recognized in the financial statements as goodwill or Capital Reserve.

d) Minority interest's share in the net assets of the consolidated subsidiary consist of :-

(i) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and

(ii) The minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.

e) Minority interest's share of net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the company.

f) As far as possible, the consolidated financial statemens are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the company's seperate financial statements except in case of associate where depreciation on fixed assets has been charged on WDV Method instead of SLM Method as used by parent company and its subsidiary.

2. Investments other than in subsidiary and associates have been accounted for as per Accounting Standard (AS) 13 on "Accounting for Investments".

3. Other Significant Accounting Policies

These are set-out under "Significant Accounting Policies" as given in the unconsolidated financial statements of Godawari Power & Ispat Limited and its subsidiary

B. NOTES ON ACCOUNTS TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

1. The subsidiary company considered in the consolidated financial statements is:

Name of the Subsidiary	Country of incorporation	Proportion of ownership interest
R.R. Ispat Limited	India	100.00%

2. The significant associates company considered in the consolidated financial statements is:

Name of the Associate	Country of incorporation	Proportion of ownership interest
Hira Steels Limited	India	23.30%

3. Joint Venture Operations

The group has, in accordance with AS-27 "Financial Reporting of Interests in Joint Ventures" issued by the ICAI, accounted for its interest in the Joint Ventures by the proportionate consolidation method. Thus, the Group's income statement, balance sheet and the cash flow statement incorporate the Group's share of income, expenses, assets, liabilities and cash flows of the joint venture on a line by line basis.

Name of the Joint Ventures	Country of incorporation	Proportion of ownership interest
Raipur Infrastructure Company Pvt. Ltd.	India	33.33%
Chhattisgarh Captive Coal Mining Ltd.	India	36.20%

The aggregate amount of assets, liabilities, income and expenses related to the Group's share in the Joint Venture included in these financial statements for the year ended 31st March,2007 are given below :

Particulars of Balance Sheet items	**As at 31st March, 2007**	As at 31st March, 2006
Fixed Assets(including Capital WIP & Pre-operative expenses)	142.61	103.41
Current Assets	5.00	14.34
Loan Fund	76.47	64.99
Current Liabilities	5.28	6.18

Particulars of Profit & Loss Account items	For the year ended 31st March,2007	For the year ended 31st March,2006
Income from operation	10.35	0.00
Particulars of Cash Flow Statement items		
Profit/(Loss) for the year	10.35	0.00
Changes in working capital	8.44	25.28
Changes in investing activities	(39.20)	(56.86)
Changes in financing activities	11.48	64.99

4. The carrying amount of investements in associate include capital reserve arising on acquisition amounting to Rs.Nil (Previous Year Rs.119.65 lacs).

5. The associate company is using WDV Method for providing depreciation on its fixed assets whereas the consolidated financial statements has been prepared by using SLM Method. As the details of difference between WDV and SLM Method has not been ascertained, therefore, the effect of the same could not be identified.

6. Contingent Liabilities and Capital Commitments are not provided for in respect of :-

i) Counter Guarantees given to banks against Bank guarantees issued by the Company Banker aggregate to Rs.148.72 lacs (Previous Year Rs.78.72 lacs.)

ii) Disputed liability of Rs.20.74 lacs (Previous Year Nil) on account of Service Tax, Central Excise Duty Rs.11.70 lacs (Previous Year Rs.11.70 lacs) and Sale Tax Rs.57.27 lacs (Previous Year Rs.53.82 lacs) against which the company has preferred appeal before higher authorities.

iii) Corporate Guarantees issued in favour of bank aggregating to Rs.14200 lacs (Previous Year Rs. 13670 lacs) in respect of financing facilities granted to other body corporate.

iv) Estimated amount of contracts remaining to be executed on capital accounts Rs.1025.00 lacs (Previous Year Rs.3600.00 lacs).

7. The company has provided gratuity liability as worked out on the basis of the Payment of Gratuity Act,1972. However, the company is in process of getting the actuarial valuation to comply with the Accounting Standard 15 (revised) as issued by the Institute of Chartered Accountants of India.

8. During the year the Income Tax Department has conducted search operation u/s 132 of the Income Tax Act,1961. No material discrepancies were found during the course of search.

9. As per Accounting Standard AS-26 (Intangible Assets) the Company has appropriated Rs. Nil (Previous Year Rs.13.72 lacs) under Miscellaneous Expenditure to the extent not written off from the balance of Profit & Loss Account.

10. The previous year figures have been regrouped and/or rearranged wherever necessary.

11. The deferred tax adjustment (net) has been given for subsidiary company only and no deferred tax liability/assets is provided in case of holding company for timing difference in depreciation in view of the benefits available u/s 80IA of the Income-tax Act for Power Division of the company and overall minimum alternative tax payable.

Particulars	Balance carried As at 1st April, 2006	Arising during the year	Balance carried As at 31st March, 2007
Deferred Tax Liabilities			
- Timing difference between book and tax depreciation	191.69	(3.03)	188.66
	191.69	**(3.03)**	**188.66**
Deferred Tax Assets			
- Provision for bonus, gratuity and others	2.08	0.67	2.75
- On account of carry-forward losses as per income-tax	0.00	0.05	0.05
	2.08	**0.73**	**2.81**
Net Deferred Tax Assets/(Liabilities)	**(189.61)**	**3.76**	**(185.85)**

In arriving at Deferred Tax Liability, set-off available U/s.115JAA of the Income Tax Act for MAT paid Rs.0.08 lac for the A.Y. 2000-01 has been considered.

12. Miscellaneous expenses incudes, payment to Auditors (excluding service tax, as applicable). (Rs.in lacs)

	2006-07	2005-06
Towards Audit Fees	6.00	4.00
Towards Tax Audit fees	1.00	0.75
Towards certification works	1.28	1.93
Towards taxation matters	0.25	0.50

13. Information on Related Party as required by Accounting Standard-18, "Related Party Disclosures" issued by The Institute of Chartered Accountants of India, are given below :

i) **Related Parties**

a) **Associates**
- Hira Steels Ltd.

b) **Other Related Enterprises**
- Hira Ferro Alloys Ltd.
- Alok Ferro Alloys Ltd.
- Hira Industries Ltd.
- Shree Hira Exim Ltd.
- Jagdamba Power & Alloys Ltd.
- Hira Power & Steel Ltd.
- Chhattisgarh Power & Coal Benefication Ltd.

c) **Joint Ventures**
- Raipur Infrastructure Company Pvt.Ltd.
- Chhattisgarh Captive Coal Mining Ltd.

d) **Key Management Personnel**
- Shri B.L.Agrawal

e) **Relatives of Key Management Personnel****
- Shri Siddarth Agrawal

ii) **Transaction with Related Parties in the ordinary course of business (Rs.in lacs)**

			2006-07	2005-06
a)	**Associates**	Purchase of Materials	**6138.33**	5380.98
		Sale of Materials	**13289.51**	8139.30
		Sale of Electricity	**89.48**	80.14
		Loans Received	**0.00**	300.00
		Repayment of Loan	**300.00**	0.00
		Security Deposit Refunded	**0.00**	500.00
		Outstandings		
		Receivables	**447.63**	91.17
		Unsecured Loans	**0.00**	300.00
b)	**Other Related Enterprises**	Purchase of Materials	**3108.13**	1629.66
		Sale of Materials	**571.69**	185.81
		Sale of Fixed Assets	**74.11**	0.00
		Job charges received	**0.12**	0.00
		Rent Paid	**1.32**	0.00
		Service Charges Paid	**662.18**	661.97
		Power purchased	**208.08**	0.00
		Investment during the year	**0.00**	0.00
		Sale of Investments	**0.00**	78.60
		Repayment of Loans	**1412.69**	327.00
		Loans given	**11.00**	305.00
		Loans Received	**0.00**	2032.13
		Outstandings		
		Receivables	**717.32**	131.52
		Payables	**31.54**	35.56
		Loan receivable	**316.00**	305.00
		Unsecured Loans	**0.00**	1412.69
c)	**Joint Ventures**	Interest received	**2.23**	0.00
		Service Charges Paid	**56.46**	0.00
		Investment during the year	**0.00**	46.34
		Advances received back	**37.17**	0.00
		Advances given	**27.56**	55.92
		Outstandings		
		Investments	**46.59**	46.59
		Receivables	**55.92**	55.92
d)	**Key Management**	Remuneration Paid	**27.00**	3.00
		Rent Paid	**3.00**	0.00
e)	**Relative of Key Management**	Salary Paid	**5.40**	3.00

14. Segment-wise Revenue Results :

Basis of preparation :

i) Business segments of the company have been identified as distinguishable components that are engaged in a group of related product and that are subject to risks and returns different from other business segments. Accordingly Steel, Electricity and other operations have been identified as the business segments. Other operations segments include Oxygen Gas and Equipment Manufacturing.

ii) The geographic segments identified as secondary segments are “Domestic Market” and “Export Market”. Since there is no Export Market Revenue, the same has not been disclosed. The entire capital employed is within India.

Information about business Segments-Primary Rs.Lacs

Particulars	External Sales		Inter Segment Sales		Elimination		Total	
	2006-07	2005-06	**2006-07**	2005-06	**2006-07**	2005-06	**2006-07**	2005-06
A) REVENUE								
Steel Segment	**53961.29**	35989.62	**243.44**	152.68	**(243.44)**	(152.68)	**53961.29**	0.00
Electricity Segment	**614.53**	84.75	**5559.24**	3366.96	**(5543.31)**	(3253.53)	**630.46**	113.43
Other Operations	**382.7**	26.07	**140.16**	14.14	**(27.59)**	(10.68)	**495.27**	3.46
Total Segment Revenue	**54958.52**	36100.44	**5942.84**	3533.78	**(5814.34)**	(3416.89)	**55087.02**	116.89
B) RESULTS								
Segment Operational Profit								
Steel Segment							**2527.03**	1612.14
Electricity Segment							**4414.29**	2015.10
Other Operations							**693.15**	(4.73)
Total Segment Results							**7634.47**	3622.51
Un-allocated expenditure net off unallocated income							**(133.84)**	(186.15)
Operating Profit							**7500.63**	3436.36
Interest Expenses							**(1296.96)**	(697.12)
Income-tax & Fringe Benefit Tax Paid/Provided							**(792.72)**	(256.80)
Deferred Tax Adjustment (Net)							**3.68**	(47.93)
Profit after taxation and before extra-ordinary items							**5414.63**	2434.51
Adjustment for depreciation for the earlier years							**0.00**	1483.24
Net Profit							**5414.63**	3917.75
C) OTHER INFORMATION								
Segment Assets								
Steel Segment							**33481.16**	20086.09
Electricity Segment							**13759.01**	7600.86
Other Operations							**699.77**	598.13
Total Segment Assets							**47939.94**	28285.08
Un-allocable Assets							**6817.46**	2227.66
Total Assets							**54757.40**	30512.74

	2006-07	2005-06
Segment Liabilities and Provisions		
Steel Segment	**19259.97**	13211.72
Electricity Segment	**6818.62**	5843.53
Other Operations	**27.75**	29.58
Total Segment Liabilities & Provisions	**26106.34**	19084.83
Un-allocable Liabilities and Provisions	**7721.38**	864.52
Total Liabilities and Provisions	**33827.72**	19949.35
Capital Expenditure		
Steel Segment	**10728.81**	3338.02
Electricity Segment	**6478.37**	3808.37
Other Operations	**325.91**	114.55
Un-allocable Capital Expenditure	**1463.54**	567.89
Total Capital Expenditure	**18996.63**	7828.83
Depreciation		
Steel Segment	**792.34**	457.19
Electricity Segment	**413.43**	256.28
Other Operations	**15.55**	18.05
Total Segment Depreciation	**1221.32**	731.52

As per our report of even date

For OPSinghania & CO.
Chartered Accountants

O P Singhania
Partner
Membership No.51909

Place: Raipur
Date: 26th June,2007

For and on behalf of the Board

B.L.AGRAWAL
Managing Director

DINESH AGRAWAL
Director

DINESH GANDHI
Director Finance

Y.C.RAO
Company Secretary

Responsibility towards Society ...

...GPIL's Social Initiatives

Being a responsible corporate citizen, sharing success and giving back to the society is a way of life at Godawari Power and Ispat. The company strives to integrate social values within its daily business decision-making process with an aim to achieve positive and sustainable outcomes towards business, environment and the society at large.

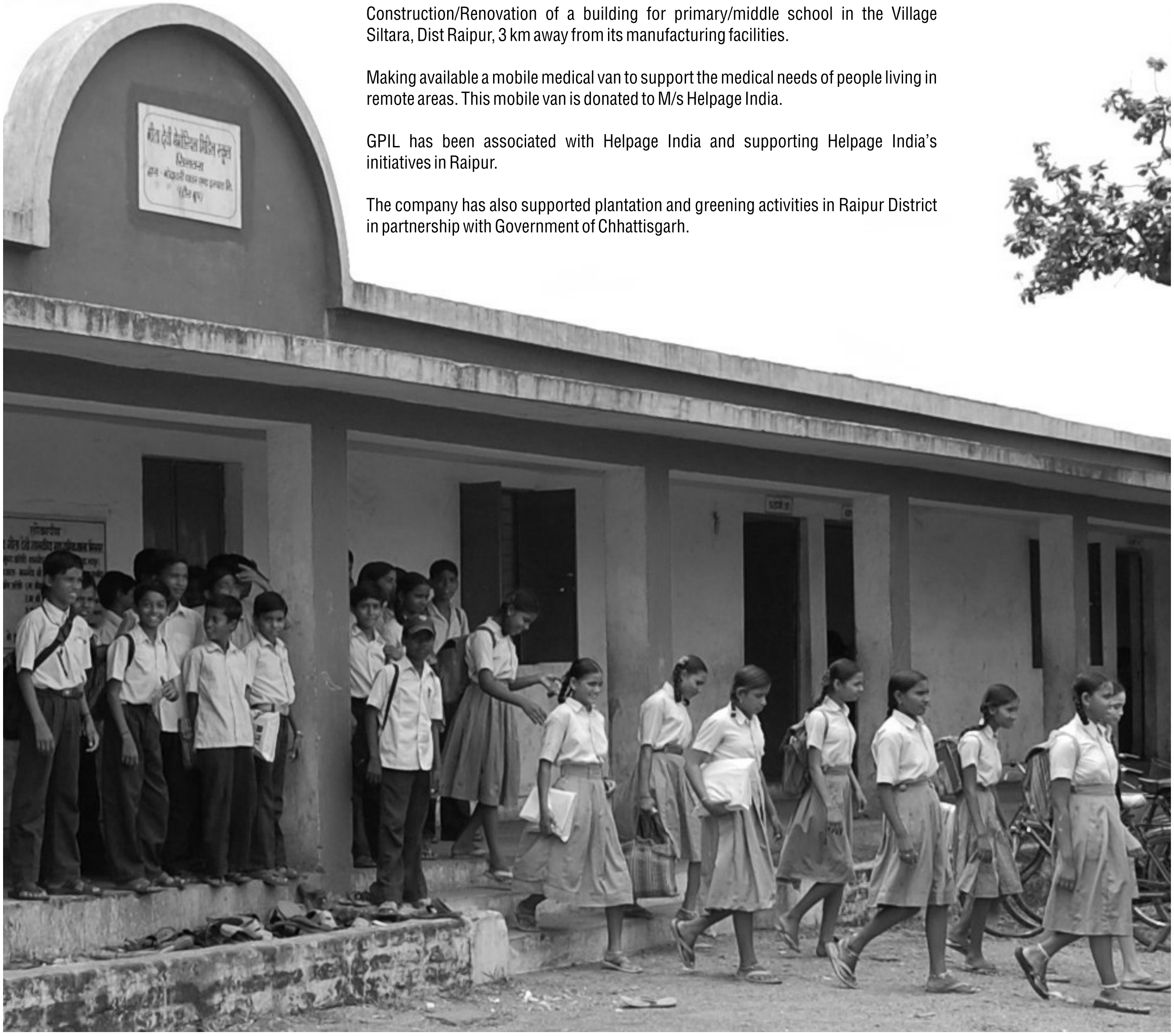
Some of the initiatives undertaken by the company are --

Construction/Renovation of a building for primary/middle school in the Village Siltara, Dist Raipur, 3 km away from its manufacturing facilities.

Making available a mobile medical van to support the medical needs of people living in remote areas. This mobile van is donated to M/s Helpage India.

GPIL has been associated with Helpage India and supporting Helpage India's initiatives in Raipur.

The company has also supported plantation and greening activities in Raipur District in partnership with Government of Chhattisgarh.



GODAWARI POWER AND ISPAT LIMITED

Regd. Office : Plot No. 428/2, Phase I, Industrial Area, Siltara - 493 111, Dist. Raipur, Chhattisgarh, India

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 ______________________ or failing him ______________________ of ______________________ in the District of ______________________ as my/our proxy to vote for me / us on my / our behalf at the Eighth Annual General Meeting of the Members of **GODAWARI POWER AND ISPAT LIMITED** to be held on Tuesday the 25th September, 2007 at 1.00 P.M. at the Corporate office at First Floor, Hira Arcade, Near New Bus Stand, Pandri, Raipur, Chhattisgarh.

Signed this ______________ day of ______________ 2007.

Affix Re. 1/- Revenue stamp

Signature ______________________

L.F.No. ______________________

*Depository : NSDL/CDSL ______________________

* DP. ID ______________________

* Client ID ______________________

* For Shares held in Electronic Form

No. of Share(s) held ______________________

Notes :

(1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself.

(2) A proxy need not be a member.

(3) The completed form should be deposited at the Registered Office of the Company at Plot No. 428/2, Phase I, Industrial Area, Siltara - 493 111, Dist. Raipur, Chhattisgarh, India not less than 48 hours before the time for holding the meeting.

GODAWARI POWER AND ISPAT LIMITED

Regd. Office : Plot No. 428/2, Phase I, Industrial Area, Siltara - 493 111, Dist. Raipur, Chhattisgarh, India

ATTENDANCE SLIP

I hereby record my presence at the Eighth Annual General Meeting of the Members of **GODAWARI POWER AND ISPAT LIMITED** on Tuesday the 25th September, 2007 at 1.00 P.M. at the Corporate office at First Floor, Hira Arcade, Near New Bus Stand, Pandri, Raipur, Chhattisgarh.

1. L.F.NO. ______________________
2. * Depository : NSDL/CDSL ______________________
3. * DP. ID ______________________
4. * CLIENT ID ______________________

   * FOR SHARES HELD IN ELECTRONIC FORM
5. FULL NAME OF THE SHAREHOLDER :

   (IN BLOCK LETTERS)
6. NO. OF EQUITY SHARES HELD: ______________________
7. SIGNATURE OF THE SHAREHOLDER

   OR PROXY ATTENDING ______________________

____

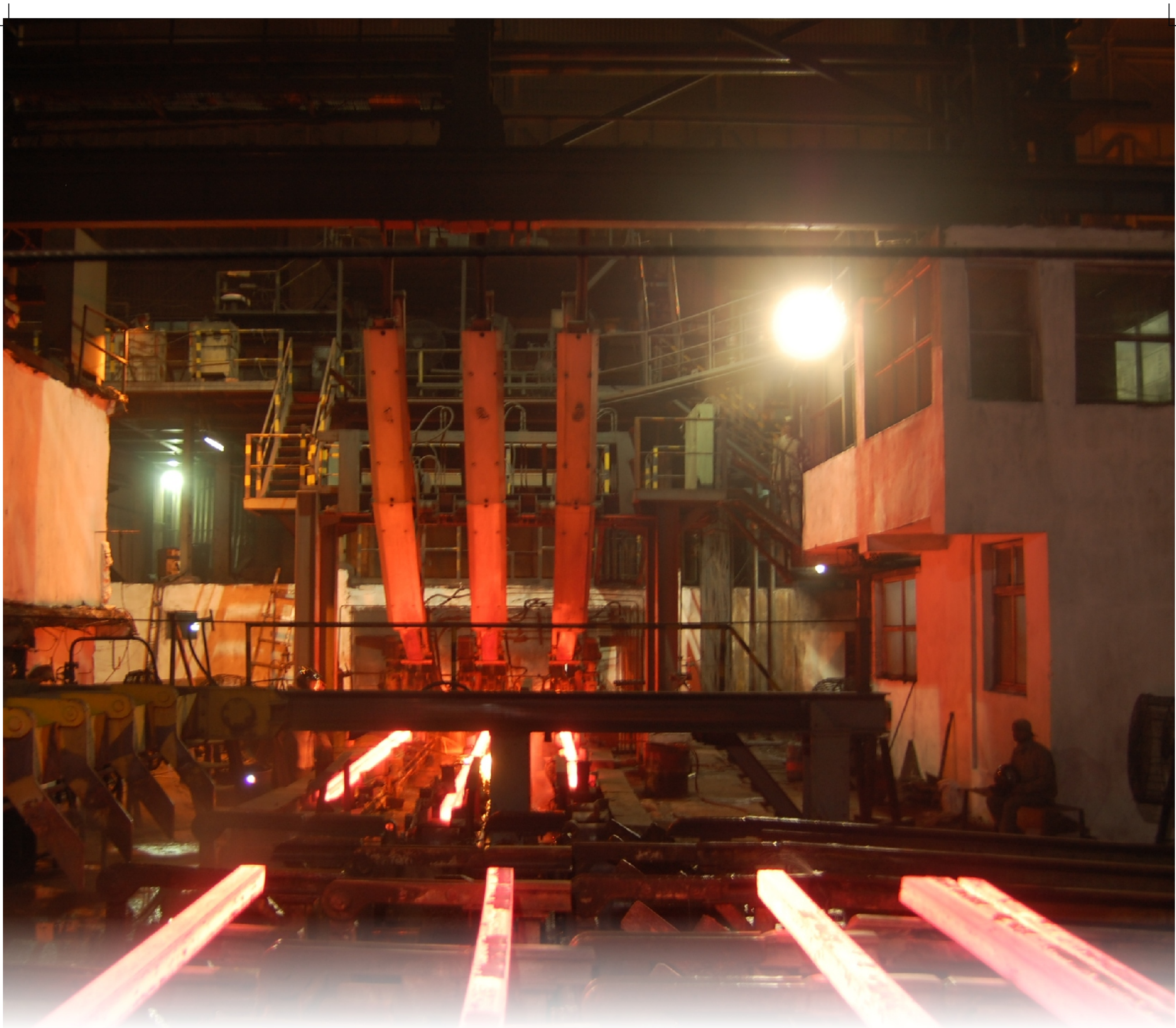
(PLEASE GIVE FULL NAME OF THE 1ST JOINTHOLDER)

MR./MRS./MISS ______________________

(TO BE USED ONLY WHEN FIRST NAMED SHAREHOLDER IS NOT ATTENDING)

____

NOTE : PLEASE FILL IN THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL.



CAUTIONARY STATEMENT

Statements made in this Annual Report describing the Company's objectives, projections, estimate, expectations may be "Forward-looking statements" within the meaning of applicable securities laws & regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic & overseas markets in which the company operates, changes in the government regulations, tax laws & other statutes & other incidental factors.

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HIRA GROUP

Core Competency in the Core Sector

Godawari Power & Ispat Ltd

Registered Office

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Corporate Office

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