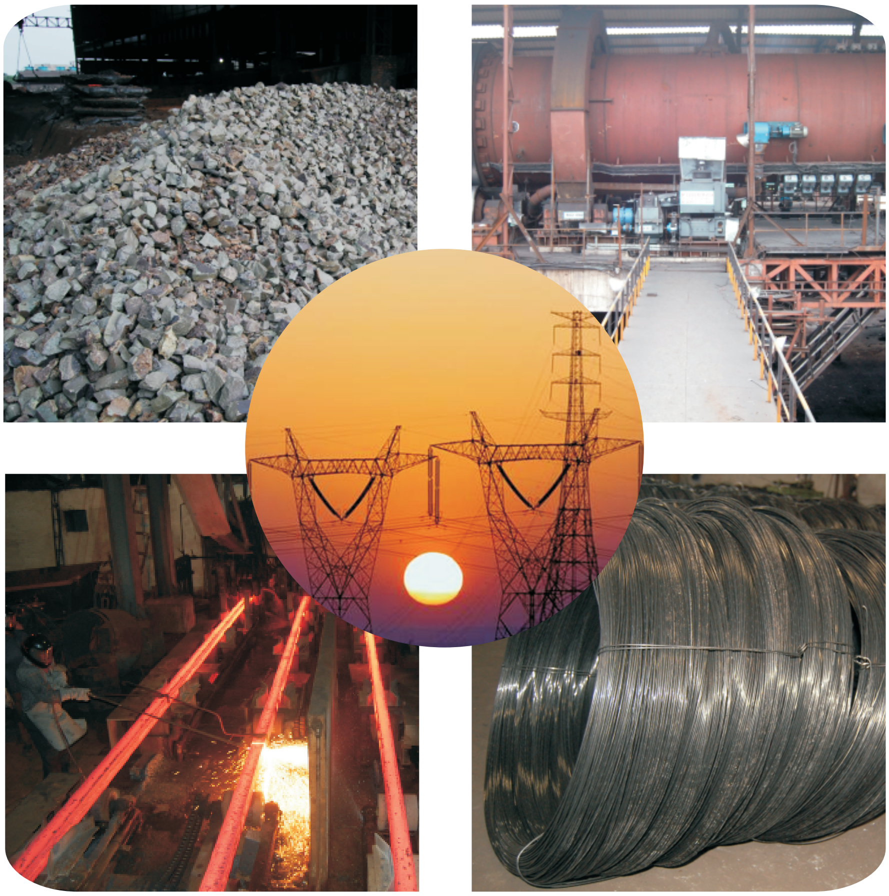
ANNUAL REPORT 2007-2008



GODAWARI POWER & ISPAT LTD

VISION

TO SEIZE THE OPPORTUNITIES OF TOMMORROW BY CONSISTENTLY OUTPERFORMING AND CREATE AN ENTERPRISING ENTITY.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. G. B. Desai	*Chairman, Independent Director*
Mr. O.P. Agrawal	*Vice Chairman Non Executive Director*
Mr. B.L. Agrawal	*Managing Director*
Mr. Dinesh Agrawal	*Executive Director*
Mr. Siddharth Agrawal	*Executive Director (w.e.f. 14-06-2008)*
Mr. Dinesh Gandhi	*Executive Director – Finance*
Mr. B.P. Singh	*Director - Administration*
Mr. N.P. Agrawal	*Non Executive Director*
Mr. Shashi Kumar	*Independent Director (w.e.f. 25.09.2007)*
Mr. B. Choudhuri	*Independent Director (w.e.f. 25.09.2007)*
Mr. B. N. Ojha	*Independent Director (w.e.f. 14-06-2008)*

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

Axis Bank Ltd.

Bank of Baroda

ICICI Bank Ltd.

REGISTERED OFFICE

Plot No.428/2, Phase I, Industrial Area,
Siltara – 493 111, Dist. Raipur, Chhattisgarh, India
Tel: +91 – 771 - 4082333 / 3092333
Fax: +91 – 771 - 4082234

CORPORATE OFFICE

First Floor, Hira Arcade, Near New Bus Stand,
Pandri, Raipur – 492 001, Chhattisgarh, India
Tel.: +91 – 771 – 4082000 / 4082001
Fax: +91 – 771 – 4057601

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 / 28592622
Fax: +91 – 22 – 28592851

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From the desk of Managing Director

Dear Stakeholders,

It gives me great pleasure in sharing with you, the key highlights of the performance of the Company during the financial year 2007-08 and future growth plans of the Company going forward.

Performance Highlights:

The year 2007-08 has seen an all round growth in the performance of the Company. Backed by higher volumes of production and better price realizations, the Company has achieved consolidated revenue of Rs. 936 crore during the year under review, as Compared to revenue of Rs 551 crore during the previous year, a growth of 70%. The consolidated net profit after tax grew by 82% to Rs. 99 crore as against Rs. 54 crore during the previous year. Considering the fact that, just two years ago, when we concluded our initial public offering our revenues were just Rs. 275 crore and net profit of Rs. 22 crore, the Company has within a short span of time achieved significant growth in volume of business, revenue, profits and net worth and achieved annual compounded growth of over 80% in terms of revenue and profitability last during two years. The phase-II expansion project for which the Company raised funds through initial public offering, for increase in capacity of sponge iron, steel billets, wire drawing and power generation has been successfully completed and partially operated during the year, have resulted in overall volume growth across the product segments. The full benefit of the capacity expansion is expected during the current year.

Growth Drivers:

Mineral Resources:

The growth story continues and your Company has drawn further plans to improve the operating margins by entering into backward integration through mining of iron ore and coal and venturing into value added manufacturing facilities by setting up iron pelletisation plant – a process to convert iron ore fines into pellets which can be used a raw material for making sponge iron as replacement of sized iron ore.

Your Company has been granted mining lease for 2 iron ore mines at Ari Dongri and Boria Tibu having an area of 216 hectare and prospecting license for another iron ore mines with an area of 754 hectare in Chhattisgarh. Further your Company has been recently granted long awaited forest approval for Ari Dongri iron mines in Chhattisgarh, by Ministry of Environment & Forest, Government of India, which would enable the Company in commencing the iron ore mining for captive consumption during the later part of the current financial year. With the availability of captive iron ore, the dependence for supply of iron ore from market purchases for critical raw material shall reduce and the operating margin of the Company are expected increase significantly once the captive iron mines becomes fully operational by next financial year i.e. FY 2009-10.

Your Company has also been granted mining rights in consortium for mining of coal in Chhattisgarh and the coal mines are being developed through Special purpose Joint Venture Company, which has also achieved significant progress towards getting various regulatory approvals and coal mining operations are expected to commence some time in FY 2011. All these efforts, shall improve the operating margins of the Company comparable with the fully integrated steel Companies in India having captive iron ore and coal mines.

New Initiatives:

Looking the hardening in prices of critical inputs like iron ore & coal for steel industry over past couple of years and increasing demand of these commodities globally, we strongly believes that facilities for value addition on iron ore fines, which is currently available in abundant quantity in domestic market at reasonable prices, in view of non availability of facilities for use of iron ore fines in India, by converting iron ore fines into pellets - which can be used a raw material by the steel industry for manufacturing of sponge/pig iron, are expected to be future growth driver of the Company on account of early entrant in the segment. Towards this end, we have taken major initiatives by announcing setting up of two iron ore pelletisation projects with a capacity of 600,000 TPA each for converting iron ore fines into pellets. The first project is currently under implementation at existing plant location at Raipur in Chhattisgarh and another project in Orissa through a joint venture Company i.e. Ardent Steels Ltd., in which the Company has decided to invest 75% in capital of the said Company, which would become be subsidiary of your Company.

The above initiatives are likely to result into better operating efficiencies with a availability of the better quality of raw material for sponge iron division and expected to drive the volume growth in coming years.

Future Projects:

The Company further plans to grow the steel business by increasing the capacity of integrated steel plants to 1.00 million ton per annum along-with captive power generation facilities in line with MOU signed with the Chhattisgarh State Government over next three years. Your Company is presently looking for a suitable location for the next phase of the expansion project for steel making capacity and suitable announcement regarding the quantum of the investment, means of finance, time schedule for implementation etc shall be made in due course of time.

The Company has also identified power business as the future growth driver in view of huge opportunities available in power business and has formed a subsidiary Company to purse merchant power business, which is currently looking for opportunities for setting up the power plant with suitable capacity based on thermal coal & coal rejects/middling as fuel for generation of power.

Industry Review:

The demand for steel in India is growing over 10% per annum for last couple of years, with the overall growth in the domestic economy. The demand for long products, in which the Company is present, is growing at much faster pace with increase in demand from construction and infrastructure sector. The supply of finished steel has not been able to keep pace with growth in demand, which coupled with increase in input cost have resulted in increasing the prices of finished steel products and raw materials by over 50% in last one year. The prices of finished steel and raw material continuous to remain firm in view of demand supply mismatch and expected to remain firm in the medium term. The prices of steel in recent past have increased substantially, since Jan, 2008 in view of high cooking coal prices, which is used as input for making steel through the blast furnace route. Globally 70% of finished steel is made using blast furnace. Your Company being engaged in manufacturing of steel through sponge iron route in which non-cooking coal is used as input is less impact due to increase in the cooking coal prices. In view of finalization of long term contracts for purchase of cooking coal by major global companies at price of over US$ 200, the steel prices are expected to remain firm in the medium term, which would be positive for the performance of your Company in view of lower non cooking coal prices.

Economic Scenario:

The high crude prices coupled with the higher food and other commodities prices, the inflation in India has crossed double digit mark and remain at higher level across the globe, which is a matter of concern for all of us and in view of intervention by the government of India to keep the commodities prices under control - to cool down the inflation and steps taken by the Reserve Bank of India by increasing CRR and interest rate - to moderate the growth in the economy, in likely to have impact on GDP growth going forward and resultant demand for commodities and increase the interest cost for the Industry. These measures are likely to have impact on performance of your Company going forward. As mentioned above, the steps taken by the Company for captive raw material resources along-with pelletisation projects are likely to support the margins in the event of slow down in economy and resultant reduce in prices of finished steel products due to lower demand.

Human Resource:

People for any organization are an important and valuable asset. Your Company believes that people impacts the business profitability, enhances performance and guides the vision and value system. The growth, which your Company has achieved, would not have been possible without active support and participation of its human resource. Your Company pays utmost importance to the human resource development and Company has taken various initiatives to improve the life of people, which includes the programmes related to skill development, proving better working atmosphere, medical and health care assistance and competitive compensation packages etc.

Corporate Social Responsibility:

Your Company has also taken various initiatives towards corporate social responsibility which includes massive tree plantation under the VRIKSHA MITRA MAHAABHIYAN- 2008 a plantation programme Raipur Collector wherein the Company has taken up plantation of 10000 saplings outsite the plant area at its own cost and till date the Company has already done plantation of 3500 trees and balance would be completed during the current year.

In addition to above, the Company has also decided to take up upgradation & management of Hathbandh ITI in Chhattisgarh established by the Govt of India under public -private partnership. The ITI would be managed by the Company in association with management team to be formed with the nomination by the state govt and would bear the cost for running the ITI. The students to be graduated from ITI would be offered employment in the Company.

The Company has decided to participate in the management of "Akansha" - the first school of Raipur for mentally handicapped run by Lions Club started in the year 1994. AKANSHA is not only a school of mentally handicapped but it also run several courses approved by Rehabilitation council of India. Two members of the Company have been inducted in the management committee of AKANSHA and the Company would extend financial and management support to the school.

Acknowledgement:

Finally, I would like to reiterate my firm commitment for taking the Company to ever greater heights of achievement with the active support and guidance of the Board of Directors of the Company. I wish to thank all our investors, bankers, customers, vendors, State & Central Government Authorities for their support and cooperation extended to us and look forward to continued support going forward.

Yours Sincerely,

B.L. Agrawal

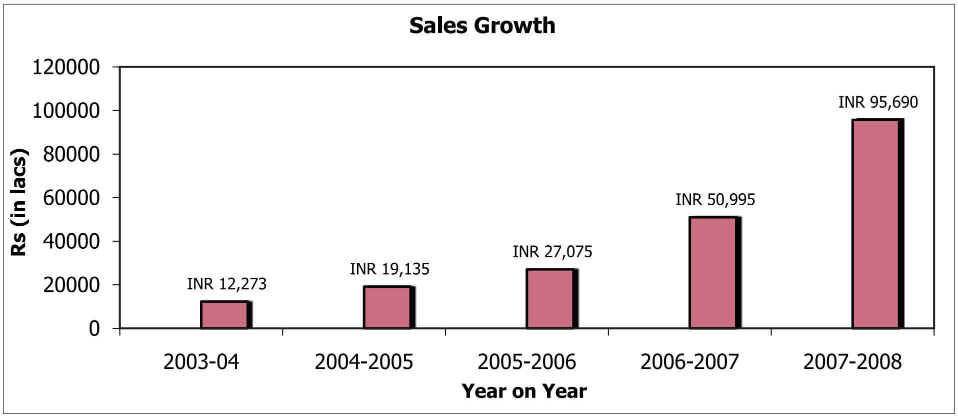
Raipur, 4th July, 2008

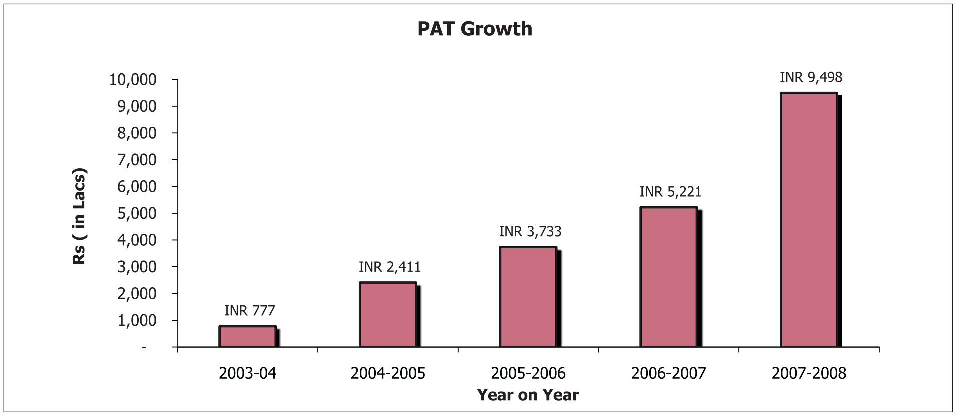
FINANCIAL PERFORMANCE: 5-YEAR HIGHLIGHTS

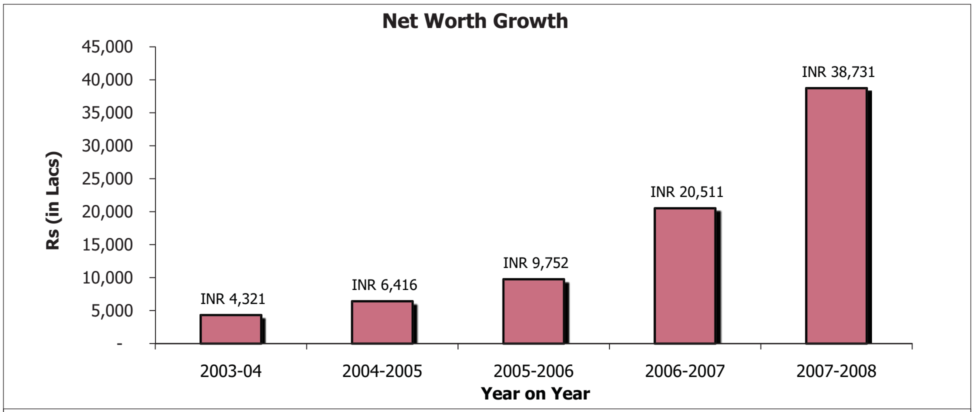
Operating Results

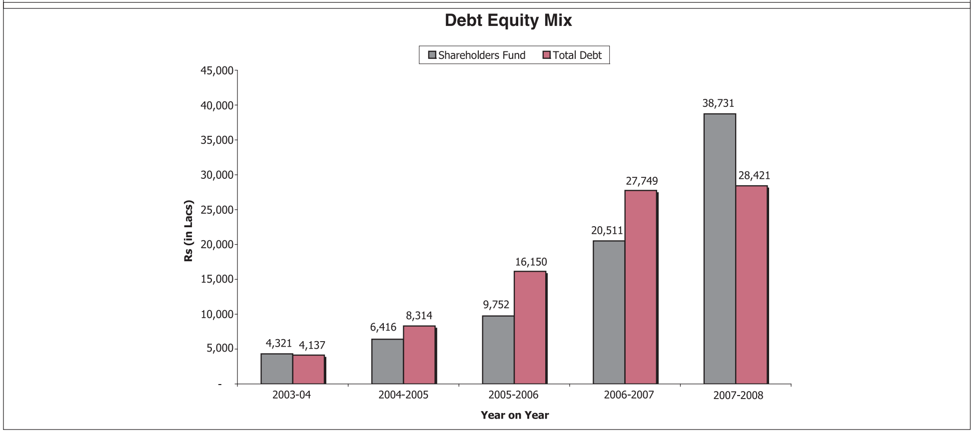
(Rs in Lacs)

	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
Turnover (Gross)	95,690.07	50,995.06	27,075.22	19,134.58	12,272.74
Other Income	127.65	223.73	85.20	52.48	15.24
Total Income	**95,817.72**	**51,218.79**	**27,160.42**	**19,187.06**	**12,287.98**
Profit before Interest, Depreciation & Taxes (PBDIT)	16,269.55	8,158.56	3,685.85	3,791.27	2,122.03
Depreciation	2,425.15	1,087.23	608.31	884.33	969.17
Interest Expenses	3,031.93	1,172.54	594.94	287.63	309.50
Profit before Tax (PBT)	10,812.46	5,898.79	2,482.60	2,619.31	843.36
Extraordinary Items (Depreciation Written back)	-	-	1,483.24	-	-
Profit after Income Tax (PAT)	9,498.43	5,221.20	3,733.33	2,410.67	776.64
Cash Profits	11,923.58	6,308.43	4,341.64	3,295.00	1,745.81
Financial Position					
Share Capital	2,806.98	2,484.40	1,614.90	1,614.90	320.48
Share Application (pending allotment)	324.00	-	-	100.00	400.84
Reserves	35,600.51	18,026.60	8,137.32	4,700.99	3,600.16
Shareholders Fund	**38,731.49**	**20,511.00**	**9,752.22**	**6,415.89**	**4,321.48**
Long Term Debt	22,451.68	22,475.19	11,505.20	5,899.31	1,690.41
Short Term Debt	5,969.34	5,273.79	4,644.56	2,414.40	2,446.49
Total Debt	**28,421.02**	**27,748.98**	**16,149.76**	**8,313.71**	**4,136.90**
Total Capital Employed	**67,152.51**	**48,259.97**	**25,901.98**	**14,729.60**	**8,458.38**
Fixed Assets(Net)	39,637.82	36,604.88	18,896.29	10,436.52	4,950.75
Current Assets(Net)	24,317.97	9,567.80	5,983.12	3,344.42	2,948.99
Others	3,196.71	2,087.29	1,022.57	948.66	558.64
Total Assets	**67,152.51**	**48,259.97**	**25,901.98**	**14,729.60**	**8,458.38**
Key Indicators					
Earning Per Share (in Rs.)	33.84	21.02	23.12	14.93	24.23
Book Value Per Share (in Rs.)	137.98	82.56	60.39	39.73	134.84
Debt Equity Ratio (times)	0.73	1.35	1.66	1.30	0.96
Dividend Per Share (%)	40.00	30.00	10.00	10.00	-
PBDIT/Gross Turnover (%)	17.00	16.00	13.61	19.81	17.29
PAT (%)	9.93	10.24	13.79	12.60	6.33
RONW (%)	24.52	25.46	38.28	37.57	17.97
ROCE (%)	14.14	10.82	14.41	16.37	9.18


Sales Growth
Rs (in lacs)
120000
100000
80000
60000
40000
20000
0
INR 12,273
INR 19,135
INR 27,075
INR 50,995
INR 95,690
2003-04
2004-2005
2005-2006
2006-2007
2007-2008
Year on Year


PAT Growth
Rs (in Lacs)
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
INR 777
INR 2,411
INR 3,733
INR 5,221
INR 9,498
2003-04
2004-2005
2005-2006
2006-2007
2007-2008
Year on Year


Net Worth Growth
Rs (in Lacs)
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
-
INR 4,321
INR 6,416
INR 9,752
INR 20,511
INR 38,731
2003-04
2004-2005
2005-2006
2006-2007
2007-2008
Year on Year


Debt Equity Mix
Shareholders Fund
Total Debt
Rs (in Lacs)
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
-
4,321
4,137
6,416
8,314
9,752
16,150
20,511
27,749
38,731
28,421
2003-04
2004-2005
2005-2006
2006-2007
2007-2008
Year on Year

DIRECTORS' REPORT

Dear Shareholders,

GODAWARI POWER AND ISPAT LIMITED

Raipur - Chhattisgarh

Your Directors have immense pleasure in presenting the Ninth Annual Report of the Company together with the Audited Financial Statement of Accounts and the Auditors' Report thereon for the year ended 31st March, 2008. The summarized financial results for the year ended 31st March 2008 as compared to the previous year are as under:

FINANCIAL RESULTS:-

(Rs in Crore)

Particulars	Standalone		Consolidated	
	Year ended 31.03.2008	**Year ended 31.03.2007**	**Year ended 31.03.2008**	**Year ended 31.03.2007**
Sales	956.90	509.95	935.67	550.87
Other Income	1.27	2.24	1.81	2.37
Total Income from Operations	958.17	512.19	937.48	553.24
Profit before Interest, Depreciation and Tax	**162.69**	**81.58**	**169.77**	**87.23**
Interest & Finance Charges	30.32	11.73	31.45	12.97
Depreciation for the year	24.25	10.87	25.81	12.22
Profit Before Tax	**108.12**	**58.99**	**112.51**	**62.04**
Provision for Income Tax, Fringe Benefit Tax & Tax related to earlier year	13.14	6.78	13.86	7.89
Net Profit after Tax	**94.98**	**52.21**	**98.65**	**54.15**
Add: Balance Brought forward from previous year	71.11	42.40	73.47	43.41
Add: Share in profit in Associate Company	—	—	0.91	0.07
Less: Pre Acquisition Profit	—	—	—	0.88
Less: Adjustment of unrealized Profit	—	—	(0.05)	—
Profit available for appropriations	166.09	94.61	172.98	96.75
Appropriations:				
Interim Dividend paid	4.21	2.48	3.82	2.37
Provision for Dividend	7.01	4.97	7.02	4.86
Corporate Tax on Dividend	1.91	1.05	1.91	1.05
Transfer to General Reserve	15.00	15.00	15.00	15.00
Balance carried to Balance Sheet	137.96	71.11	145.23	73.47

REVIEW OF OPERATIONS

The Company has during the year under review commissioned the phase – II expansion project and started commercial production in new capacities of sponge iron, steel billets, wire drawing and captive power plant, which has resulted into higher production volumes of these products. In the backdrop of the higher production volumes and better sales realisation, the Company has achieved a gross turnover of Rs. 956.90 crore during the year as compared to gross sales of Rs. 509.95 crore during the immediately previous financial year, registering a growth of 88%. In view of the higher volume of business and growth in the sales turnover, the bottom line also grew at healthy rate of 96% and the Company has earned Profit before tax of Rs 108.12 crore during the year as against Rs. 58.99 crore during the previous year. The operating margin also improved from 18.45% to 19.62%

of the net sales during year. Net profit of the Company for the year increased to Rs. 94.98 crore from Rs. 52.21 crore during the previous year. 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, shortage in supply of finished steel due to capacity constraints and the Company is confident of achieving volume growth of 20-25% during the current financial year and to expects to maintain the operating margins at the current level. The operating margins may improve upon starting the production in the captive iron ore mines which in the final stage of approvals.

DIVIDEND

In view of the improved performance, the board of directors of your Company declared and paid interim dividend @ 15%. (i.e. Rs. 1.50 per equity share of Rs 10/- each) to the shareholders in March, 2008 on the increased paid up capital. In addition to above, your directors have pleasure in recommending payment of final dividend @ 25% i.e. Rs. 2.50 per equity share for year under review, thereby taking the total dividend payment to 40%, which is 11.82% of the net profit of the Company during the year. The total outgo of funds on account of payment of dividend is Rs. 13.14 crore (including dividend tax of Rs. 1.91 crore). The retained earnings shall be utilized for augmenting increased working capital requirements to sustain the higher volume of operations, repayment of existing long term debts and for pursuing the future growth plans of the Company. 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. 23rd September, 2008 fixed for the payment of dividend subject to its approval.

EXPANSION/NEW PROJECTS:

The phase II expansion project of the Company started commercial production during the year and new capacities are expected to reach optimum utilization during the current year. As a forward integration to the proposed iron ore mining and backward integration to sponge iron unit, your Company has during the current year decided to set up an Iron Ore Crushing (1200000 TPA), Beneficiation (100000 TPA) and Pellet Plant (600000 TPA) at the cost of Rs. 172 crore and also proposed to incur the capital expenditure of Rs. 53 crore towards infrastructure development in the existing plant, iron ore mining and captive railway siding taking the total capital expenditure plan of Rs. 235 crore. Out of this the Company has during the year already incurred capital expenditure of Rs. 5.46 crore during the year on these projects. The orders for major equipments for pellet plant have already been placed and civil work has been started. The order for Iron Ore Crushing & Beneficiation Plant is under finalization and shall be placed by September, 2008.

FINANCE:

To part finance the proposed capital expenditure of Rs. 235 crore and general corporate purposes, the Company has during the year under review completed further issue of capital to the QIB Investors through a QIP issue of 32,25,807 equity shares at a price of Rs. 310/- per share and raised capital of Rs 100 crore. The new shares have been listed on NSE and BSE. The balance amount of Rs. 135 crore shall be funded from rupee/foreign currency debt from banks. The Company has already tied up entire debt requirement of the Company.

During the year under review, the Company also issued 10,00,000 warrants convertible into equity shares to the promoters / promoters’ group on preferential basis at price of Rs. 324 per warrant (each warrant convertible into one equity share of Rs. 10/- each at a premium of Rs.314/- per warrant). The promoters have an option to apply for allotment of 10,00,000 equity shares of Rs. 10/- each within a period of 18 months from the date of allotment of warrants.

DEPOSITS:

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

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 and awaiting the approval from Ministry of Environment and Forest to commence production in these mines. The iron ore mining operations from these 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.

During the year under review, your Company has been granted additional prospecting rights for iron ore over an area of 754 hectare in Chhattisgarh. The mines are expected to have substantial iron ore reserves, the prospecting of which shall start after getting necessary approval from the Ministry of Environment and Forest, for which necessary application have been submitted.

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 in these coal blocks, the share of your Company is 63 million tons of coal. These Coal blocks are being developed through a Joint venture Company namely Chhattisgarh Captive Coal Mining Ltd. and JV agreement has been signed with the consortium partners.

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 could 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.

SUBSIDIARY/ASSOCIATE/JOINT VENTURE COMPANIES:

R.R. 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 2007-08 has been quite satisfactory. The company has achieved net sales of Rs. 196.50 crore and net profit of Rs.3.62 crore 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.

Godawari Power Limited: (GPL)

Your Company has during the year promoted a 100% subsidiary Company with a view to explore the opportunities of setting up merchant power project in view of huge business potential available in power sector. Your Company plans to tap opportunities in power sectors by setting up power plants based on thermal coal, coal washery rejects and other renewable and non renewable sources in due course and currently evaluating various proposals. The Company is also conducting feasibility study of setting power plant based on the coal washery rejects of the captive coal mines, which has been allotted to the Company.

As per Section 212 of the Companies Act, 1956, the financial statement of the accounts of the subsidiary Company i.e. M/s. R. R. Ispat Limited 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 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 net sales turnover of Rs. 208.21 crores with a net profit of Rs. 4.52 crore. 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 Limited for development of Coal mines and setting up railway siding for captive use respectively. 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

Your Company has incurred foreign currency of Rs. 2.72_crore towards import of capital goods, components, traveling expenses etc. The company has also earned foreign exchange of Rs.1.45 crore 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 Articles of Association of the Company, Shri B. P. Singh, Shri O. P. Agrawal and Shri G. B. Desai, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

In compliance with the clause 49 of the listing agreement, the Board of the Company was reconstituted and accordingly Shri G. B. Desai has been appointed as Non Executive Chairman of the Board. Shri O. P. Agrawal has been redesignated as vice chairman of the Company. Further Shri Shashi Kumar and Shri Biswajit Choudhuri have been appointed as Additional Independent Directors with effect from 25th September 2007 and Shri Bhrigunath Ojha and Shri Siddharth Agrawal have been appointed as Additional Directors on the Board of the company with effect from 14th June 2008. The company has received notices under section 257 of the Companies Act, 1956 from shareholders proposing appointment of Shri Shashi Kumar, Shri Biswajit Choudhuri, Shri Bhrigunath Ojha and Shri Siddharth Agrawal as Directors on the Board. The Board proposes to appoint them as Directors on the Board of the company in the ensuing Annual General Meeting in order to inculcate good corporate governance.

Shri Divesh Nath and Shri Kapil Agrawal, Independent Directors on the Board of the Company resigned from the board with effect from 25th September 2007 and 14th June 2008 respectively. Your Company places on record its deep sense of appreciation for the services rendered and guidance given by the outgoing Directors from time to time during the tenure of their office.

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, except the changes in accounting policies made during the current year to comply with mandatory accounting standards as per Companies (Accounting Standard Rules), 2006 as mentioned in notes to the accounts schedule No: 22(c) 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 2007-08 and hence does not require any clarification.

ACKNOWLEDGEMENTS

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: 14th June, 2008

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. Upgradation of grid from 33 KV to 132 KV substation enabled increased export and also availability of grid resulting in prevention of steam venting.

ii. In ABFC Boiler, normal and stabilized operation is achieved by running of single ID & FD, instead to two, by modifying fan dampers, ducts and PA Lines.

iii. T. G. Building ventilation is maintained by providing motor-less roof ventilators.

iv. In the Steel melting division, the conventional ladle has been replaced by new parental ladle which stands at casting station permanently and the liquid metal is taken in a ladle called transfer ladle and the metal is transferred from bottom gate and then the same ladle is taken for successive batches in a continuous and sequential manner.

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

i. In Phase-II, ID Fan design was modified to enable single fan running instead of two ID fans with an investment of around Rs.4.00 lacs.

ii. Investment of around Rs.20.00 lacs has been made towards induction of Parental Ladle.

(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. Upgradation of grid has resulted in high power generation with same fuel consumption, thus achieving energy conservation.

ii. Around 10560 units per day is saved in ABFC boiler.

iii. The use of motor-less roof ventilators is saving around 1800 units per day.

iv. The change in Ladle has resulted in decrease in the timing of each batch by 15 minutes and hot metal holding at high temperature is avoided which has helped in reduction of power consumption and the overall productivity has increased by about 5%.

v. ID fan modification is saving around 6000 units per day for one kiln and 12000 units per day when both the kilns are in operation.

(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 crore		Total Amount Rs. in crore		Average Amount per Unit/MT	
	Current Year	Previous Year	**Current Year**	Previous Year	**Current Year**	Previous Year
Electricity (Units)						
a. Purchased	**0.85**	0.99	**3.59**	4.09	**4.23**	4.14
b. Own generation	**29.03**	17.43	**—**	—	**—**	—
Coal and Coke (MTS)	**0.07**	0.03	**135.89**	61.36	**2039**	1810

II. CONSUMPTION PER UNIT OF PRODUCTION (PER MT)

Particulars	Production		Consumption of Electricity in Units		Average consumption of Electricity Units per MT or Unit	
	Current Year	Previous Year	**Current Year**	Previous Year	**Current Year**	Previous Year
Power						
Sponge Iron (MTs)	**285862**	170340	**21840442**	11092872	**76**	65
Steel ingots and Billets (MTs)	**209167**	130979	**190515321**	104598986	**910**	799
Ferro Alloys	**9169**	9283	**32492358**	28970350	**3543**	3120
H.B. Wires	**66636**	53991	**6328821**	5129167	**95**	95
Power (Units)	**290290384**	174305276	**30937752**	19502969	**0.11**	0.11
Coke and Coal						
Sponge Iron (MTs)	**285862**	**170340**	**463033**	258031	**1.62**	1.51
Power (Units)	**290290384**	**174305276**	**119907**	95898	**0.41 (Kgs.)**	0.55 (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:

   In the Steel melting division, the conventional ladle has been replaced by new parental ladle which stands at casting station permanently and the liquid metal is taken in a ladle called transfer ladle and the metal is transferred from bottom gate and then the same ladle is taken for successive batches in a continuous and sequential manner.

2. Benefits derived as a result of the above R & D:

   The change in Ladle has resulted in decrease in the timing of each batch by 15 minutes and hot metal holding at high temperature is avoided which has helped in reduction of power consumption and the overall productivity has increased by about 5%.

3. Future plan of action:

   Steam dump device to be provided in both turbines for energy conservation.

4. Expenditure on R & D:

   Expenditure of around Rs.20.00 lacs on induction of Parental Ladle.

For and on behalf of Board of Directors

Chairman

Date: 14th June, 2008

Place: Raipur

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, billets and finished long steel products i.e. mild wire rods (through subsidiary Company) and steel wires which find application in the construction and infrastructure sectors. The power plant of the Company is mainly for captive consumption.

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 and surplus power is sold to the grid.

I. REVIEW STEEL INDUSTRY STRUCTURE AND DEVELOPMENT:

a) Industry Scenario:

Indian GDP grew at 9% during the FY2007-08 against growth of 9.6% during the previous year. The moderation in growth was on account of various fiscal and other measures taken by the Reserve Bank and Government of India. The growth of steel sector is directly linked to the growth in GDP. The growth of the global and domestic steel industry and present scenario are discussed below:

Global Scenario

- In 2007 the World Crude Steel output reached 1343.5 million metric tons and showed a growth of 7.5% over the previous year. It is the fifth consecutive year that world crude steel production grew by more than 7%. *(Source: IISI)*
- China remained the world's largest Crude Steel producer in 2007 also (489.00 million metric tons) followed by Japan (112.47 million metric tons) and USA (97.20 million metric tons). India occupied the 5th position (53.10 million metric tons) for the second consecutive year. *(Source: IISI)*
- The International Iron & Steel Institute (IISI) in its forecast for 2008 has predicted that 2008 will be another strong year for the steel industry with apparent steel use rising from 1,202 million metric tonnes in 2007 to 1,282 million metric tonnes in 2008 i.e. by 6.7%. Further, the BRIC (Brazil, Russia, India and China) countries will continue to lead the growth with an expected increase in production by over 11% compared to 2007.

Domestic Scenario

- The Indian steel industry have entered into a new development stage from 2005-06, riding high on the resurgent economy and rising demand for steel. Rapid rise in production has resulted in India becoming the 5th largest producer of steel.
- It has been estimated by certain major investment houses, that, India's steel consumption will continue to grow at nearly 16% rate annually, till 2012, fuelled by demand for construction projects worth US$ 1 trillion. The scope for raising the total consumption of steel is huge, given that per capita steel consumption is only 40 kg – compared to 150 kg across the world and 250 kg in China.
- The National Steel Policy has envisaged steel production to reach 110 million tonnes by 2019-20. However, based on the assessment of the current ongoing projects, both in greenfield and brownfield, Ministry of Steel has projected that the steel capacity in the county is likely to be 124.06 million tonnes by 2011-12. Further, based on the status of MOUs signed by the private producers with the various State Governments, it is expected that India's steel capacity would be nearly 293 million tonne by 2020.

Production

- Steel industry was delicensed and decontrolled in 1991 & 1992 respectively.
- Today, India is the 7th largest crude steel producer of steel in the world.
- In 2007-08 (April-Dec. 2007), production of Finished (Carbon) Steel was 40.117 million tonnes(Provisional).
- Production of crude steel in 2007-08 (April-Dec'07) was 39.608 Million Tonnes.

Industry Trend:

- India emerged as the fifth largest crude steel producing country in the world in the year 2006 against eighth position three years back. India is expected to become the second largest producer of steel in the world by the year 2015.
- India also maintained its lead position as the world's largest producer of direct reduced iron or sponge iron.
- The country is likely to achieve a Steel production capacity of nearly 124 million tonnes by the year 2011-12.
- 194 Memorandum of Understanding (MoUs) have been signed in various States with a total planned capacity of around 243 million tonnes, and a total proposed investment of over Rs. 5.15 lakh crore.
- Major investment plans are in the States of Orissa, Jharkhand, Karnataka, Chhattisgarh and West Bengal.
- Production, consumption and export of finished steel for the period April-December, 2007 grew by 6.6%, 12.3% and 9.1% respectively as compared to the corresponding period of the previous year

Present growth Scenario and future outlook

In India the steel sector is growing at a robust rate with significant increases in both production and consumption. Crude steel production grew at more than 10% annually from 34.71 million tonnes in 2002-03 to 50.82 million tonnes in 2006-07. This growth was driven by both capacity expansion (from 40.41 million tonnes in 2002-03 to 56.84 million tonnes in 2006-07) and improved capacity utilization (from 86%in 2002-03 to 89% in 2006-07). During 2006, India emerged as the 5th largest crude steel producing country in the world as against 8th position three years back. India, the world's largest producer of direct reduced iron (DRI) or sponge iron, is also expected to maintain its lead in the near future. Sponge iron production grew at a CAGR of 22% to reach a level of 18.35 million tonnes in 2006-07 compared to 7.86 million tonnes in 2002-03. India is expected to become the second largest producer of steel in the world by 2015.

(Source: Ministry of Steel website)

Crude steel: Trends in Production, Private/ Public Sector

Traditionally, Indian steel industry were classified into Main Producers (SAIL plants, Tata Steel and Vizag Steel/ RINL) and Secondary Producers. However, with the coming up of larger capacity Steel making units, of different process routes, the classification has been characterised as Main Producers & Other Producers. Other Producers comprise of Major Producers namely Essar Steel, JSW Steel and Ispat Industries as well as large number of Mini Steel Plants based on Electric Furnaces & Energy Optimising Furnaces. Besides the steel producing units, there are a large number of Sponge Iron Plants, Mini Blast Furnace units, Hot & Cold Rolling Mills & Galvanising/ Colour Coating units which are spread across the different states of the country.

The Indian Steel Industry has withstood international competition despite the reduction of basic customs duty on steel from 25-30% in 2002-03 to 5% in 2006-07. The industry now operates in an open economy where exports and imports respond to increases or decreases in the domestic demand driven primarily by market signals. While exports of finished steel were sustained at a level of 4-5 million tonnes per annum during the 10th Plan, imports sharply increased from about 1.66 million tonnes in 2002-03 to 4.93 million tonnes in 2006-07 not because of fall in competitiveness but to fill up supply-demand gap in the domestic market. During the period under review, production, consumption and exports of finished steel for the period April-December, 2007 grew by 6.6%, 12.3% and 9.1% respectively as compared to the corresponding period of the previous year. Imports of finished steel during the period (April-December, 2007) were up by 68.7% over the corresponding period of the previous year. The pace of consumption growth has thus out paced production growth and the country has become a net importer of steel. These facts indicate a healthy demand for steel in the domestic market which augurs well for the steel industry especially at a time when new investments are lined up in the steel sector.

Expansion in Capacity

The National Steel Policy 2005 had projected consumption to grow at 7% based on a GDP growth rate of 7-7.5% and production of 110 million tonnes by 2019-20. These estimates are likely to be exceeded and it is envisaged that in the next five years, demand will grow at a considerably higher annual average rate of over 10% as compared to around 7% growth achieved between 1991-92 and 2005-06. It has been assessed that, on a 'most likely scenario' basis, the steel production capacity in the country by the year 2011-2012 will be nearly 124 million tonnes.

(Source: Ministry of Steel)

During the year under review, domestic steel production as per the provisional figures released by Ministry of Steel touched a new high of 52.76 million tons from a level of 50.19 million tons during the previous year. The demand for finished steels is expected to go in line with the growth in GDP. Demand in domestic market was robust with strong growth in demand from infrastructure and capital goods sectors outstripping supply coupled with the higher input cost, resulting into substantial increase in prices of finished steel in domestic as well as international market. 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 input cost and increasing global and domestic demand, and various constraints in execution of large green field steel projects such as land acquisition, iron ore allocation, rehabilitation issues etc. The capacity expansion/new green field projects taken up by the leading domestic and international players in India are suffering from these constraints which is expected to result into demand supply gap scenario.

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. Demand from industrial projects (capacity expansions in sectors like refineries, power projects) will further aid to demand for long products. The ministry of steel has projected production of 124 million ton of steel in India by the year 2011-12. 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 plans to increase the production capacities to 1 million tons and also signed an MOU with State Government for investments in steel manufacturing & captive power generation facilities. The further capacity expansion projects shall be taken up, after captive iron ore mines starts production which is expected during the current year. In the meantime the Company has decided to set up a 0.6 million ton iron ore pelletisation plant, which is under implementation at its existing plant location and also decided to set a 0.6 million ton pelletisation plant in joint venture in Orissa, which will provide huge opportunities due to availability of iron ore fines in India. The focus of your Company in immediate future over a period of next two years is to start the captive iron ore & coal mines and strengthen the position on raw material and also pursue further capacity expansion plans. The Company is also exploring opportunities into merchant power business by setting IPP based on thermal coal, washery rejects and have initiated effective steps towards the same. The detailed plans in this regard shall be announced in due course once the projects are finalized and ready to take off.

Your Company has also taken up 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 siding which has already started operation.

d) Opportunities:

With continued focus of the government on the infrastructure development & Power sector, 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 remain robust because of sustained growth of major steel consuming sectors 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.

In additional to steel business, there are huge opportunities available in power sector and your Company being already engaged in generation of captive power has gained enough experience to take the merchant power business forward in due course and have initiated steps in this direction and evaluating various proposals for setting up merchant power plants.

e) Threats:

In view of demand supply gap, the Government of India in a bid to cut down the steel prices may announce various fiscal & other measures to cool down the increase in prices of primary steel, which may have impact on the operations of the Company, depending upon the kind of measures that may be announced by the government from time to time. Any changes in the Government Policies will effect operations of the company. The availability of major inputs such as iron ore & coal at competitive cost poses significant challenges in the near future. The Company is currently depending upon the NMDC and other private mining Companies for sourcing of iron ore and Coal India for supply of coal. Any changes in the policy/pricing for the industry may also pose challenges to be faced by the Company. High consolidation in the industry, high operating rates, and shortage of key materials such as scrap, coke and coking 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 may also put pressure on the prices.

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

1) Review of Operations:

Your Company has during the year under review started commercial production in phase- II expansion project and increased the capacities across divisions, which has resulted into higher production volumes.

The Company has achieved growth in production volumes of sponge iron by 67.82%, steel billets by 59.70%, captive power generation by 66.54% during the year under review as compared to previous year. The production and sales volumes of different products are given below:

Item	Unit	Production (Qty.)			Sales (Qty.)		
		FY08	FY07	% growth	FY08	FY07	% growth
Sponge Iron	MT	**285862**	170340	67.82	**63635**	36226	75.66
Steel Billets	MT	**209167**	130979	59.70	**206527**	132024	56.43
Power Generation	Lac Units	**2902.90**	1743.05	66.54	**145.03**	62.82	130.86
HB WIRE	MT	**66636**	53991	23.42	**65330**	54229	20.47
Ferro Alloys	MT	**9169**	9283	(01.23)	**8300**	9198	(09.76)

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 production volumes during the current year are expected to grow by 15 to 20% due to optimum utilization of capacities started production during FY08.

2) Review of Financial performance:

(a) Net sales/ Income from operations:

The gross sales during the year under review increased by 87.64% to Rs. 956.90 crore from Rs 509.95 crore during the preceding year due to increase in production volumes and higher price realisation. 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.1.45 crore from sale of Carbon Credits as against revenue of Rs. 5.25 crore during the previous year. The carbons credits for additional capacity are under process of validation and the revenue from the same would accrue in the next financial year.

b) Cost of Production & Operating Expenses:

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

(Rs. In crore)

S. No.	Item	FY 2008		FY 2007	
		Amount	% of Net sales	Amount	% of Net sales
I	Materials Cost (adjusted with increase/ decrease in inventory of finished goods)	592.37	71.43	324.53	73.41
II	Operating and other Expenses	66.03	7.96	32.73	7.40
III	Personnel Expenses	9.45	1.14	4.94	1.11
	Total Cost	**667.85**	**80.53**	**362.20**	**81.92**

The overall operating cost reduced during the year under review to 80.53% as compared to 81.92% during the previous year. This was mainly due to higher sales realisation, better control on raw material cost and economic operations due to higher volumes consequent upon increase in installed capacity and better operating efficiencies in power division. The reasons for variations in the cost of production are discussed below:

(i) Materials consumed

The cost of material consumed was 71.43% of net sales as compared to 73.41% during the previous year. The major cost of raw material includes the cost of iron ore & coal and the prices of both these commodities increased to Rs. 3235 & Rs. 2039 per MT due to increase in prices in domestic & international markets during the year under review. Despite increase in cost of raw material the Company has been able to pass on the increase to the consumers resulting into overall reduction in cost of material consumed as compared to net sales during the year. The Company is sourcing about 50% of iron ore requirement from NMDC and remaining quantities from private mining Companies. The coal requirement is met from linkages from Coal India Ltd. and balance quantity from open market, e-auction etc. The linkages for increased capacity have been approved by the Ministry of Coal and the Company expects to get supply of additional linkages coal from Coal India Ltd., which is expected to reduce the dependence from open market & e-auction. The increased supply of coal from linkages is expected to result into savings in cost due to price deferential in open market and linkages prices.

(ii) Operating & Other Expenses

The manufacturing and other operating expenses have gone up to 7.96% of net sales from 7.40 %. The marginal increase in cost is on account of higher entry tax paid by the Company consequent upon expiry of exemption of 5 years from payment of entry tax which was valid till FY 06 and one time provision for mark to market loss on foreign exchange derivatives transaction amounting to Rs. 7.56 crore. The repairs & maintenance expenses increased compared to last year mainly due to increase in plant capacities. Barring the expenses towards entry tax and forex losses, the overall operating cost was lower as compared to earlier year due to economies of scale.

(iv) Payment to and provisions for employees:

The employees cost during the year increased by 91.30% to Rs. 9.45 crore from Rs.4.94 crore 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. The overall employees cost as percentage of sales remained at about 1.14% as compared to 1.11% during previous year.

(v) Operating Margins (EBIDTA):

The operating margins of the Company improved to 19.62% as compared to 18.45% of net sales during the year mainly due to better price realisations, economies of scale and bulk procurement of major raw materials at appropriate time.

(vi) Interest & Financial Charges:

(Rs. Crore)

Particulars	FY08	FY07	% Increase
Interest on Term Loan	**23.78**	14.05	69.28
Interest on working Capital Loan	**5.82**	2.77	110.06
Interest to others	**0.01**	0.04	(80.71)
Bank Charges & Commission	**3.45**	1.68	105.76
Total Finance Cost	**33.06**	18.54	78.27
Less: Interest Capitalized	**2.74**	6.82	(59.84)
Net Interest	**30.32**	11.72	158.58

The total amount of interest cost and bank charges during the year increased due to additional term loan of about Rs. 163 crore raised for funding the expansion projects. Further the working capital borrowings have also increased to Rs. 59.69 crore from Rs. 52.74 crore during the previous year due to increased volumes of business. 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 interest cost to the extent of Rs. 2.74 crore attributable to projects under implementation has been capitalized and added to the cost of fixed assets. The interest expenses towards operation have been at 3.17% of the net sales as compared to 2.30%.

vii) Depreciation:

The depreciation on fixed assets has gone up due to commissioning of additional capacities, which started production during the year. The Company has applied depreciation on straight line method as per rates prescribed under the Companies Act, 1956.

c) Profit Before Tax:

The Company has achieved net profit before tax and extra-ordinary items of Rs. 108.12 crore which is 13.04% of net sales of the Company, as against Rs. 58.99 crore, which was 13.34% 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. 15.00 crore to the General Reserve during the FY 08.

(f) Provision for Dividend & Dividend Tax

The Board of Directors of the Company have recommended a final dividend 25% (Rs. 2.50 per share) for the year ended 31st March 2008, subject to approval of the shareholders in addition to the interim dividend @15% (Re.1.50 per share) already paid to the shareholders during the year. Further provision of dividend distribution tax of Rs 1.91 crore has been made. The total outgo of funds on account of dividend payment including corporate tax on dividend for the year is Rs. 13.14 crore, which is 13.83% of the net profit during the year as compared to 16.28% during previous year.

(g) Fixed Assets

(Rs. In crore)

	FY08	FY07	Change	Change %
Gross Block	**436.10**	291.03	145.07	49.85
Less Depreciation	**52.36**	28.17	24.19	85.87
Net Block	**383.74**	262.86	120.88	45.99
Capital WIP & Pre-OP Exp	**12.64**	103.19	(90.55)	(87.75)
Net Fixed Assets	**396.38**	**366.05**	**30.33**	**8.29**

The Company has during the year incurred additional capital expenditure towards phase – II expansion project, which started commercial production during the year. The capital work in progress represent amount spent on infrastructure development, pellet plant etc, which is under implementation.

(h) Inventories

(Rs. In crore)

Particulars	FY08	FY07	Change	Change %
Raw Materials	**106.67**	57.79	48.88	84.58
Finished Goods & By products	**53.69**	9.55	44.14	462.20
Stores & Spares	**5.13**	2.94	2.19	74.49
Total	**165.49**	**70.28**	**95.21**	**135.47**

The overall value of inventory of raw materials increased to Rs. 106.67 crore as on 31st March 2008 as compared to Rs. 57.79 crore as on 31st March 2007 due to increase in volume of operations and increase in prices of raw materials. The average level of holding of raw material was at 2.02 months of consumption as compared to level of 2.15 months during the previous year.

(i) Sundry Debtors

(Rs. In crore)

Particulars	FY 2007-08	FY 2006-07	Change
Debts outstanding for a period exceeding six months	**0.43**	4.37	(3.94)
Other debts	**47.18**	19.08	28.10
Total	**47.61**	**23.45**	**24.16**

The average number days sales outstanding for the FY 08 is 18 days as compared to 17 days in FY 07 which is normal. The debts outstanding for a period of more than 6 months decreased by Rs. 3.94 crore due to better management of receivables and recovery and old receivables.

(j) Loans and Advances

(Rs. In crore)

Particulars	FY08	FY07	Change	Change %
Advances to subsidiaries	**1.90**	Nil	1.90	—
Advances recoverable in cash or Kind or for value to be received	**26.15**	17.84	8.31	46.58
Deposit with Govt. & others	**0.91**	1.48	(0.57)	(38.51)
Other current assets	**6.95**	6.47	0.48	7.42
Advance against Excise duty	**0.42**	6.85	(6.43)	(93.87)
Total	**36.33**	**32.64**	**3.69**	**11.31**

The loans and advances as on 31st March 08 increased by 11.31% as compared to 31st March 07, 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 and subsidiary Company for the business requirement.

(k) Current Liabilities and Provisions:

(Rs. In crore)

Particulars	FY08	FY07	Change	Change %
Acceptances	**8.59**	4.47	4.12	92.17
Creditors for Goods & services	**29.29**	14.24	15.05	105.69
Creditors for Capital Goods	**0.95**	7.11	(6.16)	(86.64)
Advances from Customers	**2.19**	0.71	1.48	208.45
Other Current Liabilities	**15.22**	8.02	7.20	89.78
Other Provisions	**0.42**	0.33	0.09	27.27
Provisions for Income Tax & Dividend including provision for Dividend Tax	**13.54**	8.66	4.88	56.35
Total	**70.20**	**43.54**	**26.66**	**61.23**

The overall current liabilities increased due to increase in the volume of operations of the Company. The purchases of raw materials increased by 92% in FY08 as compared to FY07 to cope with the increased production, thereby increasing the liability towards supplies to the extent of 106%. 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 amounts toward payment to suppliers for capital goods which is in the normal course of business.

(l) Secured and Unsecured Loans

(Rs. In crore)

Particulars	FY08	FY07	Change	Change %
Secured loans				
- Term loan	**199.17**	194.95	4.22	2.16
- Working capital loans	**59.69**	52.74	6.95	13.18
Unsecured Loans	**0.00**	0.00	0.00	0.00
Other Loans	**25.35**	29.80	(4.45)	(14.93)
Total	**284.21**	**277.49**	**6.72**	**2.42**

During the year under review the Company repaid the loans to the extent of Rs. 30.78 crore as per repayment schedule with banks and raised additional long term loan of Rs.35 crore from banks for funding its expansion projects. The working capital borrowings increased by 13.18% to Rs. 59.69 crore, despite increase in business volumes by about 90%. The Company has during the year deployed the internal cash generation towards the working capital requirements resulting into improved current ratio at 2.40 as against 1.45 during the previous year. The long term debt equity ratio also improved to 0.58:1 as against 1.09 during previous year due to retention of earning and fresh issue of equity to the qualified institutional buyers.

m) Paid up Capital:

The Company has during year under review issued 3225807 equity shares to Qualified Institutional Investors at a price of Rs. 310/- per equity shares and raised Rs. 100 crore to meet the funds requirement for meeting future growth plans and general corporate purpose. This has resulted into improved financial position and debt gearing of the Company.

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	FY08	FY07
EBIDTA to Net sales (%)	**19.62**	18.46
Profit after Tax to sales (%)	**11.45**	11.81
Earning Per Share (Rs.)		
Basic Annualised	**37.18**	21.02
Diluted Annualised	**36.77**	21.02
Cash Earning Per Share (Rs.)		
Basic Annualised	**46.68**	25.39
Diluted Annualised	**46.16**	25.39
Net Worth Per Share (Rs.)	**137.98**	82.55
Current Ratio	**2.40**	1.45
Long Term Debt/ Equity Ratio	**0.58:1**	1.09:1

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

CORPORATE SOCIAL RESPONSIBILITY:

Your Company has taken various social initiatives towards conservation of environment, improvement of the social status of people in Chhattisgarh in association with the Government of Chhattisgarh. These initiatives for up-gradation and taking over management of ITI near Raipur, plantation of 10000 trees in the Chhattisgarh at the locations specified by the State Government and running & maintenance of a Medical Van in the villages near the Company's plant for providing free medical assistances to the people of the surrounding villages etc. The company is also running a School for mentally handicapped jointly with Lions' Club which conducts several courses approved by Rehabilitation council of India.

The Company has recently concluded an Employees development Programme called "Professional Insight" in which many employees of the Company alongwith families participated.

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 : 14th June, 2008

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 interests of all the 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 five Whole-time Directors (the Managing Director and four Executive Directors) and six Non-executive Directors. Four of the Non-executive Directors are Independent Directors. Accordingly, the composition of the Board is in conformity with the 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 2007-08 in other Companies are as under:

2.1

Name of the Directors	Category of Directors	No. of other Director-ships held *	No. of Board Meetings attended	Last AGM attended	No. of other Board committees member/ chairman
Mr. G. B. Desai	Chairman-Independent Director	01	06	Present	03
Mr. O.P. Agrawal	Vice Chairman Non-Executive Director	05	03	Absent	Nil
Mr. B.L. Agrawal	Managing Director	13	07	Present	01
Mr. Dinesh Agrawal	Executive Director	05	05	Present	01
Mr. Siddharth Agrawal (w.e.f 14.06.2008)	Executive Director	Nil	—	—	Nil
Mr. Dinesh Gandhi	Executive Director - Finance	01	07	Present	04
Mr. B.P. Singh	Director - Administration	Nil	05	Absent	Nil
Mr. N.P. Agrawal	Non-Executive Director	03	05	Absent	01
Mr. Shashi Kumar (w.e.f 25.09.2007)	Independent Director	03	02	—	01
Mr. B. Choudhuri (w.e.f25.09.2007)	Independent Director	08	04	—	01
Mr. B. N. Ojha (w.e.f 14.06.2008)	Independent Director	03	Nil	—	Nil
Mr. Divesh Nath (upto 25.09.2008)	Independent	Nil	Nil	Absent	Nil
Mr. Kapil Agrawal (upto 14.06.2008)	Independent	02	Nil	Absent	Nil

* Other Directorship excludes Directorship in Private Companies.

Changes in the composition of Directors during the year:

1) Mr. B. Choudhuri and Mr. Shashi Kumar have been appointed as Directors with effect from 25.09.2007.

2) Mr. B. N. Ojha and Mr. Siddharth Agrawal have been appointed as Directors with effect from 14.06.2008.

3) Mr. Divesh Nath and Mr. Kapil Agrawal have resigned from the Directorship of the Company with effect from 25.09.2007 and 14.06.2008 respectively.

2.2 Number of Board Meetings held:

During the year 2007-08, the Board met 07 times and agenda papers were circulated well in advance of each meeting to 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	26.06.2007	06
2	24.07.2007	05
3	25.09.2007	06
4	30.10.2007	07
5	13.11.2007	07
6	29.01.2008	07
7	04.03.2008	06

Code of Conduct

The Board of Directors have 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 re-constituted the Audit Sub- Committee consisting of one executive Director and two Independent Directors with effect from 25.09.2007. The Audit Committee comprises of following Directors

S. No.	Name	Designation
1	Mr. Biswajit Choudhuri	Chairman (Independent Director)
2.	Mr. G. B. Desai	Member (Independent Director)
3.	Mr. Dinesh Gandhi	Member (Executive Director)

The committee met Four times during the year 2007-08 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)	02
2. Mr. Divesh Nath*	Member (Independent Director)	02
3. Mr. B. Choudhuri	Chairman (Independent Director)	02
4. Mr. G. B. Desai	Member (Independent Director)	02
3. Mr. Dinesh Gandhi	Member (Executive Director)	04

* Mr. Kapil Agrawal and Mr. Divesh Nath have resigned from the membership of Audit Committee with effect from 25.09.2007 and Mr. B. Choudhuri has been inducted as member and Chairman of the Audit Committee with effect from 25.09.2007.

All the members of the Audit Committee are financially literate as required by the revised Clause 49 of the Listing Agreement and Mr. Dinesh Gandhi is 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 have nominated Shri Biswajit Choudhuri as Independent Director on the Board of the subsidiary Company i.e. R.R. Ispat Limited, in place of Shri Kapil Agrawal, who has resigned during the year.

During the year another Company in name of M/s Godawari Power Limited, was incorporated on 05.02.2008 as a 100% subsidiary of the Company, which is in the initial stage. The Company is exploring various opportunities for pursuing power business. The Board of Directors of the Company shall nominate an Independent Director on the Board of this Company, in due course, when Company starts business operations.

The minutes of the Board meetings of subsidiary Companies 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 Companies.

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.

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 a Qualified Institutional Placement (QIP) offer to Qualified Institutional Buyers (QIBs) for 3,225,807 Equity Shares of Rs.10/- at a price of Rs. 310/- per share including premium of Rs. 300/- per share which opened and closed on January 11, 2008 and raised a sum of Rs. 100.00 crore. The equity thus allotted rank pari passu with the existing shares of the Company. Out of the QIP Proceeds, Rs. 24.16 crore have been utilized for General Corporate purpose, Rs. 5.46 crore have been incurred on Project, Rs. 2.88 crore have been incurred on share issue expenses and balance Rs. 67.50 crore have been invested in Bank Term Deposits and Mutual Funds.

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:

The Company re-constituted the Remuneration Committee consisting of three director's w.e.f. 25.09.2007. The detailed composition of the members of the Remuneration Committee as at present is given below:

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

Mr. Kapil Agrawal has resigned from the membership of the Remuneration Committee with effect from 25.09.2007.

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. 18.00 lacs to Mr. B.L. Agrawal, Managing Director, Rs. 14.40 lacs to Mr. Dinesh Agrawal, Executive Director, Rs.10.80 lacs to Mr. Dinesh Gandhi, Director (Finance) and Rs. 5.52 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.

Particulars of Directors seeking appointment / re-appointment:

Particulars of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting to be held on 23rd September, 2008 are given as under:

1. Mr. Biswajit Choudhuri, 66 years, is a Mechanical Engineer from the Indian Institute of Technology, Kharagpur and is a Fellow Member of the Institute of the Cost and Works Accountants of India. He is an honorary fellow member of the Indian Institute of Banking and Finance. He has over forty four years of experience in the fields of engineering, management, banking and finance. He was the Chairman and Managing Director of the United Bank of India from 1996 to 2001. He was associated with UCO Bank as an Executive Director on its board from 1992 to 1993. He has also been associated with the British Oxygen Company from 1963 to 1972 as part of their management cadre. He is currently on the boards of Bihar Caustic and Chemicals Limited, Orind Exports Limited, Aekta Limited, DIC India Limited, Bengal Sunny Rock Estate Housing Development Company Limited, Hindusthan Engineering and Industries Limited, Shalzip Industries Limited and R. V. Investments and Dealers Limited. He is not holding any shares in the Company.
2. Mr. Shashi Kumar, 62 years, is a graduate from the Indian School of Mines, Dhanbad and also holds an AISM Diploma in Mining. He is a member of the Mining, Geological and metallurgical Institute of India and the Indian Institute of Engineers. He has around three decades of experience in the mining industry. He was appointed as the technical director of Coal India Limited ("CIL") in 2001 and from 2005 to 2006, he was appointed as CIL's the Chairman and Managing Director. He is currently on the boards of Neyveli Lignite Corporation Limited, Shyam DRI Power Limited, Jessop and Company Limited and Rashmi Metaliks Limited. He is not holding any shares in the Company.
3. Mr. Bhrigunath Ojha, 64 years, Electrical Engineer from B. I. T., Sindri and also holds a diploma in Senior Management Program from Cranford School of Management, U.K. He has over 40 years of experience in Power sector in building, developing, managing and directing Power sector organizations to success. He is fully capable of leading and representing large organizations and undertaking high level roles and successfully leading in matters related to power industry, government issues, commerce and media. He was the Chairman of CIGRE India High Voltage Equipment Technical Committee and a member of CIGRE International Council on Large Electric System, France. He was also associated with National Thermal Power Corporation from 1996-2003. He is currently associated with Department of Atomic Energy, Government of India, as Member of the Expert Committee. He is currently not on the Board of any other Company.
4. Mr. Siddharth Agrawal, 27 years, son of Mr. B. L. Agrawal, Managing Director of the company is a Commerce Graduate and M.B.A. from Pune. He is the Chief Executive Officer of the Company and looking after the project implementation, procurement of raw material, Plant maintenance, Production activities and marketing of finished goods of the Company. He has five years of hands-on experience in the Steel Industry with expertise in Sponge Iron, Steel Melting and Power generation. While pursuing his academic career, he was put on a rigorous schedule at the shop floors. The rich experience has stood him at comparable level ever since he has taken over the charge as CEO of the company. He is inherited with the natural intelligency, drive and decision making capacities. He is currently not on the Board of any other Company.

SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE:

The Board of Directors re-constituted Investors' Grievance Committee consisting of Three Directors with effect from 25.09.2007. The detailed composition of the members of the Shareholders/Investors Grievances Committee at present is given below:

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

Mr. Kapil Agrawal has resigned from the membership of the Committee with effect from 25.09.2007.

Other information to Shareholders:

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

YEAR	DATE	TIME	VENUE
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.)
2006-2007	25.09.2007	01.00 p.m.	First Floor, Hira Arcade, Pandri, Raipur, (C.G.)

No Special Resolution was passed in any of the Annual General Meetings except two Special Resolutions passed in the Annual General Meeting held on 26.09.2006 for alteration of Article 82 of Articles of Association of the company and for appointment 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 23rd September, 2008

   Time 3.00 p.m.

   Venue Regd Office of the Company at Godawari Power & Ispat Ltd., Plot No. 428/2, Industrial Area, Siltara - Dist:, Raipur, C.G.

2. **Financial Calendar (2007-2008) (tentative):**

   Board Meeting (for Financial Result)

Quarter ending on 30th June 2008	:	Last week of July, 2008
Half-year ending on 30th September 2008	:	Last week of October, 2008
Quarter ending on 31st December 2008	:	Last week of January, 2009
Year ending on 31st March 2009	:	May/June, 2009

3. **Date of Book Closure** : 16.09.2008 to 23.09.2008

4. **Dividend Payment Date** : On or after 29^{th} September, 2008

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**

Source : NSC Website

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	NSE		BSE	
	High	Low	High	Low
April, 2007	130.00	104.50	129.80	104.25
May, 2007	153.60	120.05	152.95	122.00
June, 2007	154.00	131.80	152.00	132.20
July, 2007	195.45	144.00	196.55	145.00
August, 2007	195.00	162.50	195.90	161.10
September, 2007	247.00	180.00	248.00	187.00
October, 2007	287.00	220.30	287.15	228.00
November, 2007	320.00	250.00	323.10	253.00
December, 2007	400.00	292.00	371.70	292.50
January, 2008	380.00	183.10	376.50	186.85
February, 2008	296.00	210.10	297.00	216.05
March, 2008	237.90	123.10	237.00	149.05

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 31.03.2008:**

Shareholding of Nominal Value (Rs.)	Shareholders		Shares held	
	Number	% to Total	Number	% to Total
Up to 5000	18260	93.7320	1754871	6.2520
5001-10000	615	3.1570	503272	1.7930
10001-20000	258	1.3240	405494	1.4450
20001-30000	98	0.5030	253515	0.9030
30001-40000	43	0.2210	156505	0.5580
40001-50000	37	0.1900	175224	0.6240
50001-100000	56	0.2870	392446	1.3980
100001 and above	114	0.5850	24428480	87.0280
TOTAL	**19481**	**100**	**28069807**	**100**

SHAREHOLDING PATTERN AS ON 31ST MARCH 2008:

Sl. No.	Category	No. of Shares held	Percentage
1	Promoters (including person acting in concert)	1,57,62,000	56.15
2	Institutional Investors i.e. MFs, FIIs, banks etc	67,44,292	24.03
3	Corporate Bodies	14,04,370	5.00
4	NRIs/OCBs	1,30,725	0.47
5	General Public	40,28,420	14.35
	TOTAL	**2,80,69,807**	**100.00**

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
Website: www.gpilindia.in

Corporate Office
First Floor, Hira Arcade, New Bus Stand, Pandri, Raipur – 492001 Chhattisgarh, India.
Tel: +91-771-4082000; Fax: +91-771-4082732, 4057601 email: gpil@gpilindia.com

Investors Relation Centre:

Godawari Power & Ispat Ltd.
Hira Group, 606, Town Centre, Andheri Kurla Road,
Near Mittal Estate, Andheri (East), Mumbai – 400059
Tel No: +91 22 28592621/22/23
Fax No: +91 22 28592851
E-mail: Investorsrelation@gpilindia.in

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 2007-08.

For and on behalf of the Board of Directors

Chairman

Place: Raipur
Date: 14th June, 2008

CERTIFICATION BY
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

To,

The Board of Directors
Godawari Power and Ispat Limited
Raipur - Chhattisgarh

We have reviewed the financial statements and the cash flow statement for the financial year 2007-08 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 2007-08 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	**DINESH GANDHI**
Managing Director	Director (Finance)

Place : Raipur
Dated : 14th June, 2008

AUDITORS' CERTIFICATE

(On Corporate Governance)

To

The Members of
Godawari Power and Ispat Limited
Raipur - Chhattisgarh

We have examined the compliance of conditions of Corporate Governance of M/s. Godawari Power and Ispat Limited for the year ended 31st March, 2008 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: 14th June, 2008

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, 2008, 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;
   - (v) On the basis of written representations received from the directors as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 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, 2008.
     - (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 **OP Singhania & Co**.

Chartered Accountants

O.P. SINGHANIA

Partner

MEMBERSHIP No: 51909

Raipur, 14th June, 2008

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.

(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 and have been properly dealt with in the books of account.

(iii) The company has not granted/taken any loan other than advances given in the normal course of business to/from 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), (e), (f) & (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(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 2008 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 made preferential allotment of share warrants to a promoter group company covered in the register mentioned under section 301 of the Act. In our opinion the price at which share warrants have been issued is not prejudicial to the interest of 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 issued equity shares to the Qualified Institutional Buyers during the year as per Chapter-XIIIA of the SEBI (DIP) Guidelines, 2000 (as amended). The end use of 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 **OP Singhania & Co**.

Chartered Accountants

O.P. SINGHANIA

Partner

MEMBERSHIP No: 51909

Raipur, 14th June, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedules	2008 (Rs. in lacs)	2007 (Rs. in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	2,806.98	2,484.40
Share warrants		324.00	-
Reserves and surplus	2	35,600.52	18,026.60
		38,731.50	20,511.00
Loan Funds			
Secured Loans	3	28,421.02	27,748.98
Unsecured Loans	4	-	-
		28,421.02	27,748.98
TOTAL		67,152.51	48,259.98
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		43,609.63	29,103.05
Less : Accumulated Depreciation/amortisation		5,236.22	2,817.19
Net Block		38,373.41	26,285.86
Capital work-in-progress including capital advances		1,264.41	10,319.02
		39,637.82	36,604.88
Investments	6	3,196.71	2,086.40
Current Assets, Loans and Advances			
Inventories	7	16,604.40	7,109.66
Sundry debtors	8	4,760.91	2,345.10
Cash and bank balances	9	6,340.04	1,203.40
Loans and advances	10	3,633.36	3,264.17
		31,338.71	13,922.33
Less : Current Liabilities and Provisions			
Current Liabilities	11	5,624.24	3,455.35
Provisions	12	1,396.50	899.18
		7,020.74	4,354.53
Net Current Assets		24,317.97	9,567.80
Miscellaneous Expenditure (to the extent not written off or adjusted)	13	-	0.90
TOTAL		67,152.51	48,259.98
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 O.P. Singhania & Co.
Chartered Accountants

per O.P. Singhania
Partner
Membership No.51909

Place: Raipur
Date : 14.06.2008

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 31, 2008

	Schedules	2008 (Rs. in lacs)	2007 (Rs. in lacs)
INCOME			
Turnover (Gross)	14	**95,690.06**	50,995.06
Less: Excise duty		**12,763.23**	6,785.87
Turnover (Net)		**82,926.83**	44,209.19
Other Income	15	**127.65**	223.73
Increase/(Decrease) in Stock in trade	16	**4,053.15**	(179.41)
TOTAL		**87,107.63**	44,253.51
EXPENDITURE			
Purchase of Trading Goods		**169.68**	46.33
Raw material consumed	17	**63,120.48**	32,281.62
Personnel expenses	18	**944.51**	493.67
Operating and other expenses	19	**6,603.41**	3,273.34
Depreciation/Amortisation		**2,425.15**	1,087.23
Financial expenses	20	**3,031.93**	1,172.54
TOTAL		**76,295.16**	38,354.73
Profit before tax		**10,812.47**	5,898.78
Provision for Current Tax		**1,250.00**	665.00
Fringe Benefit Tax		**12.11**	12.00
Tax related to earlier year		**51.93**	0.58
Total Tax Expense/income		**1,314.04**	677.58
Profit after tax		**9,498.43**	5,221.20
Balance brought forward from previous year		**7,111.30**	4,239.95
Profit available for appropriation		**16,609.72**	9,461.15
Appropriations:			
Transfer to General Reserve		**1,500.00**	1,500.00
Interim dividend		**421.05**	248.44
Proposed dividend		**701.74**	496.88
Tax on dividend		**190.82**	104.53
Surplus carried to Balance Sheet		**13,796.11**	7,111.30
Earning Per Share	21		
- Basic Earning per share		**37.18**	21.41
- Diluted Earning per share		**36.77**	21.41
Notes to Accounts	22		

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

As per our report of even date
For O.P. Singhania & Co.
Chartered Accountants

per O.P. Singhania
Partner
Membership No.51909

Place: Raipur
Date : 14.06.2008

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, 2008

			2008 (Rs. in lacs)	2007 (Rs. in lacs)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before Tax		**10,812.47**	5,898.78
	ADJUSTMENTS FOR:			
	Depreciation/amortisation		**2,425.15**	1,087.23
	Misc. Expenses Written off (Net)		**0.90**	0.90
	Provision for Gratuity		**9.37**	20.14
	Interest Charges		**3,031.93**	1,172.54
	Interest Received		**(83.25)**	(54.75)
	Dividend Received		**(0.78)**	(0.26)
	(Profit)/Loss on sale of Fixed Assets		**3.23**	6.03
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**16,199.02**	8,130.61
	ADJUSTMENTS FOR:			
	(Increase)/Decrease in Receivables and Advances		**(2,785.00)**	(2,048.24)
	(Increase)/Decrease in Inventories		**(9,494.74)**	(2,890.08)
	Increase/(Decrease) in Trade payables		**2,168.89**	1,740.32
	CASH GENERATED FROM OPERATIONS		**6,088.17**	4,932.61
	Direct Taxes Paid/Deducted at Source		**(1,080.53)**	(476.74)
	NET CASH FROM OPERATING ACTIVITIES	**A**	**5,007.64**	4,455.87
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of Fixed Assets/Capital Expenditure		**(5,480.57)**	(18,866.93)
	Proceeds from Sale of Fixed Assets		**19.25**	65.08
	Interest received		**83.25**	54.75
	Dividend Received		**0.78**	0.26
	(Increase)/Decrease in Investments		**(1,110.31)**	(1,150.50)
	NET CASH USED IN INVESTING ACTIVITIES	**B**	**(6,487.61)**	(19,897.34)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Proceeds from issue of equity shares including premium		**10,000.00**	7,042.95
	Proceeds/(Payment) of Long Term Borrowings from Banks		**(21.12)**	10,823.03
	Proceeds/(Payment) of Short Term Borrowings from Banks		**695.55**	2,359.22
	Proceeds/(Payment) of Other Borrowings		**(2.41)**	(1,583.03)
	Share Issue Expenses		**(288.32)**	(570.65)
	Proceeds of Share Warrants		**324.00**	-
	Dividend and tax thereon Paid		**(1,059.17)**	(566.57)
	Interest Charges		**(3,031.93)**	(1,172.54)
	NET CASH USED IN FINANCING ACTIVITIES	**C**	**6,616.61**	16,332.41
	NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	**(A+B+C)**	**5,136.64**	890.94
	Cash and Cash Equivalents at the beginning of the year		**1,203.40**	312.46
	Cash and Cash Equivalents at the end of the year		**6,340.04**	1,203.40
	Components of cash and cash equivalents as at		**2008**	2007
			Rs.	Rs.
	Cash in hand		**39.50**	10.05
	With banks- on current account		**74.21**	129.10
	- on deposit account		**6,202.60**	1,052.78
	- on unpaid dividend account*		**21.84**	9.31
	- on public issue refund account*		**1.89**	2.16
			6,340.04	1,203.40

Notes :

1. Figures for the previous year have been regrouped/rearranged wherever found necessary.
2 Interest charges excludes interest capitalised Rs.27,385,112/- (previous year Rs.68,188,022/-).
3. *Balances held by the company which are not available for use by it.

As per our report of even date
For O.P. Singhania & Co.
Chartered Accountants

per O.P. Singhania
Partner
Membership No.51909

Place: Raipur
Date : 14.06.2008

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

	2008 (Rs. in lacs)	2007 (Rs. in lacs)
SCHEDULE 1 : CAPITAL		
Authorised		
35,000,000 (Previous year: 25,000,000) equity shares of Rs.10/- each	**3,500.00**	2,500.00
Issued		
28,069,807 (Previous year: 24,844,000) equity shares of Rs.10/- each	**2,806.98**	2,484.40
Subscribed & Paid up		
28,069,807 (Previous year: 24,844,000) equity shares of Rs.10/- each fully paid up	**2,806.98**	2,484.40
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	**6,915.30**	1,397.37
Add: On account of QIP (Public Issue) during the year	**9,677.42**	6,173.45
Less: Utilized against QIP (Public Issue) Expenses (refer note No.p of schedule-22)	**288.32**	655.52
	16,304.40	6,915.30
General Reserve		
Balance as per last account	**4,000.00**	2,500.00
Add: Transferred from Profit and Loss Account	**1,500.00**	1,500.00
	5,500.00	4,000.00
Profit and Loss Account	**13,796.11**	7,111.30
	35,600.52	18,026.60
SCHEDULE 3 : SECURED LOANS		
Loans and advances from banks		
- Cash Credit Facilities	**5,969.34**	5,273.78
- Term Loans	**19,917.37**	19,494.85
- Foreign Currency Buyers Credit facility	**282.25**	628.11
- External Commercial Borrowings (ECB)	**2,080.70**	2,178.47
Other Loans & Advances	**171.36**	173.77
	28,421.02	27,748.98
SCHEDULE 4 : UNSECURED LOANS		
Other loans and advances	-	-
	-	-

Security and terms & conditions for above loans:

1. The rupee term loans including ECB aggregating to Rs.21998.06 lacs (previous year Rs.21673.32 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 Rs.282.25 lacs (previous year Rs.628.11 lacs) from ICICI Bank Ltd. is secured by the prior first charge over the equipment financed by them under the facility.
3. The working capital facilities aggregating to Rs.5969.34 lacs (previous year Rs.5273.79 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 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 specific assets acquired under hire purchase finance from various banks.

As at 31st March, 2008

Schedule 5 : Fixed Assets

(Rs.in lacs)

Description of Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2007 Rs.	Additions during the year Rs.	Deductions/ sale During the year Rs.	As at 31.03.2008 Rs.	Upto 31.03.2007 Rs.	During the year Rs.	Deductions/ Adjustment During the year Rs.	Upto 31.03.2008 Rs.	As at 31.03.2008 Rs.	As at 31.3.2007 Rs.
Freehold Land	263.23	351.21	-	614.44	-	-	-	-	614.44	263.23
Leasehold Land	65.39	-	-	65.39	-	3.60	-	3.60	61.79	65.39
Site & Land Development	285.22	405.06	-	690.28	-	-	-	-	690.28	285.22
Factory Shed & Building	1,817.58	1,467.56	-	3,285.14	143.12	79.81	-	222.93	3,062.20	1,674.46
Plant & Machinery	26,459.09	12,221.07	28.60	38,651.57	2,637.31	2,312.06	6.12	4,943.25	33,708.32	23,821.78
Furniture & Fixture	46.94	32.57	-	79.51	9.78	11.32	-	21.10	58.41	37.16
Vehicles	165.60	57.71	-	223.31	26.98	18.36	-	45.34	177.97	138.62
TOTAL	**29,103.05**	**14,535.18**	**28.60**	**43,609.63**	**2,817.19**	**2,425.15**	**6.12**	**5,236.22**	**38,373.41**	**26,285.86**
PREVIOUS YEAR	15,930.40	13,255.90	83.24	29,103.05	1,742.09	1,087.23	12.13	2,817.19	26,285.86	14,188.31
Capital Work in Progress & Pre-operative Expenses including capital advances	**10,319.02**	**5,039.08**	**14,093.69**	**1,264.41**	**-**	**-**	**-**	**-**	**1,264.41**	**10,319.02**
PREVIOUS YEAR	4,707.98	18,675.68	13,064.64	10,319.02	-	-	-	-	10,319.02	4,707.98

SCHEDULES TO THE ACCOUNTS

	2008 (Rs. in lacs)	2007 (Rs. in lacs)
SCHEDULE 6 : INVESTMENTS		
Long Term Investment (At cost)		
A. Trade		
Unquoted, fully Paid up unless otherwise stated		
*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 Ltd.	**41.70**	41.70
**1,68,402 (P.Y.48900) equity shares of Rs. 10/- each in Chhattisgarh Captive Coal Mining Ltd.	**120.20**	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
4,90,000 equity shares of Rs.10/- each partly paid-up in Chhattisgarh Ispat Bhoomi Ltd.	**29.40**	29.40
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**	1.00
Units		
0 (100,000) units of Rs.10/- each in SBI Blue Chip Fund Growth	**-**	10.00
100,000 units of Rs.10/- each in SBI One India Growth Fund	**10.00**	10.00
C. In Subsidiary Companies (Wholly owned)		
Unquoted, fully Paid up		
2,332,750 Equity shares of Rs.10/- each in R.R. Ispat Ltd.	**1,410.10**	1,410.10
3,149,000 Non-Cumulative redeemable Pref. shares of Rs.10/- each in R.R. Ispat Ltd.	**314.90**	314.90
50,000 Equity shares of Rs.10/- each in Godawari Power Ltd.	**5.00**	-
Current Investment (At lower of cost & fair value)		
Unquoted, fully Paid up		
****9368383.579 units in UTI Fixed Income Interval Fund - Quarterly Interval Plan Series -I	**1,000.00**	-
	3,196.71	2,086.40
Aggregate Amount of unquoted investments	**3,196.71**	2,086.40

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

** Out of 168402 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.

**** Unutilised funds of QIB invested.

SCHEDULES TO THE ACCOUNTS

	2008 (Rs. in lacs)	2007 (Rs.in lacs)
SCHEDULE 7 : INVENTORIES (AT LOWER OF COST AND NET REALISABLE VALUE)		
Raw materials and components (incl. Stock in transit Rs. 1429.18 lacs (P.Y. Rs.928.28 lacs)	**10,667.07**	5,778.92
Stores and spares	**513.32**	294.27
Work-in-progress	**55.40**	52.40
Finished Goods and By-Products	**5,368.61**	954.90
Trading Goods	**-**	29.17
	16,604.40	7,109.66
SCHEDULE 8 : SUNDRY DEBTORS		
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six months	**42.52**	437.23
Others	**4,718.39**	1,907.87
	4,760.91	2,345.10
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash in hand	**39.50**	10.05
Balances with Scheduled Banks		
On current accounts	**74.21**	129.10
On deposits accounts*	**6,202.60**	1,052.78
On Unpaid dividend account	**21.84**	9.31
On Public Issue Refund account	**1.89**	2.16
	6,340.04	1,203.40

* Out of total Fixed Deposits, Rs.452.60 lacs (previous year Rs.189.60 lacs) are pledged with various banks for availing LC, Bank Guarantee, OD facilities and pledged with other Govt. Departments and Rs.5750.00 lacs represents temporary deployment of surplus QIB proceeds.

	2008 (Rs. in lacs)	2007 (Rs.in lacs)
SCHEDULE 10 : LOANS AND ADVANCES		
(Unsecured considered good)		
Advances to subsidiaries	**190.00**	-
Advances recoverable in cash or in kind or for value to be received	**2,614.87**	1,784.05
Balances with Custom, Excise etc.	**41.92**	685.26
Deposits others	**90.96**	147.79
Others	**695.61**	647.07
	3,633.36	3,264.17
SCHEDULE 11 : CURRENT LIABILITIES		
Acceptances	**858.85**	447.46
Sundry Creditors for goods, services & expenses	**2,928.65**	1,424.27
Subsidiary company	**-**	230.94
Advance from customers	**218.67**	70.74
Creditors for capital goods	**94.64**	711.26

SCHEDULES TO THE ACCOUNTS

	2008 (Rs. in lacs)	2007 (Rs.in lacs)
Investor Education and Protection Fund shall be credited by namely:		
(as and when due)		
(a) Unclaimed dividend	**21.84**	9.31
(b) Unclaimed Public Issue Refund of application money	**1.88**	2.16
Interest accrued but not due on loans	**147.80**	210.92
Others	**1,351.91**	348.29
	5,624.24	3,455.35
Dues to Micro, Small & Enterprises included in sundry creditors	**49.40**	41.61
(Refer to Note No.18 in notes to accounts)		
Due to other than Micro, Small & Medium Enterprises included in sundry creditors	**0.03**	0.01
SCHEDULE 12 : PROVISIONS		
Provision for taxation (net of advance payments)	**532.88**	299.37
Provision for gratuity	**42.61**	33.24
Proposed dividend	**701.75**	496.88
Tax on proposed dividend	**119.26**	69.69
	1,396.50	899.18
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 QIP (Public issue)	**288.32**	570.66
Less: Written off against Securities Premium Account (refer note No.3)	**288.32**	655.52
Loan processing & documentation charges	**-**	0.90
	-	0.00
SCHEDULE 14 : GROSS TURNOVER		
Sale of Manufacturing Goods	**95,030.67**	50,251.81
Sale of Trading Goods	**196.28**	10.88
Sale of Electricity	**318.36**	207.32
Sale of Carbon Credit (CER)	**144.75**	525.05
	95,690.06	50,995.06
SCHEDULE 15 : OTHER INCOME		
Interest		
- Bank deposits (TDS Rs.998750/- Previous year Rs.646542/-)	**77.54**	49.71
- Security deposit with CSEB (TDS Rs.129427/- Previous year Rs.62935/-)	**5.71**	2.81
- From Advances (TDS Rs.Nil Previous year Rs.49972/-)	**-**	2.23
Dividend income		
- Trade investments-Long-term	**0.78**	0.26
Miscellaneous Income	**43.62**	168.72
	127.65	223.73

SCHEDULES TO THE ACCOUNTS

	2008 (Rs.in lacs)	2007 (Rs.in lacs)
SCHEDULE 16 : INCREASE/(DECREASE) IN STOCK IN TRADE		
Closing Stock		
- Work-in-progress	**55.40**	52.40
- Finished Goods & By-Products	**5,368.61**	954.90
- Traded Goods	**-**	29.17
	5,424.01	1,036.47
Opening Stock		
- Work-in-progress	**52.40**	49.16
- Finished Goods & By-Products	**954.90**	1,276.88
- Traded Goods	**29.17**	-
	1,036.47	1,326.04
Net Increase/(Decrease) in Stock in trade	**4,387.54**	(289.57)
Excise Duty on Stocks (Refer Note No.14 of Schedule-22)	**(334.39)**	110.16
	4,053.15	(179.41)
SCHEDULE 17 : RAW MATERIAL CONSUMED		
Opening Stock	**5,778.91**	2,621.88
Add: Purchases	**68,008.64**	35,438.65
	73,787.55	38,060.53
Less: Closing Stock	**10,667.07**	5,778.91
	63,120.48	32,281.62
SCHEDULE 18 : PERSONNEL EXPENSES		
Salaries, wages and bonus	**778.80**	387.63
Contribution to provident fund	**39.77**	25.54
Contribution to gratuity	**11.86**	20.34
Contribution to other funds	**19.34**	11.80
Workmen and staff welfare expenses	**94.74**	48.36
	944.51	493.67
SCHEDULE 19 : OPERATING AND OTHER EXPENSES		
Consumption of stores and spares	**1,817.51**	1,177.16
Process charges	**259.26**	115.08
Power charges	**498.46**	121.12
Water Charges	**119.42**	109.32
Other manufacturing expenses	**871.16**	439.66
CDM Expenses	**46.70**	77.30
Rent	**13.70**	16.22
Rates and taxes		
- Sales tax	**-**	20.22
- Entry tax	**532.11**	114.95
- Excise duty	**5.34**	4.63
- Electricity duty cess	**23.49**	

SCHEDULES TO THE ACCOUNTS

	2008 (Rs.in lacs)	2007 (Rs.in lacs)
- Others	**0.03**	0.05
Insurance	**17.80**	21.62
Repairs and maintenance		
- Plant and machinery	**919.51**	663.33
- Buildings	**37.36**	19.67
- Others	**11.83**	9.87
Rebate, shortage claims & other deductions	**30.05**	16.92
Commission		
- Other than Sole selling agents	**49.39**	19.78
Travelling and conveyance (including directors' travelling Rs.8.92 lacs (P.Y. Rs.4.92 lacs)	**85.42**	55.59
Communication costs	**62.43**	36.29
Printing and stationery	**18.61**	12.23
Legal and professional fees	**47.39**	12.28
Directors' sitting fees	**0.70**	0.55
Directors' remuneration	**51.35**	40.80
Freight and forwarding charges	**20.53**	2.38
Security service charges	**79.51**	37.86
Loss on sale of fixed assets	**3.23**	6.03
Foreign Exchange Fluctuation	**754.88**	-
Miscellaneous expenses	**225.34**	121.53
Miscellaneous expenditure written off	**0.90**	0.90
	6,603.41	3,273.34

SCHEDULE 20 : FINANCIAL EXPENSES

	2008 (Rs.in lacs)	2007 (Rs.in lacs)
Interest		
- on term loans	**2,378.33**	1,404.93
- on working capital	**581.63**	276.89
- on others	**0.96**	4.99
Bank charges	**344.86**	167.61
	3,305.78	1,854.42
Less: Interest capitalised	**273.85**	681.88
	3,031.93	1,172.54

SCHEDULE 21 : EARNING PER SHARE (EPS)

	2008 (Rs.in lacs)	2007 (Rs.in lacs)
Net profit as per profit and loss account	**9,498.43**	5,221.20
Net profit available for Equity shareholders	**9,498.43**	5,221.20
Weighted average number of equity shares in calculating basic EPS	**255.49**	243.91
Weighted average number of equity shares in calculating Diluted EPS	**258.31**	243.91
Basic & Diluted EPS		
- Computed on the basis of earnings excluding exceptional items	**37.18**	21.41
- Computed on the basis of earnings including exceptional items	**36.77**	21.41

SCHEDULE '22' : NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations

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

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 as notified by Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act,1956.

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

iii) The accounting policies have been consistently applied by the Company and except for the changes in accounting policies discussed below, are consistent with those used in the previous year.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as on the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

c) Changes in Accounting Policies

Amortisation of Leasehold Land

i) During the current year, the company has started amortisation of premium paid for leasehold land based on the tenure of the lease period with retrospective effect and a sum of Rs.3.60 lacs is debited to depreciation/ amortisation account in conformity with the Accounting Standard (AS-6).

Had the company continue to use the earlier policy in this regard, the depreciation/amortisation for the current year would have been lower by Rs.0.66 lacs & the net block of the fixed assets would correspondingly have been higher by Rs.0.66 lacs. Similarly, earlier periods depreciation/amortisation of Rs.2.94 lacs arising out of retrospective computation has been same effect.

Adoption of Accounting Standard AS15 (Revised) Employee Benefits

ii) The company was providing for gratuity liability on the basis of the Payment of Gratuity Act,1972 till the previous year. In the current year, the Company has adopted the Accounting Standard 15 (Revised) which is mandatory from accounting periods commencing on or after December 7, 2006. Accordingly the Company has provided for gratuity based on actuarial valuation done as per projected unit credit method. As there was no variation in gratuity liability provided as on 31.03.2007 and the net liability worked out by the actuaries on that date, no adjustment of transitional provision is required.

Accounting for Derivatives

iii) As per the ICAI announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlined hedge item is charged to the income statement. Net gains are ignored. In the previous year, no gains/losses were recognised. Had the previous year policy been followed the profit after tax would have been higher by Rs.746.44 lacs and current liabilities would have been lower to that extent.

Accounting for Foreign Exchange Fluctuations on Fixed Assets

iv) Pursuant to Companies (Accounting Standard) Rules, 2006 with effect from April 1, 2007, the Company has changed the accounting policy related to recognition of foreign exchange fluctuation on fixed assets, related to transactions entered after April 1, 2004. The foreign exchange variation is now being charged/credited to profit & loss account, which till previous year was adjusted to the carrying cost of the respective assets. Pursuant to this change, foreign exchange fluctuation gain for the year amounting to Rs.101.41 lacs has been credited to profit & loss account under the head Foreign Exchange Fluctuations.

d) 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 commencement of commercial production and are net of CENVAT credit.

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

e) Depreciation/Amortisation

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 and site & land development cost are not depreciated/amortized. Leasehold land is amortised annually on the basis of tenure of lease period.

f) Investments :

i) Long Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such is other than temporary, in the opinion of the management.

ii) Current Investments are stated at lower of cost/quoted fair value, computed categorywise.

g) Inventories :

i) Inventories are valued at lower of cost and net realizable value, after providing for obsolences, if any.

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.

h) 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.

i) 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 proportion 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.

j) Deferred Revenue Expenditure

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

k) 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 substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

l) 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.

m) 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.

n) Foreign Currency Transactions

i) Foreign currency transactions are recorded in the reporting currency, by applying the exchange rate prevailing as on the date of transaction.

ii) Monetary items denominated in foreign currencies at the year end are restated at year end rates. 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 monetary 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.

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 are 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.

o) Derivatives Transactions :

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

p) Retirement and other Employee Benefits

i) Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to Profit & Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contributions payable to the respective trusts.

ii) Gratuity Liability is defined benefit obligations and are provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

iii) Value of encashable leave are encashed during the year and charged to the Profit & Loss Account.

iv) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

q) Provisions

Provisions are recognised, where the company has any legal or constructive obligation or where realizable 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 obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

r) 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.

s) Treatment of Share Issue Expenses

Share issue expenses is charged, first against available balance in securities premium account and balance, if any, charged to revenue.

t) 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.

u) Segment Reporting Policies

Identification of segments :

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Inter segment Transfers :

The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items :

The Corporate and Other segment includes general corporate income and expense items which are not allocated to any business segment.

v) 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.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

3. The company has allotted 8,695,000 Equity Shares of Rs.10/- each at a premium of Rs.300/- to Qualified Institutional Buyers during the year.

The details of QIB proceeds, utilization and expenses incurred are as follows:

(Rs. In Lacs)

Total Fund Raised		10,000.00
Utilization		
On Project	545.91	
Share Issue Expenses	288.34	
Investment of unutilised fund in Bank Term Deposits & Mutual Funds	6,750.00	
General Corporate Purpose/balance in bank accounts	2,415.75	10,000.00

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.83.00 lacs (Previous Year Rs.148.72 lacs.)

ii) Corporate Guarantees issued in favour of bank aggregating to Rs.20566 lacs (Previous Year Rs. 14200 lacs) in respect of financing facilities granted to other body corporate.

iii) Disputed liability of Rs.20.74 lacs (Previous Year Rs.20.74 lacs) 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.2545 lacs (Previous Year Rs.1025 lacs).

5. During the year the company has issued 1000000 Share Warrants of Rs.10/- each at a premium of Rs.314/- per warrant on preferential basis to a promoter group company on 20th December, 2007. The warrant holder shall be entitled to apply for and be allotted, in one or more tranches, one equity share of Rs.10/- each of the company per warrant, any time after the date of allotment of warrant but before the expiry of 18 months from the date of allotment of such warrants. As per the terms and conditions of issue of warrants, the company has received a non-refundable amount equivalent to 10% of the issued price of the warrant towards allotment of warrant and credited to share warrant. Upon exercise of the right to apply for equity shares, the warrant holder will be liable to make the balance payment of 90% of the issue price. The Board upon the receipt of the entire amount will allot 1 equity share per warrant. The issue proceeds have been utilised for meeting the fund requirements of existing and new businesses and for working capital requirements.

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.

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)

	2007-08	2006-07
Towards Audit Fees	**7.50**	5.00
Towards Tax Audit fees	**1.00**	0.75
Towards other Services	**2.50**	1.28
Towards taxation matters	**0.60**	0.25

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

Godawari Power 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 Global 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 Siddharth Agrawal

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

		2007-08	2006-07
a) Subsidiary	Purchase of Materials	**8736.99**	5885.08
	Sale of Materials	**16444.14**	6847.91
	Sale of Electricity	**0.00**	117.84
	Outstandings		
	Receivables	**790.16**	0.00
	Payables	**0.00**	230.94
b) Associate	Purchase of Materials	**0.00**	6036.74
	Sale of Materials	**21526.43**	13289.13
	Sale of Electricity	**153.63**	89.48
	Repayment of Loans	**0.00**	300.00
	Outstandings		
	Receivables	**396.09**	447.63
c) Other Related Enterprises where control exist	Purchase of Materials	**13072.36**	3108.13
	Sale of Materials	**3075.59**	571.69
	Sale of Fixed Assets	**4.76**	74.11
	Job Charges received	**0.00**	0.12
	Service Charges Paid	**1954.96**	662.18
	Repayment of Loans	**0.00**	1390.00
	Outstandings		
	Receivables	**889.25**	715.08
	Payables	**49.80**	0.27
	Guarantee & Collaterals	**20566.00**	14200.00

d)	**Joint Ventures**	Interest received	**0.00**	2.23
		Service Charges Paid	**220.22**	56.46
		Investment during the year	**115.32**	0.00
		Advances given	**36.30**	27.56
		Advances received back	**48.03**	37.17
		Outstandings		
		Receivables	**36.30**	48.03
		Payables	**43.27**	21.86
e)	**Key Management**	Remuneration Paid	**32.40**	27.00
		Rent Paid	**3.00**	3.00
f)	**Relative of Key Management**	Salary Paid	**5.40**	5.40

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**

a)	**Purchase of Materials:**		
	R.R. Ispat Ltd.	**8736.99**	5885.08
	Hira Steels Ltd.	**0.00**	6036.74
	Hira Ferro Alloys Ltd.	**10936.58**	1636.13
b)	**Service Charges Paid:**		
	Hira Industries Limited	**1261.13**	246.73
	Chhattisgarh Power & Coal Benefication Limited	**693.83**	415.45
	Raipur Infrastructure Company Pvt. Limited	**220.22**	56.46
c)	**Sale of Materials:**		
	R.R. Ispat Ltd.	**16444.14**	6847.91
	Hira Steels Ltd.	**21526.43**	13289.13
d)	**Sale of Fixed Assets:**		
	Hira Ferro Alloys Ltd.	**4.76**	74.11
e)	**Sale of Electricity:**		
	R.R. Ispat Ltd.	**0.00**	117.84
	Hira Steels Ltd.	**153.63**	89.48
f)	**Interest Received:**		
	Raipur Infrastructure Company Pvt. Limited	**0.00**	2.23
g)	**Repayment of Unsecured Loans:**		
	Sagar Energy & Steel Limited	**0.00**	470.00
	Hira Steels Ltd.	**0.00**	300.00
	Jagdamba Power & Alloys Limited	**0.00**	750.00
h)	**Advances Given**		
	Chhattisgarh Captive Coal Mining Limited	**36.30**	27.56
i)	**Advances Received**		
	Raipur Infrastructure Company Pvt. Limited	**0.00**	37.17
j)	**Rent Paid:**		
	Shri Dinesh Agrawal	**3.00**	3.00

k)	**Remuneration Paid:**		
	Shri B.L.Agrawal	**18.00**	15.00
	Shri Dinesh Agrawal	**14.40**	12.00
l)	**Salary Paid:**		
	Shri Siddharth Agrawal	**5.40**	5.40
m)	**Guarantees & Collaterals**		
	Hira Ferro Alloys Ltd.	**6211.00**	5920.00
	Alok Ferro Alloys Ltd.	**2170.00**	0.00
	Chhattisgarh Captive Coal Mining Ltd.	**4535.00**	0.00
	Jagdamba Power & Alloys Limited	**7650.00**	8280.00

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	
	2007-08	2006-07	**2007-08**	2006-07	**2007-08**	2006-07	**2007-08**	2006-07
A) REVENUE								
Steel Segment	**94914.22**	49744.16	**704.74**	243.44	**(704.74)**	(243.44)	**94914.22**	49744.16
Electricity Segment	**463.54**	733.08	**10236.45**	5559.24	**(10207.41)**	(5543.31)	**492.58**	749.01
Other Operations	**160.48**	389.32	**164.33**	140.16	**(41.54)**	(27.59)	**283.27**	501.89
Total Segment Revenue	**95538.24**	50866.56	**11105.52**	5942.84	**(10953.69)**	(5814.34)	**95690.07**	50995.06

* Elimination do not include the inter segment sales for project work Rs.151.83 lacs (Previous Year Rs.128.50 lacs)

B) RESULTS

Segment Operational Profit		
Steel Segment	**7141.17**	2739.01
Electricity Segment	**7496.64**	4532.13
Other Operations	**70.48**	163.99
Total Segment Results	**14708.29**	7435.13
Un-allocated expenditure net off unallocated income	**(863.89)**	(363.81)
Operating Profit	**13844.40**	7071.32
Interest Expenses	**(3031.93)**	(1172.54)
Income-tax & Fringe Benefit Tax Paid/Provided	**(1314.04)**	(677.58)
Net Profit	**9498.43**	5221.20

C) OTHER INFORMATION

Segment Assets		
Steel Segment	**56324.79**	31800.09
Electricity Segment	**14169.24**	13759.01
Other Operations	**482.50**	699.77
Total Segment Assets	**70976.53**	46258.87
Un-allocable Assets	**3196.72**	6354.74
Total Assets	**74173.25**	52613.61
Segment Liabilities and Provisions		
Steel Segment	**26449.30**	17917.34
Electricity Segment	**5931.72**	6818.62
Other Operations	**24.85**	27.75
Total Segment Liabilities & Provisions	**32405.87**	24763.71
Un-allocable Liabilities and Provisions	**3035.89**	7339.81
Total Liabilities and Provisions	**35441.76**	32103.52
Capital Expenditure		
Steel Segment	**3045.85**	10638.31
Electricity Segment	**2391.36**	6478.37
Other Operations	**43.36**	325.91
Un-allocable Capital Expenditure	**0.00**	1424.34
Total Capital Expenditure	**5480.57**	18866.93
Depreciation		
Steel Segment	**1424.89**	660.61
Electricity Segment	**983.17**	413.43
Other Operations	**17.09**	13.19
Total Segment Depreciation	**2425.15**	1087.23

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, 2008**	**Percentage of ownership interest as at 31st March, 2007**
Chhattisgarh Captive Coal Mining Ltd.	India	**25.93%**	36.20%
Raipur Infrastructure Co.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 the unaudited financial information as certified by the directors of the joint ventures, are :

(Rs. in lacs)

Particulars	**As at 31st March, 2008**	As at 31st March, 2007
Fixed Assets(including Capital WIP & Pre-operative expenses)	**286.29**	142.62
Current Assets	**38.01**	12.28
Loan Fund	**269.90**	93.28
Current Liabilities	**46.99**	5.28
Revenue	**103.42**	19.72
Expenses	**20.30**	9.37
Other Matters		
Contingent Liabilities	**—-**	—-

14. In accordance with the *explanation* to the para 10 of AS-9 (as notified), differential excise duty on opening and closing stock of finished goods amounting to Rs.334.39 lakhs (Previous Year Rs.110.17 lakhs) has been adjusted from increase/(decrease) in stock in trade in Schedule -16.

15. **Financial and Derivative Instruments**

a) Derivative contracts entered into by the Company and outstanding as on 31st March, 2008

Nominal amount of derivative contracts entered into by the Company for Hedging Currency and Interest Rate Related Risks and outstanding as at 31st March, 2008, amount to Rs.5129.79 lacs (Previous Year Rs.1000 lacs). Category wise break up is given below :

(Rs. in lacs)

Sr. No.	**Particulars**	**As at 31st March, 2008**	As at 31st March, 2007
1.	Currency Swaps	**2500.00**	1000.00
2.	Options (Net)	**2500.00**	0.00
3.	Forward Contracts (net)	**129.79**	0.00

b) In accordance with principles of prudence and other applicable guidelines as per Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 read with Schedule VI of the Companies Act,1956 the Company has charged an amount of Rs.746.44 lacs to the profit and loss account in respect of derivative contracts outstanding as at 31st March,2008.

c) Foreign currency exposure that are not hedged by derivative instruments or Forward Contracts as at 31st March,2008 amount to Rs.1353.94 lacs (Previous Year Rs.1922.88 lacs)

16. Debtors includes dues from the companies under the same management are:

(Rs. in lacs)

		2007-08	2006-07
(a)	Hira Industries Limited	**466.99**	109.58
(b)	Alok Ferro Alloys Limited	**-**	0.97
(c)	Hira Steels Limited	**396.09**	447.63
(d)	R.R. Ispat Ltd. (subsidiary company)	**600.16**	-

17. Loans and Advances includes advances receivable from the companies under the same management are:

(Rs. in lacs)

	2007-08	2006-07
Alok Ferro Alloys Ltd.	**-**	86.51
Chhattisgarh Captive Coal Mining Ltd.	**36.30**	27.56
Raipur Infrastructure Company Ltd.	**-**	20.48

18. The Company has identified the amount due to Micro, Small and Medium Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31st March, 2008

(Rs. in lacs)

		2007-08	2006-07
i)	The principal amount and the interest due thereon remaining unpaid to any supplier as at 31st March, 2008		
	Principal Amount	**49.40**	41.61
	Interest	**0.00**	0.00
ii)	The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day for the year ending 31st March, 2008	**0.00**	0.00
iii)	The amount of interest due and payable for the period of delay in making payment (beyond the appointed day during the year)	**0.00**	0.00
iv)	The amount of interest accrued and remaining unpaid for the year ending 31st March, 2008	**0.00**	0.00
v)	The amount of further interest remaining due and payable for the earlier years	**0.00**	0.00

Note : The information has been given in respect of such suppliers to the extent they could be identified as "Micro, Small and Medium" enterprises on the basis of information available with the Company.

19. Gratuity and other post-employment benefit plans :

The Company has a defined gratuity benefit plan. Gratuity is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement/termination/resignation. The benefit vests on the employees after completion of 5 years of service. The Gratuity liability has not been externally funded. Company makes provision of such gratuity liability in the books of account on the basis of actuarial valuation as per the Projected unit credit method.

The following tables summarise the components of net benefit expense recognized in the profit and loss account and the unfunded status and amounts recognized in the balance sheet for the Gratuity.

Profit and Loss account

Net employee benefit expense (recognized in Employee Cost)

Rs. in Lacs

	(Gratuity) March 31, 2008
Current Service cost	**11.45**
Interest cost on benefit obligation	**3.03**
Expected return on plan assets	**0.00**
Net actuarial loss recognised in the year	**(2.63)**
Past service cost	**0.00**
Actual return on plan assets	**11.85**

Balance Sheet

Details of provision for Gratuity

Rs. in Lacs

	March 31, 2008
Defined benefit obligation	42.61
Fair value of plan assets	0.00
	42.61
Less : Unrecognised past service cost	0.00
Plan liability	42.61

Changes in the present value of the defined benefit obligation are as follows :

Rs. in Lacs

	March 31, 2008
Defined benefit obligation as at April 1, 2007	33.25
Interest cost	3.03
Current Service Cost	11.45
Benefits paid	(2.49)
Actuarial losses on obligation	(2.63)
Defined benefit obligation as at March 31, 2008	42.61

Since the entire amount of plan obligation is unfunded therefore changes in the fair value of plan assets are not given. Further the entire amount of plan obligation is unfunded therefore categories of plan assets as a percentage of the fair value of total plan assets and Company's expected contribution to the plan assets in the next year is not given.

The principal assumptions used in determining gratuity benefit obligations for the company's plans are shown below :

	March 31, 2008
Discount Rate	7.50%
Increase in Compensation cost	5.00%
Expected average remaining working lives of employee (years)	24.40

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Pursuant to a limited revision to AS 15 (revised) made by Companies (Accounting Standards) Amendment Rules, 2008 which allows an entity to make disclosures required by paragraph 120(n) of AS 15 (revised) prospectively from the transition date. In view of the above the Company has not disclosed the information required to be disclosed under Para 120(n) of AS 15 (revised).

The current year being the first year of adoption of Accounting Standards - 15 (Revised 2005) by the Company, the previous year's comparative information has not been furnished.

Contribution to Defined Contribution Plans :

Rs. in Lacs

Provident Fund	39.78

20. 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)

Rs. in Lacs

A) TURNOVER (EXCLUDING INTER DIVISIONAL TRANSFER)					
		CURRENT YEAR		PREVIOUS YEAR	
	UNIT	**Quantity**	**Amount**	Quantity	Amount
Steel Billets	M.T.	**206527.055**	**54322.22**	132024.215	27140.15
Sponge Iron	M.T.	**63634.935**	**10731.17**	36226.045	4674.54
H.B.Wire	M.T.	**65330.265**	**20910.37**	54229.590	14018.63
Ferro Alloys	M.T.	**8300.450**	**4443.94**	9198.200	2944.21
Electricity*	KWH	**14503888**	**318.36**	*6282540	207.33
By-Products & Others		**—**	**4964.01**	—	2010.20
Total			**95690.07**		50995.06
* Excluding 927832 KWH (698060 KWH) deducted by CSEB towards wheeling charges.					
B) OPENING STOCK					
Steel Billets	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
C) CLOSING STOCK					
Steel Billets	M.T.	**3087.655**	**1067.91**	447.740	101.77
Sponge Iron	M.T.	**9915.908**	**1961.37**	3538.623	433.30
H.B.Wire	M.T.	**1447.182**	**616.04**	141.447	38.39
Ferro Alloys	M.T.	**1122.700**	**973.74**	254.600	84.58
By-Products & Others		**—**	**749.55**	—	326.03
Work in Process		**—**	**55.40**	—	52.40
Total			**5424.01**		1036.47
D) RAW MATERIAL CONSUMED (EXCLUDING OWN MANUFACTURED ITEM)					
Iron Ore	M.T.	**630624.500**	**20398.86**	377265.741	9159.41
Coal	M.T.	**658265.383**	**13065.49**	339276.163	6136.03
Pig Iron & Scrap	M.T.	**50131.385**	**8512.07**	27808.000	4030.32
Ferro Alloys	M.T.	**3793.101**	**1421.75**	1950.153	447.48
Sponge Iron	M.T.	**840.220**	**105.03**	0.000	0.00
M.S. Round (in Coils)	M.T.	**67314.402**	**17458.07**	54536.551	11120.73
Manganese Ore	M.T.	**27669.955**	**1218.85**	23571.135	956.54
Others		**—**	**940.36**	—	431.09
			63120.48		32281.61

E) BREAKUP OF RAW MATERIAL CONSUMED				
	%	**Amount**	%	Amount
Imported	**0.03%**	**21.12**	0.56%	180.83
Indigenous	**99.97%**	**63099.36**	99.44%	32100.78
	100.00%	**63120.48**	100.00%	18191.36
F) STORES CONSUMED				
	%	**Amount**	%	Amount
Indigenous	**100.00%**	**1817.51**	100.00%	1177.16
Imported	**0.00%**	**0.00**	0.00%	0.00
	100.00%	**1817.51**	100.00%	1177.16
G) VALUE OF IMPORT ON CIF BASIS				
- Capital Goods		**52.78**		1378.41
H) EXPENDITURE IN FOREIGN CURRENCY		**218.93**		39.99
I) EARNING IN FOREIGN EXCHANGE ON SALE OF CARBON CREDITS (CER)		**144.75**		525.05

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**	495000	**285862.000**	170340.000
Steel Billets	M.T.	**400000**	250000	**209166.970**	130979.335
Electricity**	MW/KWH	**53**	28	**290290384**	174305276
H B Wire	M.T.	**120000**	62500	**66636.000**	53991.235
Ferro Alloys	M.T.	**16500**	16500	**9168.550**	9283.100
Oxygen Gas***	CUM	**1095000**	1095000	**1050105**	1070727

* Includes 215849.780 MT (13058.000 MT) internally consumed

** Includes 274858664 KWH (167324676 KWH) consumed auxillarily and by other divisions.

*** Includes 434910 CUM (430696 CUM) consumed by other divisions.

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

For O.P. Singhania & Co.
Chartered Accountants

per O.P. Singhania
Partner
Membership No. 51909

Place: Raipur
Date : 14.06.2008

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	31.03.2008		

2. Capital raised during the year (Rs. in thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	10,00,000

3. Position of mobilisation and deployment of funds (Rs. in thousands)

Total Liabilities	7417325	Total Assets	7417325

Sources of Funds (Rs. in thousands)

Paid-up Capital	280698	Share Warrants	32400
Reserves & Surplus	3560051	Secured Loans	2842102
		Unsecured Loans	NIL

Application of Funds (Rs. in thousands)

Net Fixed Assets	3963782	Investments	319671
Net Current Assets	2431797	Miscellaneous Expenditure	NIL
		Accumulated Losses	NIL

4. Performance of the Company (Rs. in thousands)

Turnover (Gross Receipts)	8710763	Total Expenditure	7629517
Profit/(Loss) before tax	1081246	Profit/(Loss) after tax	949843
Earning per Share			
- Basic (Rs.)	37.18	- Diluted (Rs.)	36.77
Dividend Rate Including Special Dividend, if any			
— on Preference Shares	N.A.	— on Equity Shares	40%

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

Raipur, 14th June, 2008

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, 2008
3.	Extent of Interest in the Subsidiary Company:		100%
4.	Share Capital:		Rs.548.17 Lacs
5.	Reserves & Surplus:		Rs.1209.40 Lacs
6.	Total Assets:		Rs.3936.50 Lacs
7.	Total Liabilities (Excluding Share Capital and Reserves & Surplus):		Rs.2178.93 Lacs
8.	Investment (included in Total Assets):		
	Long Term Investments (at cost) –		
	A. 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) 29850 Equity Shares of Rs.10/- each in M/s. Chhattisgarh Power and Coal Beneficiation Ltd:	Rs.18.56 Lacs	
	d) 394000 Equity Shares of Rs.10/- each in M/s. Hira Ferro Alloys Ltd:	Rs.278.80 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.320.76 Lacs
9.	Net turnover and Other Income:		Rs.19712.31 Lacs
10.	Profit before Taxation:		Rs.433.87 Lacs
11.	Provision for Taxation:		Rs.71.17 Lacs
12.	Profit after Taxation:		Rs.362.69 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 Accounts		
	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 Accounts		
	i) for the financial year of the Subsidiary:		Rs.362.69 Lacs
	ii) for the previous financial years of the Subsidiary since it became the Subsidiary of the Company:		Rs.371.68 Lacs

Note:

The company has obtained an exemption from the Government of India, Ministry of Corporate Affairs (MCA) vide its letter no. 47/438/2008-CL-III dated 25/06/2008 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, 2008 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 as notified by the Companies (Accounting Staqndard) Rules,2006.
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,2008;
   (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 : 14.06.2008

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedules	2008 (Rs. In lacs)	2007 (Rs. In lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	**2,694.48**	2,371.90
Share warrants		**324.00**	-
Reserves and surplus	2	**36,437.83**	18,372.82
		39,456.31	20,744.72
Loan Funds			
Secured Loans	3	**29,247.07**	28,782.63
Unsecured Loans	4	**7.93**	156.02
		29,255.00	28,938.65
Deferred Tax Liabilities (Net)		**192.27**	185.85
TOTAL		**68,903.58**	49,869.23
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		**46,423.61**	31,168.49
Less : Accumulated Depreciation		**6,020.74**	3,441.50
Net Block		**40,402.87**	27,726.99
Capital work-in-progress including capital advances		**1,534.17**	10,336.12
		41,937.04	38,063.11
Goodwill Arising on consolidation		**456.20**	456.20
Investments	6	**1,936.50**	491.07
Current Assets, Loans and Advances			
Inventories	7	**17,437.60**	7,614.24
Sundry debtors	8	**4,471.93**	2,813.09
Cash and bank balances	9	**6,350.13**	1,253.30
Loans and advances	10	**4,085.10**	4,066.38
		32,344.76	15,747.01
Less : Current Liabilities and Provisions			
Liabilities	11	**6,336.74**	3,878.40
Provisions	12	**1,434.18**	1,010.66
		7,770.92	4,889.06
Net Current Assets		**24,573.84**	10,857.95
Miscellaneous Expenditure	13	**-**	0.90
(to the extent not written off or adjusted)			
TOTAL		**68,903.58**	49,869.23
Notes to Accounts	22		

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

As per our report of even date
For O.P. Singhania & Co.
Chartered Accountants

per O.P. Singhania
Partner
Membership No.51909

Place: Raipur
Date : 14.06.2008

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*

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedules	2008 (Rs. In lacs)	2007 (Rs. In lacs)
INCOME			
Turnover (Gross)	14	**93,567.00**	55,087.03
Less: VAT/Sales Tax		**217.05**	-
Less: Excise duty		**12,367.90**	7,342.30
Turnover (Net)		**80,982.04**	47,744.73
Other Income	15	**180.99**	237.73
Increase/(Decrease) in Stock in trade	16	**4,180.62**	(360.43)
TOTAL		**85,343.65**	47,622.03
EXPENDITURE			
Purchase of Trading Goods		**169.68**	46.33
Raw material consumed	17	**59,305.33**	33,926.74
Personnel expenses	18	**1,055.01**	564.03
Operating and other expenses	19	**7,837.02**	4,362.92
Depreciation		**2,580.82**	1,221.32
Financial expenses	20	**3,145.02**	1,296.96
TOTAL		**74,092.88**	41,418.30
Profit before tax		**11,250.77**	6,203.73
Provision for Current Tax		**1,315.17**	778.60
Frienge Benefit Tax		**13.52**	13.54
Tax related to earlier year		**51.93**	0.58
Provision for Deferred Income Tax		**5.40**	(3.68)
Total Tax Expense/income		**1,386.01**	789.04
Profit after tax		**9,864.75**	5,414.68
Balance brought forward from previous year		**7,347.44**	4,340.59
Add : Share in profit in associate Company		**91.37**	7.24
Less : Pre Acquisition Profit		**-**	87.73
Less : Adjustment on account of unrealised profit		**(5.85)**	-
Profit available for appropriation		**17,297.71**	9,674.79
Appropriations:			
Transfer to General Reserve		**1,500.00**	1,500.00
Interim dividend		**381.67**	237.19
Proposed dividend		**701.75**	485.63
Tax on dividend		**190.82**	104.53
Excess Provision of Gratuity of Earlier Years Written Back		**0.39**	-
Surplus carried to Balance Sheet		**14,523.86**	7,347.44
Earning Per Share	21		
- Basic Earning per share		**40.76**	23.30
- Diluted Earning per share		**40.30**	23.30
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 O.P. Singhania & C0.
Chartered Accountants

per O.P. Singhania
Partner
Membership No.51909

Place: Raipur
Date : 14.06.2008

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*

CONSOLIDATED CASH FLOW STATEMENT AS AT 31ST MARCH, 2008

			2008 Rs.	2007 Rs.
A.	CASH FLOW FROM OPERATING ACTIVITIES			
	Net Profit before Tax		**11,250.80**	6,203.67
	ADJUSTMENTS FOR:			
	Depreciation		**2,580.82**	1,221.32
	Misc. Expenses Written off (Net)		**0.90**	0.94
	Provision for Gratuity		**12.13**	21.35
	Interest Charges		**3,145.01**	1,296.96
	Interest Received		**(83.25)**	(55.42)
	Dividend Received		**(2.42)**	(1.24)
	(Profit)/Loss on sale of Investments		**(10.21)**	-
	(Profit)/Loss on sale of Fixed Assets		**3.23**	6.03
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**16,897.01**	8,693.61
	ADJUSTMENTS FOR:			
	(Increase)/Decrease in Receivables and Advances		**(1,677.56)**	(2,479.10)
	(Increase)/Decrease in Inventories		**(9,823.36)**	(2,786.33)
	Increase/(Decrease) in Trade payables		**2,458.33**	1,605.34
	CASH GENERATED FROM OPERATIONS		**7,854.42**	5,033.52
	Direct Taxes Paid/Deducted at Source		**(1,223.27)**	(507.57)
	NET CASH FROM OPERATING ACTIVITIES	**A**	**6,631.15**	4,525.95
B.	CASH FLOW FROM INVESTING ACTIVITIES			
	Purchase of Fixed Assets/Capital Expenditure		**(6,100.38)**	(18,996.63)
	Proceeds from Sale of Fixed Assets		**19.25**	65.08
	Interest received		**83.25**	55.42
	Dividend Received		**2.42**	1.24
	Sale of Investments		**43.36**	-
	(Increase)/Decrease in Investments		**(1,445.44)**	(1,154.70)
	NET CASH USED IN INVESTING ACTIVITIES	**B**	**(7,397.54)**	(20,029.59)
C.	CASH FLOW FROM FINANCING ACTIVITIES			
	Proceeds from issue of equity shares including premium		**10,000.00**	7,042.95
	Proceeds/(Payment) of Long Term Borrowings from Banks		**(154.73)**	10,672.99
	Proceeds/(Payment) of Short Term Borrowings from Banks		**629.80**	2,776.61
	Proceeds/(Payment) of Other Borrowings		**(158.71)**	(1,765.13)
	Share Issue Expenses		**(288.32)**	(570.65)
	Dividend and tax thereon Paid		**(1,019.80)**	(542.15)
	Interest Charges		**(3,145.01)**	(1,296.96)
	NET CASH USED IN FINANCING ACTIVITIES	**C**	**5,863.23**	16,317.66
	NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)		**5,096.84**	814.02
	Cash and Cash Equivalents at the beginning of the year		**1,253.30**	439.28
	Cash and Cash Equivalents at the end of the year		**6,350.14**	1,253.30

	2008 Rs.	2007 Rs.
Components of cash and cash equivalents as at	**2008 Rs.**	2007 Rs.
Cash in hand	**44.65**	58.77
With banks- on current account	**79.11**	130.23
- on deposit account	**6,202.65**	1,052.83
- on unpaid dividend account*	**21.84**	9.31
- on public issue refund account*	**1.88**	2.16
	6,350.13	1,253.30

Notes :

1. Figures for the previous year have been regrouped/rearranged wherever found necessary.
2 Interest charges excludes interest capitalised Rs.273.85 lacs (previous year Rs.681.88 lacs).
3. *Balances held by the company which are not available for use by it.

As per our report of even date

For O.P. Singhania & Co.
Chartered Accountants

per O.P. Singhania
Partner
Membership No.51909

Place: Raipur
Date : 14.06.2008

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*

CONSOLIDATED SCHEDULES TO THE ACCOUNTS

	2008 (Rs. In lacs)	2007 (Rs. In lacs)
Schedule 1 : Capital		
Authorised		
375,00,000 (Previous year: 275,00,000) equity shares of Rs.10/- each	**3,750.00**	2,750.00
3200000 (Previous Year 3200000) Preference Shares of Rs.10/- each	**320.00**	320.00
Issued		
28,069,808 (23,719,000) equity shares of Rs.10/- each	**2,694.48**	2,371.90
Subscribed & Paid up		
28,069,808 (23,719,000) equity shares of Rs.10/- each fully paid	**2,694.48**	2,371.90
Schedule 2 : Reserves and Surplus		
Securities Premium		
Balance as per last account	**6,905.79**	1,579.96
Add: On account of Proceeds of QIB (Public Issue) during the year	**9,676.88**	6,173.45
Less: Utilized against Share Issue Expenses	**288.32**	655.52
Less: Adjustment on consolidation	**-**	192.11
	16,870.99	8,601.04
General Reserve		
Balance as per last account	**4,000.00**	2,500.00
Add: Transferred from Profit and Loss Account	**1,500.00**	1,500.00
	5,500.00	4,000.00
Profit and Loss Account	**14,523.86**	7,347.44
Share in Reserves of Associate Company		
Capital Reserve:		
As per last Balance Sheet	**119.65**	119.65
Add : Addition during the year	**-**	-
	119.65	119.65
	36,437.83	18,372.82
Schedule 3 : Secured Loans		
Loans and advances from banks		
- Cash Credit Facilities	**6,445.16**	5,815.36
- Term Loans	**20,256.25**	19,957.37
- Foreign Currency Buyers Credit facility	**282.25**	628.11
- External Commercial Borrowings	**2,080.70**	2,178.47
Other Loans & Advances	**182.71**	193.34
Interest accrued & due on Term Loan	**-**	9.98
	29,247.07	28,782.63
Schedule 4 : Unsecured Loans		
Other loans and advances		
- From Body Corporates	**2.18**	145.27
Securities Deposits from parties	**5.75**	10.75
	7.93	156.02

CONSOLIDATED SCHEDULES TO THE ACCOUNTS AS AT 31ST MARCH, 2008

Schedule 5 : Fixed Assets

	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
Description of Assets	As at 01.04.2007 Rs.	Additions during the year Rs.	Deductions/ sale During the year Rs.	As at 31.03.2008 Rs.	Upto 31.03.2007 Rs.	During the year Rs.	Deductions/ Adjustment During the year Rs.	Upto 31.03.2008 Rs.	As at 31.03.2008 Rs.	As at 31.3.2007 Rs.
Freehold Land	275.04	362.17	-	637.21	-	-	-	-	637.21	275.04
Leasehold Land	69.88	-	-	69.88	-	3.98	-	3.98	65.90	69.88
Site & Land Development	315.34	431.28	-	746.62	-	-	-	-	746.62	315.34
Factory Shed & Building	1,990.21	1,471.35	-	3,461.56	166.86	85.69	-	252.55	3,209.01	1,823.35
Plant & Machinery	28,095.88	12,881.34	28.60	40,948.62	3,218.41	2,436.98	1.58	5,653.81	35,294.81	24,877.47
Furniture & Fixture	62.83	34.30	-	97.13	10.93	12.38	-	23.31	73.82	51.90
Vehilces	231.45	62.49	-	293.94	42.94	24.72	-	67.66	226.28	188.51
Railway Siding & Lighting System	127.86	40.79	-	168.65	2.36	17.07	-	19.43	149.22	125.50
TOTAL	**31,168.49**	**15,283.72**	**28.60**	**46,423.61**	**3,441.50**	**2,580.82**	**1.58**	**6,020.74**	**40,402.87**	**27,726.99**
PREVIOUS YEAR	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
Capital Work in Progress & Pre-operative Expenses including capital advances	**10,336.12**	**5,291.74**	**14,093.69**	**1,534.17**	**-**	**-**	**-**	**-**	**1,534.17**	**10,336.12**
PREVIOUS YEAR	4,810.78	18,717.85	13,192.51	10,336.12	-	-	-	-	10,336.12	4,810.78

CONSOLIDATED SCHEDULES TO THE ACCOUNTS

	2008 (Rs. In lacs)	2007 (Rs. In lacs)
Schedule 6 : Investments		
Long Term Investment (At cost)		
A. Trade		
In Associates		
Equity Shares Unquoted	**442.27**	350.91
In other Companies		
Equity Shares Unquoted	**73.80**	84.11
B. Other than trade		
In other Companies		
Equity Shares quoted	**-**	33.15
Equity Shares Unquoted	**410.43**	2.90
In Mutual Funds Units	**10.00**	20.00
Current Investments (At Lower of cost & fair value)		
In Mutual Funds Units	**1,000.00**	-
	1,936.50	491.07
Schedule 7 : Inventories		
Raw materials and components	**11,131.38**	6,100.09
Stores and spares	**636.65**	376.18
Work-in-progress	**55.40**	52.40
Finished Goods and By-Products	**5,569.51**	1,056.40
Trading Goods	**44.66**	29.17
	17,437.60	7,614.24
Schedule 8 : Sundry Debtors		
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six months	**42.52**	464.07
Others	**4,429.41**	2,349.02
	4,471.93	2,813.09
Schedule 9 : Cash and Bank Balances		
Cash in hand	**44.65**	58.77
Balances with Scheduled Banks		
On current accounts	**79.11**	130.23
On deposits accounts.	**6,202.65**	1,052.83
On Unpaid dividend account	**21.84**	9.31
On Public Issue Refund account	**1.88**	2.16
	6,350.13	1,253.30

CONSOLIDATED SCHEDULES TO THE ACCOUNTS

	2008 (Rs. In lacs)	2007 (Rs. In lacs)
Schedule 10 : Loans and Advances		
(Unsecured considered good)		
Advances recoverable in cash or in kind or for value to be received	**3,017.99**	2,184.86
Inter-corporate loans	**190.00**	347.24
Balances with Custom, Excise etc.	**79.33**	734.38
Deposits others	**93.91**	150.44
Others	**703.87**	649.46
	4,085.10	4,066.38
Schedule 11 : Liabilities		
Acceptances	**858.85**	447.46
Sundry Creditors	**3,553.25**	1,836.32
Advance from customers	**218.67**	291.61
Creditors for capital goods	**94.64**	711.26
Investor Education and Protection Fund shall be credited by namely (As & when due)		
Unclaimed Dividend	**21.84**	9.31
Unclaimed Public issue refund of application money	**1.88**	2.16
Interest accrued but not due on loans	**147.80**	210.92
Others	**1,439.81**	369.36
	6,336.74	3,878.40
Schedule 12 : Provisions		
Provision for taxation (net of advance payments)	**563.08**	405.73
Provision for gratuity	**50.10**	38.36
Proposed dividend	**701.74**	496.88
Tax on proposed dividend	**119.26**	69.69
	1,434.18	1,010.66
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	**288.32**	570.65
Less: Written off against Securities Premium Account	**288.32**	655.52
	-	-
Loan processing & documentation charges	**-**	0.90
	-	0.90

CONSOLIDATED SCHEDULES TO THE ACCOUNTS

	2008 (Rs. In lacs)	2007 (Rs. In lacs)
Schedule 14 : Gross Turnover		
Sale of Manufacturing Goods	**92,907.60**	54,461.62
Sale of Trading Goods	**196.29**	10.88
Sale of Electricity	**318.36**	89.48
Sale of Carbon Emission Reduction Credit	**144.75**	525.05
	93,567.00	55,087.03
Schedule 15 : Other Income		
Interest		
Bank deposits	**77.54**	49.71
Security deposit with CSEB	**5.71**	4.19
From Advances	**-**	1.52
Dividend income		
Trade investments-Long-term	**0.78**	1.24
Non-Trade investments-Long-term	**1.64**	
Profit on disposal of long-term investments	**10.21**	-
Miscellaneous Income	**85.11**	181.07
	180.99	237.73
Schedule 16 : Increase/(decrease) in Stock in trade		
Closing Stock		
- Work-in-progress	**55.40**	52.40
- Finished Goods & By-Products	**5,614.18**	1,056.40
- Traded Goods	**-**	29.17
	5,669.58	1,137.97
Opening Stock		
- Work-in-progress	**52.40**	49.16
- Traded Goods	**1,056.40**	-
- Finished Goods & By-Products	**29.17**	1,588.82
	1,137.97	1,637.98
	4,531.60	(500.00)
Excise Duty on Stocks	**(350.98)**	139.57
	4,180.62	(360.43)
Schedule 17 : Raw Material Consumed		
Opening Stock	**6,100.09**	2,845.21
Add: Purchases	**64,336.62**	37,181.62
	70,436.71	40,026.83
Less: Closing Stock	**11,131.38**	6,100.09
	59,305.33	33,926.74

CONSOLIDATED SCHEDULES TO THE ACCOUNTS

	2008 (Rs. In lacs)	2007 (Rs. In lacs)
Schedule 18 : Personnel Expenses		
Salaries, wages and bonus	**870.39**	447.52
Contribution to provident fund	**45.68**	29.89
Contribution to gratuity	**15.07**	21.87
Contribution to other funds	**22.01**	13.70
Workmen and staff welfare expenses	**101.86**	51.05
	1,055.01	564.03
Schedule 19 : Operating and Other Expenses		
Consumption of stores and spares	**2,081.44**	1,396.74
Process charges	**259.26**	115.08
Power charges	**1,345.88**	819.21
Water Charges	**119.42**	109.32
Other manufacturing expenses	**888.41**	457.28
CDM Expenses	**46.70**	77.30
Rent	**15.02**	17.54
Rates and taxes		
- Sales tax	**23.82**	23.72
- Entry tax	**535.48**	115.80
- Excise duty	**5.35**	4.63
- Electricity duty cess	**23.49**	-
- Others	**0.43**	1.46
Insurance	**23.08**	27.06
Repairs and maintenance		
- Plant and machinery	**932.92**	705.34
- Buildings	**44.88**	22.86
- Others	**13.77**	12.12
Rebate, shortage claims & other deductions	**31.96**	18.08
Commission		
- Other than Sole selling agents	**53.60**	20.73
Travelling and conveyance	**93.21**	64.92
Communication costs	**65.18**	40.98
Printing and stationery	**21.70**	16.48
Legal and professional fees	**51.70**	14.79
Directors' sitting fees	**0.70**	0.55
Directors' remuneration	**58.55**	52.80
Frieght and forwarding charges	**20.98**	15.91
Security service charges	**80.03**	38.07
(Profit)/Loss on sale of fixed assets	**3.23**	6.03
Miscellaneous expenses	**241.05**	167.18
Foreign Currency Fluctuation	**754.88**	-
Miscellaneous expenditure written off	**0.90**	0.94
	7,837.02	4,362.92

CONSOLIDATED SCHEDULES TO THE ACCOUNTS

	2008 (Rs. In lacs)	2007 (Rs. In lacs)
Schedule 20 : Financial Expenses		
Interest		
- on term loans	**2,424.88**	1,462.14
- on working capital	**640.51**	330.44
- on others	**4.36**	16.74
Bank charges	**349.12**	169.52
	3,418.87	1,978.84
Less: Interest capitalised	**273.85**	681.88
	3,145.02	1,296.96
Schedule 21 : Earning per share (EPS)		
Net profit as per profit and loss account	**9,956.47**	5,421.87
Net profit available for Equity shareholders	**9,956.47**	5,421.87
Weighted average number of equity shares in calculating basic EPS	**244.24**	232.66
Weighted average number of equity shares in calculating Diluted EPS	**247.06**	232.66
Earning Per Share		
- Basic Earning per share	**40.76**	23.30
- Diluted Earning per share	**40.30**	23.30

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'. However one more wholly owned subsidiary company viz. Godawari Power Limited which has been incorporated on 05th February,2008 the investment of this subsidiary company has been accounted for as per Accounting Standard (AS) 13 on "Accounting for Investments". 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" as notified by the Companies (Accounting Standards) Rules,2006.

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) 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 subsidiaries except as stated above 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	25.93%

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,2008 are given below :

Particulars of Balance Sheet items	**As at 31st March, 2008**	As at 31st March, 2007
Fixed Assets(including Capital WIP & Pre-operative expenses)	286.27	142.61
Current Assets	40.49	5.00
Loan Fund	147.33	76.47
Current Liabilities	49.46	5.28
Particulars of Profit & Loss Account items	**For the year ended 31st March,2008**	For the year ended 31st March,2007
Income from operation	103.42	10.35
Particulars of Cash Flow Statement items		
Profit/(Loss) for the year	74.08	10.35
Changes in working capital	8.69	8.44
Changes in investing activities	(143.66)	(39.20)
Changes in financing activities	70.86	11.48

4. 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.

5. During the year the parent company has issued 1000000 Share Warrants of Rs.10/- each at a premium of Rs.314/- per warrant on preferential basis to a promoter group company on 20th December,2007. The warrant holder shall be entitled to apply for and be allotted, in one or more tranches, one equity share of Rs.10/- each of the company per warrant, any time after the date of allotment of warrant but before the expiry of 18 months from the date of allotment of such warrants. Upon exercise of the right to apply for equity shares, the warrant holder will be liable to make the payment of 90% of the issue price. The Board upon the receipt of the entire amount will allot 1 equity share per warrant. The parent company has received non-refundable amount of Rs.324 lacs (equivalent to 10% of the issue price) on account of preferential allotment of 10,00,000 warrants of face value of Rs.10/- each. The issue proceeds have been utilised for meeting the fund requirements of existing and new businesses and for working capital requirements.

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.83 lacs (Previous Year Rs.148.72 lacs.)

ii) Disputed liability of Rs.20.74 lacs (Previous Year Rs.20.74 lacs) on account of Service Tax, Central Excise Duty Rs.79.40 lacs (Previous Year Rs.11.70 lacs) and Sale Tax Rs.43.24 lacs (Previous Year Rs.57.27 lacs) against which the company has preferred appeal before higher authorities.

iii) Corporate Guarantees issued in favour of bank aggregating to Rs.20566 lacs (Previous Year Rs. 14200 lacs) in respect of financing facilities granted to other body corporate.

iv) Estimated amount of contracts remaining to be executed on capital accounts Rs.2545 lacs (Previous Year Rs.1025.00 lacs).

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

	2008	**2007**
Towards Audit Fees	9.00	6.00
Towards Tax Audit fees	1.25	1.00
Towards certification works	2.50	1.28
Towards taxation matters	0.60	0.25

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

9. 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, 2007	Arising during the period	Balance carried As at 31st March, 2008
Deferred Tax Liabilities			
- Timing difference between book and tax depreciation	188.66	6.89	195.55
	188.66	**6.89**	**195.55**
Deferred Tax Assets			
- Provision for bonus, gratuity and others	2.75	1.30	4.05
- On account of carry-forward losses as per income-tax	0.05	0.00	0.05
- On account of transitional adjustment of gratuity as per AS-15	0.00	0.19	0.00
	2.80	**1.49**	**4.10**
Net Deferred Tax Assets/(Liabilities)	**(185.86)**	**(5.40)**	**(191.45)**

10. 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

— Shri Dinesh Agrawal

e) **Relatives of Key Management Personnel**

— Shri Siddarth Agrawal

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

			2008	2007
a)	**Associates**	Purchase of Materials	**0.00**	6138.33
		Sale of Materials	**21526.43**	13289.51
		Sale of Electricity	**153.63**	89.48
		Repayment of Loan	**0.00**	300.00
		Outstandings		
		Receivables	**396.09**	447.63
b)	**Other Related Enterprises**	Purchase of Materials	**13089.10**	3108.13
		Sale of Materials	**6236.38**	571.69
		Sale of Fixed Assets	**4.76**	74.11
		Rent Paid	**1.32**	1.32
		Power Purchases	**375.79**	0.00
		Service Charges Paid	**1954.96**	662.18
		Repayment of Loans	**0.00**	1412.69
		Loans given	**1060.28**	11.00
		Loan given received back	**1376.90**	134.00
		Outstandings		
		Receivables	**970.45**	717.32
		Payables	**128.85**	31.54
		Loan receivable	**1.51**	316.00
		Guarantee & Collaterals	**20566.00**	14200.00
c)	**Joint Ventures**	Interest received	**0.00**	2.23
		Service Charges Paid	**220.22**	56.46
		Advances received back	**48.03**	37.17
		Advances given	**36.30**	27.56
		Outstandings	**2008**	2007
		Receivables	**36.30**	55.92
d)	**Key Management**	Remuneration Paid	**39.63**	27.00
		Rent Paid	**3.00**	3.00
e)	**Relative of Key Management**	Salary Paid	**8.41**	5.40

11. 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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
A) REVENUE								
Steel Segment	**92791.15**	53961.29	**704.74**	243.44	**(704.74)**	(243.44)	**92791.15**	53961.29
Electricity Segment	**463.54**	614.53	**10236.45**	5559.24	**(10207.41)**	(5543.31)	**492.58**	630.46
Other Operations	**160.48**	382.70	**164.33**	140.16	**(41.54)**	(27.59)	**283.27**	495.27
Total Segment Revenue	**93415.17**	54958.52	**11105.52**	5942.84	**(10953.69)**	(5814.34)	**93567.00**	55087.02

B) RESULTS	**2008**	2007
Segment Operational Profit		
Steel Segment	**7620.33**	2527.03
Electricity Segment	**7496.39**	4414.29
Other Operations	**70.48**	693.15
Total Segment Results	**15187.20**	7634.47
Un-allocated expenditure net off unallocated income	**(791.40)**	(133.84)
Operating Profit	**14395.80**	7500.63
Interest Expenses	**(3145.01)**	(1296.96)
Income-tax & Fringe Benefit Tax Paid/Provided	**(1380.61)**	(792.72)
Deferred Tax Adjustment (Net)	**(5.40)**	3.68
Net Profit	**9864.78**	5414.63
C) OTHER INFORMATION		
NET CAPITAL EMPLOYED		
Steel Segment	**30631.08**	14221.00
Electricity Segment	**8358.31**	6940.00
Other Operations	**587.62**	673.00
Total	**39577.01**	21834.00
	2008	2007
Un-allocable Capital employed	**241.60**	(903.92)
Total Capital Employed	**39818.61**	20930.08
Depreciation		
Steel Segment	**1563.23**	792.34
Electricity Segment	**983.42**	413.43
Other Operations	**34.17**	15.55
Total Segment Depreciation	**2580.82**	1221.32

For O. P. Singhania & Co.
Chartered Accountants

per O. P. Singhania
Partner
Membership No.51909
Place: Raipur
Date : 14.06.2008

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*

NOTES

NOTES

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 Ninth Annual General Meeting of the Members of **GODAWARI POWER AND ISPAT LIMITED** to be held on Tuesday the 23rd September, 2008 at 3.00 P.M. at Plot No. 428/2, Phase I, Industrial Area, Siltara, Distt: Raipur – 493111, Chhattisgarh

Signed this ______________ day of ______________ 2008.

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 Ninth Annual General Meeting of the Members of **GODAWARI POWER AND ISPAT LIMITED** on Tuesday the 23rd September, 2008 at 3.00 P.M. at Plot No. 428/2, Phase I, Industrial Area, Siltara, Distt: Raipur – 493111, 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.

CORPORATE PHILOSOPHY

- CORE COMPETENCY IN CORE SECTOR.
- GROWTH THROUGH TOTAL INTEGRATION.
- ENVIRONMENT PROTECTION BY GAINFUL UTILIZATION OF WASTE.
- TOTAL CUSTOMER SATISFACTION.
- POSITIVE ATTITUDE & TEAM WORK.

HIRA GROUP

CORE COMPETENCY IN CORE SECTOR

GODAWARI POWER & ISPAT LTD

Registered Office
Plot No. 428/2, Phase 1, Industrial Area,
Siltara-493 111, Dist. Raipur, Chhattisgarh, India
Tel.: +91 - 771 - 4082333 / 309233
Fax: +91 - 771 - 4082234

Corporate Office
First Floor, Hira Arcade, Near New Bus Stand,
Pandri, Raipur - 492 001, Chhattisgarh, India
Tel.: +91 - 771 - 4082000 / 4082001
Fax: +91 - 771 - 4057601

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