

INDUCTO STEEL LIMITED

Registered off.: 302, Sylverton Building, 102, Wode House Road, Colaba, Mumbai – 400005

TWENTY FIRST

ANNUAL REPORT

2008-2009

<u>BOARD OF DIRECTORS</u>	Shri Rajeev Reniwal Smt. Sweety Reniwal Shri Prashant Agarwal Shri Yogesh Thakkar Shri Hanumant Wagh Shri Yusufali Bhojani
<u>AUDITORS</u>	Jain Seth & Co. Chartered Accountants Bhavnagar 364 003
<u>BANKERS</u>	Indian Overseas Bank, Elphinstone Bldg., Fort Branch, Mumbai - 400023
<u>REGISTERED / CORPORATE OFFICE</u>	302, Sylverton Building, 102, Wode House Road, Colaba, Mumbai – 400005.
<u>BRANCH OFFICE</u>	308 Madhav Darshan, Waghawadi Road, Bhavnagar - 364001.
<u>SHIP BREAKING YARD</u>	Plot No.45, Ship Breaking Yard Alang, District : Bhavnagar
<u>FINANCIAL YEAR</u>	2008-2009
<u>CONTENTS</u>	Notice Directors' Report Corporate Governance Report Auditors' Report Annual Accounts

INDUCTO STEEL LIMITED

Registered off.: 302, Sylverton Building, 102, Wode House Road, Colaba, Mumbai – 400005

NOTICE

Notice is hereby given that the 21st ANNUAL GENERAL MEETING of the Members of INDUCTO STEEL LIMITED will be held on Wednesday, 30th September, 2009 at the Registered Office of the Company at 302, Sylverton Building, 102, Wode House Road, Colaba, Mumbai – 400005 at 12.00 noon to transact the following business:

ORDINARY BUSINESS:


1. To receive, consider and adopt the Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the year ended on that date together with the Report of the Board of Directors and Auditors' thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. Rajeev Reniwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mrs. Sweety Reniwal, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Jain Seth & Co., Chartered Accountants as Statutory Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED that Mr. Yusufali Bhojani, who was appointed as an Additional Director pursuant to Section 260 of the Companies Act, 1956 and who holds the office upto the date of the ensuing Annual General Meeting, be and is hereby appointed as a Director of the Company."

By Order of the Board


Rajeev Reniwal
Chairman

Place: Mumbai
Date: 29th August 2009

NOTES:

- (A) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- (B) Proxies in order to be effective, should reach duly completed, stamped and must be deposited at the registered office of the Company not less than 48 hours before the meeting.
- (C) Explanatory Statement pursuant to the provisions of the Section 173 (2) of the Companies Act, 1956 in respect of special business under Item no. 6 is annexed herewith.
- (D) The Register of Members and transfer register will remain closed from 21st September, 2009 to 30th September, 2009 (both days inclusive).
- (E) Details required under Clause 49 of the Listing Agreement entered with the Stock Exchanges in respect of Directors seeking appointment / re-appointment at the Annual General Meeting, are given in the relevant section of the Corporate Governance Report included in the Annual Report.
- (F) The Dividend on Equity Shares as recommended by the Directors for the year ended 31st March, 2009, if declared at the Annual General Meeting, will be made payable to those members whose names appears in the Register of Members of the Company as on date of Annual General Meeting. The dividend in respect of Equity Shares held in electronic form as at close of business hours of 20th September, 2009 will be payable to the beneficial owners of the Equity Shares as per the details furnished by the Depositories for the purpose.
- (G) Shareholders, who still continue to hold shares in physical form, are requested to dematerialise their shares at the earliest and avail of the various benefits of dealing in securities in electronic / dematerialized form. The shareholders have the option to hold Company's shares in demat form through the National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).
- (H) Members who have not encashed their dividend warrant for FY 2004-2005, FY 2005-2006, FY 2006-2007 and FY 2007-2008 are requested to make their claim to the Company / Registrar and Share Transfer Agent immediately. Members are requested to lodge Share Transfer documents and all other correspondence and queries relating to Share Transfer, Share Certificates, Change of Address etc., at the Office of Registrar & Share Transfer Agent. The relevant address of Registrar and Share Transfer Agent is as under:

Contact Person: Mr. Shashikumar Sharex Dynamic (India) Pvt. Ltd Unit-1, Luthra Ind. Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai – 400 072. Ph: 28515606, 28515644, Fax: 28512885	Sharex Dynamic (India) Pvt Ltd 17/B, Dena Bank Bldg, 2 nd Floor, Horniman Circle, Fort, Mumbai 400 001 Ph: 22702485, 22641376 Fax: 22641349
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- (I) Members are hereby informed that in terms of the provisions of Section 205A of the Companies Act, 1956, dividend not encashed or claimed within seven years from the date of its transfer to the unpaid dividend account, will be transferred to Investor Education & Protection Fund established by the Central Government. In terms of the provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the Company or said fund after the said transfer.
- (J) Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report duly filled in and signed and handover the same at the entrance of the Office.

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

ITEM NO. 6:

MR. YUSUFALI BHOJANI WAS APPOINTED AS AN ADDITIONAL DIRECTOR ON 2ND DECEMBER, 2008. HE HAS A VAST EXPERIENCE IN ADMINISTRATIVE AND ACCOUNTING MATTERS. HE ALSO HAS WIDE EXPERIENCE IN THE STEEL INDUSTRY. THE COMPANY HAS RECEIVED A NOTICE UNDER SECTION 257 OF THE COMPANIES ACT, 1956 FROM MEMBER SIGNIFYING HIS INTENTION TO PROPOSE APPOINTMENT OF MR. YUSUFALI BHOJANI AS A DIRECTOR OF THE COMPANY. A COPY OF THE ABOVE NOTICE IS AVAILABLE FOR INSPECTION AT THE REGISTERED OFFICE OF THE COMPANY BETWEEN 11.00 A.M. TO 1.00 P.M. ON ANY DAY EXCEPT ON SUNDAYS AND PUBLIC HOLIDAYS.

THE BOARD RECOMMENDS APPOINTMENT OF MR. YUSUFALI BHOJANI AS DIRECTOR OF THE COMPANY.

NONE OF THE DIRECTORS EXCEPT MR. YUSUFALI BHOJANI IS INTERESTED IN THE RESOLUTION.

**PLACE: MUMBAI
DATE: 29th August 2009**

BY ORDER OF THE BOARD


**RAJEEV RENIWAL
CHAIRMAN**

Inducto Steel Limited

DIRECTORS' REPORT

To,
The Members
Inducto Steel Limited

The Directors are pleased to submit the 21st Annual Report of the Company together with the Audited Annual Accounts of the Company for the year ended 31st March, 2009.

Performance

	2008-09	(Rs in Lacs) 2007-08
Sales & Other Income	2971.25	411.51
Profit/(Loss) before Tax	187.08	338.02
Provision for Tax	72.18	85.70
Fringe Benefit Tax	0.09	0.01
Adjustment for deferred tax	1.53	2.31
Profit after tax	113.27	250.00

Ship Breaking activities have been resumed on a full scale during the year and that is reflected in the manifold increase in the Gross Revenues. However, due to heavy fluctuation in the prices of old ship in the international market and also heavy dollar exchange rate fluctuations, coupled with corresponding fluctuations in sale price of re-rollable scrap and old machineries etc, profit margin has been affected. Your Directors are hopeful that since the market has got stabilized, there will be much more improvement in sales and profit margin in the coming year.

Dividend

Taking into account the good performance, the Directors recommend a Dividend of 15% (Rs. 1.50 per share) on the Equity Share for approval by the Members. The total dividend, if approved by the Members at the Annual General Meeting, would absorb Rs. 60,25,881/- out of profits for the year. Dividend distribution tax payable amounting to Rs. 10,24 098/- has also been appropriated out of profits.

Prospects for the coming year

The Company is hopeful that with the stabilizing the price for the old ship in the international market and also sale prices of companies products in the domestic market, the company will be able to improve the profitability in the coming year.

Delisting of Equity Shares:

Pursuant to the approval of Shareholders by way of postal ballot and SEBI (Delisting of Securities) Guidelines, 2003, the Equity Shares of the Company have been delisted from Ahmedabad Stock Exchange and Saurashtra Kutch Stock Exchange. The Equity Shares of the Company continues to be listed on Bombay Stock Exchange Limited.

Shifting of Registered Office:

Pursuant to the approval of Shareholders by way of Postal Ballot and vide order dt. 15th April, 2009 of the Hon'ble Company Law Board, Western Region Bench, Mumbai, the Company has shifted its Registered Office from 308, Madhav Darshan, Waghawadi Road, Bhavnagar – 364001 to 302, Sylverton Building, 102, Wode House Road, Colaba, Mumbai – 400005.

Inducto Steel Limited

Management Discussion and analysis

a) Overview

Last year , prices of old ships and Iron and Steel Products which had seen a sharp increase. However, the Iron and steel industry has seen sharp fall in price during third and fourth quarters of 2008-09. The price of ships which were ruling around US\$ 650 per LDT has fallen to a half during the last quarters of the year. The price the company exercised caution in purchase of ships for breaking to optimize the profit margin and minimize the possibilities of losses.

Whenever , there is no ship breaking activities, the surplus funds available with the Company are given as loan on short term basis and also invested in the stock market for earning interest/short term capital gain. The Company is hopeful that the Company can earn reasonable return on these loans/investment.

b) Segmental Review.

The Company is engaged in the ship breaking activities and value of single purchase is very large. The company effect sale from above and occasionally the company have surplus fund, which the company advance to other companies and earn interest. However the income from such activities are not substantial and the main activities of the Company continue to be that of ship breaking only and there is no other segmental business for the Company.

c) Review of operation

As has been stated in the out-look, due to boom in the availability of old ships in the international market, the company has purchased vessels for breaking during the year. Now the company's ship breaking unit at Alang Ship Breaking Yard, Bhavnagar is fully operational through out and sales turnover has seen a manifold increase. However due to heavy fluctuation in the rates of old ships purchased for breaking, dollar-rupee rates and also sales price of Iron and Steel products of the company, the profit margins could not be achieved as desired. However, now the market has stabilized and taking into account the inventory level of the company as at the year end, it is hoped that the turnover and the profitability will see a considerable increase in the current financial year.

d) Financial Review and analysis

Performance

	2008-09	2007-08
Gross Turnover	1857.67	51.21
Net Turnover	1857.67	51.21
Other income	1113.58	360.30
Total Expenditure	2728.50	69.26
Operating Profit (PBITD)	242.75	342.25
Interest	52.51	1.32
Gross Profit (PBDT)	190.24	340.93
Depreciation	3.16	2.91
Profit before tax & exceptional items	187.08	338.02
Exceptional Items	0.00	0.00
Profit before tax	187.02	338.02
Provision for current Tax	72.18	85.70
Provision for Fringe Benefit Tax	0.09	0.01
Profit after current tax	114.75	252.31
Deferred tax	1.53	2.31
Net Profit after total and Exceptional items	113.22	250.00

Inducto Steel Limited

e) Cash Flow Analysis

Sources of Cash	2008-09	2007-08
- Cash from operation	1.55	208.22
- Decrease in working capital	(2960.28)	(525.45)
- Non-operating cash flow	56.51	101.79
- Increase in debts	2902.23	216.54
- Decrease in cash and cash equivalents	-	0.00
Uses of Cash		
- Net Increase in investments	0.00	0.00
- Net capital expenditure		
- Increase in cash and cash equivalents.	48.77	1.10

e) Risk Management

The Company is exposed to the risk from the market fluctuations of foreign exchange as well as the fluctuation in the price of iron and steel. The Company's raw material is old ship which is purchased from the international market on credit ranging upto 180 days to 360 days. Though the Company is not hedging or covering the foreign exchange requirement, the Company is regularly monitoring the foreign exchange movement and suitable remedial measures are taken as and when felt necessary. Though the Company is employing such measures, the Company is still exposed to the risk of any heavy foreign exchange fluctuation.

Likewise the Company's finished products are mainly re-rollable scrap generated from ship breaking and the price of the same is linked to the market rate for iron and steel. Any up and down in the price of the iron and steel will affect the profitability of the Company. However taking into account, the price fall already effected during the year 2008-09, further major down fall in the price of iron and steel is not expected.

In addition to the above, the Company is also exposed to the risk of fluctuation in the stock exchange as the Company has invested some of its surplus finds in equity shares of Companies in order to earn capital gain. However the Directors considering their past experience in the line, is confident that the Company will not face any major set back in this area.

Directors' Responsibility Statement

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

- a) that in the preparation of Annual Accounts for the financial year ended 31st March 2009, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- b) that the Directors had selected such Accounting policies and applied them and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- c) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing fraud and other irregularities;
- d) that the Directors had prepared the accounts on a going concern basis.

Inducto Steel Limited

Board of Directors

During the year, Mr. Hemant Thakkar has resigned as a Director of the Company with effect from 2nd December, 2008. The Board wishes to place on record its appreciation of the valuable services rendered by him during his tenure as a Director. Mr. Yusufali Bhojani has joined the Board as an Additional Director on 2nd December, 2008. Mr. Yusufali Bhojani holds office upto the date of the ensuing Annual General Meeting. Notices have been received under Section 257 of the Companies Act, 1956 from Members proposing the appointment of Mr. Yusufali Bhojani as a Director.

In accordance with the provisions of the Companies Act, 1956, read with the Articles of Association of the Company, Mr. Rajeev Reniwal and Mrs. Sweetie Reniwal retires by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

Auditor's Observation/qualification.

The observation/qualification of the auditors are based on the facts stated in the schedules of notes and members are requested to refer to the Note no. 2(a), 2(b) and 3(a) to 3(d) in the Schedule 16 forming part of the accounts, which are self explanatory and does not require any further clarification/reply.

Deposits

During the year under review, the Company did not accept any deposit from the public within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rule, 1975 as amended.

Auditors

Messrs Jain Seth & Co., Chartered Accountants, the Statutory Auditors of the Company retires at the ensuing Annual General Meeting and has confirmed their eligibility and willingness to accept office, if re-appointed. They have given a certificate to the effect that the re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. Your Directors recommend their re-appointment.

Members are requested to re-appoint Messrs Jain Seth & Co., Chartered Accountants, as Statutory Auditors of the Company for the period commencing from ensuing Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration.

Particulars of Employees

Pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, your Company has no person in its employment drawing salary within the monetary ceiling prescribed under Section 217(2A) of the Companies Act, 1956.

Conservation of Energy, Technology Absorption and Foreign Exchange Earning and outgo:

In accordance with the provisions of section 217 (1) (e) of the Companies Act, 1956, the required information relating to conservation of energy, technology absorption and foreign exchange earning and outgo is annexed hereto which is forming part of this report.

Corporate Governance

Your Company has been practicing the principles of good Corporate Governance. In addition to basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity. The report on the Corporate Governance is attached herewith.

Inducto Steel Limited

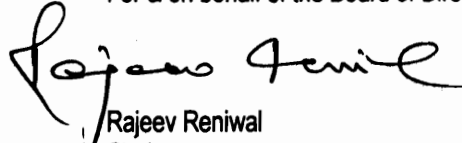
Listing of Shares

The Shares of the Company are listed at Bombay Stock Exchange Limited, Mumbai & applicable listing fees have been paid within the prescribed time limits.

Acknowledgement

Your Directors wish to place on record their appreciation for the continued support from the Shareholders, Investors, Customers, Suppliers and Bankers. Your Directors place on record their appreciation of the consistent contribution made by employees at all levels through their hard work, dedication, solidarity, cooperation and acknowledge that their support has enabled the Company to achieve new heights of success.

For & on behalf of the Board of Directors



Rajeev Reniwal
Chairman

Place: Mumbai

Date: 29th August, 2009

Inducto Steel Limited

ANNEXURE - I

Information as per section 217 (1) (e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rule 1988 and forming part of the Director's Report for the period ended on 31st March, 2009

A Conservation of Energy

- | | | | |
|----|--|---|--|
| a) | Energy conservation measure taken | : | In the ship breaking activities carried out by the company, the energy consumption of the company is negligible, and does not warrant any specific energy conservation measures. |
| b) | Additional investment and proposal if any being implemented for reduction in consumption of energy | : | No material consideration looking to the business of the company. |
| c) | Impact of the measures at (a) & (b) on energy consumption & consequent impact on the cost of production. | : | Nil |
| d) | Total energy consumption and energy consumption per unit of production | : | Nil |

B Technology Absorption as per Form-B : Form B Attached

FORM-B

Form for disclosure of Particulars with respect to absorption, research and development (R&D)

- | | | | |
|---|---|---|---|
| 1 | Specific area in which R&D carried out by the company | : | The company is engaged in the breaking of old and used ships, and no material R & D in any specific area is carried out . |
| 2 | Benefits derived as a result of the above R&D | : | Nil |
| 3 | Future plan of action | : | No material consideration is required. |
| 4 | Expenditure on R&D | : | |
| | a) Capital | : | Nil |
| | b) Recurring | : | Nil |
| | c) Total | : | Nil |
| | d) Total R&D expenditure as % of total turnover | : | Nil |

Technology Absorption, adoption and innovation.

- | | | | |
|---|---|---|--|
| 1 | Efforts in brief toward technology absorption, adaption and innovation | : | No material consideration is required. |
| 2 | Benefits derived as result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. | : | Nil |

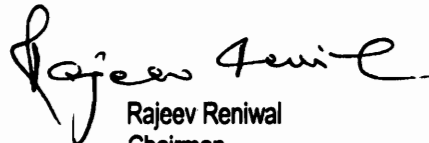
Inducto Steel Limited

- 3 In case of imported technology (imported during the last five years) reckoned from the beginning of the financial year) following information may be furnished :
- a) Technology imported : NA
 - b) Year of Import : Not applicable
 - c) Has technology been fully absorbed : Not applicable
 - d) If no fully absorbed, arrears where this has not been taken place, reasons therefore and future plans of action. : Not applicable

Foreign Exchange Earning & Outgo

- 1 Activities relating to export initiatives taken to increase exports, development of new markets for products and services and export plans. : Nil
- Total foreign exchange used and earned : Members are requested to refer the notes in schedules of notes attached with annual accounts.

For & on behalf of the Board of Directors


Rajeev Reniwal
Chairman

Place: Mumbai
Date : 29th August, 2009

Report on Corporate Governance

1. Company's philosophy on Code of Corporate Governance

Corporate Governance is about commitment to values and ethical business conduct and how an organization is managed which includes its corporate and other structure, its culture, policies and the manner in which it deals with various stakeholders. Inducto Steel Limited has been practising the principles of good Corporate Governance over the last few years. The Company's policy on Corporate Governance is to make it a way of life by, inter alia, adopting standard Corporate Governance practices through continual improvement of internal systems and satisfaction of customers and shareholders.

Corporate Governance aims at fairness, transparency, accountability and responsibility in the functioning of the Company with the ultimate objective of realising and enhancing shareholders' values and society in general. Accordingly, your Company continuously endeavors to review, strengthen and upgrade its systems and processes so as to provide timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the Company which is an important part of corporate image of the Company. This improves public understanding of the structure, activities and policies of the organization and it makes good impact on the society which benefits in enhancing corporate image of the Company in general public. Consequently, your Company striving hard towards excellence through adoption of best governance and disclosure practices so that Company is able to attract investors and enhance the trust and confidence of the stakeholders.

Our Corporate Governance philosophy is based on the following principles:

- ❖ satisfy the spirit of the law and not just the letter of the law. Corporate Governance standards should go beyond the law;
- ❖ to ensure the fullest commitment of the Management and the Board for the maximisation of shareholder value;
- ❖ to ensure that adequate control systems exist to enable the Board in effectively discharging its responsibilities to all the stakeholders of the Company;
- ❖ to ensure that the decision making process is fair and transparent, maintaining high degree of disclosure levels;
- ❖ our simple and transparent corporate structure driven solely by business needs;
- ❖ to ensure that the employees of the Company subscribe to the corporate values and apply them in their conduct.

2. Board of Directors ('Board'):

Composition of the Board

The Board consists of Six (6) members. All the Directors of the Company are Non-executive, out of which three Directors are Independent. The Chairman of the Board is a Non-Executive Director and Promoter of the Company. The composition of the Board of Directors of the Company is in accordance with the provisions of Clause 49 of the Listing Agreement as amended uptill date.

Board Meetings

The Meetings of the Board of Directors are scheduled well in advance and generally held at the Company's Corporate Office in Mumbai.

There were 12 (Twelve) Board Meetings held during the financial year ended 31st March 2009, namely on 30th April, 2008, 14th June 2008, 8th July, 2008, 15th July, 2008, 28th July 2008, 5th August 2008, 22nd August 2008, 9th September 2008, 31st October 2008, 2nd December 2008, 28th January 2009 and 25th February, 2009 respectively.

Inducto Steel Limited

Membership, Attendance & Other Directorships:

Membership and Attendance of each Director at the Board of Directors' Meetings and the last Annual General Meeting and the number of other Directorship and Chairmanship/Membership of Board Committees (as on 31st March 2009):

Sr. No	Name of the Director	Category *	Designation	No. of Directorship in other Boards # [excluding Inducto Steel Limited]		No. of Chairmanship / Membership in other Board Committees [Excluding Inducto Steel Limited] # #	
				Public	Private	Chairmanship	Membership
1.	Mr. Rajeev Reniwal	P & NED	Chairman	-	2	-	-
2.	Mrs. Sweety Reniwal	P & NED	Director	-	3	-	-
3.	Mr. Prashant Agarwal	NED	Director	-	4	-	-
4.	Mr. Yogesh Thakkar	I & NED	Director	-	-	-	-
5.	Mr. Hanmant Wagh	I & NED	Director	-	1	-	-
6.	Mr. Hemant Thakkar*	I & NED					
7.	Mr. Yusufali Bhojani +	I & NED	Additional Director	-	-	-	-

* NED – Non-Executive Director I – Independent Director P - Promoter

* Mr. Hemant Thakkar has resigned as a Director w.e.f. 2nd December 2008.

+ Mr. Yusufali Bhojani is appointed as Additional Director w.e.f. from 2nd December 2008.

In Indian Companies, excluding Section 25 Companies

In Audit and Shareholders' / Investor's Grievance & Share Transfer Committee of Indian Companies

Sr. No	Name of the Director	Relationship with other Directors	No. of Board Meetings		Attended Last AGM
			Held	Attended	
1.	Mr. Rajeev Reniwal	Husband of Smt. Sweety Reniwal	12	12	Yes
2.	Mr. Sweety Reniwal	Wife of Shri Rajeev Reniwal	12	12	Yes
3.	Mr. Prashant Agarwal	Brother of Smt. Sweety Reniwal	12	4	Yes
4.	Mr. Yogesh Thakkar	# #	12	4	Yes
5.	Mr. Hanmant Wagh	# #	12	12	Yes
6.	Mr. Yusufali Bhojani	# #	12	1	No

There is no relationship among any of the Directors.

The Board has granted leave of absence to the Directors who were absent at the respective Board Meeting/s at their request.

Inducto Steel Limited

Code of Conduct:

The Board has formulated a code of conduct for the Board members and senior management of the Company. All Board members and senior management personnel as on 31st March 2009 have affirmed their compliance with the code and the declaration to this effect given by the Chairman is annexed hereto.

Details of Directors being appointed and re-appointed:

As per the Companies Act, 1956 and the Articles of Association of the Company, two third of the directors are liable to retire by rotation. One third of these retiring directors are required to retire every year by rotation and if eligible, these directors qualify for re-appointment and in accordance with Clause 49(G)(I) of the Listing Agreement as entered with the Bombay Stock Exchange, following Directors are seeking re – appointment / appointment on the Board of the Company and brief resume of the said Directors is given as below:

a) Mr. Rajeev Reniwal

Shri Rajeev Reniwal aged 40 years, is a graduate from Mumbai having rich experience in USA. He also has experience in ship breaking business since 1992. He also provides guidance for the development of the Company.

He is a Director on the Board of the following companies:

Name of Company	Designation	Chairman/Membership of Audit Committee/ Shareholder's/ Investor's Grievance Committee of the Board
Hariyana International Pvt Ltd	Director	Nil
Reniwal Properties Pvt Ltd	Director	

He holds 2,37,526 shares in Inducto Steel Ltd.

b) Mrs. Sweety Reniwal

Mrs. Sweety Reniwal aged 33 years, provides guidance in respect of the overall administration of the company's activities. She is a Director on the Board of the following companies:

Name of Company	Designation	Chairman/Membership of Audit Committee/ Shareholder's/ Investor's Grievance Committee of the Board
Valentine Properties Pvt Ltd	Director	Nil
Black Stone Properties Pvt Ltd	Director	
Reniwal Properties Pvt Ltd	Director	

She holds 2,47,745 shares in Inducto Steel Ltd.

c) Mr. Yusufali Bhojani

Mr. Yusufali Bhojani has a vast experience in administrative and accounting matters. He also has wide experience in the steel industry. He is not a Director on the Board of any other Company. He also does not hold any share in Inducto Steel Ltd.

3. Board Committees:**I. Audit Committee:**

Your Company has an independent Audit Committee. The composition, procedures, power, role and functions of the Audit Committee are in compliance with the requirements of Section 292A of the Companies Act, 1956 and also Clause 49 of the Listing Agreements. The Audit Committee of your Company comprises of an Independent Chairman and two independent Directors. During the year, Mr. Hemant Thakkar resigned from the committee and Mr. Yusufali Bhojani was appointed as member of the Committee. As on 31st March 2009, the committee comprised of Mr. Yusufali Bhojani, as a Chairman of the committee and Mr. Yogesh Thakkar and Mr. Hanumant Wagh, as Members of the Committee.

Composition and attendance during the financial year ended 31st March 2009:

The Committee met 4 (four) times during the year under review. The said meetings were held on 30th April 2008, 28th July, 2008, 31st October 2008 and 28th January 2009 respectively.

Sr. No.	Name of Director	Designation	No. of meetings attended
1.	Mr. Hemant Thakkar*	Chairman	3
2.	Mr. Yusufali Bhojani**	Chairman	1
3.	Mr. Yogesh Thakkar	Member	Nil
4.	Mr. Hanmant Wagh	Member	4

* Resigned w.e.f. from 2nd December 2008.

** appointed w.e.f. 2nd December, 2008.

Terms of Reference

The terms of reference of the Audit Committee, inter-alia, includes the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.
- Approval of payment to Statutory Auditors for any other services rendered by them.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in the draft audit report.

Inducto Steel Limited

- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Chairman of the Audit Committee attends the Annual General Meeting of the Company.

II. Shareholders' / Investor's Grievance & Share Transfer Committee:

The Board of Directors of the Company constituted Shareholders' / Investor's Grievance & Share Transfer Committee. The Committee comprises of Shri Prashant Agrawal as Chairman and Shri Hanmant Wagh and Shri Yogesh Thakkar as members. The Company has appointed Sharex Dynamic (India) Private Limited to act as Registrar and Share Transfer Agent of the Company. The committee monitors redressal of investors' grievances on regular basis.

Composition and attendance during the financial year ended 31st March 2009:

The Committee met 4 (Four) times during the year under review. The said meetings were held on 30th April 2008, 28th July 2008, 31st October, 2008 and 28th January 2009 respectively.

Sr. No.	Name of Director	Designation	No. of meetings attended
1.	Shri Prashant Agrawal	Chairman	4
2.	Shri Hanumant Wagh	Member	4
3.	Shri Yogesh Thakkar	Member	0

The Company has appointed Mr. Satish Diwate as the Compliance Officer of the Company.

All valid requests for the share transfers received during the year have acted upon. There is no share transfer request pending as on 31st March, 2009.

The Company had not received any complaint from shareholders/investors during the year.

4. Subsidiary Companies:

The Company does not have any Subsidiary Company.

5. Remuneration Committee

The Company does not have a Remuneration Committee and no remuneration or commission is paid to any Directors.

6. CEO / CFO Certification

Inducto Steel Limited

A certificate from Chairman on the financial statements of the Company was placed before the Board.

7. Annual General Meetings:

Location and time where last three Annual General Meetings held:

Location	Date	Time
Registered Office:	25.09.2006	11.00 a.m.
308, Madhav Darshan, Waghawadi	25.09.2007	11.00 a.m.
Road, Bhavnagar- 364 001.	25.09.2008	10.00 a.m.

Special resolutions passed at last three Annual General Meetings (AGM)

- a) 18th AGM held on 25th September, 2006: NONE
- b) 19th AGM held on 25th September, 2007: NONE
- c) 20th AGM held on 25th September, 2008: NONE

Extraordinary General Meetings:

- 1) Extraordinary General Meeting held on 21st August 2006:

Pursuant to the directions of the Hon'ble High Court of Gujarat, Ahmedabad the Court convened meeting of the Members of the Company was convened and the resolution for the approval of the Scheme of Amalgamation of Hariyana Industrial Gases Private Limited and Inducto Technocasting Private Limited with the Company was passed with requisite majority.

- 2) Extraordinary General Meeting held on 28th February 2008:

Approval for issue and allotment of Equity Shares to the shareholders of Hariyana Industrial Gases Private Limited and Inducto Technocasting Private Limited pursuant Scheme of Amalgamation.

Resolutions put through postal ballot during the last year and details of voting pattern:

For the financial year ended 31st March, 2009, the following Special Resolutions were passed by the Company's Shareholders through postal ballot:

- 1) Postal Ballot Notice dated 8th July 2008 in respect of the following matters:
 - a) Delisting of Shares of the Company from the Ahmedabad Stock Exchange and the Saurashtra Kutch Stock Exchange .
 - b) Shifting of the registered office from Bhavnagar, State of Gujarat to Mumbai, State of Maharashtra.

Mr. Dilip Bharadiya of M/s. Dilip Bharadiya & Associates, Company Secretaries was appointed as the Scrutinizer for conducting the Postal Ballot process. Based on the report of the Scrutinizer dt. 30th August, 2008, the results of voting by Postal Ballot were declared on 30th August 2008. The same is summarised as under:

Particulars	Resolution No. 1.		Resolution No. 2.	
	Delisting of Shares of the Company		Shifting of the Registered Office	
	No. of Postal Ballots	No. of Votes	No. of Postal Ballots	No. of Votes
Valid Ballots/ Votes	14	2517379	14	2517379
In Favour	14	2517379	14	2517379
%age	100	100	100	100
Against	Nil	Nil	Nil	Nil
%age	Nil	Nil	Nil	Nil
Invalid Ballots/ Votes	Nil	Nil	Nil	Nil

The Company does propose to pass any resolution through Postal Ballot.

8. Disclosures

a) Related party transactions

All the transactions with the related parties are at the prevalent market rate and details and quantum of such transactions are disclosed in the schedules of notes to the accounts and they are not in the conflict with interest of the Company at large.

b) Accounting Treatment

The accounts are prepared in line with the accounting standard followed and any treatment which is not in consonance with the generally accepted accounting standard and principles are separately stated in the schedules of notes with reasons and justifications for such treatment.

c) Risk Management

The Board regularly review and discuss the risk perception of the company and executive management of the company is guided to control risk through means of a properly defined framework.

d) Proceeds from public issues, right issues, preferential issues etc.

As and when money is raised through an issue, the utilization of the fund is properly disclosed through a separate statement duly certified by the auditors of the company.

e) Remuneration of Directors

The Company does not have practice of payment of any remuneration / fees etc. to Non Executive Director. However in the future if any payment is to be made to Non Executive Director, the same shall be paid having regard to prevalent practice in the industry & commensurate with their experience. Besides the above, there is no pecuniary relationship or transaction by the company with its Non Executive Director.

Inducto Steel Limited

f) Management Discussion and Analysis Report:

In addition to the Directors Report, Management discussion and analysis forms part of the Annual Report.

g) Shareholders

Whenever a new Director is appointed, brief resume, his experience and expertise, his directorship and membership of committees and Board and shareholding of Non Executive Directors etc are disclosed in the relevant section of the Corporate Governance Report included in the Annual Report.

h) Non compliance with any statutory provisions and penalties, strictures etc.

Non compliance with any of the statutory provisions, if any are disclosed in the Directors report and wherever penalties, strictures are imposed, if any they are distinctively disclosed in the schedules of notes to the accounts.

- i) Though there is no formal Whistle Blower Policy, the Company takes cognizance of the complaints made and suggestions given by the employees and others. Even anonymous complaints are looked into and wherever necessary, suitable corrective steps are taken. No employee of the Company has been denied access to the Audit Committee of the Board of Directors of the Company.
- j) The Company is yet to adopt Non mandatory requirement as per Clause 49 of Listing Agreement as amended. The Company has adopted all mandatory requirements as are required to be adopted by the Company and to the extent applicable.

9. Means of Communication:

- The Unaudited Quarterly Financial Results of the Company to be submitted to the Bombay Stock Exchange Limited (BSE) are approved and taken on record by the Board of Directors of the Company within one month of the close of the respective quarter. The approved results are forthwith sent to BSE as prescribed in the Listing Agreement.
- The Company does not have its own web-site. The Company is sending the quarterly results and presentations to the stock exchanges on which the company is listed so as to put it on its web site. No presentations have been made to institutional investors or to the analysts.

10. General Shareholders information

- a) 21st Annual General Meeting will be held at 11.00 a.m. on Wednesday, the 30th September, 2009 at the Registered Office of the Company.
- b) Financial Year: 1st April to 31st March

For the financial year ending on 31st March, 2010 results will be announced tentatively:

On or around 30th July 2009	:	First Quarter
On or around 30th October 2009	:	Second Quarter
On or around 30th January 2010	:	Third Quarter
On or around 30th April 2010	:	Fourth Quarter

Inducto Steel Limited

- c) Date of Book Closure: 21st September 2009 to 30th September, 2009 (both days inclusive).
- d) Dividend Payment Date: Dividend, if declared by the Company at the 21st Annual General Meeting to be held on the 30th September, 2009 will be paid on or after 10th of October, 2009 to those shareholders, whose names appear in the Register of Members of the Company on 30th September, 2009.

e) Listing on stock exchange

After the delisting of the Company's shares from the Saurashtra Kutch Stock Exchange Limited and Ahmedabad Stock Exchange Limited, presently, Company's shares are listed on the Bombay Stock Exchange Limited and all applicable listing fees have been paid up till date. The stock exchange with respective stock code are as follows:

ISIN NO.	:	INE146H01018
Name of Stock Exchange	:	Bombay Stock Exchange Ltd.
Code No.	:	532001

- f) Market Price data, high, low during each month in the last financial year and performance in comparison to broad-based indices of BSE Sensex is as under.

Month	Inducto Steel Limited		BSE Sensex	
	High	Low	High	Low
April 2008	28.10	22.40	17,480.74	15,297.96
May 2008	32.70	24.20	17,735.70	16,196.02
June 2008	23.00	16.90	16,632.72	13,405.54
July 2008	26.05	16.10	15,130.09	12,514.02
August 2008	39.35	27.35	15,579.78	14,002.43
September, 2008	32.00	30.45	15,107.01	12,153.55
October 2008	37.05	32.05	13,203.86	7,697.39
November, 2008	31.80	30.25	10,945.41	8,316.39
December, 2008	28.75	22.40	10,188.54	8,467.43
January 2009	21.30	18.30	10,469.72	8,631.60
February 2009	23.20	19.20	9,724.87	8,619.22
March 2009	22.05	20.95	10,127.09	8,047.17

g) Registrar and Transfer Agents

Contact Person : Mr. Shashikumar
Sharex Dynamic (India) Pvt Ltd.
Unit-1, Luthra Ind. Premises, Safed Pool
Andheri Kurla Road, Andheri (E)
Mumbai – 400 072
Ph: 28515606, 28515644
Fax: 28512885

Sharex Dynamic (India) Pvt Ltd
17/B, Dena Bank Bldg, 2nd Floor,
Horniman Circle, Fort
Mumbai 400 001
Ph: 22702485, 22641376
Fax: 22641349

Inducto Steel Limited

h) Share transfer systems

All the shares related work is being undertaken by our Registrar & Transfer Agent, **Sharex Dynamic (India) Private Limited**. An Investors / Shareholder's Grievance Committee consisting of three Directors has been constituted to approve Share Transfer, Transmission, Split, Consolidated, etc. of shares. The Compliance Officer of the Company has been delegated the power to approve Share Transfer, Transmission, Split, Consolidated, etc. of shares. The shares transfers are registered and returned within 30 days from the date of the receipt if relevant documents are complete in all respects. The investors / shareholders grievances are also taken-up by our Registrar & Transfer Agent.

Details of Shares held by Directors as on 31st March 2009:

Name of Directors	No. of Equity Shares Held
Rajeev Reniwal	237526
Sweety Reniwal	247745
Hanmant Wagh	Nil
Yogesh Thakkar	Nil
Yusufali Bhojani	Nil
Prashant Agrawal	Nil

i) Distribution of shareholding:

Share of Nominal Value	Total No. of Shareholders	% of Holders	Total Amount	% to the total share capital
UPTO TO 5000	223	73.11	664400	1.65
5001 TO 10000	27	8.85	236790	0.59
10001 TO 20000	21	6.89	322960	0.80
20001 TO 30000	3	0.98	80920	0.20
30001 TO 40000	3	0.98	117050	0.29
40001 TO 50000	2	0.66	100000	0.25
50001 TO 100000	4	1.31	258130	0.64
100001 TO ABOVE	22	7.21	38392290	95.57
Total	305	100.00	40172540	100.00

Shareholding Pattern as on 31-03-2008:

Name of the Company :		INDUCTO STEEL LIMITED						
Scrip Code :		532001			As on : 31st March 2009			
Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number c shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) ¹	As a percentage of (A+B+C)	Number of shares	As a percentage
(A)	Shareholding of Promoter and Promoter Group ²							
1	Indian							
(a)	Individuals/ Hindu Undivided Family	13	2532354	2517354	63.037	63.037	1500090	59.237
(b)	Central Government/ State Government(s)	0	0	0	0.000	0.000	0	0

Inducto Steel Limited

(c)	Bodies Corporate	0	0	0	0.000	0.000	0	0
(d)	Financial Institutions/ Banks	0	0	0	0.000	0.000	0	0
(e)	Any Others(Specify)	0	0	0	0.000	0.000	0	0
(e-i)		0	0	0	0.000	0.000	0	0
(e-ii)		0	0	0	0.000	0.000	0	0
	Sub Total(A)(1)	13	2532354	2517354	63.037	63.037	1500090	59.237
2	Foreign							
A	Individuals (Non-Residents Individuals/ Foreign Individuals)							
		0	0	0	0.000	0.000		
B	Bodies Corporate	0	0	0	0.000	0.000		
C	Institutions	0	0	0	0.000	0.000		
D	Any Others(Specify)	0	0	0	0.000	0.000		
d-I					0.000	0.000		
d-ii					0.000	0.000		
	Sub Total(A)(2)	0	0	0	0.000	0.000	0	0.00
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	13	2532354	2517354	63.037	63.037	1500090	59.237
(B)	Public shareholding							
1	Institutions							
(a)	Mutual Funds/ UTI	0	0	0	0.000	0.000		
(b)	Financial Institutions ' Banks	0	0	0	0.000	0.000		
(c)	Central Government/ State Government(s)	0	0	0	0.000	0.000		
(d)	Venture Capital Funds	0	0	0	0.000	0.000		
(e)	Insurance Companies	0	0	0	0.000	0.000		
(f)	Foreign Institutional Investors	0	0	0	0.000	0.000		
(g)	Foreign Venture Capital Investors	0	0	0	0.000	0.000		
(h)	Any Other (specify)	0	0	0	0.000	0.000		
(h-i)					0.000	0.000		
(h-ii)					0.000	0.000		
	Sub-Total (B)(1)	0	0	0	0.000	0.000		
B 2	Non-Institutions							
(a)	Bodies Corporate	20	12583	12583	0.313	0.313		
(b)	Individuals					0.000		

Inducto Steel Limited

	Individuals -I. Individual shareholders holding nominal share capital up to Rs. 1 lakh	254	160757	102357	4.002	4.002		
II	II. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	11	1311555	1311555	32.648	32.648		
(a)	Any Other (specify)	0	0	0	0.000	0.000		
(a-i)	Clearing Member	1	5	5	0.000	0.000		
(a-ii)								
	Sub-Total (B)(2)	286	1484900	1426500	36.963	36.963		
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	286	1484900	1426500	36.963	36.963		
	TOTAL (A)+(B)	299	4017254	3943854	100.00	100.00	1500090.0 0	37.341
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0		0.00		
	GRAND TOTAL (A)+(B)+(C)	299	4017254	3943854		100.00	1500090	37.341

j) Dematerialization of shares and liquidity:

As on 31st March, 2009, 39,43,854 Equity Shares of the Company are held in dematerialized form with National Securities Depository Limited and Central Depository Services (India) Limited, which constitutes 98.172 % of the total Share Capital of the Company.

k) Outstanding GDRs / ADRs / Warrants / Convertible Instruments and their Impact on equity:

The Company does not have any outstanding GDRs / ADRs / warrants / convertible Instruments as on 31st March 2009.

l) Address of Registered Office, Corporate Office and the places of situation of the factory/plant of the Company:

Registered Address:

302 Sylverton, 102
Wode House Road
Colaba, Mumbai 400 005
Phone No. 022-22182569
Fax No. 022-22182524
Email: habl@vsnl.com

Corporate Office Address:

302 Sylverton, 102
Wode House Road
Colaba, Mumbai 400 005
Phone No. 022-22182569
Fax No. 022-22182524
Email: habl@vsnl.com

Factory / Plant

Plot No.45, Ship Breaking Yard
Alang, District : Bhavnagar

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

I, to the best of my knowledge and belief, certify that:

I have reviewed the Balance Sheet and Profit and Loss Account and all its Schedules and Notes on Accounts, as well as the Cash Flow Statements and the Directors' Report.

Based in my knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made.

Based in my knowledge and information, the financial statements and other financial information included in this report, present in all material aspects, a true and fair view of, the Company's affairs, the financial condition, results of operations and cash flows of the Company as of and for the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations.

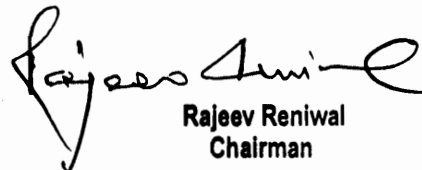
To the best of my knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct.

I am responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company.

I have disclosed to the Company's Auditors and the Audit Committee of the Company:

- a) All deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record and report financial data, and have identified for the Company's Auditors, any material weaknesses in internal controls over the financial reporting including any corrective actions with regards to deficiencies.
- b) Significant changes in internal controls during the year covered by this report.
- c) All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
- d) Instances of significant fraud of which I am aware, that involves management or other employees who have a significant role in the Company's internal controls systems.

I further declare that all Board Members and Senior Managerial Personnel have affirmed compliance with the code of conduct for the current year.


Rajeev Reniwal
Chairman

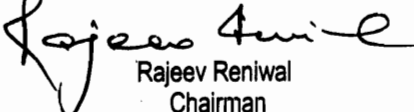
Place: Mumbai

Date: 29th August, 2009

11. Compliance Certificate of the Auditors :

The Company has obtained a Certificate from the Statutory Auditors regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement. The certificate is annexed to the report.

For & on behalf of the Board of Directors


Rajeev Reniwal
Chairman

Place: Mumbai

Date: 29th August, 2009

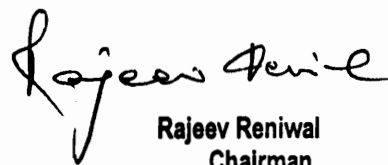
ANNEXURE TO CORPORATE GOVERNANCE REPORT

Declaration regarding affirmation of Code of Conduct

In terms of the requirements of the amended Clause 49 of the Listing Agreement, this is to confirm that all members of the Board and the Senior Management personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2009.

Place: Mumbai

Date: 29th August, 2009


Rajeev Reniwal
Chairman

Inducto Steel Limited

To
The Members of
Inducto Steel Limited
Mumbai

We have examined the compliance of conditions of Corporate Governance by Inducto Steel Limited (the Company) for the financial year ended on 31st March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange. 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 to ensure compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

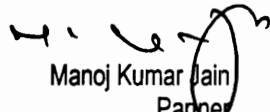
We state that in respect of investor grievances received during the year ended on March 31, 2009, no investor grievances are pending against the Company for more than one month as per records maintained by the Company and presented to the Investor Grievance / Share Transfer Committee.

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.

Place : Mumbai
Date : 29th August, 2009



For Jain Seth & Co.,
Chartered Accountants


Manoj Kumar Jain
Partner
Membership No. 72590

AUDITOR'S REPORT

To:
The Members
Inducto Steel Limited
Bhavnagar

We have audited the attached Balance Sheet of **INDUCTO STEEL LIMITED** as at 31st March, 2009 and also the Profit & Loss Account and the Cash Flow 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 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 matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments 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 propose of our audit;
- ii) In our opinion, proper books of account, as required by the law have been kept by the Company so far as appears from our examination of the books;
- iii) The Balance Sheet and Profit & Loss Account and cash flow statements dealt with by this report are in agreement with the books of account;
- iv) ***In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report, subject to :***
 - a) ***Note No. 2 (a) regarding the activities of the company during the year and non provisions of segmental Information of money lending and investment.***

and read with other notes in Schedule-16, forming part of the accounts, comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956:



- v) On the basis of the written representations received from the Directors, as on 31st March, 2009, 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 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 with notes and schedules 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 the principles generally accepted in India.
- i) In the case of Balance Sheet of the state of affairs of the company as at 31st March, 2009 and
 - ii) In the case of Profit & Loss account of the Profit of the company for the year ended on that date.
 - iii) In the case of the cash flow statement of the cash flows for the year ended on that date



For Jain Seth & Co.
Chartered Accountants


Manoj Kumar Jain
Partner
Membership No. 72590

Place : Mumbai
Date : 29th August, 2009

ANNEXURE TO AUDITORS' REPORT
Referred to in paragraph 3 of our report of even date.

- i) a) The company has maintained proper records showing the full particulars, including the quantitative details and situation of its fixed assets.
- b) All the assets have not been physically verified by the management during the year, but there is a regular programme of physical verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) During the year the company has not disposed off surplus assets.
- ii) a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of 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) The Company is maintaining proper records of the inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) a) The company has taken loans from one other company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.560.62 Lacs and the year end balance of the loan taken is Nil
- There is one company covered in the register maintained under section 301 of the Companies Act, 1956, to which the company has granted loans. The maximum amount involved during the year was Rs.1811.43 Lacs and the year end balance of loans granted to such parties was Rs. 1169.51.
- b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from/granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- c) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest. The parties have repaid the principal amounts as stipulated and have been regular in the payment of interest.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.



- v) a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and 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 rupee five Lakhs in respect of any party during the year have been made at a price 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 any deposits from the Public. However the company has taken unsecured loans from Associate Companies. No order has been passed by the Company Law Board.
- vii) The Directors themselves conduct the affairs of the company. The company does not have a formal system of internal audit but there are adequate checks and controls at all levels.
- viii) As per the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for any of the products of the Company.
- ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Income Tax, Sales Tax, Custom Duty, Cess and other material statutory dues applicable to it.
- b) According to the information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and cess were in arrears, as at 31st March 2009 for a period of more than six months from the date they become payable.
- c) According to the information and explanations given to us, the company has not paid/deposited income tax and central excise duty as detailed below on account of dispute.
- | Amount | Nature of payment | Nature of dispute | Pending with |
|------------|-------------------|---|---|
| 88752.00 | Income Tax | Search & Seizure | ITAT |
| 4598354.00 | Central Excise | Capacity
ascertainment | CEGAT |
| 96000.00 | Sales Tax | Non submission of
Form-F (revision
of assessment
order 1993-94 | Assistant
Commissioner of
Sales Tax |
- x) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.



- xi) In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to a financial institutions, banks or debenture holders.
- xii) We are of the opinion that the company has maintained adequate records where the company has granted loans and 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 provision of clause 4 (xiii) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
- xiv) The Company is not dealing in shares. However as and when the company deal in shares, proper entries are made in the records maintained for the purpose. The shares and debentures are held in the name of the company except for the shares of Nissan Copper Limited, which are held back in the Demat Account of Broker as per directives of Securities & Exchange Board of India.
- xv) In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the company.
- xvi) As per the information and explanation given to us the company has not raised any term loans during the year.
- Xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment. However the long term funds have been used to finance short-term investment.
- Xviii) According to the information and explanations given to us, the company has not made any issue of shares or securities during the year.
- xix) According to the information and explanations given to us, during the period covered by our audit, the company has not issued any debentures.
- xx) According to the information and explanations given to us, during the period covered by our audit, the company has not raised any money by public issue.
- xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

Place : Mumbai
Date : 29th August, 2009



For Jain Seth & Co.,
Chartered Accountants

Manoj Kumar Jain
Partner

Membership No. 72590

INDUCTO STEEL LIMITED

BALANCE SHEET AS AT 31st MARCH, 2009

PARTICULARS	SCH.	CURRENT YEAR	PREVIOUS YEAR
I SOURCES OF FUNDS			
1) Shareholders' funds			
a) Share Capital	1	47,584,540.00	47,584,540.00
b) Reserves and surplus	2	157,046,873.39	152,483,996.33
2) Loan Funds			
a) Secured Loans	3	311,877,735.00	-
b) Unsecured Loans	4	-	21,654,746.31
2) Deferred Tax Liability		391,459.00	238,303.00
TOTAL		516,900,607.39	221,961,585.64
II APPLICATION OF FUNDS			
1) Fixed Assets	5		
a) Gross Block		8,906,673.26	6,130,547.26
b) Less : Depreciation		2,433,575.00	2,117,323.00
c) Net Block		6,473,098.26	4,013,224.26
2) Investment	6	5,496,645.09	13,924,134.18
3) Working Capital			
a) Current Assets, Loans & Advances	7		
i). Inventories		201,522,227.00	106,120.00
ii). Sundry Debtors		54,825,841.00	23,932,413.20
iii). Cash and Bank balances		5,296,719.05	418,745.39
iv). Loans and advances		298,683,639.36	235,656,115.00
Total Current Assets		560,328,426.41	260,113,393.59
b) Less : Current Liabilities & Provisions	8		
i) Current liabilities		29,912,318.28	23,768,356.91
ii) Provisions		25,485,244.09	32,320,809.48
Total Current Liabilities		55,397,562.37	56,089,166.39
c) Net Working Capital		504,930,864.04	204,024,227.20
TOTAL		516,900,607.39	221,961,585.64

Notes forming part of the Balance Sheet

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Auditor's Report

As Per Our Separate Report Of Even Date Attached

For Jain Seth & Co.
Chartered Accountants

Partner

Place : Mumbai

Date : 29th August, 2009



For Inducto Steel Limited

Director

Place : Mumbai

Date : 29th August, 2009

Rajeev Arvind

INDUCTO STEEL LIMITED

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED ON 31st MARCH, 2009

PARTICULARS	SCH.	CURRENT YEAR	PREVIOUS YEAR
INCOME			
- Sales & Other Income	9	297,125,102.60	41,150,910.98
		297,125,102.60	41,150,910.98
EXPENDITURE			
- Raw Materials Consumed	10	221,442,048.80	4,940,366.00
- Payment to & Prov for Employees/workers	11	994,609.00	89,328.00
- Manufacturing Expenses	12	7,395,526.00	692,490.00
- Administrative & Selling Expenses	13	43,017,552.22	1,204,147.96
- Financial Expenses	14	5,251,581.00	131,765.00
Total Expenditure		278,101,317.02	7,058,096.96
- Profit before depreciation and tax		19,023,785.58	34,092,814.02
- Depreciation	5	316,252	290,558.00
- Profit Before Tax		18,707,533.58	33,802,256.02
- Provision for for current Tax		7,218,296.00	8,569,818.00
- Provision for Fringe Benefit tax		8,689.00	730.00
- Adjustment for deferred taxation		153,156.00	230,985.00
- Profit After Tax		11,327,392.58	25,000,723.02
- Income Tax Pertaining to Previous Year		285,463.48	(704.00)
- Surplus Brought Forward		55,334,623.88	35,034,590.86
- Profit available for appropriation		66,947,479.94	60,034,609.88
- Dividend for the year		6,025,881.00	4,017,254.00
- Tax on distributed Profit		1,024,098.00	682,732.00
- Surplus carried to balance sheet		59,897,500.94	55,334,623.88
- Earning per shares - Basic		2.82	7.11
- Earning per shares - Diluted		2.82	6.22

Notes forming part of the Balance Sheet

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Auditor's Report

As Per Our Separate Report Of Even Date Attached

For Jain Seth & Co.
Chartered Accountants

Partner
Place : Mumbai
Date : 29th August, 2009



For Inducto Steel Limited

[Signature] *[Signature]*

Director Director
Place : Mumbai
Date : 29th August, 2009

SCHEDULES TO BALANCE SHEET**SCHEDULE - 1 : SHARE CAPITAL**

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<u>AUTHORISED SHARE CAPITAL</u>		
5500000 (P.Y.5500000) Equity Shares of Rs.10/- each	55,000,000.00	55,000,000.00
<u>ISSUED & SUBSCRIBED</u>		
4017254 (P.Y 4017254) Equity Shares of Rs.10/- each	40,172,540.00	40,172,540.00
<u>SUBSCRIBED & PAID UP</u>		
4017254 (P.Y 40,17,254) Equity Shares of Rs. 10/- each Fully Paid Up	40,172,540.00	40,172,540.00
Amount received on forfeitted shares	7,412,000.00	7,412,000.00
Total	47,584,540.00	47,584,540.00

Note: The issued and paid-up capital include :

- 1 2417856 equity shares allotted as fully paid up bonus shares in the year 1994-95 by capitalisation of revaluation reserve of Rs.1,38,65,528.50, capital subsidy of Rs.21,01,687 and surplus in profit and loss accounts of Rs.82,11,344.40

SCHEDULE - 2 : RESERVES & SURPLUS

1 CAPITAL RESERVE		
Amalgamation Reserve	94,824,920.00	94,824,920.00
Capital Subsidy From State Government	1,684,975.00	1,684,975.00
	96,509,895.00	96,509,895.00
2 GENERAL RESERVE		
As per Last Year	639,477.45	639,477.45
Total	639,477.45	639,477.45
3 PROFIT & LOSS ACCOUNT		
	59,897,500.94	55,334,623.88
Total	157,046,873.39	152,483,996.33

SCHEDULE - 3 : SECURED LOANS

Letter of Credit from Indian Overseas Bank -Fort Mumbai Branch	217,524,546.00	0.00
FCL from Bank of India -Buyer Credit	94,353,189.00	0.00
Total	311,877,735.00	0.00

SCHEDULE - 4 : UNSECURED LOANS

From Bodies Corporates	0.00	21,654,746.31
Total	0.00	21,654,746.31

SCHEDULE : 5 - FIXED ASSETS

A S S E T S	G R O S S B L O C K				D E P R E C I A T I O N				N E T B L O C K		
	AS ON 01.04.08	ADDITION DURING THE YEAR	DEDUCTIONS	TOTAL	UPTO 01.04.08	RATE OF DEP	DEP FOR THE YEAR	DEDUCTION/ ADJUSTMENT/ WRITE BACK	TOTAL AS ON 31.03.09	AS ON 31.03.09	AS ON 31.03.2008
Land	166,257.00	0.00	0.00	166,257.00	0.00	0.00	0.00	0.00	0.00	166,257.00	166,257.00
Flat	163,025.00	0.00	0.00	163,025.00	35,126.00	1.63	2,657.00	0.00	37,783.00	125,242.00	127,899.00
Factory Shed & Building	2,764,248.31	460,690.00	0.00	3,224,938.31	1,161,587.00	3.34	94,005.00	0.00	1,255,592.00	1,969,346.31	1,602,661.31
Bore-well	82,026.00	0.00	0.00	82,026.00	36,536.00	3.34	2,740.00	0.00	39,276.00	42,750.00	45,490.00
Plant & Machinery	767,510.00	0.00	0.00	767,510.00	143,160.00	4.75	36,457.00	0.00	179,617.00	587,893.00	624,350.00
Weigh Bridge	200,000.00	0.00	0.00	200,000.00	57,104.00	4.75	9,500.00	0.00	66,604.00	133,396.00	142,896.00
Winch	651,380.00	0.00	0.00	651,380.00	185,936.00	4.75	30,941.00	0.00	216,877.00	434,503.00	465,444.00
Crane	0.00	1,349,280.00	0.00	1,349,280.00	0.00	4.75	6,146.00	0.00	6,146.00	1,343,134.00	0.00
Office Equipments	248,157.03	0.00	0.00	248,157.03	68,511.00	4.75	11,787.00	0.00	80,298.00	167,859.03	179,646.03
Furniture & Fixtures	22,044.92	0.00	0.00	22,044.92	9,329.00	6.33	1,396.00	0.00	10,725.00	11,319.92	12,715.92
Car	1,043,649.00	861,726.00	0.00	1,905,375.00	406,095.00	9.50	113,053.00	0.00	519,148.00	1,386,227.00	637,554.00
Two Wheelers	0.00	104,430.00	0.00	104,430.00	0.00	9.50	3,963.00	0.00	3,963.00	100,467.00	0.00
Computers	22,250.00	0.00	0.00	22,250.00	13,939.00	16.21	3,607.00	0.00	17,546.00	4,704.00	8,311.00
T O T A L	6,130,547.26	2,776,126.00	0.00	8,906,673.26	2,117,323.00		316,252	0.00	2,433,575.00	6,473,098	4,013,224.26
PREVIOUS YEAR	6,130,547.26	0.00	0.00	6,130,547.26	1,826,765.00		290,558.00	0.00	2,117,323.00	4,013,224.26	4,303,782.26

SCHEDULE-6 : INVESTMENT			
PARTICULARS		CURRENT YEAR	PREVIOUS YEAR
INVESTMENT IN SHARES QUOTED			
1500 Equity Shares of Carian India Ltd	Market Value	0.00	216,098.56
25500 Equity Shares G R Industries & Fin Ltd	No trading	357,777.00	357,777.00
16000 Equity Shares of Hindalco Ltd	830,400	2,637,631.09	2,637,631.09
1000 Equity Shares of ITC Limited		0.00	189,383.60
30000 Equity shares of Nageshwar Investment Ltd	No trading	473,454.00	473,454.00
179510 Equity Shares of Nissan Copper Ltd		0.00	9,024,893.93
INVESTMENT IN PARTNERSHIP FIRM			
50% Share in the Profit/(Loss) of Jai Maa Durge Associates - a partnership firm		1,147,783.00	1,024,896.00
22% Share in the Profit/(Loss) of Raj Associates - a partnership firm		880,000.00	0.00
Total		5,496,645.09	13,924,134.18
SCHEDULE-7 : CURRENT ASSETS, LOANS & ADVANCES			
A) Inventory (As verified, valued & certified by the Management)			
- Raw Materials		201,522,227.00	106,120.00
Total		201,522,227.00	106,120.00
B) Sundry Debtors - (Unsecured, unconfirmed and considered good)			
- More than Six Months		0.00	18,810,941.20
- Others		54,825,841.00	5,121,472.00
Total		54,825,841.00	23,932,413.20
C) Cash & Bank Balances			
- Cash in Hand		1,190,494.50	276,782.50
- Balance in Schedule Banks		4,106,224.55	141,962.89
Total		5,296,719.05	418,745.39
D) Loans & Advances			
- Loans		279,950,721.36	209,841,244.00
- Advances recoverable in cash or in kind or value to be received (unconfirmed and considered good)		18,172,918.00	25,154,871.00
- Deposits		560,000.00	660,000.00
Total		298,683,639.36	235,656,115.00
Total Current Assets, Loans & Advances		560,328,426.41	260,113,393.59
SCHEDULE-8 : CURRENT LIABILITIES & PROVISIONS			
A) Current Liabilities			
- Sundry Creditors		298,559.00	4,940,127.00
- Advance Received From Customers		61,274.00	0.00
- Other liabilities		29,552,485.28	18,828,229.91
B) Provisions			
- Provisions		25,485,244.09	32,320,809.48
Total Current Liabilities & Provision		55,397,562.37	56,089,166.39

SCHEDULE TO PROFIT & LOSS ACCOUNT**SCHEDULE-9: SALES & OTHER INCOME**

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
A SALES		
Sales & Other Receipts	297,125,102.60	41,150,910.98
TOTAL	297,125,102.60	41,150,910.98
SCHEDULE 10 : CONSUMPTION OF RAW MATERIALS		
Opening Stock	106,120.00	106,120.00
Add: Purchase	422,858,155.80	4,940,366.00
	422,964,275.80	5,046,486.00
Less: Closing Stock	201,522,227.00	106,120.00
Consumption	221,442,048.80	4,940,366.00
SCHEDULE: 11- PAYMENT TO & PROVISIONS FOR EMPLOYEES		
Salary & Wages	714,640.00	66,840.00
Bonus	60,192.00	13,368.00
Contribution to Provident Fund & Other fund	76,565.00	9,120.00
Staff Welfare	60,431.00	0.00
Workmen Compensation	82,781.00	0.00
Total	994,609.00	89,328.00
SCHEDULE: 12- MANUFACTURING EXPENSES		
Consumable Stores	1,823,582.00	0.00
Envirenment Expenses	51,125.00	0.00
Oxygen	2,965,614.00	0.00
LPG	1,067,302.00	0.00
Plot Devlopment Charges	421,200.00	537,300.00
Plot Rent	152,220.00	155,190.00
Cutting Charges	797,622.00	0.00
Repair & Maintenance	116,861.00	0.00
Total	7,395,526.00	692,490.00

SCHEDULE-13 : ADMINISTRATIVE AND SELLING EXPENSES		
Advertisement	10,347.00	5,775.00
Auditors Remuneration	34,193.00	58,427.00
Brokerage,Rebate & Discount	109,209.97	2,731.00
Business Promotion Expenses	0.00	13,677.00
Demate Expenses	83,933.29	33,007.00
Electric Charges	82,017.00	7,526.00
Foreign Exchange Rate Variation	34,282,699.00	12,521.00
Insurance	945.00	14,314.00
Licence & Other Fees	18,729.80	23,467.00
Listing Fee	97,040.00	33,500.00
Postage & Courier	10,567.00	5,401.00
Long Term Capital Loss	1,213,350.29	0.00
Printing & Stationery	19,265.00	5,959.00
Professional & Legal	453,745.00	237,173.00
Professional Tax	0.00	1,020.00
Office & General Expenes	6,800.00	15,957.00
Sales Tax Expenses	4,640,206.00	400.00
Security Transaction Tax	6,648.80	26,716.00
Service Tax & Other charges	1,639.98	3,923.96
Donation	7,561.00	0.00
Telephone Expenses	2,849.00	0.00
Travelling	108,625.00	41,407.00
Vehicle Running & Maintenance	21,582.00	0.00
Adjustment for deminition in the value of shares	1,805,599.09	661,246.00
Total	43,017,552.22	1,204,147.96
SCHEDULE-14 : FINANCIAL EXPENSES		
Bank commission & Charges	845,099.00	131,633.00
Interest Paid	4,406,475.00	0.00
Interest on TDS/TCS	7.00	132.00
Total	5,251,581.00	131,765.00

SCHEDULE -15 : NOTES FORMING PART OF THE BALANCE SHEET AND THE PROFIT & LOSS
ACCOUNTS FOR THE YEAR ENDED ON 31ST MARCH, 2009

1. **Significant Accounting Policies**

a) **General**

- i) The Accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.
- iii) All material expenditure and income to the extent considered payable and receivable respectively are accounted for on accrual basis, except insurance claims, refunds from statutory authorities are accounted on cash basis, keeping in view the concept of materiality.

b) **Fixed Assets**

Capitalised at cost of acquisition. In the event of the same having been revalued, they are stated at the revalued figures. Expenditure relating to fixed assets is added to costs only when the same involved modification work whereby it increases the life of the assets.

c) **Depreciation**

- i) Depreciation is provided on Straight Line Method at the rates specified in the Schedule -XIV of the Companies Act, 1956.
- ii) Depreciation on the revaluation amount has been charged to revaluation reserve to the extent available and the balance is charged to the General Reserve

d) **Inventories**

The weight of the ship purchased is accounted in terms of LDT of the ship at the time of its construction. Ascertaining of weight of ship at the time of purchase is not possible due to its nature and size. There is loss of weight on account of corrosion and other factors during the usage of the ship and its voyage for about 20 to 25 years.

Inventory at the close of the year is ascertained by reducing the weight of the scrap sold together with the estimated wastage of the material.

Stores & Spares are written off at the time of purchase itself and no inventory is maintained. The stock of inventory is valued at cost.

e) **Revenue Recognition**

Sales of goods is recognised on despatch to customer. Sales is inclusive of all duties and taxes.

f) **Investment**

The investment is stated at cost. Provisions for decrease in the market value of the shares has been made in the accounts

g) **Foreign Currency Transaction**

Purchase in respect of raw materials are accounted for at the rate prevalent on the date of acceptance of delivery of the vessel. Variation in the exchange rate is accounted for under the head Exchange rate variation and debited/credited to the Profit & Loss Accounts

h) **Excise duty and Cenvat**

The company follows inclusive method of accounting for Excise, Cenvat and Vat. Excise duty and Vat paid on purchase are debited to cost and Excise duty and Vat collected on sales is credited to revenue.

i) **Provision for Taxation**

Provision for taxation is being made after considering applicable legal provisions including claiming of reliefs, exemptions and deductions under the Income Tax Act, 1961.

j) **Retirement Benefits**

The management is of the opinion that since none of the employees of the Company were in continuous service of more than five years, Provisions of Gratuity Act is not applicable to the Company. The Management is also of the opinion that the payment of Pension Act, is also not applicable to the Company.

k) **Miscellaneous Expenditure**

Preliminary & Public Issue Expenses are written off in equal instalments over the period of ten years.

l) **Deferred Taxation**

Provision for deferred taxation is made using the liability method, at the current rate of taxation on all timing differences to the extent that it is probable that a liability or assets will crystallise.

2 **Notes forming Part of the Accounts**

- a) The Company engaged in the ship breaking as well as trading activities and as and when surplus fund are available, the same is given on interest to other parties and also invested in the shares and securities to earn short term and long term capital gains.
- b) In the opinion of the Management, the realisable value of these assets are much higher than the carrying cost and therefore no provision for impairment is required to be made.
- c) Deferred tax has been accounted in accordance with the requirement of accounting standard on "Taxes on Income" (AS-22) taking into account the present earning of the company, the anticipated earning etc and are subject to adjustment on year to year. The deferred tax assets on carry forward long term capital loss has not been considered, due to uncertainty in its realisation.
- e) The major components of the Deferred Tax Assets/Liabilities, based on the tax effect of the timing differences, as at 31st March 2009, are as under.

Particulars	2008-09	2007-08
- Deferred Tax liability on account of Depreciation	391,459.00	238,303.00
- Deferred Tax Assets	0.00	0.00
Net deferred tax assets at the year end	0.00	0.00
Net deferred tax liability at the year end	391,459.00	238,303.00

f) The annualised earning per equity shares has been calculated as under.	Current year	Previous Year
- Profit after tax as per profit & Loss accounts	11,327,392.58	25,000,723.02
- Net profit for calculation of Earning per shares	11,327,392.58	25,000,723.02
- No. of Average issued shares outstanding during the year	4,017,254.00	3,518,176.00
- Earning per share (Basic)	2.82	7.11
- Shares pending to be issued upto 18th Feb 2008	-	499,078.00
- Weighted average No of shares outstanding during the year	4,017,254.00	4,017,254.00
- Earning Per Share Diluted	2.82	6.22

- g) Transaction with related parties during the year and outstanding balances as on 31st March 2009

- Subsidiaries	Nil	
- Associates	Hariyana Ship Demolition Pvt Ltr	Hariyana Ship Demolition Pvt Ltd
	Loan Taken	Loan Granted
Opening Balance	21,654,746.31	-
Loans Given/Taken	181,989,601.87	625,344,142.49
Receipt/Payment against Loans	203,986,723.18	510,466,496.13
Closing Balance	-	116,950,721.36
Interest Received/Paid	442,687.00	2,680,470.00
T.D.S Deducted on Interest Received/payable	100,312.00	607,395.00

3 **Contingent Liabilities not provided for**

- a) There was a search and seizure action by the Income Tax Department on the Company's premises during the month of September, 1997. The Management has filed the block assessment return and paid the tax accordingly. The block assessment is being completed and there was an additional assessment of Rs.1,47,920/- raising an additional demand of Rs.88,752/-. The matter is pending with Income Tax Appellate Tribunal and the management is advised that they have a good case & does not anticipate any further liability on this account.

- b) The Company was required to pay excise duty based on the capacity of the furnace during the year 1997-98 and the company was paying the duty as per the capacity determined by the department based on the documents available with the company. However subsequently the department has revised the capacity of the furnace and raised a demand of Rs.45,98,354/- on the company, which the company has disputed and the matter is pending before of the CEGAT. Pending decision on the appeal of the company, as directed by the CEGAT, paid an amount of Rs.15 Lacs. The company is hopeful that the matter will be decided in favour of the company, hence no provision for the demand has been made in the accounts and in case the decision is against the company, the same will be provided/ accounted for in the year in which such a decision comes.
- c) Income Tax assessment has been completed upto the year assessment year 2007-08 The Management has been advised that no additional liability will arise in the case of pending assessment.
- d) Sales tax assessment has been completed upto the year 2005-06 The Company does not anticipate any liability on account of the pending sales tax assessment

4 Previous year figures have been regrouped/rearranged wherever necessary so as to make them comparable current year figures. Figures of previous year has been shown in the brackets wherever required.

5 Information pursuant to para No. 3 & 4 of Schedule - VI of the Companies Act, 1956.

1 Particulars of licenced, installed capacity and actual production.	Current Year Quantity in M.T.	Previous Year Quantity in M.T.
i) Licenced capacity	-	-
ii) Installed capacity	-	-
iii) Actual production	5197.418	0.000

2 Particulars of Finished Goods (Ship Braking)

	Current Year		Previous Year	
	Quantity MT	Value Rs	Quantity MT	Value Rs
i) Opening Stock	0.000	0.00	0.000	0
ii) Sales	5197.418	238,859,346	0.000	0
iii) Closing Stock	0.000	0.00	0.000	0

Particulars of Finished Goods (Trading)

	Current Year		Previous Year	
	Quantity MT	Value Rs	Quantity MT	Value Rs
i) Opening Stock	0.000	0.00	0.000	0
ii) Sales	1419.760	58,265,757	0.000	0
iii) Closing Stock	0.000	0.00	0.000	0

3 Value of Imported & indigenous raw materials & components consumed

	Quantity MT	Value Rs	Quantity MT	Value Rs
- Scrap Indigneous	0.000	0	0.000	0
- Scrap Imported	5807.200	221442049	0.00	4940366
Total	5807.200	221442049	0.000	4940366

4 Value of Imported & indigenous Stores & Spares Consumed

- Indigeneous	1823582	0
- Imported	0	0
Total	1823582	0

5 C I F Value of Imports	300605796	Nil
6 Expenditure in foreign currency other than import	Nil	Nil
7 Earning in foreign currency	Nil	Nil
8 Managerial Remuneration	Nil	Nil
9 Payment of auditors		
- As statutory auditor	34193	58,427
- In other capacity	0	0
	34,193	58,427

10 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.	11568
	State Code	04
	Balance Sheet Date	31st March, 2009
2	Capital raised during the year	Rs. in '000s
	Public Issue	Nil
	Right Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
3	Position of mobilisation and depoyment of funds.	
	Total Liabilities	572,298
	Total Assets	572,298
	Sources of Funds	
	Paid up Capital	47,585
	Reserve & Surplus	157,047
	Secured Loans	Nil
	Unsecured Loans	Nil
	Application of Funds	
	Net Fixed Assets	6,473
	Investments	5,497
	Net Current assets	504,931
	Miscellaneous Expenditure	Nil
	Accumulated Losses	Nil
4	Performance of Company	
	Turnover	297,125
	Total Expenditure (including decrease in stock)	278,418
	Profit/(Loss) before tax	18,707
	Profit/(Loss) after tax	11,327
	Earning per Share Basic & Diluted	2.82
	Dividend Rate	15%
5	Generic Names of Principal Products, services of the Company.	
	Item Code No.	060000
	Product Description	M S Ingots
	Item Code No.	7204909
	Product Description	Shipbreaking

SIGNATURE TO SCHEDULES "1" TO "13 AND NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNTS

As per our separte report of even date

For Jain Seth & Co.

Chartered Accountants

Partner

Place : Bhavnagar

Date : 29th August, 2009



For Inducto Steel Limited

[Signature]

Director

Director

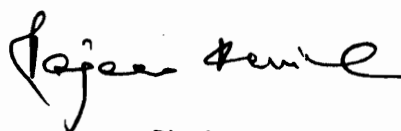
Place : Bhavnagar

Date : 29th August, 2009

CASH FLOW STATEMENT

Particulars	2008-2009	2007-2008
A. Cash Flow from Operating Activities		
- Net Profit before tax and extraordinary items	18,992,997.06	33,801,552.02
- Adjustment for :		
- Depreciation	316,252.00	290,558.00
- Share Issue and Preliminary Expenses	-	-
- Operating Profit before Working Capital Changes	19,309,249.06	34,092,110.02
- Adjustments for :		
- Trade & Other Receivables	(93,920,952.16)	(67,384,788.31)
- Inventories	(201,416,107.00)	-
- Trade Payable	(691,604.02)	14,839,603.02
Cash Generated from operation	(276,719,414.12)	(18,453,075.27)
- Tax Paid	(7,226,985.00)	(8,570,548.00)
Net cash from operating activities	(283,946,399.12)	(27,023,623.27)
B. Cash Flow from Investing Activities		
- Purchase of Fixed Assets/Investment	(2,776,126.00)	-
- Sale of Fixed Assets/Investment	8,427,489.09	10,178,975.49
	5,651,363.09	10,178,975.49
C. Cash flow from Financing Activities		
- Proceeds from Borrowings	290,222,988.69	21,654,746.31
- Dividend Proposed	(7,049,979.00)	(4,699,986.00)
- Issue of shares	-	-
Net cash used for financing activities	283,173,009.69	16,954,760.31
Net Increase in cash & Cash Equivalents (A+B+C)	4,877,973.66	110,112.53
Opening Balance of Cash & Cash Equivalents	418,745.39	308,632.86
Closing Balance of Cash & Cash Equivalents	5,296,719.05	418,745.39

For Inducto Steel Limited



Place : Mumbai


Date : 29th August, 2009

Director

We have examined the above Cash Flow Statement of Inducto Steel Limited for the year ended on 31st March, 2009. The Statement has been prepared by the Company in accordance with the requirements of listing agreement clause 32 of Stock Exchanges and is based on and in agreement with the corresponding profit & Loss Account and Balance Sheet of the Company covered by our report of even date to the Members of the Company.

For Jain Seth & Co.
Chartered Accountants




Manoj Kumar Jain
Partner
Membership No. 72590

Place : Mumbai

Date : 29th August, 2009