



MSP STEEL & POWER LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirty Seventh Annual Report together with the Audited Accounts for the year ended March 31, 2006.

Financial Results

	2005-06	2004-05
Sales including other income	8433.98	3518.39
Profit Before Depreciation	694.31	604.14
Less: Depreciation	433.76	199.56
Profit Before Tax	260.55	404.58
Less: Fringe Benefit Tax	4.62	-
: Provision for Income Tax	20.43	31.72
: Provision for Deferred Tax	125.11	127.99
: Income Tax for Earlier Years	3.40	-
Net Profit	106.99	244.86
Add: Balance Brought Forward	277.67	32.81
Surplus carried to Balance Sheet	384.66	277.67

Your Directors are pleased to inform you that the year under review the company has started commercial production of its 2nd 300TPD Sponge Iron Kiln, Induction furnace and 16MW Power Plant, in the Raigarh Project. The gross sales of the company increased to Rs 8433.98Lacs as against Rs 3508.70 lacs for the previous year.

DIVIDEND

As, your Company has started the commercial production of the major units of the project in the month of March, Rolling Mill has started production in the month of April 2006, few units like FBC boiler, Coal Washery, Railway Siding are still to be completed, your directors are not recommending any dividend for the year under review.

INDUSTRY SCENARIO & PERFORMANCE

Steel industry is regarded as prime mover and the Engine for the rapid industrial and economic growth of the nation. The total use of finished steel products continues to show strong growth in all regions of the world. While the main focus of the growth will be in China, total world steel demand is predicted to grow 7.3% to 1087 million metric tons in 2006. Along with China, India also shows a high steel demand growth with a predicted increase of 8% for 2006 and 2007.

The year under review was not very good for the producers of Sponge Iron and Long products. During the first quarter, prices of sponge were rose before coming off during the second, third and fourth quarter. In compare to the prices of final products, prices of raw materials like iron ore has not come down resulting lower profits. Previously there was a saying that a nation which has steel will have the gold. Now the quote is "the nation which has iron ore will have the gold." The company's application for iron ore mine leases in Orissa and Chattisgarh is under active consideration by the respective state governments.

The Net Profit after taxes at Rs.106.99 lacs is lower in comparison to previous year of Rs 244.86 lacs. Cash profit of the company is Rs 540.75 lacs in compare to previous year of Rs 444.42 lacs. Provisions for Depreciation are Rs 433.76 lacs due to capitalization of second sponge iron Kiln, Induction furnace and Captive power plant.

During the year under review the company has started commercial production of its 2nd 300TPD Sponge Iron Kiln, Induction furnace and 16MW Power Plant, in the Raigarh Project. Rolling mill has started production in the month of April 2006. The balance projects are almost in stage of completion. With the plant being operation in full capacity in the coming year, your company is expecting a sharp rise in the sales. A proposed railway siding of the company is nearing completion, which once operational will considerably reduce logistic costs to the company. Company has also applied for Wagon Investment Scheme which is under consideration. Management is focused on cost management and attaining production efficiencies to compete in the current scenario

The company had applied for captive coal block to ministry of coal and company had been allocated a coal block in the state of Chattisgarh, in the consortium of 5 companies. This will help the company to insulate itself from vagaries of the coal prices.

The company has further initiated expansion plan at Raigarh starting work of heavy structural re rolling mill and matching capacity of steel melting shop

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report, Auditors Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

SOCIAL OBLIGATION

Your Company is fully aware of responsibility towards its own employees, their dependents and the local community within which the works are situated and to the people of Chattisgarh and West Bengal in general. Our driving objective has been to improve living and working condition of our large workforce and their dependents.

There has been a constant endeavor to interact with the workers on a day-to-day basis and promptly resolve issues that surface.

Your Company regularly and on a continuing basis undertakes various social welfare projects for improving the quality of life of the people residing around the factory sustainable social and economic development projects.

PUBLIC ISSUE

The Company had came up with public issue of Rs 16 crores in the month of June 2006. The issue was oversubscribed by 22.93 times. The shares of company got listed in the month of July 2005 in the Bombay Stock Exchange(BSE) and National Stock Exchange(NSE).

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217 (2AA) of the Companies Act, 1956) your directors hereby confirm that:

In the preparation of the annual accounts for the year ended March 31, 2006, the applicable accounting standards have been followed and there are no material departures;

The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year ended March 31, 2006 and the Profit of the Company for that period;

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

The Directors have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms a part of this report.

PARTICULARS OF EMPLOYEES

The Company has no employee getting remuneration as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 during the year under review.

AUDITORS

M/s. Jaiswal Kuldeep & Co., Chartered Accountants, Kolkata retire as Auditors of the Company at the forthcoming Annual General Meeting. M/s Jaiswal Kuldeep & Co. has informed the company that because of some other business engagements they won't be able to continue as a statutory auditors of the company. The company has approached M/s Dwarka Ashok & Associates to act as statutory auditors of the company and M/s Dwarka Ashok & Associates has confirmed that, if appointment, being made will within the limits specified in Section 224(1B) of the Companies Act, 1956

AUDIT REPORT

Auditors has mentioned in the point 11 & 12 of schedule 19 that company has not made a provision of interest on the loan of Rs 30812/- (including interest of Rs 5812/-). The captioned loan is considered doubtful by the company and a recovery suit is pending in court of law. As the said loan is doubtful of being recovered, provision of interest income of Rs 677762/- has not been made in the books.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Akshay Kumar Singh and Mr Navneet Jagatramka retire by rotation and being eligible to offer themselves for reappointment.

ACKNOWLEDGEMENTS

Your Directors would like to take this opportunity to convey their sincere appreciation to the Management, Employees, Bankers, Government of India and the Government of Chattisgarh for their continued support and cooperation. Your Directors are also deeply grateful for the confidence and faith shown in them by the members of the company.

Place: Kolkata

For and on behalf of the Board

Date: 31.05.2006

Puranmal Agrawal
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Statement containing particulars pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of Directors' Report.

A. CONSERVATION OF ENERGY

a) Energy conservation measures

The Company has always been conscious about the need for conservation of energy. Continuous monitoring / optimisation of energy conservation are undertaken at plant level. Main areas of work during the year included installation of electrical energy efficient motors for prevention of wastage of energy, energy savers for lighting and capacitors

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

No additional investment has been made for reduction of consumption of energy. However, the company has set up Captive Power Plant to generate the electricity from the waste heat generated through sponge iron which has started generating electricity and another 8MW of power plant (Fluidized based boiler) by using coal rejects is under commissioning.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

As the process is ongoing and has just been initiated, the impact can only be felt in the coming years.

(d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure annexed

TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B of the Annexure annexed.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans – NIL

Total Foreign Exchange used and earned:

	2005-06	(Rs. in Lacs) 2004-05
(i) CIF value of Imports	69.71	103.97
(ii) Earned	NIL	NIL

ANNEXURE TO THE DIRECTORS' REPORT

FORM A

DISCLOSURES OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

	2005-06	2004-05	
Power and Fuel Consumption:			
Purchased			
Units in KWH	4995600	-	
Total amount (Rs in lacs)	276.33	-	
Rate/Unit (Rs)	5.53		
Electricity-Own Generation			
Through Diesel Generator:			
Units Generated	KWH	679095	2195932
Total Cost	Rs(In Lacs)	51.15	220.88
Units/Ltrs of Diesel	Units	4.14	2.90
Avg.Cost /Unit	Rupees	7.53	10.05
Through WHRB:			
Units Generated	KWH		-
2. Coal & Coke:			
Quantity- MT		-	-
Total Cost	Rs(In lacs)	-	-
Avg.Cost /Unit	Rs	-	-

Consumption per Unit (MT) of Production

Particulars	Unit	Standard	2005-06	2004-05
Electricity				
For Sponge Iron	KWH		65	80
For Billets	KWH		950	-
Coal	Tonnes	Nil	-	-

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION:

RESEARCH AND DEVELOPMENT

The Company has not so far carried out any major Research & Development work. The Company shall however undertake R & D work as and when required to improve the quality of its products. The Company has not incurred any expenditure on this account so far. The Company, however, has a full fledged laboratory at its Integrated steel plant for testing the quality of raw materials and also of the finished products.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Since no technology has been absorbed from outside, this item is not applicable to us. The Company, however, continues its efforts for upgradation of technology in order to improve the quality and reduce costs to the extent possible.

Place: Kolkata

For and on behalf of the Board

Date: 31.05.2006

Puranmal Agrawal
Chairman

AUDITOR'S REPORT

TO THE MEMBERS OF **M/S MSP STEEL & POWER LIMITED.**

1. We have audited the attached Balance Sheet of **M/S MSP STEEL & POWER LIMITED** as at March 31, 2006 and the Profit and Loss Account, and Cash Flow Statement of the company for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have 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.
3. As required by the Companies (Auditors 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 of matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law, have been kept by the company, so far as appears from our examination of those books as well as the statement of account referred to above.

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- c) The Balance Sheet Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- d) In our opinion, the Balance Sheet the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards as referred to in Section 211(3C) of the Companies Act, 1956.
- e) On the basic of written representation received from the directors and taken on record by the board of directors, we report that none of the Directors are disqualified as on March 31, 2006 from being appointed as a director in terms of section 274 (1) (g) of Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-
 - i) in the case of the Balance Sheet ,of the state of affairs of the company as at March , 2006 ;
 - ii) in the case of Profit & Loss Account, of the profit of the company for the year ended on that date, and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For JAISWAL KULDEEP & CO.
Chartered Accountants

(Kuldeep Jaiswal)
Proprietor
Membership No.058033

Place : Kolkata

Dated : 31.05.2006.

ANNEXURE TO THE AUDITOR'S REPORT .

The annexure referred to the auditors report to the member of MSP Steel & Power Limited for the year ended March 31, 2006 . We report that :

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets. A major portion of the Fixed Assets have been physically verified by the management in accordance with a phased programme of verification adopted by the company. In our opinion, the frequency of verification is reasonable having regard to the size of the company and the nature of its fixed assets. To the best of our knowledge ,no material discrepancies were noticed on verification.

There was no substantial disposal of fixed assets during the year. Hence , the question of reporting whether the sale of any substantial part of fixed assets has affected the going concern of the company does not arise.

2. The management has conducted physical verification of inventory at reasonable intervals. The procedure of physical verificatin of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. The Company has neither granted nor taken any loans ,secured or unsecured to or from companies ,firms or other parties covered in the register maintained under Section 301 of the companies Act, 1956.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
5. Based on the information and explanation given to us, the transactions pertaining to contracts or arrangement that need to be entered in the register in pursuance of Section 301 of the Act, 1956 have been so entered. In our opinion and according to the information and explanation given to us, the transaction made in pursuance of such contracts or arrangement have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public .
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. According to the information and explanations given by the management, the maintenance of Cost Records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies' Act 1956. Therefore , no cost Records are maintained.
9. The company is generally regular in depositing undisputed statutory dues including Provident Fund, ESI, Income Tax, Sales Tax, Service tax ,Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities.
There are no dues outstanding of income tax, sales tax ,service tax , cess, custom duty and excise duty on account of any dispute.

10. The company does not have any accumulated losses at the end of financial year and has not incurred any cash losses in the current and immediately preceding financial year.
11. As per books and records maintained by the company and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank. Company did not have any debentures holders.
12. As informed and explained to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other security.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund / nidhi / mutual benefit fund / societies.
14. As informed and explained to us, the company is not dealing or trading in shares , securities, debentures and other investments during the year.
15. According to information and explanation given to us , the company has not given any guarantees for loans taken by others from banks or financial institutions .
16. Based on the information and explanation given to us by the management, term loan were applied for purpose for which they were obtained.
17. We have been informed by the management that the funds raised on short term basis have not been used for long investment.
18. The Company has not made any preferential allotment of share to parties/companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. According to the records of the company, the company has not issued any debentures.
20. The Company has raised money through public issue during the year. The end use of moneys raised by public issues as disclosed in financial statements has been verified by us and found to be correct.
21. Based on the information and explanations furnished by the management, which have been relied upon by us, there were no frauds on or by the Company noticed or reported during the year.

**For JAISWAL KULDEEP & CO.
Chartered Accountants**

(Kuldeep Jaiswal)
Proprietor
Membership No.058033

Place : Kolkata
Dated : 31.05.2006.

MSP STEEL & POWER LIMITED
(Formerly Known as M/s MSP STEEL & POWER PRIVATE LIMITED)

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

A. <u>CASH FLOW FROM OPERATING ACTIVITIES</u>	2005-06	2004-05
Profit Before tax	26,055,268.54	40,457,723.83
Adjustment for :		
Depreciation and amortisation	43,375,852.12	19,956,255.00
Financial expenses	34,724,866.05	11,436,012.74
Interest and dividend income	(5,712,235.13)	(902,726.00)
(Increase)/Decrease in Stock	(20,887,287.24)	(117,544,213.33)
(Increase)/Decrease in sundry Debtors	(55,026,484.26)	(26,842,635.64)
(Increase)/Decrease in loans and advances	11,131,578.91	(140,784,314.53)
Increase/(Decrease) in current liabilities and provisions	33,684,223.81	35,925,552.52
Income tax paid	(339,995.00)	-
Preliminary expenses	30,000.00	30,000.00
NET CASH GENERATED BY OPERATING ACTIVITIES	67,035,787.80	(178,268,345.41)
 B. <u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets and change in capital WIP	(547,491,651.91)	(591,917,329.98)
Sale of Investment	(19,519.75)	-
Interest and dividend income	5,712,235.13	902,726.00
NET CASH USED IN INVESTING ACTIVITIES	(541,798,936.53)	(591,414,603.98)
 C. <u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Proceeds from issue of share capital	162,854,000.00	268,060,000.00
Share Application Money	-	(40,000,000.00)
Proceeds from Loans Fund	259,357,326.33	681,303,903.96
Share Premium	-	-
Share issue expenses	(9,261,527.67)	(400,000.00)
Financial Expenses Paid	(34,724,866.05)	(11,436,012.74)
NET CASH PROVIDED BY /(USED) FINANCING ACTIVITIES	378,224,932.61	897,927,891.22
 D. <u>EXCHANGE DIFFERENCE ON TRANSLATION OF CASH AND CASH EQUIVALENTS</u>	NIL	NIL
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(96,538,216.12)	128,244,941.83
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	162,923,371.83	34,678,430.00
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	66,385,155.71	162,923,371.83

This is the Cash Flow Statement referred to in our report of even date.

For, JAISWAL KULDEEP & CO.
Chartered Accountants

(Kuldeep Jaiswal)
Proprietor
Membership No. 058033

Place : Kolkata
Dated: 31.05.2006

On Behalf of the Board of Directors

Puranmal Agrawal
Chairman

Suresh Agrawal
Managing Director

Ashok Kumar Sarawagi
Company Secretary

MSP STEEL & POWER LIMITED
(Formerly Known as M/s MSP STEEL & POWER PRIVATE LIMITED)
1,CROOKED LANE
KOLKATA-700 069

BALANCE SHEET AS ON 31ST MARCH 2006

PARTICULARS	SCHEDULE	As on	As on
		31st March, 2006 Rs	31st March, 2005 Rs
SOURCE OF FUNDS :			
<u>Shareholders Fund:</u>			
Share Capital	1	581,000,000.00	418,146,000.00
Reserve & Surplus	2	49,195,299.75	38,496,247.83
		<u>630,195,299.75</u>	<u>456,642,247.83</u>
<u>Loans Fund:</u>			
Secured Loans	3	925,021,285.29	686,438,885.96
Unsecured Loans	4	21,064,145.00	289,218.00
Deferred Tax Liability		25,375,394.60	12,864,300.00
		<u>971,460,824.89</u>	<u>699,592,403.96</u>
		<u>1,601,656,124.64</u>	<u>1,156,234,651.79</u>
APPLICATION OF FUNDS:			
<u>Fixed Assets</u>			
Gross Block	5	887,290,649.35	287,373,501.39
Less : Depreciation		64,930,717.80	21,554,865.69
Net Block		<u>822,359,931.55</u>	<u>265,818,635.70</u>
Capital work in Progress		386,240,159.11	438,665,655.28
Total Fixed Assets		<u>1,208,600,090.66</u>	<u>704,484,290.98</u>
INVESTMENTS:	6	7,194,837.75	7,175,318.00
<u>Current Assets, Loans & Advances :</u>			
Inventories	7	140,843,005.57	119,955,718.33
Sundry Debtors	8	88,305,938.90	33,279,454.64
Cash & Bank Balances	9	66,385,155.71	162,923,371.83
Loans, Advances	10	186,687,499.62	197,819,078.53
		<u>482,221,599.80</u>	<u>513,977,623.33</u>
Less:			
<u>Current Liabilities & Provisions</u>			
Current Liabilities	11	100,410,939.33	65,194,225.52
Provision	12	5,867,042.74	4,894,405.00
		<u>106,277,982.07</u>	<u>70,088,630.52</u>
Net Current Assets		<u>375,943,617.73</u>	<u>443,888,992.81</u>
Miscellaneous Expenditure (To the extent not written off or adjusted)			
Preliminary Expenses		30,000.00	60,000.00
Share Issue Expenses		9,887,577.67	626,050.00
		<u>1,601,656,123.81</u>	<u>1,156,234,651.79</u>

Significant Accounting Policies
and Notes on Account

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The schedules referred to above form an integral part of the Balance Sheet
As per our report attached

For and on behalf of the Board

For JAISWAL KULDEEP & CO.
Chartered Accountants

Puranmal Agrawal
Chairman

Kuldeep Jaiswal
Proprietor
Membership No. 058033

Suresh Kumar Agrawal
Managing Director

Place: Kolkata
Date : 31.05.2006

Ashok Kumar Sarawagi
Company Secretary

MSP STEEL & POWER LIMITED
(Formerly Known as M/s MSP STEEL & POWER PRIVATE LIMITED)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

PARTICULARS	SCHEDULE	<u>As on</u>	
		31st March, 2006 Rs	31st March, 2005 Rs
<u>INCOME :</u>			
Sales	13	843,398,467.61	350,870,373.10
Other Incomes	14	10,992,365.42	969,545.00
Increase/(Decrease) in Stock	15	6,051,698.79	26,007,989.77
		860,442,531.82	377,847,907.87
<u>EXPENDITURE :</u>			
Material Consumed	16	659,307,868.75	261,296,578.13
Expenses	17	96,978,676.36	44,701,338.17
Interest & Finance Charges	18	34,724,866.05	11,436,012.74
Depreciation	5	43,375,852.12	19,956,255.00
		834,387,263.28	337,390,184.04
Profit before Tax		26,055,268.54	40,457,723.83
Provision For Taxation:			
Current Year		2,043,058.74	3,172,390.00
Deferred Tax		12,511,094.60	12,799,262.00
Fringe Benefit Tax		462,069.00	0.00
Profit After Tax		11,039,046.20	24,486,071.83
Income Tax for Earlier Years		339,995.00	0.00
Surplus from the Last Year		27,767,248.53	3,281,176.00
Balance carried to Balance Sheet		38,466,299.73	27,767,247.83
Earning Per Share - Basic		0.18	0.42
-Diluted		0.20	0.46
Number of shares used in Computation of Diluted EPS (Refer to Note 5 in Schedule 19)		53,754,019	53,754,019
Significant Accounting Policies and Notes on Account	19		

The schedules referred to above form an integral part of the Balance Sheet as per our report attached

For JAISWAL KULDEEP & CO.
Chartered Accountants

Kuldeep Jaiswal
Proprietor
Membership No.058033

Place: Kolkata
Date : 31.05.2006

For and on behalf of the Board

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Ashok Kumar Sarawagi
Company Secretary

MSP STEEL & POWER LIMITED
(Formerly Known as M/s MSP STEEL & POWER PRIVATE LIMITED)

Schedules forming part of the Balance sheet

	<u>As on</u> 31st March, 2006 Rs	<u>As on</u> 31st March, 2005 Rs
<u>SCHEDULE : 1</u>		
<u>SHARE CAPITAL:</u>		
<u>Authorised</u>		
6,00,00,000 Equity Shares of Rs. 10/- each (Previous Year 6,00,00,000 equity shares of Rs 10/- each)	600,000,000.00	600,000,000.00
<u>Issued, Subscribed & Paid-Up</u>		
5,81,00,000 Equity Shares of RS. 10/- each are fully paid up (Previous year 4,18,14,600 Equity Shares of Rs 10/- each)	581,000,000.00	418,146,000.00
	<u>581,000,000.00</u>	<u>418,146,000.00</u>

Of the Above

- a) 71,800 Equity shares of Rs 10/- each were allotted as fully paid up against adjustment of loan without payment being received in cash.
- b) 47,54,300 Equity share of Rs 10/- each were allotted as fully paid bonus shares by capitalization of Share premium Account.

SCHEDULE : 2

RESERVES & SURPLUS:

<u>Share Premium</u>	10,729,000.00	10,729,000.00
<u>Surplus :</u>		
Profit & Loss Account	38,466,299.73	27,767,247.83
	<u>49,195,299.73</u>	<u>38,496,247.83</u>

SCHEDULE : 3

SECURED LOANS :

Cash Credit from Indian Overseas Bank	16,957,694.00	0.00
Cash Credit from ING Vysya Bank	40,976,491.01	41,502,889.16
Cash Credit from UCO Bank	31,709,844.00	13,454,686.00
Cash Credit from State Bank of India (Entire cash credit are secured by way of pari passu first charge on entire current assets including raw materials, stock in process and finished goods and pari passu second charge on entire fixed assets of the company along with pari passu charge on fixed Assets of Rama Alloys Pvt Ltd as a collateral security)	88,082,272.78	800.39
Loan Against FD (UCO Bank)	6,850,000.00	0.00
Loan Against FD (Federal Bank) (Loan against FD is secured by the pledge of Fixed Deposit)	28,000,000.00	0.00
Term Loan from ING Vysya Bank	195,258,890.53	192,816,695.72
Term Loan from UCO Bank	143,653,084.00	112,616,597.00
Term Loan from Andhra Bank	88,252,738.00	91,479,705.00
Term Loan from Indian Overseas Bank	127,498,145.27	144,410,452.27
Term Loan from State Bank of India (Entire term loan are secured by way of pari passu first charge on entire fixed assets including land & building, plant and machinery and pari passu second charge on on entire current assets of the company along with pari passu charge on fixed assets of Rama Alloys Pvt Ltd as a collateral security)	149,202,077.43	79,523,255.43
Hire purchase loan from Banks (Against hypothecation of Assets financed)	8,580,048.27	10,633,804.99
	<u>925,021,285.29</u>	<u>686,438,885.96</u>

	As on 31st March, 2006 Rs	As on 31st March, 2005 Rs
SCHEDULE :4		
UNSECURED LOANS :		
Loans From Body Corporate	21,064,145.00	289,218.00
	21,064,145.00	289,218.00
SCHEDULE : 7		
INVENTORIES :		
(At Cost Or Net Realisable Value Whichever is Lower)		
Finished Goods	32,957,220.59	26,905,521.77
Trading Goods	30,872.00	30,872.00
Raw Material	100,144,902.99	93,019,324.56
Stores and spares	7,710,010.00	0.00
	140,843,005.58	119,955,718.33
SCHEDULE :8		
SUNDRY DEBTORS:		
(Unsecured and considered good)		
Debts Outstanding for a period of more Than six months	5,415,400.44	0.00
Others Debts	82,890,538.46	33,279,454.64
	88,305,938.90	33,279,454.64
SCHEDULE : 9		
Cash & Bank Balances:		
Cash in Hand (As Certified)	742,664.60	1,539,193.60
Balance with Scheduled Banks in Current Account	12,682,427.51	140,223,843.23
Fixed Deposits	52,960,063.60	21,160,335.00
(Out of which Rs.300000 lodged with Forest Department & Rs 40000 with Sales Tax Raigarh and Rs 38681261 pledged with banks for loans)	66,385,155.71	162,923,371.83
SCHEDULE: 10		
LOANS, ADVANCES & DEPOSIT:		
UNSECURED- CONSIDERED GOOD		
Advance recoverable in cash or in kind or for value to be received	516,737.00	11,149,499.00
Loan to Others:		
- Considered Good	232,360.00	228,692.00
- Considered Doubtful	30,811.67	30,811.67
Advance against Raw Material	82,309,095.21	56,972,822.65
Advance agst. Capital WIP	38,634,178.96	83,613,618.87
Others Advances	19,720,181.53	2,104,069.34
Advance Tax including TDS	4,612,220.96	4,545,020.00
Security Deposit	5,394,709.00	5,276,884.00
CENVAT & Service Tax Receivable(Net)	35,237,205.29	33,897,661.00
	186,687,499.62	197,819,078.53
SCHEDULE :11		
CURRENT LIABILITIES :		
Sundry Creditors (Refer to note no 2 in schedule 19)		
For Goods (Creditors includes Rs 4,12,41,992/- (P.Y Rs 3,02,95,760/-) for Capital goods)	71,777,015.81	49,919,276.57
For Expenses	20,931,170.80	10,002,337.00
For other liabilities	7,702,752.72	5,272,611.95
	100,410,939.33	65,194,225.52
SCHEDULE :12		
PROVISIONS		
Provisions for Taxation:		
Opening Balance	4,894,405.00	
Add: Prov. For the year	2,043,058.74	
Less: Adjustment during the year	(1,532,490.00)	
Fringe Benefit Tax	5,404,973.74	4,894,405.00
	462,069.00	
	5,867,042.74	4,894,405.00

MSP STEEL & POWER LIMITED
(Formerly Known as M/s MSP STEEL & POWER PRIVATE LIMITED)

Schedules forming Part Of Profit & Loss Account

	<u>As on</u> 31st March, 2006 Rs	<u>As on</u> 31st March, 2005 Rs
	<u>SCHEDULE : 13</u>	
<u>SALES:</u>		
(a) Gross Sales (Manufacturing):	972,505,543.50	391413913.10
Less : Excise Duty	130,031,054.00	44133076.00
Net Sales	842,474,489.50	347280837.10
(b) Sales (Trading) :	923,978.11	3589536.00
(Refer to Note 7 in Schedule 19)		
Total	843,398,467.61	350,870,373.10

SCHEDULE : 14

<u>OTHER INCOME:</u>		
Discount Received	90,932.56	65,319.00
Dividend Income	2,900.00	6,380.00
Interest	5,709,335.13	896,346.00
(T.D.S Rs.12,46,412/-, P.Y Rs.166342/-)		
Profit on Sale of Investment	2,165,395.73	0.00
Miscellaneous Income	3,023,802.00	1,500.00
Total	10,992,365.42	969,545.00

SCHEDULE :15

INCREASE/(DECREASE) IN STOCK:

FINISHED GOODS:

(Closing Stock)		
Katha & Cutch	804,917.00	804,917.00
Trading Goods	30,872.00	30,872.00
Finished and other by products	32,152,303.59	26,100,604.77
	32,988,092.59	26,936,393.77

Less:

(Opening Stock)		
Katha & Cutch	804,917.00	804,917.00
Trading Goods	30,872.00	123,487.00
Finished and other by products	26,100,604.80	0.00
	26,936,393.80	928,404.00

Increase / (Decrease) in Stock	6,051,698.79	26,007,989.77
--------------------------------	--------------	---------------

SCHEDULE:16

Material Consumed

a) Raw Material Consumed		
(Refer to note 7 of schedule 19)		
Opening Stock	93,019,324.65	1,483,101.00
Add: Purchases	665,565,947.09	349,574,785.69
	758,585,271.74	351,057,886.69
Less : Closing Stock	100,144,902.99	93,019,324.56
	658,440,368.75	258,038,562.13
b) Purchase of Trading Goods		
	867,500.00	3,258,016.00
	659,307,868.75	261,296,578.13

<u>As on</u> 31st March, 2006 Rs	<u>As on</u> 31st March, 2005 Rs
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SCHEDULE : 17

EXPENSES

Raw Material Handling Charges	9,718,944.00	2,578,126.00
Consumable Store & Spare Parts	11,572,302.84	2,755,747.98
Power & Fuel	21,523,499.00	17,790,127.00
Selling & Marketing Exp	1,196,805.00	1949301.72
Audit fees		
- Statutory Audit Fees	36,366.00	36,366.00
- Tax Audit Fees	18,734.00	18,734.00
- Others	0.00	11,020.00
Director Remuneration	600,000.00	600,000.00
Donation	0.00	26,000.00
Freight Inward	1,636,424.00	258,136.00
Filing Fees	12,400.00	15,459.80
Insurance	1,338,574.50	546,945.00
Office & Adm. Expenses	4,082,382.00	1,980,869.00
Printing, Postage & Telephone Expenses	1,139,529.64	415,471.00
Legal & Professional fees	1,259,407.00	92,646.00
Rent	721,661.00	476,954.00
Repairs & Maintenance- Building	202,568.00	900.00
- Plant & Machinery	2,165,632.00	1,870,500.00
- Others	397,666.00	213,649.00
Salary , Wages & Bonus	14,789,299.00	5,505,263.00
Contribution to Provident Fund	795,166.00	218,090.00
Staff Welfare	2,640,199.00	693,520.00
Rates, Taxes & Duties	12,360,534.00	4,003,443.00
Travelling & Conveyance	1,055,961.00	406,666.00
Vehicle Maintenance	4,204,114.00	1,946,230.00
Miscellaneous Expenses	1,742,882.22	260,473.40
Preliminary Expenses written off	1,684,860.00	30,000.00
Sundry Balances written off	82,766.16	700.27
Total	96,978,676.36	44,701,338.17

SCHEDULE : 18

INTEREST & FINANCE CHARGES

Bank Charges	1,377,393.29	118,317.00
Bank Interest	32,266,649.48	11,293,395.74
Other	1,080,823.28	24,300.00
	<u>34,724,866.05</u>	<u>11,436,012.74</u>

MSP STEEL & POWER LIMITED
(Formerly Known as MSP Steel & Power Private Limited)

Schedules forming part of the Balance sheet

SCHEDULE -6

In Shares of Joint Stock Companies :

Long Term

	Face Value	No. of Shares		Amount (in Rs.)	
		As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005
QUOTED Shares, FULLY PAID-UP :(A)					
Howrah Gases Ltd.	10.00	93,700	93,700	1,591,250.00	1,591,250.00
Ashirwad Steel & Ind. Ltd.	10.00	2,500	2,500	25,000.00	25,000.00
Nageshwar Investment Ltd.	10.00	11,000	11,000	60,953.75	60,953.75
Rudoday Security Ltd.	10.00	10,000	10,000	46,200.00	46,200.00
Indian Ovearseas Bank	10.00	2,900	2,900	69,600.00	69,600.00
Offshore Finvest Ltd.	10.00	0	15,700	-	157,314.00
IDFC Ltd	10.00	5,201	0	176,834.00	-
Total :		<u>125,301</u>	<u>135,800</u>	<u>1,969,837.75</u>	<u>1,950,317.75</u>
UNQUOTED Shares, FULLY PAID-UP :(B)					
MSP Metallics . Ltd.	10.00	20,000	20,000	200000.00	200000.00
MSP Properties (I) Pvt. Ltd.	10.00	7,500	7,500	75000.00	75000.00
MSP Sponge Iron Ltd.	10.00	188,000	188,000	2450000.00	2450000.00
MSP Steels Ltd.	10.00	250,000	250,000	2500000.00	2500000.00
Total :		<u>465,500</u>	<u>465,500</u>	<u>5225000.00</u>	<u>5225000.00</u>
TOTAL (A+B)		<u>590,801</u>	<u>601,300</u>	<u>7,194,838</u>	<u>7,175,318</u>
Market Value of Quoted Shares				<u>3,668,497</u>	6,888,574

MSP STEEL & POWER LIMITED
Formerly Known as M/s MSP Steel & Power Private Limited

SCHEDULE '5' OF FIXED ASSETS ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH 2006

Description	Gross Block				Depreciation				Net Block	
	Cost as on 01.04.2005	Addition During the year	Sales During the year	Total as on 31.03.2006	Upto 31.03.2005	Provided during the year	Adjustment due to Sale	Total as on 31.03.2006	As at 31.03.2006	As at 31.03.2005
LAND	5,818,473.00	6,074,003.00		11,892,476.00	-	-	-	-	11,892,476.00	5,818,473.00
FACTORY BUILDING	19,480,348.81	118,652,694.00		138,133,042.81	999,793.17	2,836,828.01	-	3,836,621.18	134,296,421.63	18,480,555.64
OTHER BUILDING	4,800,147.21	529,080.00		5,329,227.21	157,584.03	234,332.66	-	391,916.69	4,937,310.52	4,642,563.18
PLANT & MACHINERY	242,155,240.57	469,495,487.40		711,650,727.97	17,595,805.35	36,678,452.63	-	54,274,257.98	657,376,469.99	224,559,435.22
VEHICLES	14,056,545.00	4,020,566.56		18,077,111.56	2,714,274.59	3,432,427.38	-	6,146,701.97	11,930,409.59	11,342,270.41
FURNITURES & FIXTURES	1,062,746.80	1,145,317.00		2,208,063.80	87,408.56	193,811.42	-	281,219.98	1,926,843.82	975,338.24
TOTAL	287,373,501.39	599,917,147.96		887,290,649.35	21,554,865.70	43,375,852.10	0.00	64,930,717.80	822,359,931.55	265,818,635.69
Previous year :	2,566,783.39	284,806,718.00	-	287,373,501.39	1,598,610.69	19,956,255.00	-	21,554,865.69	265,818,635.70	968,172.70

MSP STEEL & POWER LIMITED
(Formerly Known as M/s MSP STEEL & POWER PRIVATE LIMITED)

ANNEXURE TO THE NOTES ON ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH,2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFIT

I. Registration Details

Registration No.	27399 of 1968	State Code	21
Balance Sheet Date	31	01	06

II. Capital Raised During the year(Amount in Rs. Thousands)

Public Issue	Right Issue	Bonus Issue	Private Placement
160000	NIL	NIL	2854

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
1,601,656	1,601,656

Sources of Funds

Paid-up Capital	Reserves & Surplus	Secured Loans	Un-Secured Loans
581000	49195	925021	21064
Deferred Tax			
25375			

Application of Funds

Net Fixed Assets	Investments	Net Current Assets	Misc. Expenditure
1208600	7195	375944	9918

Accumulated Losses

NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure	Profit/Loss before Tax
854391	828336	26055
Profit/Loss After Tax	Earning per Share in Rs.	Dividend
11,039.05	0.18	NIL

**V. Generic Names of Three Principal Products/Services of the Company
(As per monetary terms)**

Item Code No.
(ITC Code)

140490.07

Product

:Katha

Item Code No.
(ITC Code)

720310.00

Item Code No.
(ITC Code)

720610.09

Item Code No.
(ITC Code)

Sponge Iron

Item Code No.
(ITC Code)

Ingots

For, JAISWAL KULDEEP & CO.
Chartered Accountants

For and on behalf of the Board

(Kuldeep Jaiswal)
Proprietor
Membership No. 058033

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Place : Kolkata
Dated: 31.05.2006

Ashok Kumar Sarawagi
Company Secretary

Schedules forming part of the Accounts

SCHEDULE - 19

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES:

A) CONVENTION

The financial statements have been prepared in accordance with the applicable accounting Standards in India and presentation requirements of the Companies Act 1956 of India.

B) BASIS OF ACCOUNTING:

The Company prepares its accounts under historical cost convention and on accrual basis, except other wise stated, in accordance with the Generally Accepted Accounting Principles in India.

C) REVENUE RECOGNITION:

Revenue from sales of goods is recognised on passage of title to the customers, which generally coincides with delivery. Refunds of excise and other levies/taxes, and Insurance Claim are accounted for on acceptance / actual receipt basis.

D) FIXED ASSETS AND CAPITAL WORK –IN- PROGRESS :

Fixed Assets are stated at cost less accumulated depreciation. The cost of an asset comprises the original cost of acquisition (net of cenvat) and includes taxes, duties etc, freight and other expenses relating to the acquisition/ construction, erection, installation, & commissioning. Expenditure for addition, improvement and renewal are capitalized and expenditure for maintenance and repairs are charged to the Profit & Loss Account. Finance Charges relating to acquisition of fixed assets are also capitalised to the extent they relate to the period till such assets are ready to be put to use.

Capital work-in progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use at the balance sheet.

E) DEPRECIATION :

Depreciation on fixed assets has been provided for on the basis of written down value method at the rates and in the manner prescribed under Schedule XIV (as amended) of the Companies Act, 1956. Depreciation on fixed assets added during the year is provided on Pro-rata basis with reference to the date of commissioning/ addition.

F) INVESTMENTS:

Investments are valued at cost and provision is made when there is a fall other than temporary in valuation of investments.

G) VALUATION OF INVENTORIES

Inventories are valued at lower of cost or net realizable value. Cost is determined on weighted average basis and includes expenditure incurred in the normal course of business in bringing such inventories to its location including appropriate overheads, wherever applicable. Stores & Spares are valued at cost. Obsolete, slow moving and defective inventories are identified at the time of physical verification and wherever, necessary provision is made for such inventories.

H) EXCISE DUTY

Cenvat credit on input is adjusted with the cost of material. Cenvat credit on purchases of Capital goods is reduced from the cost of such assets and no depreciation is charged thereon.

I) BORROWING COST

Borrowing Cost attributable to acquisition of fixed assets are also capitalised to the extent they relate to the period till such assets are ready to be put to use. All other borrowing costs are charged to revenue.

J) RETIREMENT BENEFITS

Company's Contributions to Provident Fund are charged to Profit & Loss Account.

K) FOREIGN CURRENCY TRANSACTION

Foreign currency transactions have been accounted on the basis of actual transaction value.

L) MISCELLANEOUS EXPENDITURE :

Preliminary expenditure including share issue expenses are being amortised over a period of 5 years.

M) SALES:

Gross Sales are inclusive of Excise Duty and Sales Tax, wherever applicable.

N) INCOME TAX:

Tax on income for the current period is determined on the basis of taxable income and tax rates in accordance with the provisions of Income Tax Act, 1961.

Provision for Deferred tax is recognized on the timing difference between the accounting income and the taxable income for the year based on applicable tax rates and laws on the Balance sheet date.

Provision for Fringe Benefit Tax is made in accordance with chapter XII-H of Income Tax Act, 1961.

O) CONTINGENCIES

Loss contingencies are recorded when it is ascertained that the liability has been incurred and the amount could reasonable be estimated.

2. In view of inadequacy of information received from suppliers information required to be disclosed regarding small scale and ancilliary industries could not be furnished in these accounts.

3. CONTINGENT LIABILITIES NOT PROVIDED FOR

	CURRENT YEAR (Rs in Lakhs)	PREVIOUS YEAR (Rs in Lakhs)
a) Bank Guarantee Outstanding (Against which Fixed Deposit receipt has been provided to forest Department)	3.00	3.00
b) Contracts remaining to be executed on capital Accounts contingencies(Net of advances)	3476.62	3550.52

4. Deferred Taxes

Deferred tax provision has been made in the Accounts in accordance with the requirements of Accounting Standards on "Taxes on Income" (AS 22). The major components of the deferred tax assets/(liabilities) based on the tax effect of timing differences are as under:

	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
Book Value of Fixed Assets as per Company's Act	822359932.00	265818635.70
Book Value of Fixed Assets as per Income Tax Act	746972544.00	227600260.80
Timing differences:	75387387.00	38218374.85
Deferred Tax Assets/(Liability)	(25375395.00)	(12864300)

5. Calculation of Basic and Diluted Earning Per Share

	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
A Profit After Tax (Rs)	10699051.20	24486071.83
B Number of shares outstanding as on 31.03.2006	58100000	58100000
C Weighted number of shares outstanding	53754019	53754019
D Earning Per Share (Face Value of Rs. 10/- per share):		
Basic A/B (Rs)	0.18	0.42
Dilute A/C (Rs)	0.20	0.46

6. Detail of Capacity & Production :

ITEMS	UNITS	LICENCED CAPACITY	INSTALLED CAPACITY	PRODUCTION
Sponge	MT.	N.A	192000	75777.00
MS Ingot	MT.	N.A	95109	10638.04

7. QUANTITATIVE INFORMATION PURSUANT TO PARA 3 & 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956 :

Rs. In Lacs

PARTICULARS	OPENING BALANCE		PURCHASES / PRODUCTION		CONSUMPTION / SALES		CLOSING BALANCE	
	QTY (IN MT)	AMT	QTY (IN MT)	AMT	QTY (IN MT)	AMT	QTY (IN MT)	AMT

A. RAW MATERIAL :

Coal	25036.27	326.61	177961.84	2269.02	159344.85	2037.46	43653.26	558.17
	(280.91)	(4.02)	(103834.14)	(1150.26)	(79078.78)	(827.61)	(25036.27)	(326.61)
Iron Ore	21765.00	600.94	125769.86	4008.68	137819.28	4255.44	11470.64	354.17
	(529.79)	(10.72)	(78227.36)	(2355.21)	(56992.15)	(1764.99)	(21765.00)	(600.94)
Dolomite	488.46	2.65	2221.27	14.53	2231.24	14.15	478.49	3.03
	(14.68)	(0.09)	(1408.06)	(7.62)	(934.28)	(5.06)	(488.46)	(2.65)
Pig Iron	-	-	2411.52	290.56	1971.01	237.23	440.51	53.33
Ferrous Materials	-	-	-	72.86	-	40.13	-	32.73

B. TRADING GOODS

Oxygen Gas Cylinders(Nos)	257.00	0.30	-	-	-	-	257.00	0.30
	(257.00)	(0.30)	-	-	-	-	(257.00)	(0.30)
Tor Steel	-	-	37.80	8.67	37.80	9.24	-	-
	(4.485)	(0.93)	(149.01)	(32.58)	(153.50)	(35.89)	-	-

C. FINISHED GOOD

Katha	7.19	7.47	-	-	-	-	7.19	7.47
	(7.19)	(7.47)	-	-	-	-	(7.19)	(7.47)
Cutch	3.06	0.58	-	-	-	-	3.06	0.58
	(3.06)	(0.58)	-	-	-	-	(3.06)	(0.58)
Sponge Iron	2777.35	261.00	75777.00	13320.43	77471.05	6486.48	1083.30	103.21
	-	-	(34304)	(3223.51)	(31526.65)	(3472.80)	(2777.35)	(261.00)

MS Ingot	-	-	10638.046	1361.41	10179.74	1480.99	458.30	61.89
	-	-	-	-	-	-	-	-

- Note: - 1. Purchase value of Raw Material includes Cost of Transportation. Consumption includes shortages. Figures in bracket pertains to previous year.
2. Closing Stock valuation of Finished Goods has been done as per AS – 2 and includes depreciation.
3. Consumption of Sponge iron includes 10724MT transfer to Ingot division.

8. Foreign Currency Transaction:

C.I.F. Value of imports –Rs 69.71 Lacs Previous Year: Rs 103.97Lacs)

9. Segment Information

The Company's business activity primarily falls within a single reportable segment i.e Iron & steel products which are subject to similar risk and returns. However the company has its own power plant, power generated from which is internally consumed for production and therefore no segmental reporting is required. The company does not have any geographical segment. Hence, there is no separate segment report which is in conformity with the Accounting Standard-17 of the The Institute of Chartered Accountants of India.

10. Related Party Transactions

- A. List of related parties over which control of the company exists- None
B. Name of the related parties with whom the transactions were carried out during the year.

Names of the Related Parties	Relationship
Howrah Gases Limited	Associates
Lariago Investments Private Limited	Associates
MSP Sponge Iron Ltd.	Associates
MSP Steel Ltd.	Associates
Puranmal Agrawal	Key Managerial Person
Suresh Agrawal	Key Managerial Person
Manish Agrawal	Key Managerial Person
Saket Agrawal	Key Managerial Person
Kisturi Devi Agrawal	Relative of KMP
Kiran Agrawal	Relative of KMP
Nisha Agrawal	Relative of KMP

C. Transaction during the year with related parties

(Amt. In Lacs)

Nature of Transaction	Associates	KMP	Relative of KMP	Total
Sale	3.18	-	-	3.18
Purchases	817.48	-	-	817.48
Rent	0.18	0.96	1.08	2.22
Renumeration	-	6.00	-	6.00
Interest	0.13	-	-	0.13

D. Closing Balance as on 31.03.2006

(Amt. In Lacs)

Relationship	Balance as on 31.03.06
Lariago Investments Private Limited-Loan	2.32 Dr
Howrah Gases Limited –Sundry creditor	4.74 Cr
MSP Sponge Iron Ltd.- Sundry creditor	33.84 Cr
MSP Steel Ltd. Sundry debtors(Net of Creditors)	1.16 Dr

- 11.** No Provision has been made against a loan of Rs.30,812/- (Previous Year Rs.30812/- including interest of Rs. 5812/-) considered as doubtful of realisation.
- 12.** Interest amounting to Rs.6,77,762/- on the above loan of Rs.-25,000/- (on which interest of Rs.5812/- accrued upto 1978-79) has not been provided as it is considered doubtful and suit of recovery of loan along with interest has been filed.
- 13.** Previous year's figures has been re-grouped and re- classified/re-arranged where ever necessary to confirm to current year's classification.

Signature to Schedule 1 to 19

In terms of our report of even date annexed

For JAISWAL KULDEEP & CO.
Chartered Accountants

For and on behalf of the Board

(Kuldeep Jaiswal)
Proprietor
Membership No.058033

Puranmal Agrawal
Chairman

Suresh Kumar Agrawal
Managing Director

Ashok Kr. Sarawagi
Company Secretary

Place : Kolkata
Date : 31.05.06