

NOTICE TO MEMBERS

Notice is hereby given that the Thirty Second Annual General Meeting of members of the Company will be held at 73/A, Central Avenue, Nagpur-440 018 on Friday, the 30th September, 2005 at 4.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To consider declaration of dividend on equity shares.
3. To appoint a Director in the place of Mr. G.K. Chhanghani, who retires from office by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in the place of Mr. G.D. Mundra, who retires from office by rotation and being eligible offers himself for re-appointment.
5. To appoint auditor and fix his remuneration.

SPECIAL BUSINESS

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

"RESOLVED that pursuant to Sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any amendment to or enactment thereof) and also subject to the approval of statutory authorities, if any, as may be required and subject to such alterations and modifications, if any, that may be effected by the above authorities in that behalf and which the Board of Directors is hereby authorised to accept, consent of the Company be and is hereby accorded for the appointment of Mr. Kamal Kishore Sarda, as Chairman & Managing Director, for a period of 5 years w.e.f. 1st April, 2005, not retiring by rotation, upon the terms and conditions as to remuneration and otherwise as set out in the Explanatory Statement attached to this notice and that the Board of Directors be and are hereby authorised to alter and vary such terms and conditions in accordance with the laws in force from time to time as may be agreed to by the Board of Directors and Mr. Kamal Kishore Sarda.

RESOLVED FURTHER that where in any financial year during the currency of the term of office, the Company has no profits or its profits are inadequate it may pay to Mr. Kamal Kishore Sarda remuneration by way of salary and perquisites as specified above.

RESOLVED FURTHER that for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to take all such actions and give all such directions, or do all such acts, deeds, matters and things as may be necessary in this regard and further to execute all such deeds, documents and writings as may be necessary in this regard."

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and all other applicable provisions of the Companies Act, 1956, if any, approval of the members of the company be and is hereby accorded to the revision in the remuneration of Mr. G.K. Chhanghani, Executive Director of the Company, w.e.f. 1st April, 2005 for the remainder of his tenure on the terms and conditions as given hereunder:

Salary : Rs.60,000/- in the scale of Rs.50,000/- p.m. – Rs.1,50,000/- p.m., revised from the existing scale of Rs.25,000/- p.m. – Rs.75,000/- p.m. (with proportionate increase in the value of benefits related to salary) with all other terms of the remuneration remaining unaltered, with authority to the Board of Directors / Remuneration Committee to fix his salary from time to time, within the scale mentioned above. The increments will be merit based and will take into account the company's performance.

Performance Incentive: Based on the previous year's performance of the company such amount and in such form & manner as may be approved by the Board of Directors / Remuneration Committee subject to a maximum of Rs.12,00,000/ p.a."

8. To consider and if thought fit to pass, with or without modification, the following resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 314 (1B) and all other applicable provisions, if any, of the Companies Act, 1956 consent of the members of the company be and is hereby accorded to the appointment of Dr. K.K. Rath, for looking after the medical requirements of the persons working at the company's mines & the villagers living in the areas near the company's mines at Dongarbore and to maintain a mobile hospital van for the purpose at a remuneration of Rs.1,500/- (rupees one thousand five hundred only) per day of visit."

By Order of the Board

P.K. Jain
Company Secretary

Place: Mumbai
Dated: 13.06.2005

Raipur Alloys & Steel Limited

Notes

1. The relevant explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of item nos. 6 to 8 of the notice set out above is annexed hereto.
2. **A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.**
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 16th July, 2005 to Saturday, 23rd July, 2005 (both days inclusive).
4. The dividend, if declared, will be paid to those members whose name appear on Company's register of members on 23rd July, 2005, after giving effect to all valid share transfers lodged with the Company on or before Saturday, 16th July, 2005. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership details furnished by National Securities Depositories Limited (NSDL) and Central Depositories Services (India) Limited (CDSL) as at the end of business on Saturday, the 16th July, 2005.
5. Members are requested to take note that dividends which remain unclaimed / un-encashed over a period of 7 years have to be transferred by the Company to the Investors Education & Protection Fund constituted by the Central Government under Sections 205A and 205C of the Companies Act, 1956. Members who have not yet encashed their dividend warrants for the financial year ended 2003-04 are requested to make their claims to the company without any delay, because once the unpaid dividend is transferred to Investors Education & Protection Fund, the members shall not be able to register their claim in respect of their unencashed dividends.
6. Members holding physical shares are advised to forward the particulars of their bank account, name, branch and address of the bank immediately, if not sent already, so as to enable us to incorporate the same on dividend warrants and investors holding shares in electronic form may please note that the bank details as furnished by the respective depositories to the company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the company will not entertain any direct request from such members for deletion / change in such bank details.
7. As mandated by SEBI, the company is providing Electronic Clearing System (ECS) to ensure faster and safe remittance of dividend than customary cheque mode in the RBI notified centers. Members desirous of availing Electronic Clearing System (ECS) may return the format attached with the annual report accurately filled in and signed. A photocopy of a leaf of your cheque book bearing your bank account number may also be sent along with the Mandate Form to the Registrar and Share Transfer Agent. In absence of availing of this option by the members, the company shall send warrants for disbursing dividend.
8. All requests received from Members for change of address will be entertained only when shareholders' signatures on the letter intimating change of address tally with the specimen signatures recorded with the Company. While notifying change in address please ensure that the address is complete and the pin code number is clearly mentioned. Incorrect / incomplete address may lead to non-delivery of documents /communications sent to you from the Company.
9. Members holding shares in physical form can avail of the nomination facility by filing form 2 B (in duplicate) as prescribed under the Companies (Central Government's) General Rules and Forms, either with the Registrar & Transfer Agents or with the Company. In case of demat holding, the nomination has to be lodged with members' Depository Participants.
10. Members are requested to quote Folio Numbers in all correspondence. Members holding shares in identical order of names in more than one folio are requested to write to Company to consolidate their holding in one folio.
11. Shareholders intending to require information about accounts to be explained at the meeting are requested to furnish the queries to the Company at least 10 (Ten) days in advance of the Annual General Meeting.
12. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the meeting.

Explanatory Statement as required by Section 173 (2) of the Companies Act, 1956

Item No. 6

Mr. K.K. Sarma was appointed as Chairman & Managing Director of the company for a period of 5 years w.e.f. 1st April, 2000. His present term expired on 31st March, 2005 and in view of his unstinted efforts and contribution in the growth and improved performance of the company the Board of Directors of the Company has, in its meeting held on 20th January, 2005, reappointed him as Chairman & Managing Director of the company for a period of 5 years w.e.f. 1st April, 2005, subject to the consent of the members on the following terms and conditions:

- Salary** : Rs.2,00,000/- per month (in the scale of Rs.1,50,000 /- -Rs.7,50,000/-) The increment will be merit based and take into account the Company's performance.
- Perquisites** : Within the overall ceiling of 100% of the annual salary, Mr. Kamal Kishore Sarma will be entitled to such perquisites in such form and manner as the Remuneration Committee / Board of Directors of the company may decide, including but not restricted to the following:
- a) Furnished accommodation with expenditure on gas, electricity, water and maintenance and repair thereof, **or**
House Rent Allowance and House Maintenance Allowance with expenditure on gas, electricity, water and furnishings.
 - b) Leave Travel Allowance for self and family
 - c) Medical expenses and medical insurance for self and family
 - d) Personal Accident Insurance
 - e) Club Fees and such other perquisites and allowance in accordance with the Rules of the Company or as may be agreed by the Remuneration Committee / Board of Directors.
- For the purpose of calculating the ceiling of 100% as mentioned above, perquisites shall be evaluated as per the Income Tax Rules, 1962, wherever applicable, and in the absence of any such Rules, perquisites shall be evaluated at actual cost.
- Provision for use of Company's car and telephone at residence (including payment of local calls and long distance official calls) shall not be included in the computation of perquisites for the purposes of calculating such ceiling.

Company's contribution to Provident Fund and Superannuation or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961, Gratuity payable, and encashment of leave at the end of the tenure shall not be included in the computation of limits for remuneration or perquisites as aforesaid.

Note- 'Family' for the purpose shall mean the spouse, the dependent children and the dependent parents of Mr. Kamal Kishore Sarma.

- Commission** : Such sum by way of commission, in addition to salary, perquisites and allowances payable, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Remuneration Committee / Board of Directors of the Company at the end of each financial year, subject to the overall ceiling stipulated in section 198 and 309 of the Companies Act, 1956.
- Minimum Remuneration** : Notwithstanding the above, where in any financial year during the currency of term of office of Mr. Kamal Kishore Sarma, the Company has made no profits or its profits are inadequate, the Company shall pay salary and perquisites and allowances (except commission) as specified above to Mr. Kamal Kishore Sarma.
- Compensation for loss of office** : In the event of loss of office of the Chairman & Managing Director, he shall be paid compensation in the manner and to the extent permissible under the provisions of Section 318 of the Companies Act, 1956.

Mr. Kamal Kishore Sarma, subject to the superintendence, control and direction of the Board of Directors, as a Managing Director, is entrusted with all the powers of the management vested in the Board, which are not specifically required by the law to be exercised by the Company in its general meeting or by the Board of Directors or committee thereof.

In terms of Article 109 of the Articles of Association of the Company, Mr. Kamal Kishore Sarma shall not be subject to retirement by rotation during his tenure as Chairman & Managing Director.

Mr. Kamal Kishore Sarma is B.E. (Mech.) He has more than three decades of industrial experience and had a brilliant track record. He has also completed course on Strategic Management from IIM, Ahmedabad. He is the Chairman of Confederation of Indian Industries Chhattisgarh Chapter.

The Directors recommend the resolution for adoption by the members.

None of the Directors except Mr. K.K. Sarma is interested in the resolution.

The particulars set out above may be treated as an abstract of the agreement between Mr. Kamal Kishore Sarma, Chairman & Managing Director and the Company pursuant to Section 302 (2) of the Companies Act, 1956.

Item No. 7

Mr. G.K. Chhanghani was appointed as Executive Director of the company for a period of 5 years w.e.f. 25th November, 2002 in the scale of Rs.25,000/- p.m. – Rs.75,000/- p.m. He is also entitled to the allowable perquisites and commission based on the profits of the company. Mr. G.K. Chhanghani has contributed a lot in the growth and development of the company.

During the financial year 2004-05 the company has performed well and has registered an impressive growth. Keeping in view the unstinted efforts of Mr. G.K. Chhanghani and improved performance of the company, the Remuneration Committee of the company has approved the increase in the remuneration terms of Mr. G.K. Chhanghani w.e.f. 1st April, 2005, as given hereunder for the remainder of his tenure subject to the approval of the members.

Salary : Rs.60,000/- in the scale of Rs.50,000/- p.m. – Rs.1,50,000/- p.m., as revised from the existing scale of Rs.25,000/- p.m. – Rs.75,000/- p.m. (with proportionate increase in the value of benefits related to salary) with all other terms of the remuneration remaining unaltered, with further authority to the Board of Directors / Remuneration Committee to fix his salary from time to time, within the scale mentioned above based on the performance of the company.

Performance Incentive: The Remuneration Committee has also approved the payment of Performance Incentive to Mr. G.K. Chhanghani subject to a maximum of Rs.12,00,000/- p.a. which will depend upon the financial performance of the company. For the year 2005-06, the remuneration committee has approved a sum of Rs.3.60 lakhs as performance incentive to be paid to Mr. G.K. Chhanghani.

The Directors recommend the resolution for adoption by the members.

None of the Directors except Mr. G.K. Chhanghani is interested in the resolution.

The particulars set out above may be treated as an abstract of the agreement between Mr. G.K. Chhanghani, Executive Director and the Company pursuant to Section 302 (2) of the Companies Act, 1956.

Item No.8

The Company is conscious of its social obligations and as part of it the Company has made arrangements to provide for the health of the persons working at the company's mines in Dongarbare and also for nearby villagers and for maintaining a mobile hospital van. The company has, pursuant to the approval granted by the Board of Directors of the Company in their meeting held on 29th October, 2004, appointed Dr. K.K. Rathi, a relative of Mr. K.K. Sarma, for the purpose of providing the medical care / facilities to the persons working at the company's mines & villagers living in the areas near the company's mines at Dongarbare and also to maintain a mobile hospital van.

Since the position carries a monthly remuneration exceeding Rs.10,000/- p.m. & Dr. Rathi is relative of Mr. K.K. Sarma, the approval of members of the Company by way of Special Resolution for the appointment of Dr. Rathi is required and hence the resolution.

The Directors recommend the resolution for adoption by the members.

None of the directors except Mr. Kamal Kishore Sarma is interested in the resolution.

By Order of the Board

P.K. Jain

Company Secretary

Place : Mumbai

Dated: 13.06.2005

DIRECTORS' REPORT TO THE MEMBERS

Your Directors take pleasure in presenting the Thirty Second Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2005.

FINANCIAL RESULTS

	2004-05	2003-04
Turnover	24227	12857
Gross Profit	3625	1624
Interest	247	34
Depreciation	427	345
Profit before tax for the year	2951	1245
Add: Prior period adjustment	—	1543
	2951	2788
Less: Provision for current taxation	845	375
Less: Deferred Tax Liability / (Asset)	319	(262)
Add: Tax provision for earlier years written back	26	—
	1813	2675
<u>Appropriations:</u>		
Transfer to General Reserve	350	350
Dividend (including tax on dividend)	447	369
Adjusted against Brought Forward losses	—	353
Balance carried over to next year	1016	1603

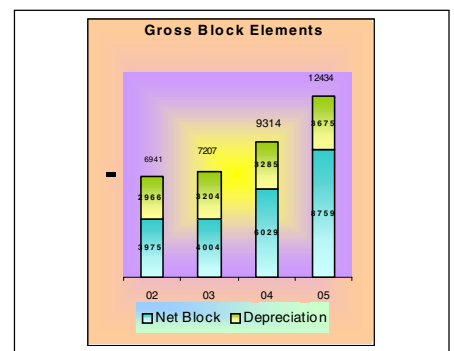
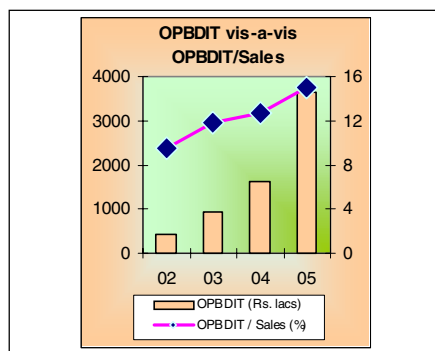
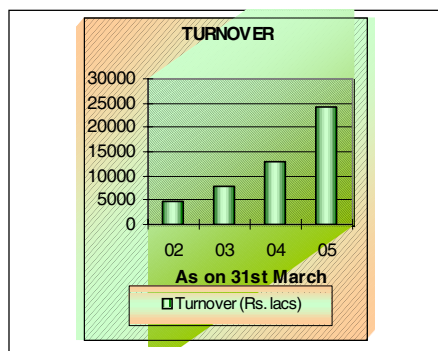
(Rs. in lakhs)

DIVIDEND

Your Directors are pleased to recommend a dividend @ 30% for your consideration, which, if approved at the ensuing Annual General Meeting will be paid as per applicable provisions of law.

OPERATIONS

Members are requested to refer to the Management Discussion and Analysis forming part of this Annual Report.



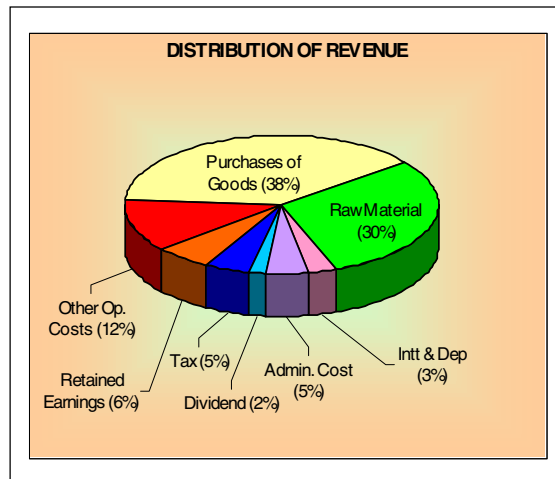
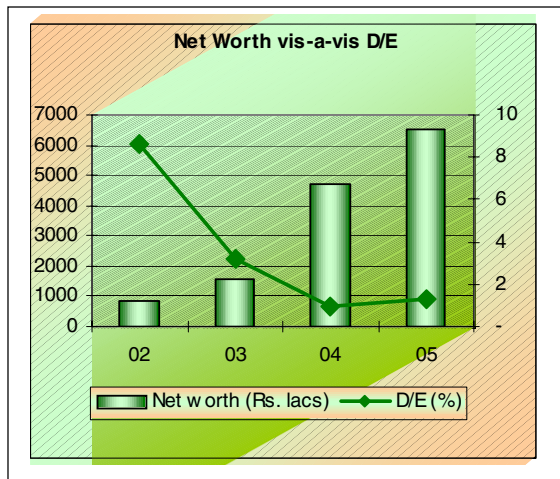
EXPORTS

The company is looking forward to enter into the international market and a beginning has been made during the year under review. During the year 2004-05, the Company has exported 17000 MTs of Iron Ore fines through agents for Rs.153.15 lakhs. The company is exploring the possibilities of direct exports.

FINANCE

During the year, the Company replaced undisbursed portion of its high cost debts and has also renegotiated interest rates for term loans already disbursed which will save about rupees one crore every year. Working capital limits were also increased to meet the requirement of expanded capacity of the Sponge Iron Project. The Company also got CARE Rating of A for its medium term debt raising programme upto Rs.50 crores, but the Company did not place any paper in the market. The Company plans to raise funds during the current year after fresh Rating.

Unsecured loans were raised from promoter companies for development of iron ore mines.



ISO 9001:2000 CERTIFICATION

The members of the Company would be pleased to know that the Sponge Iron and Steel Manufacturing facilities of the company are now **ISO 9001:2000** certified from **ABS Evaluations Inc**. The ISO Certification of these processes shows the quality consciousness of the company.

PATENT

The Company is marketing TMT bars under its registered trademark "**Hytech**" which has got tremendous response from large corporate sector due to its quality. The Company has also got Patent for its **Special Design Steel Bar** that is registered in class **25-99 at design no.198260**. The patent is valid for an initial period of 10 years and may be extended for a further period of five years.



Front view of design of Steel Bar



Rear View of the design of Steel Bar

EXPANSION AND FUTURE PLANS

The project to increase capacity of Sponge Iron manufacturing from 60,000 TPA to 2,10,000 TPA with Waste Heat Recovery facility, was completed during the year. The Company is taking steps add one more Sponge Iron Kiln to increase the capacity from 2,10,000 TPA to 3,60,000 TPA.

The Company has embarked on expansion of steel making capacity from 40,000 TPA to 2,40,000 TPA which is expected to be completed by March 2006. Orders for major equipments have been placed.

It is also proposed to merge M/s. Chhattisgarh Electricity Company Ltd. (CECL) and Raipur Gases Pvt. Ltd. (RGPL) with the Company. CECL is in the business of Power & Ferro Alloys. Company's present power requirement is met by CECL. RGPL was supplying oxygen to EAF steel plant of the Company, as an auxiliary unit. Various agencies have been appointed for examination & evaluation of merger. The merger will provide momentum to growth of the Company and also major benefits of synergies & size. Feasibility study is being done for further expansion / diversification.

Raipur Alloys & Steel Limited

MINES

The work on development of iron ore mines is going on. During the year under review the Company produced 15548 MT of Ore which is expected to increase multifold during current year.

The Company has got mining lease over an area of 336 hectares for mining of coal for captive use. The process of acquisition of land is progressing well. The work on development of mines will be started immediately after land acquisition.

AWARDS

The mines division of your Company has been bestowed with the following awards by Indian Bureau of Mines, Nagpur region: -

- | | | |
|--|---|---------------|
| (i) Afforestation in the mine area | - | First Prize. |
| (ii) Aesthetic Beauty | - | First Prize. |
| (iii) Management of Mineral and Sub grade Mine | - | First Prize. |
| (iv) Top soil management | - | Second Prize. |
| (vi) Publicity Propaganda | - | Second Prize. |
| (vii) Over all performance | - | First Prize. |

The Mines Division has also been awarded the following prizes in the Safety Week Observance Celebration organized by Directorate General of Mines Safety, Bilaspur region.

- | | | |
|-------------------------------|---|---------------|
| (i) Injury rate Performance | - | First Prize. |
| (ii) Publicity and Propaganda | - | Second Prize. |

These awards are the proof of our commitment as Safety and Environment conscious organization in the region.

FIXED DEPOSITS

The Company has not accepted any Fixed Deposits within the meaning of Section 58 A of the Companies Act, 1956 and the rules made thereunder during the period under review.

INDUSTRIAL RELATIONS

The company believes people to be the only factor responsible for providing competitive advantage. Human resources are continuously harnessed and people are helped to unleash their maximum potential. The Company has recognised the importance of "people power" and has been taking various activities in the direction of improving the effectiveness of the employees at all levels. Various training programs / learning sessions are organized for the development of the employees of the Company. The overall industrial relations of the Company were cordial throughout the year.

ENVIRONMENTAL PROTECTION AND POLLUTION CONTROL

Company is not only committed to sustainable economic growth but is also cautious towards protecting environment by relentlessly pursuing the development of cleaner production processes that reduce pollution levels. To keep the atmosphere clean, hi-tech Electrostatic Precipitators (ESP) has been installed. Water sprinkling arrangements have been made at different plant locations, to prevent the dust from going into the environment. Extensive plantation has been done in and around the plant premises of the Company and also at the mining site to ensure the maintenance of the environmental purity. Tree plantation helps in reducing pollution and helps in purifying the air.

CORPORATE SOCIAL RESPONSIBILITY

Company being a corporate citizen has the responsibility of contributing to the welfare of the society in which it operates. The company organises various awareness programmes for its employees and the nearby villagers to ensure a better, sustainable way of life for the weaker sections of society. The company has contributed to various trusts engaged in arranging / providing education to the students and has also arranged for the health facilities for the workers at the mining site and also for the villagers residing near the mining site of the Company. The company has also sponsored a tennis player to meet his training expenses. The Company continues to provide aid to 60 single teacher schools and has also sponsored various functions organized by the villagers in and around the plant area and also at the mining site of the company.

DIRECTORS

Mr. G.K. Chhanghani and Mr. G.D. Mundra, Directors of the Company, retire by rotation and being eligible, offer themselves for re-election. The brief Resume / details of Directors who are to be reappointed are given in the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, your directors state as under: -

- i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation.
- ii) that 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 affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the directors have prepared the Annual Accounts on a going concern basis.

AUDITOR

Mr. M. M. Jain, Chartered Accountant, auditor of the Company holds office till the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received a letter from Mr. M. M. Jain, Chartered Accountant to the effect that his appointment as auditor, if made, would be within the limits u/s 224 (1-B) of the Companies Act, 1956.

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

The statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure 'A' which forms part of this Report.

PARTICULARS OF EMPLOYEES

The particulars of employees, as required under Section 217 (2A) read with the Companies (Particulars of Employees) Rules, 1975 are given as annexure to this report.

CORPORATE GOVERNANCE

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

ACKNOWLEDGEMENTS

Your Directors express their thanks and record appreciation for the co-operation they received from various Government authorities, financial institutions, bankers, suppliers and customers of the company. The Directors place on record their sincere appreciation for the devoted services rendered by the employees at all levels of the Company and look forward to their continued co-operation.

On Behalf of Board of Directors,

Place : Mumbai
Dated : 13th June, 2005

(K.K. Sarda)
Chairman & Managing Director

Annexure 'A' to the Directors' Report

Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY :

- | | | |
|--|---|--|
| a) Energy conservation measures taken | : | i) Trials conducted for utilisation of solid wastes collected from dedusting system. About 50% of such solid wastes could be utilized for the generation of steam. |
| | | ii) Optimisation of the process for effective utilisation of coal |
| b) Additional Investment and proposals if any, being implemented for reduction of consumption of energy. | : | NIL |
| c) Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods. | : | NIL |
| d) Total energy consumption and energy consumption per unit of production in Prescribed Form 'A'. | : | As per Form "A" attached |

B. TECHNOLOGY ABSORPTION

Research & Development

- | | | |
|---|---|---|
| 1. Specific areas in which R & D carried out by the Company | : | i) The size of injection coal for effective utilization of coal has been finalized. |
| | | ii) Trials are being conducted for operating the Kiln with washed coal having ash content of about 32% |
| | | iii) The new 500 TPD Kiln has been installed with low capital cost due to following modifications. |
| | | a. Length of the Kiln has been reduced to 72 mtrs from 80 mtrs. |
| | | b. The Kiln has been designed to rest over three tyres instead of four tyres. |
| | | c. First indigenous girth gear of this size for the kiln. |
| 2. Benefits derived as a result of above R & D. | : | i) Reduction in carbon consumption per ton of Sponge Iron. |
| | | ii) Reduction in cost of coal- Since the superior grade is not available with Coal India, linkage for inferior grade of coal has been granted. If the process is not developed with this grade of coal than the alternative is to import the coal which is very costly. |
| | | iii) Reduction in capital cost to the tune of about Rs.1500.00 Lacs. |
| 3. Future plan of action | : | NIL |
| 4. Expenditure on Research & Development | : | NIL |
| 5. Technology absorption adaptation and innovation | : | |
| a) Efforts in brief made towards Technology absorption, adaptation and innovation | : | NIL |
| b) Benefits derived as a result of above efforts. | : | NIL |
| c) Information regarding technology imported during the last five years | : | NIL |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | | |
|--|---|----------------|
| 1. Activities relating to exports initiatives taken to increase exports, development of new export markets for products and services and export plans. | : | NIL |
| 2. Total Foreign Exchange used and earned | : | (Rs. in lakhs) |
| a) Foreign Exchange Used | : | 18.99 |
| b) Foreign Exchange Earned | : | NIL |

Place : Mumbai
Dated : 13th June, 2005
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On Behalf of Board of Directors,
(K.K. Sarda)
Chairman & Managing Director

FORM 'A'

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

PARTICULARS	Steel	
	2004-05	2003-04
A. POWER AND FUEL CONSUMPTION:		
1. ELECTRICITY		
a) <u>Purchase</u>		
Units (KWH)	17071550	6980995
Total Amount (Rs. in lakhs)	593.41	160.56
(Rs./KWH)	3.48	2.30
b) <u>Own Generation</u>		
i) Through diesel Generator		
Units (KWH)	NIL	NIL
Units per litre of diesel	NIL	NIL
Cost / Unit (Rs.)	NIL	NIL
ii) Thorough Steam Turbine / Generator		
Units	NIL	NIL
Units per litre of fuel - oil / gas	NIL	NIL
Cost / Unit (Rs.)	NIL	NIL
2. Coal for Domestic Use		
Quantity (M.T.)	NIL	NIL
Total Cost (Rs.)	NIL	NIL
Average Rate (Rs.)	NIL	NIL
3. Furnace Oil		
Quantity (K. Litres)	NIL	NIL
Total Cost (Rs. in lakhs)	NIL	NIL
Average Rate (Rs. / K. Litre)	NIL	NIL
4. Other internal Generation (through conversion of heat / steam)		
Units	NIL	21471111
Total Cost (Rs. in Lakhs)	NIL	361.40
Rate/unit	NIL	1.68
B. CONSUMPTION PER UNIT OF PRODUCTION:		
Electricity (Units)	811	809
Coal	NIL	NIL
Furnace Oil	NIL	NIL
Other (Specify)	NIL	NIL
Own Power	NIL	NIL

Note: Form A is not applicable to Sponge Iron Industry

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

The sponge iron industry is divided in gas-based plants and coal-based plants. There are only three gas-based plants in the country with 6 million ton capacity and no new plant has come up because of high cost and poor availability of gas in the country. The coal-based sponge iron plants require hard iron ore & non-coking coal, both of which are abundantly available in the country. This being a cheaper process of steel making, a large number of coal-based plants have come up in the country. Most of the plants have come up in the concentrated pockets in Orissa, Chhattisgarh and Jharkhand. The increased capacity has put pressure on availability of coal as well as logistics.

This year the coal-based sponge iron plants have produced approximately 5.42 million tons surpassing the production of 4.64 million tons by gas-based plants. During the calendar year 2004, the coal-based sponge iron plants achieved a growth of 33.85% as against growth of 11.47% achieved by the gas-based plants. India continued to be largest Sponge Iron producer in the world for the 3rd consecutive year, followed by Venezuela, Mexico & Iran.

The steel industry also performed well on the back of good demand. Most of the plants have added or are adding fresh capacities to take advantage of boom. Larger plants are taking steps for integration. Prices for steel products increased sharply and rapidly helping the industry to return to strong profitability, despite related increases in raw material and transportation costs which affected the industry. Although in the recent months the prices of steel has eased, the current buoyant market conditions in steel are expected to continue into 2006. The shortages that occurred in three key raw materials (iron ore, coking coal and coke) also had a bearing on the industry but the same is expected to ease out shortly due to investment in new capacity in these raw materials. The situation in transportation is also expected to ease with increase in seaborne capacity. Revival of the manufacturing sector and the emphasis of the Government on housing and rural infrastructure, gives us the clue that there will be resurgence in demand and consumption of steel in the years to come.

Large investment have taken place for setting up of new/green-field steel plants, which would bring about a shift in the overall capacity and availability of steel in the country and a sea change in the technology profile of the steel industry enabling production of steel of international quality. State-of-the art plants with greater manufacturing flexibility, higher process control and automation, and low manpower costs would result in lower operational costs, making the Indian steel industry amongst the lowest cost steel producers in the world and capable of competing globally.

However, inspite of a considerable consolidation, the industry remains highly fragmented at the global level. The smaller producers, competitive as they might be, will not be able to remain as stand-alone operations in the long run mainly, due to shortage of cheaper power which may make it difficult for the smaller producers to stand the competition.

OPPORTUNITIES

The buoyant demand, technological advancements, abundant availability of quality iron ore, technical manpower and required grade of coal have thrown open vast opportunities for India in the steel sector. The Company has taken steps to take full benefit of the opportunities. The sponge iron capacity has already been increased from 200 TPD to 700 TPD and it is proposed to be increased to 1200 TPD. The steel making capacity is also being increased from 40,000 TPA to 2,40,000 TPA. Part capacity is expected to be commissioned by the end of current financial year. The Company has got mining lease for mining of iron ore and coal. Mining of iron ore has already been started and further development is going on to increase the production. This will enable the Company to integrate the operations and to become one of the lowest cost producer of steel in its segment.

THREATS, RISKS & CONCERNS

A large number of sponge iron plants have come up in unorganized sector which may result into oversupply in case the prices of coke comes down and Blast furnaces stop using sponge iron. Any fall in the prices of scrap may also affect the demand & pricing of the sponge iron. However the company has integrated its operations and brought up capacity to a good size to get the benefits of economies of scale and plans to add up additional capacity to become a dominant player in the field. Apart from this, the Company has got captive iron ore mines and has power generated through waste heat recovery facilities which reduces its power bill. The Company is prepared to face competition and sustain its operations even in the worst scenario.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

Sponge Iron

During the year under review the company produced 91767 MT of sponge iron as against 64303 MT in the previous year. 21092 MT (Previous Year 24061 MT) of sponge iron was captively consumed for manufacturing of ingots. The sales realization during the year was about Rs.11,584/- as against Rs. 8,800/- in the previous year.

Steel

During the year under consideration company produced 20274 MT of ingots against 26993 MT in Previous Year. The sales realization during the year was Rs.18,500/- as against Rs.13,075/- in the previous year. The marketing activity of steel rolled products under its "Hytech" brand also contributed a sale of Rs.101.07 crores as against Rs.47.84 crores in the previous year.

OUTLOOK

The increased production capacities and availability of captive mines will bring down cost of production drastically and will also enhance the competitive strengths of the Company. The demand & prices of steel are expected to remain stable with reasonable growth. Barring unforeseen circumstances, the outlook is positive.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Budget & Monthly Information System continues to be the backbone of internal control system. Annual, quarterly & monthly budgets are prepared, reviewed & updated regularly. Actual operating parameters are closely monitored & compared with the budget and variations are analysed, and steps are taken to minimize the variations. All these are supported by computerised Monthly Information System. Regular review meetings are held to review the operational efficiencies, utilisation of fiscal resources and compliance with laws so as to ensure optimum utilisation of resources and achieve better efficiencies.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The company has achieved sales of Rs.242.27 crores in the year as compared to Rs. 128.57 crores in the previous year and earned a cash profit (after tax) of Rs.22.41 crores in the year as against Rs. 12.55 crores earned during the previous year.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT

Employee relations continue to be cordial. Training and development activities are identified, organised and progress monitored as part of human resource development activities. The Company is also taking help of external experts for human resource developments

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

1. Company’s philosophy on Corporate Governance

Good Corporate Governance is essentially an integral part of values, ethics and the best business practices followed by the company. Company stresses upon the under mentioned core values:

- a) commitment to excellence and high standards of business practices,
- b) total customer satisfaction,
- c) optimising long term shareholder values,
- d) socially valued organisation,
- e) caring for people and environment,
- f) integrity including intellectual honesty, openness, fairness and trust.

The Company believes in transparency, professionalism and accountability, which are the basic principles of Corporate Governance and would constantly endeavour to improve these aspects.

2. Board of Directors

2.1 Composition

The Board of Directors comprises of six Directors, consisting of four Non-Executive as well as Independent Directors who account for more than sixty percent of the Board’s strength as against minimum requirement of fifty percent as per the Listing Agreement. The Non-Executive and independent Directors are eminent professionals having rich and sound experience in business, industry and finance.

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

Name of the Directors	Category	No. of other Directorship held *	No. of other Board/ committees member/ chairman	No. of Board Meetings attended	Last AGM attended
Mr. K.K. Sarda	Promoter Executive	3	–	7	No
Mr. G.K. Chhanghani	Whole time director Executive	–	–	6	No
Mr. Rakesh Mehra	Independent Non-Executive	3	–	3	No
Mr. G.D. Mundra	Independent Non-Executive	1	–	5	Yes
Mr. A.K. Basu	Independent Non-Executive	2	–	4	No
Mr. P.R. Tripathi	Independent Non-Executive	2	–	4	No

* excluding Pvt. Ltd. companies.

As required by the Companies Act, 1956 and Clause 49 of Listing Agreement, none of the Directors hold directorship in more than 15 public companies, membership of Board Committees (Audit / Remuneration / Investor Grievance Committees) in excess of 10 and chairmanship of board committees as aforesaid in excess of 5.

2.2 Number of Board Meetings held

Seven Meetings of the Board of Directors were held during the year ended 31st March, 2005 as under:

Date of Meeting	No. of Directors Present
26 th April, 2004	3
29 th May, 2004	6
24 th July, 2004	6
29 th October, 2004	5
9 th December, 2004	2
20 th January, 2005	5
28 th March, 2005	2

2.3 Particulars of Directors seeking re-appointment

As required under Clause 49 VI (A), particulars of Directors seeking re-appointment at the ensuing Annual General Meeting are as under:

- | | |
|---|--|
| 1 | <ul style="list-style-type: none"> a) Name : Mr. K.K. Sarda b) Age : 53 Years c) Qualification : B.E. (Mech.) d) Director of the Company : Since December 1978 e) Experience : He is having an experience of three decades in the iron and steel industry. f) Other Directorships : <ul style="list-style-type: none"> 1. Chhattisgarh Electricity Company Ltd. 2. Chhattisgarh Investments Ltd. 3. Sarda Agriculture & Properties Pvt. Ltd. 4. Prachi Agriculture & Properties Pvt. Ltd. 5. Madhya Bharat Power Corporation Ltd. 6. Uttar Bharat Hydro Power Pvt. Ltd. 7. Parvatiya Power Pvt. Ltd. 8. Star Orechem International Pvt. Ltd. g) Member of Committees : NIL |
| 2 | <ul style="list-style-type: none"> a) Name : Mr. G.K. Chhanghani b) Age : 52 Years c) Qualification : B.E. (Mech.) d) Director of the Company : Since November. 1997 e) Experience : He has more than 32 years outstanding experience in the iron and steel industry. f) Other Directorships : 1. Raipur Infrastructure Company Pvt. Ltd. g) Member of Committees : NIL |
| 3 | <ul style="list-style-type: none"> a) Name : Mr. G.D. Mundra b) Age : 43 Years c) Qualification : Chartered Accountant d) Director of the Company : Since December, 2000 e) Experience : He is having an experience of 21 years in the field of Finance & Accounts. f) Other Directorships : <ul style="list-style-type: none"> 1. Chhattisgarh Investments Ltd. 2. Life Line Insurance Distribution Co. Pvt. Ltd. 3. Chattisgarh Plastics Pvt. Ltd. 4. Mundra Polymers Pvt. Ltd. 5. Star Orechem International Pvt. Ltd. g) Member of Committees : Audit Committee in Raipur Alloys & Steel Ltd. |

2.4 Remuneration

Executive Directors have been paid remuneration as per terms of their appointment as explained in note no. 7 of Notes to accounts of Schedule P showing all elements of remuneration.

3. Audit Committee

The Audit Committee of the Company comprises of three Directors. The Committee was reconstituted during the year by appointing Mr. A.K. Basu as the Chairman of the Committee in place of Mr. G.D. Mundra. The terms of reference of the Committee are as per the provisions of Section 292 A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement. The Company Secretary acts as secretary to the Audit Committee.

Three meetings of the committee were held during the year 2004-2005 on 28.05.2004, 29.10.2004 and 20.01.2005. The attendance particulars are as under:

Name of Chairperson / member	Meetings	
	Held	Attended
1. Mr.G.D.Mundra– Chairman – till 29.10.2004 & Member thereafter	3	3
2. Mr. Rakesh Mehra – Member	3	2
3. Mr.A.K. Basu –Member – till 29.10.2004 & Chairman thereafter	3	3

4. Remuneration Committee

The Remuneration Committee of the Company consists of three directors, with Mr. Rakesh Mehra as its Chairman. Mr. P.R. Tripathi and Mr. A.K. Basu are the members. All the members of the Committee are non-executive Independent Directors.

Meeting of the Committee was held on 28.05.2004, wherein the Committee approved the increase in the remuneration of Mr. K. K. Sarda and Mr. G.K. Chhanghani.

5. Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee has the specific task of looking into / resolving the Shareholders'/Investors' Grievances.

The Shareholders'/Investors' Grievance Committee consists of Mr. G.D. Mundra (Chairman), Mr. A.K. Basu and Mr. Rakesh Mehra as members. All the members are non-executive Independent Directors.

Name & Designation of the Compliance Officer: Mr. P.K. Jain, Company Secretary.

The number of complaints received during the year : 74 complaints were received which were attended to in time. Apart from the above, requests for issue of duplicate shares / share transmissions / revalidation of warrants / change in bank account details, etc. were also received which were attended promptly.

The number of complaints not redressed at the end of the year : All the complaints have been attended satisfactorily and no complaint were pending at the end of the year.

Number of pending share transfers : All the requests for transfer received during the year were duly attended.

6. General Body Meetings

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

Date	Time	Location
31 st March 2003	3.30.p.m.	73-A, Central Avenue, Nagpur (Regd. Office)
30 th September 2003	4.30.p.m.	Same as above
29 th September, 2004	4.30 p.m.	Same as above

There were no resolutions put through Postal Ballot.

7. Disclosure

Related Party transactions during the year have been disclosed in detail in note no.17 of Schedule P, as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India. These transactions are not likely to have any conflict with the company's interest.

Compliance of SEBI, Stock Exchange Requirements: The Company has complied with all the requirements of Companies Act, 1956 the Regulations of the Securities Exchange Board of India (SEBI) and the Listing Agreements with the Stock Exchanges. The shares of the Company have been delisted from the Delhi Stock Exchange w.e.f. 11th December, 2004. The Company's application for delisting is pending with the Kolkata Stock Exchange, for long. The matter has been reported to SEBI also. In view of the pendency of delisting application with Kolkata Stock Exchange, the company has stopped sending the information to Kolkata Stock Exchange. There were no defaults or non-compliance relating to any of the statutory requirements except for delay in filing details u/r 7(3) (for the year 2002) and u/r 8(3) (for the year 2003) of the SEBI (Substantial Acquisition of Shares & Takeovers), Regulation, 1997, for which a penalty of Rs.25,000/- was imposed by SEBI which has been paid by the Company.

8. Means of Communication

Half yearly Report / Quarterly Results: Quarterly, half yearly and annual results are submitted to the Stock Exchanges in accordance with the Listing Agreement and published in English and Vernacular newspapers. The financial results and other relevant information is available on the Company's website - www.raslindia.com. Neither official news releases have been made during the year nor any presentations have been made to the Institutional investors or to the analysts.

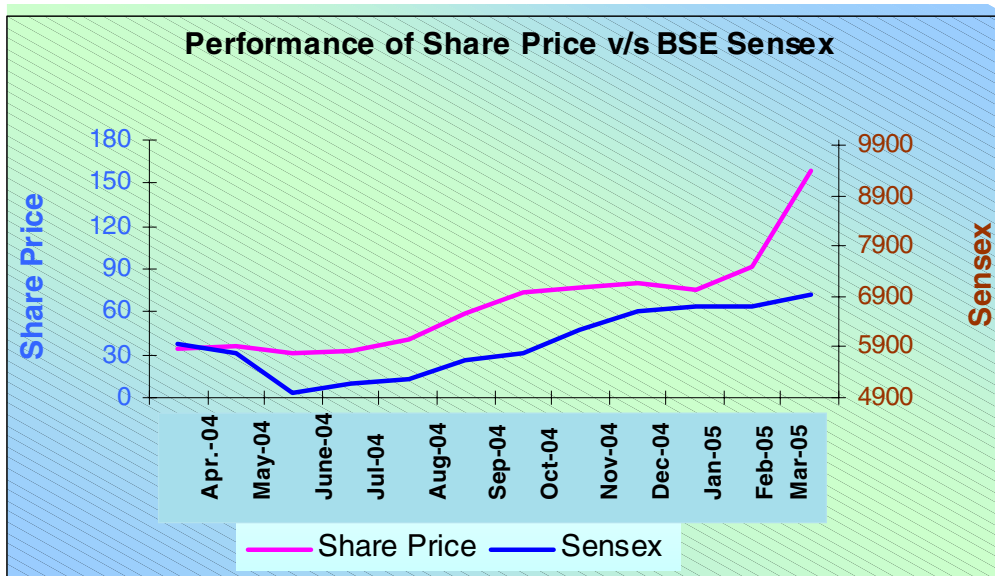
9. General Shareholder Information

Annual General Meeting	:	Date 30 th September, 2005	Time 4.30 p.m.
		Venue 73-A, Central Avenue, Nagpur 400 018	
Financial Calendar for 2005-2006 (Tentative)	:		
Financial Results for the Quarters ended	:		
30 th June, 2005		4 th week of July, 2005	
30 th September, 2005		4 th week of October, 2005	
31 st December, 2005		4 th week of January, 2006	
31 st March, 2006		4 th week of April, 2006 (if unaudited)	
		4 th week of June, 2006 (if audited)	
Annual General Meeting	:	September, 2006.	
Date of Book Closure	:	16.07.2005 to 23.07.2005	
Dividend Payment Date	:	On or after 30 th September, 2005	
Listing on Stock Exchanges	:	The shares of the Company are listed on the following Exchanges:	
		1) The Stock Exchange, Mumbai (504614)	
		2) The Calcutta Stock Exchange Association Ltd.	
		The Company has paid annual listing fees to the Regional Stock Exchange for the financial year 2005-06. The Company's application for delisting of its shares from The Calcutta Stock Exchange Association Ltd is pending and no reply has been received.	
		ISIN no. NSDL & CDSL	INE385C01013

Raipur Alloys & Steel Limited

Market Price Data: High/ Low during the year 2004-2005

Month	Stock Exchange Mumbai (BSE) in Rs.		BSE Sensex	
	High	Low	High	Low
April 04	34.45	27.50	5979.25	5599.12
May 04	36.20	29.30	5772.64	4227.50
June 04	30.60	27.00	5012.52	4613.94
July 04	33.05	26.25	5200.85	4723.04
August 04	40.50	33.65	5269.22	5022.29
September 04	58.35	41.30	5638.79	5178.57
October 04	74.20	54.10	5803.82	5558.14
November 04	76.40	63.70	6248.43	5649.03
December 04	80.40	62.05	6617.15	6176.09
January 05	75.90	63.85	6696.31	6069.33
February 05	91.20	66.75	6721.08	6508.33
March 05	158.25	76.00	6954.86	6321.31



Registrar & share Transfer Agents:
(for Physical & Electronic)

Pursuant to SEBI notification no. D&CC / FITTC / CIR-15 / 2002 dated 27-12-2002, the Company has appointed M/s. Sharepro Services (India) Pvt. Ltd. as its common Registrar & Transfer Agent.

Shareholders can send their queries and requests to the R & T Agents at the following address:

Sharepro Services (India) Pvt. Ltd.
Satam Estate, 3rd Floor, Cardinal Gracious Road
Above Bank of Baroda, Chakala
Andheri (East), Mumbai – 400 099
shareprodemat@roltanet.com

Share Transfer system:

Share transfers in physical form can be lodged with the R & T Agents at the above address. Transfers are processed within the stipulated time, if the documents are complete in all respects. All share transfer requests are approved by the share transfer committee or the persons authorised by the Board.

Shareholding Pattern as on 31st March, 2005.

S.No.	Category	No. of Shares	Percentage
1	Promoters (including Persons acting in concert)	9697403	74.14
2	Institutional Investors	223727	1.71
3	Corporate Bodies	406070	3.10
4	NRIs / OCBs	1650	0.01
5	General Public	2751150	21.04
	TOTAL	13080000	100.00

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2005

Shareholding of Nominal Value (Rs.)	Shareholders		Share Amount	
	Number	% to Total	Rs.	% to Total
Upto 5000	9655	96.70	1,33,35,760	10.20
5001-10000	176	1.80	27,07,840	2.10
10001-20000	66	0.70	26,68,970	2.00
20001-30000	12	0.10	13,28,310	1.02
30001-40000	10	0.10	10,45,790	0.80
40001-50000	4	-	13,46,030	1.03
50001-100000	21	0.20	38,35,470	2.93
100001 and above	37	0.40	10,45,31,830	79.92
TOTAL	9,981	100.00	13,08,00,000	100.00

Raipur Alloys & Steel Limited

Dematerialisation of Securities	:	The Company has arrangement with National Securities Depository Limited (NSDL) as well as the Central Depository Services (India) Limited (CDSL) for demat facility. As on 31.03.2005 out of the total 13080000 equity shares held by about 9981 shareholders, approximately 33,42,006 equity shares held by 4375 shareholders representing 25.55 % of the total paid up equity capital have been dematerialised.
Plant Location	:	The plant of the company is located at "Industrial Growth Centre" Siltara, Raipur.
Address for Correspondance	:	Raipur Alloys & Steel Limited Industrial Growth Centre, Siltara, Raipur [C.G.] 493 111 Ph.: 07721-503925-29 E-Mail: cs@raslindia.com

CERTIFICATE

To the Members of
Raipur Alloys & Steel Limited

I have examined the compliance of conditions of Corporate Governance by Raipur Alloys & Steel Limited, for the year ended 31st March 2005 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination has been limited to a review of procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanation given to me and the representations made by the Directors and the management, I certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

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

(M.M. JAIN)

Chartered Accountant

Place : Nagpur

Date : 13th June, 2005

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 2005

Employed throughout the financial year under review and were in receipt of remuneration for the Financial Year in the aggregate of not less than Rs.24,00,000/- per annum:

Sl. No.	Name	Age	Qualification	Designation	Nature of Duties	Commencement of Employment	Experience (years)	Remuneration (Gross Rs.)	Particulars of Last Employment, Last Post, Employer (No. of years)
1.	Mr. K.K. Sarda	53 years	B.E. (Mech.)	Chairman & Managing Director	Overall Management & Administration	16.12.1978	29	1,18,69,648/-	N.A.

Notes :

1. The employment is contractual in nature.
2. Other terms and conditions are as per Company's Rules / Scheme
3. Remuneration as shown above includes Salary, Allowance, Commission, Contribution to Providend Fund, and other perquisites as per company's Rules.

AUDITORS' REPORT

To the Members of
Raipur Alloys & Steel Limited

I have audited the attached balance sheet of Raipur Alloys & Steel Ltd. as at 31st March, 2005 and also the profit and loss account for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

1. I conducted my audit in accordance with the auditing standards generally accepted in India. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
2. 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, I enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said order.
3. Further to my comments in the Annexure referred to above, I report that :
 - (i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit;
 - (ii) In my opinion, proper books of account as required by law have been kept by the Company so far as appears from my examination of those books.
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In my opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors as on 31st March 2005, and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (vi) In my opinion and to the best of my information and according to the explanations given to me, 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:
 - (a) in the case of the balance sheet, of the state of the affairs of the Company, as at 31st March, 2005.
 - (b) in the case of the profit and loss account, of the profit for the year ended on the date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

NAGPUR
DATED : 13th June 2005

(M.M. JAIN)
Chartered Accountant
M.No: 05727

Annexure referred to in paragraph 2 of my report of even date

On the basis of such checks as I considered appropriate and in terms of information & explanations given to me I state that: -

- (i) (a) The Company has maintained the proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the Management during the year but there is a regular programme of verification which, in my 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) The company in my opinion has not disposed off substantial part of fixed assets during the year.
- (ii) (a) The inventory has been physically verified at reasonable intervals by the management.
- (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 inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The company has taken unsecured loan from a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 4172.98 lacs and the year end balance of loan taken from such company was Rs.1460.00 lacs. The Company has not granted any loan to the party covered under section 301 of the Companies Act 1956.
- (b) In my opinion, the rate of interest and other terms & conditions on which loan has been taken from the company listed in the register maintained u/s 301 are not prima facie, prejudicial to the interest of the company.
- (c) The company is regular in repaying the principal amount as stipulated and has been regular in payment of interest.
- (d) There is no overdue amount of loan taken from a company listed in the register maintained under section 301 of the companies Act, 1956.
- (iv) In my opinion and according to the information & explanations given to me, there are adequate internal control procedures 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. There is no major weaknesses in internal controls requiring correction.
- (v) (a) According to the information & explanations given to me, the transactions that need to be entered in the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- (b) In my opinion and according to the information & explanations given to me, each of these transactions exceeding the value of Rs. 5 Lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public.
- (vii) The company is having an internal audit system, which needs to be strengthened to make it commensurate with the size of the company and nature of its business.
- (viii) I have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Govt. for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and I am of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) The company in my opinion is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, custom duty, excise duty, cess and other statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to me, no undisputed amount payable in respect of sales tax, income tax, custom duty, wealth tax, excise duty and cess were in arrears as at 31/3/2005, for a period of six months from the date they become payable.
- (c) According to the information and explanation given to me, there are no dues of sales tax, income tax, custom duty, wealth tax, and cess which have not been deposited on account of any dispute except Excise Duty of Rs.41.57 Lacs and 11.09 Lacs in dispute pending before High Court and CEGAT respectively.

- (x) The company has no accumulated losses at the end of the financial year and has not incurred cash losses during such financial year and in the financial year immediately preceding such financial year also.
- (xi) In my opinion and according to the information and explanations given to me, the Company has not defaulted in repayment of dues to a financial institution or bank and there are no debenture holders.
- (xii) According to the information and explanations given to me, the company has not granted any loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In my opinion the company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly the provision of clause 4 (xiii) of the Companies (Auditor Report) Order 2003 are not applicable to the company.
- (xiv) The company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provision of clause 4 (xiv) of the Companies (Auditor Report) Order 2003 are not applicable to the company.
- (xv) According to the information and explanations given to me, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In my opinion, the term loans have been applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to me and on an overall examination of balance sheet of the company, I report that no funds raised on short term basis have been used for long term investment and vice versa.
- (xviii) The company has not made any preferential allotment of shares during the year.
- (xix) The company has not issued any debentures during the year.
- (xx) The company has not raised any money by way of public issue during the year.
- (xxi) According to the information and explanations given to me, no fraud on or by the company has been noticed or reported during the course of my Audit.

NAGPUR
DATED : 13th June 2005

(M.M. JAIN)
Chartered Accountant
M.No: 05727

BALANCE SHEET AS AT 31st MARCH 2005

	SCHEDULE	AS AT 31.03.2005 (Rupees)	AS AT 31.03.2004 (Rupees)
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a) Capital	A	130,800,000	130,800,000
b) Reserves & Surplus	B	477,925,986	341,321,864
		608,725,986	472,121,864
2. LOAN FUNDS			
a) Secured Loans	C	565,493,135	290,287,073
b) Unsecured Loans	D	173,633,810	12,553,865
		739,126,945	302,840,938
3. DEFERRED TAX LIABILITY (NET)			
		114,967,825	83,074,309
TOTAL		1,462,820,756	858,037,111
II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	E	1,174,859,027	723,277,625
b) Less : Depreciation		367,473,018	328,528,040
c) Net Block		807,386,009	394,749,585
d) Add : Capital Work in Progress		68,553,799	208,117,410
		875,939,808	602,866,996
2. INVESTMENTS			
	F	30,000	5,000
3. CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	G	283,267,506	143,337,819
b) Sundry Debtors	H	300,039,549	105,345,139
c) Cash & Bank Balances	I	12,255,666	11,613,092
d) Loans & Advances	J	149,857,852	153,533,841
		745,420,573	413,829,891
LESS : CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	K	52,356,565	52,382,550
b) Provisions		110,938,350	108,939,315
		163,294,915	161,321,865
NET CURRENT ASSETS			
		582,125,658	252,508,026
4 MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Project Expenses		4,725,290	2,657,088
		4,725,290	2,657,088
TOTAL		1,462,820,756	858,037,111
Accounting Policies and Notes to the Accounts	P		

As per my report of even date attached

(M. M. Jain)
Chartered Accountant

Nagpur
Dated : 13th June 2005

(K. K. Sarda)
Chairman &
Managing Director

Mumbai
Dated : 13th June 2005

(G. D. Mundra)
Director

(P. K. Jain)
Company
Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

	SCHEDULE	Year ended 31.03.2005 (Rupees)	Year ended 31.03.2004 (Rupees)
INCOME			
Sales (Gross)		2,422,702,794	1,285,676,171
Less: Excise Duty		149,704,671	112,320,531
Sales (Net)		2,272,998,123	1,173,355,640
Other Income	L	5,068,278	1,385,667
Closing Stock of Finished Goods		66,183,588	74,274,381
TOTAL		2,344,249,989	1,249,015,688
EXPENDITURE			
Opening Stock of Finished Goods		74,274,381	31,824,880
Purchase of Goods		928,411,031	446,912,138
Raw Materials Consumed	M	724,153,314	450,393,291
Stores & Spares Consumed		28,036,456	29,200,067
Power		82,372,942	53,031,655
Payments & Other benefits to employees	N	31,870,571	19,946,464
Manufacturing & Other Expenses	O	110,562,944	50,530,665
Other Taxes & Duties		2,088,951	778,869
Interest (net)		24,668,360	3,417,185
Loss on Sale of Fixed Assets (net)		0	4,012,997
Depreciation / Amortisation		42,715,025	34,485,203
TOTAL		2,049,153,975	1,124,533,413
PROFIT FOR THE YEAR		295,096,014	124,482,275
(Before Tax and Exceptional / Extraordinary items)			
Add : Extra Ordinary Item		0	222,768,171
Less : Provision for demand raised in earlier years by CSEB		0	68,420,000
PROFIT BEFORE TAX		295,096,014	278,830,446
Provision for Taxation	Current Tax	84,500,000	37,500,000
	Deferred Tax	31,893,516	(26,182,917)
		116,393,516	11,317,083
		178,702,498	267,513,363
Provision for Taxation of earlier years written back		2,645,034	0
NET PROFIT		181,347,532	267,513,363
Balance brought forward from last year		160,280,198	(35,343,477)
PROFIT AVAILABLE FOR APPROPRIATION		341,627,730	232,169,886
APPROPRIATION			
Proposed Dividend		39,240,000	32,700,000
Tax on Dividend		5,503,410	4,189,688
Transfer to General Reserve		35,000,000	35,000,000
		79,743,410	71,889,688
Surplus Carried to Balance Sheet		261,884,320	160,280,198
Basic/Diluted Earning Per Share		13.86	25.83
Accounting Policies and Notes to the Accounts	P		

As per my report of even date attached

(M. M. Jain)
Chartered Accountant

Nagpur
Dated : 13th June 2005

(K. K. Sarda)
Chairman &
Managing Director

Mumbai
Dated : 13th June 2005

(G. D. Mundra)
Director

(P. K. Jain)
Company
Secretary

Raipur Alloys & Steel Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

PARTICULARS	Year ended 31.03.2005 (Rupees)	Year ended 31.03.2004 (Rupees)
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax as per Profit & Loss Account	295,096,014	124,482,275
<u>Adjustment for :</u>		
Depreciation	42,715,025	34,485,203
Interest (Net)	24,668,360	3,417,185
(Profit) / Loss on sale of fixed assets	(760,339)	4,012,997
	<u>66,623,045</u>	<u>41,915,385</u>
Operating Profit before Working Capital changes	361,719,059	166,397,659
<u>Adjustment for :</u>		
Inventories	(139,929,687)	(48,281,006)
Trade and other receivable	(194,694,410)	(18,168,893)
Loans and Advances	3,675,989	21,136,654
Trade Payable	(15,340,203)	2,251,122
	<u>(346,288,311)</u>	<u>(43,062,123)</u>
Cash generated from Operations	15,430,748	123,335,536
Direct Taxes (Net)	(73,081,862)	(34,018,602)
Net cash from Operating Activities	(57,651,114)	89,316,934
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Project exploration expenses	(2,068,202)	(158,806)
Investment in Fixed Assets including Capital WIP	(316,774,199)	(250,726,317)
Sale of Fixed Assets	1,746,700	9,734,446
Increase In Investments	(25,000)	0
Net Cash used in Investing Activities	(317,120,700)	(241,150,677)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Issue of equity shares	0	65,400,000
Interest Paid (Net)	(24,668,360)	(23,422,610)
Dividend & dividend tax paid	(36,203,259)	0
Term loans received	166,455,416	196,419,357
Repayment of Term Loans	(63,576,191)	(97,256,771)
Repayment of Interest free sales tax loan	(313,036)	0
Unsecured Loan	153,047,399	(56,375,248)
Sales tax Defferment	8,032,546	3,169,844
Bank Borrowings	174,116,015	57,477,150
Loan against Hire purchase	(1,476,143)	12,606,569
Net Cash from financing Activities	375,414,387	158,018,291
Net Increase/(decrease) in Cash and Cash equivalents (A+B+C)	642,573	6,184,548
CASH AND CASH EQUIVALENTS AS AT 01/04/2004 (Opening Balance)	11,613,093	5,428,545
CASH AND CASH EQUIVALENTS AS AT 31/03/2005 (Closing Balance)	12,255,666	11,613,093

Notes: (a) Figures in brackets represent outflows.

(b) Previous year figures have been recast/restated wherever necessary

As per my report of even date attached

(M. M. Jain)

Chartered Accountant

Nagpur

Dated : 13th June 2005

(K. K. Sarda)

Chairman &
Managing Director

Mumbai

Dated : 13th June 2005

(G. D. Mundra)

Director

(P. K. Jain)

Company
Secretary

AUDITOR'S CERTIFICATE

I have examined the attached cash flow statement of M/s. Raipur Alloys & Steel Ltd. for the year ended 31st March, 2005. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of Listing Agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company.

Nagpur

Dated : 13th June, 2005

M.M. Jain

Chartered Accountant

**SCHEDULE 'A' TO 'P' ANNEXED TO AND FORMING PART OF THE
BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

	AS AT 31.03.2005 (Rupees)	AS AT 31.03.2004 (Rupees)
SCHEDULE 'A' - SHARE CAPITAL		
AUTHORISED		
1,50,00,000 Equity shares of Rs.10/- each	150,000,000	150,000,000
ISSUED, SUBSCRIBED AND PAID UP		
1,30,80,000 (1,30,80,000) Equity shares of Rs.10/- fully paid up (Of the above shares 6,00,000 shares are allotted as fully paid-up by way of bonus shares by capitalisation of reserves.)	130,800,000	130,800,000
SCHEDULE 'B' - RESERVES & SURPLUS		
A. CAPITAL RESERVE		
Opening Balance	22,941,166	5,132,183
Add : Loan from Financial Institutions no more payable	0	17,808,983
	22,941,166	22,941,166
B. SHARE PREMIUM ACCOUNT		
	123,100,500	123,100,500
C. GENERAL RESERVE		
Opening Balance	35,000,000	0
Add : Transfer from Profit	35,000,000	35,000,000
Closing Balance	70,000,000	35,000,000
D. PROFIT AND LOSS ACCOUNT		
Balance carried forward	261,884,320	160,280,198
TOTAL	477,925,986	341,321,864
SCHEDULE 'C' - SECURED LOANS		
(A) TERM LOAN		
i) From Housing Development Finance Corp.Ltd.	0	1,276,801
ii) From Banks	300,575,384	196,419,357
iii) Interest free sales tax loan	0	313,036
iv) From others	11,707,625	13,183,768
	312,283,009	211,192,962
(B) WORKING CAPITAL LOANS FROM BANKS		
	253,210,126	79,094,111
TOTAL	565,493,135	290,287,073

NOTES TO SCHEDULE 'C' - SECURED LOANS

- Term loans from banks are secured by pari-passu charge by way of hypothication of all movable assets of the company and equitable mortgage (yet to be created) of company's immovable assets subject to prior charge in favour of company's bankers on stock and book debts to secure working capital facilities sanctioned by them.
- Working Capital Loans from banks are secured by first charge on stock & book debts and second charge on all present and future movable Plant & Machinery and by equitable mortgage (yet to be created) of immovable properties of the company on pari-passu basis.
- Term Loans & Working Capital Loans from banks are also secured by personal guarantee of Mr. K.K.Sarda & Mr.Manish Sarda.
- Term Loans from Others are secured by hypothecation of vehicles acquired against such loan.

Raipur Alloys & Steel Limited

SCHEDULE 'D' - UNSECURED LOANS

From Bodies Corporate
Sales Tax Defferment Account
TOTAL

AS AT 31.03.2005 (Rupees)	AS AT 31.03.2004 (Rupees)
158,860,178	5,812,779
14,773,632	6,741,086
173,633,810	12,553,865

SCHEDULE 'E' - FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As on 01.04.2004	Additions	Transfer/ Sales	As on 31.03.2005	Upto 31.03.2004	During the year	Transfer/ Adjustments	As on 31.03.2005	As on 31.03.2005	As on 31.03.2004
1. Free Hold Land	5,120,193	1,626,409	0	6,746,602	0	0	0	0	6,746,602	5,120,193
2. Lease Hold Land	4,365,818	0	0	4,365,818	0	0	0	0	4,365,818	4,365,818
3. Iron Ore Mines	23,595,983	0	0	23,595,983	69,707	8,36,490	0	906,197	22,689,786	23,526,276
4. Building	117,609,635	39,139,448	0	156,749,083	28,048,100	32,96,236	0	31,344,336	125,404,747	89,561,535
5. Plant & Machinery	532,411,754	405,344,818	2,634,361	935,122,211	283,573,295	305,33,991	1,970,344	312,136,942	622,985,269	248,838,459
6. Furniture Fixtures & Equipments	18,826,130	2,981,706	1,191,020	20,616,816	14,001,287	1,706,249	1,191,020	14,516,516	6,100,300	4,824,844
7. Vehicles	21,348,112	7,245,428	931,026	27,662,514	2,835,650	6,342,059	608,682	8,569,027	19,093,487	18,512,461
TOTAL	723,277,625	456,337,809	4,756,407	1,174,859,027	32,85,28,039	42,715,025	3,770,046	367,473,018	807,386,009	394,749,586
PREVIOUS YEAR	712,283,647	50,909,517	39,915,539	723,277,625	32,03,74,015	34,485,203	26,331,179	328,528,040	394,749,585	391,909,632
Capital Work in Progress (Including advances for capital expenditure and stock of capital items)				68,553,799 (208,117,410)					68,553,799 (208,117,410)	

SCHEDULE 'F' - INVESTMENTS (At cost)

Investment in Government Securities

National saving certificates

Unquoted Investments

- 01 100 Equity Shares of Rs.10/- each of Chhattisgarh
Electricity Company Ltd. fully paid up
- 02 2500 Equity Shares of Rs. 10/- each of Raipur
Infrastructure Company Pvt . Ltd. fully paid up

TOTAL

4,000	4,000
1,000	1,000
25,000	
30,000	5,000

SCHEDULE 'G' - INVENTORIES

(As certified by the management)

Stores and Spares

Raw materials

Finished goods

TOTAL

30,512,001	21,920,199
186,571,917	47,143,239
66,183,588	74,274,381
283,267,506	143,337,819

	AS AT 31.03.2005 (Rupees)	AS AT 31.03.2004 (Rupees)
SCHEDULE 'H' - SUNDRY DEBTORS		
Exceeding six months	3,616,437	2,802,090
Other Debts	297,729,860	102,543,049
TOTAL	301,346,297	105,345,139
Less : Provision for Doubtful Debts (Unsecured and considered good)	1,306,748	0
	300,039,549	105,345,139
SCHEDULE 'I' - CASH AND BANK BALANCES		
Cash in hand	1,348,147	1,000,365
Balance with Scheduled Banks	10,907,519	10,612,727
TOTAL	12,255,666	11,613,092
SCHEDULE 'J' - LOANS AND ADVANCES		
(Unsecured and considered good)		
Loans to employees	111,118	149,639
Advances recoverable in cash or in kind or for value to be received :		
To Suppliers	117,993,453	63,873,647
To Others	904,369	878,976
Cenvat Credit & PLA (unutilised)	15,098,297	8,652,589
Security and other deposits	15,750,614	79,123,906
Sales Tax Recoverable	0	855,083
TOTAL	149,857,852	153,533,841
SCHEDULE 'K' - CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors	22,797,407	36,300,772
Other liabilities	23,688,524	13,040,551
Unpaid Dividend of Financial Year 2003-2004	686,429	
Advances and deposits	5,184,204	3,041,227
	52,356,565	52,382,550
PROVISIONS		
Income Tax (Net of Advance Tax)	12,402,727	3,629,627
Proposed Dividend (Including tax)	44,743,410	36,889,688
Demand raised in earlier years by CSEB (Net)	53,792,213	68,420,000
	110,938,350	108,939,315
TOTAL	163,294,914	161,321,865

Raipur Alloys & Steel Limited

	YEAR ENDED 31.03.2005 (Rupees)	YEAR ENDED 31.03.2004 (Rupees)
SCHEDULE 'L' - OTHER INCOME		
Miscellaneous Income	1,097,960	236,200
Rent	3,970,318	370,318
Sundry balances written back (Net)	0	779,149
TOTAL	5,068,278	1,385,667
SCHEDULE 'M' - RAW MATERIAL CONSUMED		
Opening Stock	47,143,239	36,323,309
Add:Purchases	851,711,827	458,661,564
Add:Cost of Material Produced (Mining expenses)	11,870,165	2,551,657
	910,725,231	497,536,530
Less : Closing Stock	186,571,917	47,143,239
TOTAL	724,153,314	450,393,291
SCHEDULE 'N' - PAYMENTS AND OTHER BENEFITS TO EMPLOYEES		
Salaries, Wages, Bonus and Other allowances	25,748,779	16,331,790
Staff Welfare expenses	3,518,143	1,705,369
Contribution to Provident and other funds	2,603,650	1,909,305
TOTAL	31,870,571	19,946,464
SCHEDULE 'O' - MANUFACTURING AND OTHER EXPENSES		
Plant Operation Expenses	3,197,417	3,714,440
Travelling and Conveyance	3,775,342	2,280,990
Rents, rates and taxes	1,248,493	1,114,358
Insurance	33,407,558	3,019,911
<u>Repairs and Maintenance to -</u>		
Building	549,367	796,373
Plant and Machinery	6,223,584	3,626,223
Others (including vehicles)	1,179,542	527,685
Bank charges and commission	2,231,541	2,028,165
Carriage outwards	25,908,261	16,706,830
Selling Commission and Brokerage	4,395,068	2,342,447
Professional & legal charges	2,001,340	1,839,966
Establishment and other Expenses	10,745,477	4,826,656
Charity & Donation	1,129,507	921,501
Directors remuneration	12,167,544	6,495,060
Provision for Doubtful Debts	1,306,748	
Irrecoverable balances and bad debts written off(net)	850,733	0
Payment to auditors	245,423	290,060
TOTAL	110,562,944	50,530,665

SCHEDULE "P" : ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**I) SIGNIFICANT ACCOUNTING POLICIES****1. ACCOUNTING CONVENTION AND REVENUE RECOGNITION**

The accounts of the Company are prepared under the historical cost convention using the accrual method of accounting, in accordance with the generally accepted accounting principals in India and the provisions of the Companies Act, 1956.

2. FIXED ASSETS

Fixed assets are stated at cost of acquisition / construction, net of Cenvat Credit less accumulated depreciation. Cost includes interest on specific borrowings and other funds and all expenditure and costs incurred during construction.

3. DEPRECIATION

Depreciation on fixed assets is provided at the rates specified in the Schedule XIV of the Companies Act, 1956 as under:-

- (i) On Plant and Machinery and related Building installed /constructed before 1.4.1983 and all other assets including vehicles and office equipments on written down value method.
- (ii) On all other Plant and Machinery excluding vehicles and office equipments and related Building installed/constructed after 31.3.1983 on straight line method.
- (iii) Mining Rights are amortised over lease period

4. INVESTMENTS

Investments, being long term in nature are held at cost. Provision will be made as and when deemed necessary under AS-13 issued by ICAI.

5. VALUATION OF INVENTORIES

Valuation of inventories has been made as under:

- (i) Stores and Spares : At cost (Net of Cenvat, on weighted Average basis)
- (ii) Raw Materials : At cost (Net of Cenvat, on FIFO basis)
- (iii) Finished Goods : At lower of cost and net realisable value.

6. RETIREMENT BENEFITS TO EMPLOYEES

Liability of Gratuity is covered under group gratuity scheme of LIC and premium payable is charged to revenue on accrual basis.

Accumulated liability of encashable leave is accounted for on accrual basis.

7. SALES

Sales include sales of manufactured goods, trading goods, by-products and excise duty, and is net of Sales Tax, wherever applicable.

8. EXCISE DUTY

Excise Duty is paid on clearance of goods but is accounted for in the books on accrual basis. Accordingly provision for excise duty is made for goods lying uncleared. The liability for excise duty on uncleared goods has been netted off against the advance/ unutilized cenvat of excise duty.

II) NOTES TO ACCOUNTS

- 1) Estimated amount of contracts remaining to be executed on Capital Account, net of advance given - Rs. 1915.79 Lacs (Pre. Year - Rs. 766.89 Lacs).
- 2) Contingent liabilities not provided for in respect of –
 - (i) Guarantee given by Company's Bankers - Rs.62 Lacs (Pre.Year - Rs.30 Lacs).
 - (ii) Outstanding Letters of Credit - Rs. 87.50 Lacs (Pre.Year - Rs. Nil).
 - (iii) Bills discounted with the Company's Bankers under Letters of credit - Rs.255.05 Lacs (Pre.Year Rs.40.79 Lacs).
 - (iv) Claim against the Company not acknowledged as debt & disputed in appeal – Rs.69 Lacs (Pre. Year – Rs.57 Lacs).
 - (v) Excise duty demand of Rs.41.57 Lacs (Pre. Year Rs. 183.94 Lacs) and Rs. 11.09 Lacs (Pre. Year Rs. 11.09 Lacs) raised on account of modvat credit availed which the company has disputed in High Court and CEGAT respectively.
- 3) Show cause notices have been received by the company from the Excise Department for reversal of modvat credit of Rs.257.68 lacs (Prev. Year Rs.3.16 Lacs) availed by it and liability of interest of Rs. 4.35 Lacs. The company has however not accepted the liability & replied suitably.
- 4) In the absence of balance confirmations of Sundry Debtors and Loans & Advances, the balances in respect of the same are subject to reconciliation and consequent adjustments, if any.
- 5) Cost of iron ore produced excludes amount charged to wages and salaries and other revenue expenditure related to mining.
- 6) The amount of Insurance of Rs. 334.08 lacs (Prev. Year Rs. 30.20 lacs) debited to Profit & Loss account includes Keyman insurance premium of Rs. 323.57 lacs (Prev. Year Rs.23.57 lacs)paid by the company.

Raipur Alloys & Steel Limited

7) Directors remuneration is as under:-

	2004-05	2003-04
i. Salary, Allowances etc.to Managing Director & Whole time Director	Rs. 25,67,544	Rs. 16,95,060
ii. Perquisite	Rs. 2,51,104	Rs. 2,46,096
iii. Contribution to Provident Fund	Rs. 2,88,000	Rs. 1,80,000
iv. Commission to Managing Director	Rs. 96,00,000	Rs. 48,00,000
v. Sitting Fees	Rs. 63,500	Rs. 57,500
Total	Rs.1,27,70,148	Rs. 69,78,656

Note : The above amount does not include contribution to gratuity fund, as separate figures are not available for the Managing Director & Whole time Director.

Computation of net profit in accordance with section 198 and 309 of the companies Act,1956

	Rupees (In lacs)	Rupees (In lacs)
Profit before Taxes & extra ordinary Items	2977.54	1244.83
Add : Managerial Remuneration debited to P/L A/c	127.70	69.79
Net Profit as per section 309(5)	3105.24	1314.62
Commission to Managing Director (as determined by the Remuneration Committee.)	96.00	48.00

8) Payment to Auditors represents:

a) Audit fees	Rs. 1,25,000/-*	Rs. 93,600/-
b) For Taxation matters	Rs. 32,000/-	Rs. 91,000/-
c) For Other services	Rs. 26,127/-	Rs. 27,500/-
d) Reimbursement of traveling and out of pocket exp.	Rs. 22,296/-	Rs. 33,560/-
e) Tax audit fees (paid to a firm in which the statutory auditor is partner)	Rs. 40,000/-*	Rs. 44,400/-
Total	Rs. 2,45,423/-	Rs.2,90,060/-

*Net of service tax which is made cenvatable from FY 2004-05.

9) There was no amount overdue & remaining unpaid to small scale and /or ancillary industrial suppliers on account of principal & for interest as at the close of the year. This disclosure is based on the information available with the company.

10) Interest includes:

	2004-05	2003-04
Interest on Term Loan	Rs. 15,41,604 *	Rs. 30,87,527
Interest on others	Rs. 2,31,26,756	Rs. 3,29,658

*net of interest capitalised Rs. 2,19,07,591 (Prev. year Rs. Nil)

11) CAPACITY, PRODUCTION, SALES AND STOCK PARTICULARS OF EACH CLASS OF GOODS: (As certified by the Management) –

A. CAPACITY & PRODUCTION (IN MTs.)

	Licensed	Installed	Production
i. Steel Billets	N.A.	1,00,000	Nil
	N.A.	(1,00,000)	Nil
ii. Steel Ingots/ Runner Riser	N.A.	40,000	21,060
	N.A.	(40,000)	(28,031)
iii. Sponge Iron	N.A.	2,10,000	91,768
	N.A.	(60,000)	(64,303)
iv. Iron Ore	N.A.	N.A.	48,527

B. PURCHASES AND SALES PARTICULARS

Items	Purchase Qty. (MT)	Amount (Rs. in Lacs)	Sale Qty. (MT)	Amount (Rs. in Lacs)
i. Steel Ingot / Runner Riser	— (—)	(—) (—)	21,950 (27,107)	4506.21 (4111.39)
ii. Rolled Products	38,846 (24,381)	9284.11 (4469.12)	38,850 (23,820)	10104.05 (4783.67)
iii. Sponge Iron	— (—)	— (—)	70,989 (37,826)	9228.30 (3858.64)
iv. Byproducts	— (—)	— (—)	— (—)	415.54 (155.25)

Note :

1. Sale of Sponge iron is exclusive of 21,092 MT (prev. year 24,061 MT) of Sponge iron consumed internally for manufacture of steel ingots.
2. Sale of Runner Riser is exclusive of 475 MT (prev. year 342 MT) of Runner Riser consumed internally for manufacture of steel ingots.
3. Sale of By Products includes sales of 17,918 MT (prev. Year 15,015 MT) of iron ore Fines. These Fines are generated during production of Sponge Iron.

C. STOCK PARTICULARS OF GOODS PRODUCED

Items	Opening Stock		Closing Stock	
	Qty. (MT)	Value (Rs.in Lacs)	Qty. (MT)	Value (Rs.in Lacs)
(a) Steel:				
i) Ingots /Runner Riser	1,564 (982)	226.66 (122.16)	198 (1,564)	41.73 (226.66)
ii) Rolled Products (Trading)	597 (36)	127.28 (5.42)	443 (597)	112.99 (127.28)
(b) Sponge Iron*	4,590 (2,174)	388.80 (190.67)	4,277 (4,590)	507.11 (388.80)
(c) Iron Ore**	151 (Nil)	Nil (Nil)	33,130 (Nil)	206 (Nil)

* Value includes value of By products.

** The stock of Iron Ore is included in raw material.

12) CONSUMPTION OF IMPORTANT RAW MATERIALS

Items	Qty. (MT)	Value (Rs.in Lacs)
i) Iron & Steel Scrap	2,929 (8,011)	543.32 (791.15)
ii) Iron Ore	1,66,554 (97,568)	4398.53 (2419.54)
iii) Coal	1,32,899 (85,627)	2281.45 (1331.04)
iv) Others	-- (--)	17.10 (14.40)

Note :

1. Consumption of iron & steel scrap excludes consumption of 21,092 MT (Prev. year 24,061 MT) of Sponge iron and 475 MT (prev. Year 342 MT) of Runner Riser produced internally.
2. Consumption of Iron Ore is inclusive of 13,863 MT (Prev. year 15,015 MT) of Iron ore fines generated (Sold) during the production of Sponge Iron.
3. Consumption of Iron ore is inclusive of 15,548 MT Iron ore received from mines.

Raipur Alloys & Steel Limited

- 13) Value of consumption of imported and indigenous raw materials, spare parts and components and the percentage of each to the total consumption.

Particulars	Raw Materials		Spare parts & components	
	Value (Rs.in Lacs)	Consumption (%)	Value (Rs.in Lacs)	Consumption (%)
Imported	156.60 (—)	2.17 (—)	— (—)	— (—)
Indigenous	7083.80 (4556.13)	97.83 (100)	280.47 (292.00)	100 (100)

- 14) **Expenditure in foreign exchange**
- | | Value (Rs. in Lacs) | |
|--|---------------------|---------|
| | 2004-05 | 2003-04 |
| Stores and Spare parts on CIF basis | NIL | 141.79 |
| Staff Training Expenses | 16.22 | 8.34 |
| Travelling Expenses | 2.77 | 2.08 |
| 15) Earning in foreign Exchange : | Nil | (—) |

- 16) **Accounting For Taxes on Income:**

In accordance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India, the aggregate of current years tax and deferred tax charged to the Profit and Loss account is determined in accordance with the laws based upon which income tax is payable as under:

Current Year Charge:

Current tax determined is the amount of tax payable in respect of taxable income for the financial year 2004-05.

Deferred Tax :

The Company has estimated the deferred tax charge using the applicable rate of taxation and the same has been charged to Profit & Loss Account. Accordingly Deferred tax liability (Net) of Rs.1149.68 Lacs is disclosed under separate heading in the Balance Sheet as given below:

Particulars	Deferred tax liability /(asset) as at 01.04.2004 (Rs.)	Charges/ (Credit) during the year (Rs.)	Deferred tax liability /(asset) as at 31.03.2005 (Rs.)
On account of time difference :			
Depreciation	8,30,74,309	2,85,12,707	11,15,87,016
Excise Duty on closing stock		35,47,497	35,47,497
Liability of Leave Salary		(1,66,688)	(1,66,688)
	8,30,74,309	3,18,93,516	11,49,67,825

- 17) **Related Party Disclosure:**

I) Names of the related parties and description of relationship :

Sr.No.	Description of relationship	Name of Related Parties
01.	Associates	Chhattisgarh Electricity Company Ltd. Chhattisgarh Investments Ltd. Sarda Agriculture & Properties Pvt. Ltd. Prachi Agriculture & Properties Pvt. Ltd. Madhya Bharat Power Corp. Ltd.
02.	Key Management Personnel	Mr. Kamal Kishore Sarda Mr. G.K.Chhanghani
03.	Relative of Key Management Personnel	Mrs. Shakuntla Devi Sarda Mrs. Uma Devi Sarda

II) Material Transactions with Related Parties: (Rs. In Lacs)

Particulars	Associates	Key Management Personnel	Relatives of Key Management Personnel
Sale of Fixed Assets	Nil (45.00)		
Purchase of Goods	895.11 (283.40)		
Sale of Goods	383.17 (256.56)		
Services received	81.75 (361.40)		
Allotment of Equity shares	Nil (634.00)	Nil (20.00)	
Loans/Advances accepted	1522.30 (Nil)		
Deposit received back	Nil (600.00)		
Repayment of Loans	0.20 (462.66)		
Interest Paid	227.13 (2.54)		
Interest Received	1.16 (Nil)		
Remuneration		127.07 (69.21)	
Rent Paid			2.16 (2.16)
Rent Received	36.00 (Nil)		
Outstanding as on 31.03.2005			
Receivable	1.16 (600.00)	0.43 (2.26)	Nil (Nil)
Payable	1567.29 (57.99)	Nil (Nil)	

18) Segment Reporting

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company.

As part of secondary reporting , the company has no geographical segment by location.

A) Business Segment Primary

(Rs. In Lacs)

Particulars	2004-2005			2003-2004		
	Sponge Iron	Steel	Total	Sponge Iron	Steel	Total
Revenue						
Sales & other income	8547.63	14182.35	22729.98	3424.12	8309.44	11733.56
Inter segment sales	2460.24	0	2460.24	2298.00	0	2298.00
Total Revenue	11007.87	14182.35	25190.22	5722.12	8309.44	14031.56
Result						
Segment Result	3263.49	592.16	3855.65	1120.89	418.19	1539.08
Unallocated Corporate Expenses			658.00			260.08
Operating Profit			3197.64			1279.00
Interest			246.68			34.17
Profit Before Tax & Extraordinary Item			2950.96			1244.83
Add: Prior period adjustment			0.00			1543.48
Less:Provision for taxation						
For Current Year			845.00			375.00
For Deffered Taxation			318.94			(261.83)
Income Tax for Earlier years			(26.45)			0.00
Profit After Taxation			1813.48			2675.13
Other Information						
Segment Assets	11359.72	3795.15	15154.87	6520.86	1914.78	8435.64
Unallocated Assets			1106.29			1757.95
Total Assets			16261.16			10193.59
Segment Liabilities	148.30	27.51	175.81	1765.37	127.75	1893.12
Unallocated Liabilities			1457.14			3579.25
Total Liabilities			1632.95			5472.37
Capital Expenditure	3145.98	21.76	3167.74	2156.12	349.51	2505.63
Depreciation / Amortisation	344.90	50.98	395.88	267.52	31.58	299.10
Unallocated Capital Exp. & Depreciation			31.27			45.76
Non -cash Expenditure other than depreciation/(amortisation)			NIL			NIL

- Notes : 1. Unallocated Assets include assets of inoperative mini steel plant, investments and Miscellaneous Expenditure
2. Unallocated Liabilities include interest bearing liabilities and tax provisions

19) Earning per Share

Particulars	Year ended 31.03.2005	Year ended 31.03.2004
Net Profit (Rs. in Lacs)	1813.48	2675.13
Weighted average number of Equity Shares for Basic/Diluted EPS	1,30,80,000	1,03,55,000
Nominal Value of Equity Shares (Rs.)	10/-	10/-
Basic/ Diluted earning per share (Rs.)	13.86	25.83

20) Previous year figures are shown in bracket and have been recast/restated wherever necessary to make them comparable

21) INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT 1956: BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration no.16617 State Code 11 Balance Sheet date 31.03.2005

II Capital raised during the year (Amount in Rs. Thousands)

Public Issue	:	NIL	Right Issue	:	NIL
Bonus Issue	:	NIL	Private Placement	:	NIL

III Position of mobilisation and deployment of Funds: (Amount in Rs. Thousands)

Total Liabilities	1462821	Total assets	1462821
<u>Source of funds</u>			
Paid up Capital	130800	Reserve and Surplus	477926
Secured loans	565493	Unsecured loans	173634
Deferred tax liability	114968		
<u>Application of funds</u>			
Net Fixed assets	875940	Investments	30
Net Current assets	582126	Misc. Expenditure	4725
Accumulated Losses	—		

IV Performance of Company (Amount in Rs. Thousands)

Turnover	2272998	Total Expenditure	1977902
Profit / (Loss) before tax	295096	Profit / Loss after tax	181348
Earning per share in Rs.	13.86	Dividend rate %	30

V Generic Name of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC CODE) :	7207	Item Code No. (ITC CODE) :	7203
Product Description	: STEEL BILLETS/INGOT	Product Description	: SPONGE IRON

SIGNATURE TO SCHEDULE "A" TO "P"

As per my report of even date attached

(M. M. Jain)
Chartered Accountant

(K. K. Sarda)
Chairman &
Managing Director

(G.D. Mundra)
Executive
Director

(P. K. Jain)
Company
Secretary

Nagpur
Dated : 13th June 2005

Mumbai
Dated : 13th June 2005

RAIPUR ALLOYS & STEEL LIMITED

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORMAT

To,
Sharepro Services (India) Pvt. Ltd.,
Satam Estate, 3rd Floor, Cardinal Gracious Road, Above Bank of Baroda, Chakala, Andheri (East), Mumbai 400 099
Phone : 2821 5168 / 69, Fax : 2839 2259, E-mail : sharepro@vsnl.com

Dear Sirs,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill-in the information in CAPITAL LETTERS in ENGLISH ONLY. Please TICK whichever is applicable

For shares held in physical form	For Office use only
Folio No.	ECS reference no.
For shares held in electronic form	
DP Id	
CL Id	
Name of first holder	
Bank Name	
Branch Name	
Branch Code	

9 Digits Code Number appearing on the MICR Band of the cheque supplied by the Bank. Please attach a Xerox copy of a cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the banks name, branch name and code number.

Account Type	Saving		Current		Cash Credit	
--------------	--------	--	---------	--	-------------	--

Account no. as appearing on the cheque																			
Effective date this mandate																			

I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, Raipur Alloys & Steel Limited and or / Sharepro Services (India) Pvt. Ltd., will not be held responsible. I agree to avail the ECS facility provided by RBI as and when implemented by RBI / Raipur Alloys & Steel Limited

I further undertake to inform the Company any change in my Bank / branch and account number.

Signature of first holder :

Date :

Note : On dematerialisation of existing physical shares, for which you have availed ECS facility the above form needs to be re-submitted.



RAIPUR ALLOYS & STEEL LIMITED

Regd. Office : 73/A, Central Avenue, Nagpur 440 018, (M.H.)

PROXY FORM

I/We.....
of
being a Member / Member(s) of **RAIPUR ALLOYS & STEEL LIMITED**, hereby appoint
..... of or failing him/her
..... of or failing him/her
..... of as my / our proxy to
attend and vote for me / us on my / our behalf at the **32nd Annual General Meeting** of the Company at 73-A, Central Avenue, Nagpur to be held on 30th September, 2005 or at any adjournment thereof.

Folio No. _____ Client ID _____ DP ID _____

Signed this _____ day of _____ 2005

NOTE :

1. The Proxy form should be signed across the stamp as per specimen signature recorded with the Company.
2. The Proxy form duly completed and signed must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

Please Affix a Re. 1/- Revenue Stamp

Signature

TEAR HERE

TEAR HERE

ATTENDANCE SLIP



RAIPUR ALLOYS & STEEL LIMITED

Regd. Office : 73/A, Central Avenue, Nagpur 440 018, (M.H.)

I/We hereby record my/our presence at the **32nd Annual General Meeting** of the Company at 73-A, Central Avenue, Nagpur to be held on 30th September, 2005.

Name : _____

Regd. Folio No. : _____ No. of shares held _____

Client ID No. : _____ DP ID No. : _____

Name of Proxy / Representative, if any : _____

Signature of the Shareholder(s)/Proxy/Representative : _____

NOTE : Member / Proxy attending the Meeting must fill in this Attendance Slip and hand it over at the entrance of the venue of this Meeting.