T. R. CHADHA & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To, The Members of VARRSANA ISPAT LIMITED

1. We have audited the attached Balance Sheet of **Varrsana Ispat Limited** as at 31st March, 2007, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Department of Company Affairs, Government of India in terms of sub-section (4A) of the Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.

4. Further to our comments in the Annexure referred to in para 3 above, we report that:

4.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

4.2 In our opinion, proper books of account as required by law have been kept by the company as far as appears from our examination of those books.

4.3 The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account

4.4 In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.

4.5 On the basis of written representations received from the Directors of the Company and taken on record by the Board of Directors, we report that none of the Director is disqualified as on 31st March, 2007 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

T. R. CHADHA & CO. ★ MUMBAI ★ CHARTERED ACCOUNTANTS

4.6 *Attention is invited to the following para of Schedule – 20 of notes forming part of the Accounts:*

4.6.1 Note no.10 of Schedule 20 regarding accounting of leave encashment on cash basis instead of on accrual basis (amount of the same is not ascertainable)

4.7 In our opinion and to the best of our information and according to the explanations given to us, *the said accounts, subject to our comments in paragraph 4.6 above read together with the Significant Accounting Policies and notes thereon as per Schedule 20,* give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) In the case of Balance Sheet, of the state of affairs of the Company, as at 31st March, 2007;

ii) In the case of the Profit and Loss Account of the Profit for the year ended on that date; and

iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For T.R.Chadha & Co.
Chartered Accountants

T.R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

Kashyap I. Vaidya
Partner
Membership No. 37623

Place: Mumbai
Date: 3/9/07

Mumbai Branch : 106, Nirman Kendra, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400 011
Tel.:022-66606656, Fax No.022-24984724, Email: mumbai@trchadha.com

Head Office : B-30 Connaught Place, Kuthiala Building, New Delhi – 110 001
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Branches at : ❖ AHMEDABAD ❖ HYDERABAD ❖ PUNE ❖ CHENNAI

Varrsana Ispat Limited
Annexure to the Auditors' Report for the year ended March 2007
(Referred to in Paragraph 3 of our Report of even date)

I. Fixed Assets

a) The Company is maintaining proper records showing full particulars including quantitative details and situtation of its fixed assets.

b) The fixed assets have been physically verified by the management during the year, which in our opinion is reasonable. No material discrepancies were noted on such verification.

c) The fixed assets discarded / sold during the year are not substantial and are not affecting the operations of the Company as a going concern.

II. Inventories

a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

b) In our opinion and according to information and explanations given to us, 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 stock and records were not material in relation to the operation of the company and the same have been properly dealt with in the books of account.

III. Loans given / taken

The Company has not granted any secured / unsecured loan to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

The Company has taken interest free unsecured loans from a company covered in the register maintained under Section 301 of the Companies Act, 1956. The terms and conditions of such loans are not prima facie prejudicial to the interest of the company.

There was no stipulation regarding repayment of such loans taken by the company from the companies, firms or other parties listed in the register maintained under section 301 of the

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

Companies Act, 1956. There is no overdue amount of loans taken from the companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

IV. Internal Control

According to the information and explanations given to us and in our opinion, there are adequate internal control systems commensurate with the size of the company and the nature of its business, with regard to purchase of inventory, fixed assets and with regard to sales of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

V. Contracts and arrangement under Section 301

According to the information and explanation given to us, we are of the opinion that the transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 have been so entered.

In our opinion and according to information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs 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. Public Deposit

During the year, the Company has not accepted any deposits from the public under Section 58A of the Companies Act, 1956 and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules framed thereunder are not applicable.

VII. Internal Audit System

In our opinion, the Company has an internal audit system commensurate with its and nature of its business.

VIII. Cost Records

We have broadly reviewed the records maintained by the Company pursuant to the order made by the Central Government for maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

IX. Statutory Dues

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

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According to the information and explanations given to us and on the basis of our examination of the books of account, The Company has generally been regular in depositing its undisputed statutory dues including, Sales Tax, Service tax, Customs Duty, Excise Duty, Cess except Provident Fund and Tax Deducted at Source where the payment is irregular during the year. As at 31st March 2007, there are no undisputed dues payable, outstanding for a period of more than six months from the date they became payable.

According to the information and explanations given to us, there are no amounts in respect of sales tax, income tax, customs duty, cess and service tax that have not been deposited with the appropriate authorities on account of any dispute.

x) The Company has no accumulated losses. It has not incurred cash losses during the year covered by our audit and the immediately preceding financial year.

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

xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

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

xiv) As explained, the Company is not dealing or trading in shares, debentures, securities amd other investments except future & option transactions for commodities. In our opinion and accroding to informations and explanations given to us, proper records have been maintained of the trnsactions and contracts.

xv) As per information given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions.

xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.

xvi) According to the information and explanation given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long-term investment.

xvii) According to the inforrmation and explanations given to us, the company has not made prefential allotment of shares to parties and companies covered in the register maintian under section 301 of the Act.

xviii) The company has not issued any Debentures during the year under audit.

xix) According to the information and explanations given to us, the Company has not raised any money from the public during the year through public issue.

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

xx) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For T.R.Chadha & Co.
Chartered Accountants

Place: Mumbai
Date : 3/9/07

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

Kashyap I. Vaidya
Partner
Membership No. 37623

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Branches at : ❖ AHMEDABAD ❖ HYDERABAD ❖ PUNE ❖ CHENNAI

VARRSANA ISPAT LIMITED
(Formerly Eureka Rapid Communication Limited)

BALANCE SHEET AS AT 31ST March 2007 (Amount in Rupees)

	SCHEDULE	AS AT 31.03.2007	AS AT 31.03.2006
SOURCE OF FUNDS			
SHAREHOLDERS FUND			
SHARE CAPITAL	1	119,930,700	19,930,700
RESERVES & SURPLUS	2	417,409,724	2,667,058
LOAN FUNDS			
SECURED LOANS	3	1,432,964,963	885,951,772
UNSECURED LOANS	4	349,668,426	397,250,000
DEFERRED TAX LIABILITY		5,932,939	243,072
TOTAL		**2,325,906,752**	**1,306,042,602**
APPLICATION OF FUNDS			
FIXED ASSETS			
GROSS BLOCK	5	1,372,444,038	862,069,852
Less: DEPRECIATION		62,743,156	3,922,145
NET BLOCK		1,309,700,882	**858,147,707**
CAPITAL WORK IN PROGRESS		545,762,387	221,472,754
Expenditure durring Construction period (pending capitalisation/allocation)	6	87,506,011	46,532,336
		1,942,969,280	**1,126,152,797**
INVESTMENT	7	**35,375,000**	**1,410,000**
CURRENT ASSETS, LOANS & ADVANCES	8		
INVENTORIES	8A	440,000,546	128,246,650
SUNDRY DEBTORS	8B	77,963,394	16,314,138
CASH & BANK BALANCES	8C	26,712,940	23,519,034
LOANS & ADVANCES	8D	316,264,764	237,378,018
		860,941,644	**405,457,840**
LESS CURRENT LIABILITIES & PROVISIONS	9	513,379,173	227,069,403
NET CURRENT ASSETS		347,562,472	178,388,437
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	10	-	**91,368**
TOTAL		**2,325,906,751**	**1,306,042,602**

SIGNIFICANT ACCOUNTING POLICIES **20**
NOTES TO ACCOUNTS **21**
As per our report of even dated attached

For T R Chadha & Co.
Chartered Accountants

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

Kashyap I. Vaidya
Partner
M. No. 37623

Place : Mumbai
Date : 3/9/07

For and on behalf of Board of Directors

MANOJ MISHRA
DIRECTOR

MAHESH SUREKA
DIRECTOR

VARRSANA ISPAT LIMITED
(Formarly Eureka Rapid Communication Limited)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March 2007 (Amount in Rupees)

	SCHEDULE	YEAR ENDED 31.03.2007	YEAR ENDED 31.03.2006
INCOME			
SALES	11	1,620,438,156	54,689,378
LESS: EXCISE DUTY		138,910,200	20,052,371
NET SALES		1,481,527,956	34,637,007
OTHER INCOME	12	55,139,789	794,544
INCREASE/ (DECREASE) IN STOCK OF FINISHED GOODS	13	244,627,306	75,971,774
		1,781,295,051	**111,403,325**
EXPENDITURE			
RAW MATERIAL CONSUMED & PURCHASE OF GOODS	14	1,240,839,737	91,668,769
STORES & SPARES CONSUMED	15	23,408,416	
MANUFACTURING EXPENSES	16	298,728,593	6,110,285
EMPLOYEES' EMOLUMENTS	17	20,890,199	683,887
SELLING & ADMINSTRATIVE EXPENSES	18	50,735,450	1,633,858
FINANCE CHARGES	19	64,096,487	6,670,227
DEPRECIATION		52,160,662	3,241,849
PRELIMINERY EXPENSES W/OFF		91,368	22,842
TOTAL		**1,750,950,913**	**110,031,718**
PROFIT/ (LOSS) BEFORE TAX		30,344,138	1,371,608
Less :PROVISION FOR TAXATION			
- FOR CURRENT TAX		2,655,000	90,969
- FOR DEFERRED TAX		5,689,867	243,072
- FOR FRINGE BENEFIT TAX		575,852	379,814
- FOR SECURITY TRANSCATION TAX(PAID)		-	1,001
Less :PRIOR PERIOD DEPRECIATION		6,680,753	-
PROFIT/(LOSS) AFTER TAX		**14,742,666**	**656,752**
BALANCE B/F FROM PREVOUS YEAR		2,667,058	2,010,306
BALANCE CARRIED TO BALANCE SHEET		**17,409,724**	**2,667,058**
Basic & Diluted Earning Per Share (in Rs.)		7.01	0.61

SIGNIFICANT ACCOUNTING POLICIES 20
NOTES TO ACCOUNTS 21
As per our report of even dated attached

For T R Chadha & Co.
Chartered Accountants

Kashyap I. Vaidya
Partner
M. No 37623

Place : Mumbai
Date : 3/9/07

T.R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

For and on behalf of Board of Directors

MANOJ MISHRA
DIRECTOR

MAHESH SUREKA
DIRECTOR

VARRSANA ISPAT LIMITED

(Formarly Eureka Rapid Communication Limited)

CASH FLOW STATEMENT FOR THE YEAR ENDED AS ON 31ST MARCH 2007

PARTICULARS	2006-2007 Amount	2005-2006 Amount
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT /(LOSS) AFTER TAX	14,742,666	656,752
ADJUSTMENT FOR:		
MISCELLANEOUS EXPENDITURE	91,368	22,842
DEPRECIATION	58,841,416	3,241,849
INTEREST	64,096,487	6,670,227
LOSS FROM SALE OF FIXED ASSETS	154,664	(138,051)
DIVIDEND INCOME	-	(35,100)
INCOME FROM SALE OF INVESTMENT		(326,199)
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	137,926,601	10,092,321
ADJUSTMENT FOR:		
DECREASE/(INCREASE) IN TRADE AND OTHERS RECEIVABLES	(61,649,256)	(12,662,138)
DECREASE/(INCREASE) IN INVENTORIES	(311,753,896)	(128,246,650)
DECREASE/(INCREASE) IN LOAN & ADVANCES	(78,886,746)	(172,046,691)
INCREASE/(DECREASE) IN CURRENT LIABILITIES	286,309,770	226,702,894
INCREASE/(DECREASE) IN DEFERRED TAX LAIBILITY	5,689,867	243,072
CHANGES IN WORKING CAPITAL	(160,290,262)	(86,009,513)
NET CASH FLOW FROM OPERATING ACTIVITIES	(22,363,661)	(75,917,192)
B. CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS INCLUDING CAPITALISATION OF EXPENDITURE & CAPITAL WORK IN PROGRESS	(876,302,206)	(1,191,765,185)
PROCEEDS ON SALE OF INVESTMENT	(33,965,000)	992,813
PROCEEDS ON SALE OF FIXED ASSETS	489,643	2,300,000
DIVIDEND RECEIVED	-	35,100
NET CASH FLOW FROM INVESTING ACTIVITIES	(909,777,563)	(1,188,437,272)
C. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE OF SHARE CAPITAL	500,000,000	9,250,000
PROCEEDS FROM UNSECURED LOANS	(47,581,574)	397,250,000
PROCEEDS FROM SECURED LOANS	547,013,191	885,951,772
INTEREST	(64,096,487)	(6,670,227)
NET CASH FLOW FROM FINANCING ACTIVITIES	935,335,130	1,285,781,545
NET CASH FLOW:	3,193,905	21,427,081
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	23,519,034	2,091,953
CASH AND CASH EQUIVALENTS AT THE CLOSING OF THE YEAR	26,712,940	23,519,034
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,193,906**	**21,427,081**

As per our report of even dated attached

For T R Chadha & Co.
Chartered Accountants

Kashyap I. Vaidya
Partner
M. No. 37623

Place : Mumbai
Date : 3/9/07

T.R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

For and on behalf of Board of Directors

MANOJ MISHRA
DIRECTOR

MAHESH SUREKA
DIRECTOR

VARRSANA ISPAT LIMITED

(Formerly Eureka Rapid Communication Limited)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE PERIOD YEAR ENDED 31st March 2007

(In Rs.)

SCHEDULE 1 SHARE CAPITAL	AS ON 31.03.2007	AS ON 31.03.06
AUTHORISED		
12000000 (P/Y -2000000) Equity Shares of Rs. 10/- each	120,000,000	20,000,000
ISSUED SUBSCRIBED & PAID UP		
11993070 (P/Y -1993070) Equity Shares of Rs. 10/- each Fully Paid-up	119,930,700	19,930,700
Total	119,930,700	19,930,700

SCHEDULE 2 RESERVES & SURPLUS		
Profit & Loss Account	17,409,724	2,667,058
Share Premium	400,000,000	-
Total	417,409,724	2,667,058

SCHEDULE 3 SECURED LOANS		
-Term Loan		
Indian Overseas Bank	546,000,000	413,800,090
UCO Bank	753,000,000	465,600,000
Interest Accrued & Due	10,670,280	6,551,682
(Repayment due in one year Rs 1140.00 lacs - previous year Rs.439.70 lacs)		
(Secured by creation of first charge on pari-passu basis on whole Block of Assets and second pari-passu charge on current assets of the company)		
-Cash Credit Limits		
IOB CC A/C	16,952,004	-
UCO CC A/C	106,342,679	-
(Secured by creation of first charge on pari-passu basis on current assets of the company and second pari-passu charge on whole Block of Assets)		
Total	1,432,964,963	885,951,772

SCHEDULE 4 UNSECURED LOANS		
OTHER LOANS		
Inter Corporate Deposit	349,668,426	397,250,000
Total	349,668,426	397,250,000

SCHEDULE 6 EXPENDITURE DURING CONSTRUCTION (PENDING CAPITALIZATON)		
Opening Balance	46,532,336	-
Interest	44,445,693	15945087
Other Expenses	64,316,215	79328506
	155,294,244	95,273,593
Less:		
Income from sale of scrap	-	2414385
Total Expenditure	155,294,244	92859208
Less: Capitalised/allocated	67,788,233	46326871
Balance Carried forward (Pending capitalisation/ allocation)	87,506,011	46532336

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

VARRSANA ISPAT LIMITED
SCHEDULE - 5
FIXED ASSETS

PARTICULARS	Rate of Depreciation	GROSS BLOCK AS ON 01.04.2006	GROSS BLOCK ADDITION D.T.Y.	GROSS BLOCK DEDUCTION D.T.Y.	GROSS BLOCK AS ON 31.03.2007	DEPRECIATION Opening AS ON 01.04.2006	DEPRECIATION Depreciation Reversed	DEPRECIATION Last Year	DEPRECIATION FOR THE PERIOD	DEPRECIATION DEDUCTION D.T.Y.	DEPRECIATION AS ON 31.03.2007	NET BLOCK AS ON 31.03.2007	NET BLOCK AS ON 31.03.2006
LAND	-	6,684,020	21,006,008	-	27,690,028	-		-	-	-	-	27,690,028	6,684,020
BUILDING	3.34%	237,203,318	123,088,118	-	360,291,436	959,357	-	1,109,200	10,297,957	-	12,366,514	347,924,921	236,243,961
COMPUTER	16.21%	558,000	443,362	-	1,001,362	241,176	-	-	109,618	-	350,794	650,568	316,824
PLANT & MACHINERY	4.75%	608,240,747	354,157,360	-	962,398,107	2,303,827	-	5,216,032	39,893,395	-	47,413,254	914,984,854	605,936,920
OFFICE EQUIPMENT	4.75%	74,900	468,775	-	543,675	2,741	-	4,464	21,467	-	28,672	515,003	72,159
FURNITURE & FIXTURES	6.33%	609,911	532,819	-	1,142,730	27,694	-	345,469	435,242	-	808,404	334,326	582,217
TELEPHONE & TELEX	4.75%	80,400	56,777	-	137,177	4,941	-	5,589	48,799	-	59,329	77,848	75,459
MOTOR CAR	9.50%	2,098,138	138,677	-	2,236,815	237,357	-	-	201,489	-	438,846	1,797,969	1,860,781
MOULDS & DYES	11.31%	6,520,418	11,147,001	664,711	17,002,708	145,052	-	-	1,152,696	20,404	1,277,343	15,725,365	6,375,366
TOTAL		862,069,852	511,038,897	664,711	1,372,444,038	3,922,145	-	6,680,753	52,160,662	20,404	62,743,156	1,309,700,882	858,147,707
Last Year		3,632,795	860,810,072	2,373,015	862,069,852	891,363	350,588	-	3,592,438	211,067	3,922,145	858,147,707	2,741,432

T.R. CHADHA & CO.
MUMBAI
CHARTERED ACCOUNTANTS

VARRSANA ISPAT LIMITED

(Formarly Eureka Rapid Communication Limited)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE PERIOD YEAR ENDED 31st March 2007 (In Rs.)

SCHEDULE: 7 INVESTMENTS		
(LONG TERM & NON-TRADE) (At Cost)		
IN FULLY PAID UP EQUITY SHARES OF RS.10/- EACH		
Unquoted		
40,08,800 Shares of Octal Suppliers Pvt Ltd	35,245,000	1,410,000
13,000 Shares of Varrsana Energy Infrastructure Ltd	130,000	-
Total	**35,375,000**	**1,410,000**

SCHEDULE 8 CURRENT ASSTES,LOAN & ADVANCES		
SCHEDULE 8A INVENTORIES		
(As Taken, Valued & Certified by the Management)		
Finished Goods	320,599,080	75,971,774
Raw Material	106,944,047	52,274,877
Stores & Spares	12,457,420	-
Total	**440,000,546**	**128,246,650**

SCHEDULE 8B SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Debts due for a period exceeding six months	315,974	-
Other Debts	77,647,420	16,314,138
Total	**77,963,394**	**16,314,138**

SCHEDULE 8C CASH & BANK BALANCES		
Cash in Hand	40,051	163,202
(As Certified by the Management)		
Balances with Scheduled Banks		
- In Current Accounts *	(21,825,446)	11,405,833
- In Fixed Deposit	48,498,335	11,950,000
(For Margin Money with IOB & UCO Bank)		
*(Includes chqs. issued but not presented) **Total**	**26,712,940**	**23,519,034**

SCHEDULE 8D LOANS & ADVANCES		
(UNSECURED - CONSIDERED GOOD)		
Advances recoverable in Cash or in kind or for value to be received	63,401,397	64,220,765
Deposits	133,981,656	149,155,056
Vat and Excise refund receivable	73,881,971	17,618,550
TDS Receivable & Self Assessment Tax	3,346,013	89,015
Other Receivables	41,653,727	6,294,632
Total	**316,264,764**	**237,378,018**

T.R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

VARRSANA ISPAT LIMITED

(Formarly Eureka Rapid Communication Limited)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE PERIOD YEAR ENDED 31st March 2007 (In Rs.)

SCHEDULE 9 CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors		
- For Goods Supplied	48,124,103	7,232,428
- For Capital Expenditure	68,836,963	184,025,907
- For Expenses & Others	107,403,546	35,237,826
-LC Acceptance	285,483,917	-
		-
Provisions		
- For Taxation	2,745,969	90,969
- For Fringe Benefit Tax	47,504	379,814
- For Gratuity	737,171	102,459
Total	513,379,173	227,069,403

SCHEDULE 10 MISCELLANEOUS EXPENDITURE		
Preliminary Expenditure (To the extent not written off or adjusted)	91,368	114,210
Written-off during the year	91,368	22,842
Total	-	91,368

	YEAR ENDED 31.03.07	YEAR ENDED 31.03.06
SCHEDULE: 11 SALES & SERVICES		
Sales Manufacturing	1,295,853,573	54,689,378
Sales Trading	324,584,583	-
Total	1,620,438,156	54,689,378

SCHEDULE: 12 OTHER INCOME		
Dividend Income	-	35,100
Management Consultancy Services	10,894,769	-
Exchange Fluctuation	99,192	-
Profit on Sale of Fixed Asset	-	138,051
Profit on Sale of Investment	-	326,199
Misc Income	206,524	295,194
Profit from Future and Option Trading	43,939,304	-
Total	55,139,789	794,544

SCHEDULE: 13 INCREASE / (DECREASE) IN FINISHED INVENTORY		
Opening Stock of Finished Goods	75,971,774	-
Less: Closing Stock of Finished Goods	320599080	75,971,774
INCREASE/(DECREASE) IN INVENTORY	244,627,306	75,971,774

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

'/ARRSANA ISPAT LIMITED

(Formarly Eureka Rapid Communication Limited)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE PERIOD YEAR ENDED 31st March 2007 **(In Rs.)**

SCHEDULE: 14 RAW MATERIAL CONSUMED & PURCHASE OF GOODS		
Raw Material Consumed		
Opening Stock	52,274,877	-
Add: Purchases(Net of Sales & Internal Use)	1,063,105,665	143,943,646
Less: Closing Stock	106,944,047	52,274,877
	1,008,436,495	91,668,769
Purchase of Trading Goods	232,403,242	-
Total	**1,240,839,737**	**91,668,769**

SCHEDULE: 15 STORES & SPARES CONSUMED		
Stores & Spares Consumed		
Opening Stock	-	-
Add: Purchases	35,865,836	-
Less: Closing Stock	12,457,420	-
Total	**23,408,416**	**-**

SCHEDULE: 16		
Manufacturing Expenses		
Electricity Expenses Power & Fuel	262,790,052	3,785,669
Water Charges	1,695,086	11,287
Labour Charges	26,394,700	2,187,744
Inspection Charges	4,270,397	65,981
Crane Hire Charges	2,334,853	-
Repair & Maintenance	1,243,505	59,604
Total	**298,728,593**	**6,110,285**

SCHEDULE: 17		
Employees' Emoluments		
Salary & Wages	17,229,354	593,328
Bonus	284,721	-
Contribution to PF	674,909	23,740
Gratuity	634,712	15,369
Staff Welfare	2,066,503	51,450
Total	**20,890,199**	**683,887**

SCHEDULE: 18		
Selling & Adminstrative Expenses		
Freight Outward	34,158,557	1,002,083
Brokerage	2,031,101	64,227
Insurance	1,222,046	-
Rates & Taxes	122,599	-
Auditors Remuneration	392,840	280,600
Travelling & Conveyance	2,577,353	88,321
Rent	593,100	19,272
Security Charges	2,340,819	81,476
Service Tax	1,789,290	-
Loss on Sale of Fixed Asset	154,664	
Misc Expenditure	5,353,081	97,879
Total	**50,735,450**	**1,633,858**

SCHEDULE: 19		
FINANCE CHARGES		
Interest On Term Loan	49,697,227	6,661,029
Interest On Working Capital	11,615,724	-
Other Finance Charges	2,783,536	9,198
Total	**64,096,487**	**6,670,227**

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

Schedule: 20

SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of Accounting**

   i. The financial statement of the company have been prepared under the historical cost convention and on the assumption of going concern in compliance with the accounting standards referred to in section 211 (3C) to the Companies Act 1956.

   ii. The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis.

2. **Revenue Recognition:**

   a) Sales are inclusive of excise duty, VAT, export benefits and waste sales, and are net of returns, discounts and claims.

   b) Profit/Loss on sale of investments and future and option transactions for commodities are booked on the basis of contract notes for sale of shares and commodities respectively.

   c) Dividend and other income are accounted for when the right to receive the payment is established.

3. **Fixed Assets**

   a. Fixed Assets are stated at cost less accumulated depreciation / amortization.

   b. Land is stated at cost of acquisition inclusive of incidental expenses thereto.

   c. The cost includes taxes and duties (excluding Cenvat claimed) cost of acquisition/construction, installation and pre-operative expenditure including trial run period *i.e.* attributable direct expenses as well as indirect expenses incurred for bringing the asset to its working condition for its intended use and borrowing costs incurred during pre-operational period.

   d. When assets are sold /disposed off / discarded, their cost and accumulated depreciation are removed from fixed assets and any gain/ loss resulting from disposal is included in profit & loss account.

4. **Expenditure during the Construction Period**

   Expenditure (net) incurred on Project(s) under construction is carried forward as expenditure during Construction Period (pending capitalization/allocation) and will be allocated to fixed assets on completion of Project(s).

5. **Depreciation**

   a. Depreciation on assets is provided on straight-line method (SLM) at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Except in case of Rolls used in rolling plant where the life of asset is assumed as equivalent to other types of Plant and Machinery based on the Technical Engineers assessment.

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

b. Depreciation on fixed assets added / disposed off / discarded during the year has been provided on a pro-rata basis with reference to the month of addition / disposal / discarding.

6. Borrowing Costs

Borrowing costs attributable to acquisition /construction of qualifying assets are capitalized with the respective assets till the date of asset put to commercial use and other borrowing costs are charged to Profit and Loss Account.

7. Investments

Long Term Investments are stated at cost. Provision for diminution in value of long term investments is made, if the diminution is other than temporary.

8. Inventories

i. Inventories are valued as under:

	Raw Material	At Cost on FIFO Basis
	Stores and Spare Parts	Cost or Net Realisable Value, which is lower.
	Work in Progress and Finished Goods	Cost or Net Realisable Value, which is lower.

ii. Excise Duty on closing stock of finished goods lying in the factory is provided for.

iii. Finished goods and work-in-progress include Cost of Conversion incurred in bringing the inventories to its present conditions and locations.

9. Taxes on Income

Current tax determined as the amount of tax payable in respect of estimated taxable income for the year and in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognized using the enacted/substantively enacted tax rate and lower as on the Balance Sheet date, subject to the consideration of virtual/reasonable certainty of realization in respect of deferred tax assets, on all timing differences, between taxable income and accounting income that originates from one or more subsequent periods.

10. Retirement Benefits:

Provision for accruing liability for Gratuity under the provisions of the Payment of Gratuity Act, have been made on accrual basis.

Contribution to recognized provident fund is accounted for on accrual basis.

Leave encashment benefits are accounted for on cash basis.

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11. **Foreign Currency Transactions**

Transactions in foreign currency are recorded on the basis of exchange rates prevailing on the date of their occurrence. Foreign currency assets and liabilities are converted into rupee equivalent at the exchange rates prevailing on the Balance Sheet date and exchange difference arising there from is charged to the revenue.

12. **Impairment of Assets:**

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of assets. An important loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Where the recoverable amount is greater of Net Seller Price and Value in Use, post impairment, depreciation is provided on the revised carrying value of the assets over the remaining useful life of assets. Reversal of impairment loss recognized in prior period is recorded when there is an indication that the impairment loss recognized from the assets no longer exists.

13. **Provisions, Contingent Liabilities and Contingent Assets :**

A provision is made / recognized based on the management estimates required to settle the obligations at the Balance Sheet date, when the Company has a present obligation as a result of past event and it is possible that an outflow embodying economic benefits will be required to settle the obligation. Contingent assets are neither recognized nor disclosed in the financial statements. Contingent liabilities are not recognised but are disclosed by way of notes.

SCHEDULE: 21

Notes on accounts

1. The Company started the business of Iron and Steel and accordingly the name of the Company was changed to "VARRSANA ISPAT LIMITED" w.e.f. 25th July 2005. Formerly, the Company was known as Eureka Rapid Communication Limited.
2. The Company is on the process of compilation of classification of creditors into micro, small and medium enterprises.

3. The company has provided arrear of Depreciation on Fixed Asset amounting to Rs 66.80 Lacs pertaining to financial year 2005-06 and has disclosed the same as prior period depreciation in the financial statements.

4. Estimated amount of contracts remaining to be executed on capital account, not provided for (net of advances) Rs. 1736.50 Lacs (Previous year Rs. 1476.13).

5. As per the information of suppliers' status as SSI Unit, available with the management, the Company does not have any liability outstanding as on 31st March 2007 to Small Scale Industrial Undertakings.

6. In the opinion of the Board of Directors, Current Assets, Loans and Advances (including capital advances) have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. Adequate provisions have been made in accounts for all the known liabilities.

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

7. **Auditors' Remuneration**

Particulars	**Year ended 31.03.2007 (Rs.)**	**Year ended 31.03.2006 (Rs.)**
Audit Fee	3,00,000	2,00,000
Tax Audit	50,000	50,000
Service Tax	42,840	30,600
Total	**3,92,840**	**2,80,600**

8. **Earning per Share:**

a) Calculation of weighted number of equity shares of Rs. 10 each

No. of Equity Shares at the beginning of the year			1993070
Add : Allotment made during the year:	Nos.	Weighted Nos.	
On 27/03/2007	1,00,00,000	109589	109589
	Total		**2102659**

b) Calculation of profit available to Equity Shares	**Rs.14742666**
Earning per Share:	**Rs. 7.01**

9. **Related Party disclosures:**

(A) Key Management Personnel:
   a. Sh. Sandip Jhunjhunwala
   b. Sh. Manoj Mishra

(B) Name of the companies where control exists (either individually or with others)/Associate Concerns :
   a. REI Agro Limited

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10. There is no other known liability except those stated in the Balance Sheet.

Further, there is no other contingent liability except those disclosed by way of notes of accounts.

11. Deferred Tax Liabilities :

Particulars	**2006-07 (Rs.)**	**2005-06 (Rs.)**
a) Deferred Tax Liabilities ;		
--- Due to Depreciation	5,36,90,478	1,85,45,028
b) Deferred Tax Assets :		
--- Due to carried forward losses/Depreciation	4,16,88,305	1,82,16,939
--- Due to timing difference	26,25,946	-
--- Minimum Alternative Tax	26,87,634	85,017
Total Deferred Tax Asset	4,70,01,885	1,83,01,956
Net Liability	**66,88,593**	**2,43,072**

12. Additional Information pursuant to Part-II of Schedule VI of the Companies Act, 1956

(A) Licensed & Installed Capacity

(As certified by management and accepted by auditors, being a technical matter)

(Metric Tons per annum)

Installed capacity*	**2006-07**	**2005-06**
Steel Melt Shop	216000	216000
Rolling Mill	240000	240000
* Delicensed as per Government of India Notification		

T. R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

PARTICULARS	Items	Year Ended 31st March, 2007 In Mt	Year Ended 31st March, 2006 In Mt

1) Production, Sales and Stocks:

(Rs. In Thousand)

		Year Ended 31st March, 2007		Year Ended 31st March, 2006	
		Qty (MT)	Amount	Qty (MT)	*Amount*
a) **Opening Stock**		NIL	NIL	-	-
- Steel Melting Division	Ingots	4134.00	75,703	-	-
- Rolling Mill Division	TMT Bar	9.00	268	-	-
Total			**75,971**	-	-
b) **Production**					
- Steel Melting Division	Ingots	10396.18	-	6736	-
- Steel Melting Division	Billets	52892.17	-	-	-
- Rolling Mill	TMT Bar	37276.22	-	133	-
- Rolling Mill	Others	3076.52	-	-	-
c) **Sales**					
- Steel Melting Division	Ingots	11185.52	2,28,180	2,602	51,335
- Steel Melting Division	Billets	12329.98	2,83,844	-	-
- Rolling Mill Division	TMT Bar	29049.50	7,68,222	124	3,093
- Rolling Mill Division	Others	711.96	15,607	-	-
Total			**12,95,853**		**54,428**
d) **Closing Stock**					
- Steel Melting Division	Ingots	35.48	706	4,134	75,703
- Steel Melting Division	Billets	3217.92	83,748	-	-
- Rolling Mill Division	TMT Bar	7344.18	2,16,020	9	268
- Rolling Mill Division	Others	899.99	20,125	-	-
Total			**3,20,599**		**75,971**

T.R. CHADHA & CO. MUMBAI CHARTERED ACCOUNTANTS

e) Trading Goods						
	Opening Stock	Paddy	-	-	-	-
	Purchase	Paddy	14469.12	2,32,403	-	-
	Sales	Paddy	14469.12	3,24,584	-	-
	Closing Stock	Paddy	-	-	-	-
2)	**Raw Material**	**Consumed**				
a)	- Steel Melting Division	Scrap	52109.68	7,11,919	5,351	62,496
		Sponge	19475.16	2,13,347	2,222	22,121
		Ferro Silcon & Manganese	935.32	29,775	90	2,629
b)	- Rolling Mill Division	Ingot	3309.03	-	-	-
		Billets (Purchase)	582.55	9,895	138	2,515
		Billets (Internal)	**37926.83**	-	-	-
c)	- SMS & RMS Division	Others (Net of TMT Internal Use for project)	-	39,939	-	-
		Total		10,08,435		91,669
3)	**Raw Material Consumed**		**%**	**Amount Rs.**	**%**	**Amount Rs.**
		Imported	21.81%	2,19,155	9.73%	8,918
		Indigenous	78.19%	7,89,280	90.27%	82,751
4)	Stores & Spares Consumed	Imported	0%	-	-	-
		Indigenous	100%	23,408	-	-
5) CIF Value of import						
	a) Raw Material			1,51,629		46,450
	b) Capital Goods			7,548		11,312
6) Expenditure in Foreign Currency				Nil		Nil
7) Earning in Foreign Currency				Nil		Nil

13 Balances of unsecured loans, sundry debtors, sundry creditors, loans & advances, etc. are subject to confirmation and subsequent reconciliation, if any.

T. R. CHADHA & CO.
MUMBAI
CHARTERED ACCOUNTANTS

VARRSANA ISPAT LTD.

Balance Sheet Abstract and Company's Business Profile

I. **Registration Details**

Registration No.	103903	State Code	56
Balance Sheet Date	31 03 2007		

II **Capital Raised during the Year (Rs. in Thousand)**

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Preferential Issue	100000

II Position of Mobilisation and Deployment of Funds (Rs. in Thousands)

Total Liabilities	2325907	Total Assets	2325907
Sources of Funds		**Application of Funds**	
Paid-up Capital	119931	Net Fixed Assets	1309701
Reserves & Surplus	417410	Net Current Assets	347562
Secured Loans	1432965	Investments	35375
Unsecured Loans	349668	Misc. Expenditure	000
Deferred Tax	5933	Accumulated Losses	NIL

IV Performance of Company (Rs. in Thousands)

Turnover	1620438	Total Expenditure	1750951
Profit/(Loss) Before Tax	30344	Profit/(Loss) After Tax	14743
Earning per Share in (Rs.)	07.01	Dividend Rate	NIL

V Generic Names of three principal Products/Services of Company (As per Monetary terms)

Item Code No (ITC Code)

Product Description IRON & STEEL

Date: 03.09.2007
Place: New Delhi

For and on behalf of the Board

Manoj Mishra
Director

Mahesh Sureka
Director