

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, 2008, 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:

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.

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

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

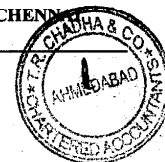
In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.

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

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Branches at : ❖ AHMEDABAD ❖ HYDERABAD ❖ PUNE ❖ CHENNAI



T. R. CHADHA & CO.
CHARTERED ACCOUNTANTS

31st March, 2008 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, *the said accounts, read together with the Significant Accounting Policies and notes thereon as per Schedule 19*, 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, 2008;
- 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


Kashyap I. Vaidya
Partner
Membership No. 37623

Place: Mumbai
Date : 01.09.2008



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Varrsana Ispat Limited
Annexure to the Auditors' Report for the year ended March 2008
(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 situation 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 one company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 1.42 Crores and the year-end balance was Rs. Nil in respect of such loans taken. The terms and conditions on which such loans have been taken are not prima facie prejudicial to the interest of the company.



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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 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 size and 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

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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

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, which are deposited with some delay during the year. As at 31st March 2008, 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 and other investments. In our opinion and according to informations and explanations given to us, proper records have been maintained of the transactions 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.



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T. R. CHADHA & CO.
CHARTERED ACCOUNTANTS

- XVII)** 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.
- XVIII)** During the year, the company has made preferential allotment of 51,60,500 shares to a company covered in the register maintained under section 301 of the Act. According to the information and explanations given to us, the price at which shares have been issued are not prima facie prejudicial to the interest of the Company.
- XIX)** The company has not issued any Debentures during the year under audit.
- XX)** 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.
- XXI)** 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

Kashyap L. Vaidya
Partner
Membership No. 37623

Place : Mumbai
Date : 01.09.2008



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VARRSANA ISPAT LIMITED

(Formerly Varsha Rapid Communication Limited)

BALANCE SHEET AS AT 31st March 2008		(Amount in Rupees)	
	SCHEDULE	AS AT 31.03.2008	AS AT 31.03.2007
SOURCE OF FUNDS			
SHAREHOLDERS FUND			
Share Capital	1	171,535,700	119,930,700
Reserves & Surplus	2	1,414,872,005	417,409,724
LOAN FUNDS			
Secured Loans	3	2,102,516,461	1,432,964,963
Unsecured Loans	4	240,000,000	349,668,426
Deferred Tax Liability		13,392,279	5,932,939
TOTAL		3,942,316,445	2,325,906,752
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	2,644,313,961	1,372,444,038
Less: Depreciation		154,508,280	62,743,156
Net Block		2,489,805,681	1,309,700,882
Capital Work in Progress		840,931,089	633,268,398
		3,330,736,770	1,942,969,280
INVESTMENT	6	35,375,000	35,375,000
CURRENT ASSETS, LOANS & ADVANCES	7		
Inventories	7A	914,841,839	440,000,546
Sundry Debtors	7B	223,557,133	77,963,394
Cash & Bank Balances	7C	73,905,565	26,712,940
Loans & Advances	7D	294,218,090	316,264,764
		1,506,522,627	860,941,644
LESS : Current Liabilities & Provisions	8	930,317,952	513,379,173
NET CURRENT ASSETS		576,204,675	347,562,472
MISCELLANEOUS EXPENDITURE	9		
(To the extent not written off or adjusted)			
TOTAL		3,942,316,445	2,325,906,752

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

19

As per our report of even dated attached

For T R Chadha & Co.
Chartered Accountants

For and on behalf of Board of Directors

For VARRSANA ISPAT LIMITED

Kashyap I Vaidya
Partner (V) No. 037623

Place : MUMBAI
Date : 01/09/2008

Company Secretary

Manoj Mishra
Director

Mahesh Sureka
Director



VARRSANA ISPAT LIMITED(Formerly **Excelis Rapid Communication Limited**)**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2008**

(Amount in Rupees)

	SCHEDULE	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
INCOME			
Sales	10	3,265,114,978	1,620,438,156
Less: Excise Duty		396,334,968	106,308,373
Net Sales		2,868,780,010	1,514,129,783
Other Income	11	1,521,485	55,139,789
Increase / (Decrease) in Finished Products	12	188,549,574	244,627,306
		3,058,851,069	1,813,896,878
EXPENDITURE			
Raw Material Consumed	13	1,987,919,252	1,240,839,737
Stores & Spares Consumed	14	81,049,839	23,408,416
Manufacturing Expenses	15	531,852,682	331,330,419
Employees Emoluments	16	54,736,035	20,890,199
Selling & Administrative Expenses	17	70,788,317	50,735,450
Finance Charges	18	212,095,601	64,096,487
Depreciation		91,765,123	52,160,662
Preliminary Expenses W/OFF		-	91,368
TOTAL		3,030,206,850	1,783,552,738
PROFIT/ (LOSS) BEFORE TAX		28,644,219	30,344,138
Less : Provision for Taxation			
- For Current Tax		3,121,164	2,655,000
- For Deferred Tax		7,459,340	5,689,867
- For Fringe Benefit Tax		851,355	575,852
- For Security Transaction Tax (Paid)		-	-
- Prior period Expenses		245,079	6,680,753
PROFIT/(LOSS) AFTER TAX		16,967,281	14,742,666
Balance B/F from Previous Year		17,409,724	2,667,058
BALANCE CARRIED TO BALANCE SHEET		34,377,005	17,409,724
Basic & Diluted Earning Per Share (in Rs.)		1.41	7.01

SIGNIFICANT ACCOUNTING POLICIES AND

19

NOTES TO ACCOUNTS

As per our report of even dated attached

For T R Chadha & Co.
Chartered AccountantsKashyap I Valdya
Partner M - Nb - 037623Place : MUMBAI
Date : 01/09/2008

For and on behalf of Board of Directors

For VARRSANA ISPAT LIMITED

Manoj Mishra
DirectorMahesh Sureka
Director

Company Secretary



VARRSANA ISPAT LIMITED

(Formerly Varrsana Capital Communication Limited)

CASH FLOW STATEMENT FOR THE YEAR ENDED AS ON 31ST MARCH 2008

PARTICULARS	2007-2008	2006-2007
	Amount	Amount
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit (Loss) after Tax	16,967,281	14,742,666
Adjustment For:		
Miscellaneous Expenditure	-	91,368
Depreciation	91,765,123	58,841,416
Interest	212,095,601	64,096,487
Loss from Sale of Fixed Assets	-	154,664
Operating Profit/(Loss) before Working Capital Changes	320,828,005	137,926,601
Adjustment For:		
Decrease/(Increase) in Trade and other Receivables	(145,593,739)	(61,649,256)
Decrease/(Increase) in Inventories	(474,841,293)	(311,753,896)
Decrease/(Increase) in Loan & Advances	22,046,674	(78,886,746)
Decrease/(Increase) in Current Liabilities	416,938,779	286,309,770
Decrease/(Increase) in Deferred Tax Liability	7,459,340	5,689,867
Changes in Working Capital	(173,990,239)	(160,290,262)
NET CASH FLOW FROM OPERATING ACTIVITIES	146,837,766	(22,363,661)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets including Capitalisation of Expenditure & Capital Work in Progress	(1,479,532,612)	(876,302,206)
Proceeds of Sale of Investment	-	(33,965,000)
Proceeds on Sale of Fixed Assets	-	489,643
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,479,532,612)	(909,777,563)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issues of Share Capital	1,032,100,000	500,000,000
Proceeds from Unsecured Loans	(109,668,426)	(47,581,574)
Proceeds from Secured Loans	669,551,498	547,013,191
INTEREST	(212,095,601)	(64,096,487)
NET CASH FLOW FROM FINANCING ACTIVITIES	1,379,887,471	935,335,130
NET CASH FLOW:	47,192,625	3,193,905
Cash and Cash Equivalents at the Beginning of the year	26,712,940	23,519,034
Cash and Cash Equivalents at the Closing of the year	73,905,565	26,712,940
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,192,625	3,193,906

As per our report of even dated attached

For T R Chadha & Co.
Chartered Accountants

For and on behalf of Board of Directors

(KASHYAP I VAIDYA)
Partner A/- No. 037623

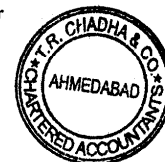
For VARRSANA ISPAT LIMITED

MANOJ MISHRA
Director

Company Secretary

Mahesh Sureka
Director

Place : MUMBAI
Date : 01/09/2008



ANNA ISPAT LIMITED

(Borekha Rapid Communication Limited)

ACCOUNTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008

(In Rs)

SCHEDULE 1 SHARE CAPITAL	AS ON 31.03.2008	AS ON 31.03.2007
AUTHORISED		
18000000 (P/Y -12000000) Equity Shares of Rs. 10/- each	180,000,000	120,000,000
ISSUED SUBSCRIBED & PAID UP		
17153570 (P/Y -11993070) Equity Shares of Rs. 10/- each Fully Paid-up	171,535,700	119,930,700
Total	171,535,700	119,930,700

SCHEDULE 2 RESERVES & SURPLUS		
Profit & Loss Account	34,377,005	17,409,724
Share Premium	1,380,495,000	400,000,000
Total	1,414,872,005	417,409,724

SCHEDULE 3 SECURED LOANS		
-Term Loan		
Indian Overseas Bank	843,500,000	546,000,000
UCO Bank	1,014,931,074	753,000,000
Interest Accrued & Due	-	10,670,280
(Repayment due in one year Rs 3200.00 lacs - previous year Rs.1140.00 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 & Short Term Loan		
IOB CC A/C	24,085,387	16,952,004
UCO CC A/C	220,000,000	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	2,102,516,461	1,432,964,963



VARSANA ISPAT LIMITED
(Formerly Varanasi Spinning & Weaving Co. Limited)
SCHEDULE-5
FIXED ASSETS

PARTICULARS	Rate of Depreciation	GROSS BLOCK				DEPRECIATION				NET BLOCK		
		AS ON 01.04.2007	ADDITION D.T.Y.	DEDUCTION D.T.Y.	AS ON 31.03.2008	Opening AS ON 01.04.2007	Depreciation Reversed	Last Year	FOR THE PERIOD	DEDUCTION D.T.Y.	AS ON 31.03.2008	AS ON 01.04.2007
LAND	-	27,690,028	-	-	27,690,028	-	-	-	-	-	27,690,028	27,690,028
BUILDING	3.34%	360,239,436	230,376,712	-	610,606,148	12,366,514	-	-	15,366,739	-	27,732,273	347,924,921
COMPUTER	16.31%	1,001,352	1,060,061	-	2,061,413	350,794	-	-	341,236	-	692,030	669,668
PLANT & MACHINERY	4.75%	962,378,107	1,016,490,794	-	1,978,868,902	47,113,254	-	-	72,892,622	-	120,305,875	914,964,854
OFFICE EQUIPMENT	4.75%	541,675	295,657	-	837,332	28,672	-	-	33,567	-	62,239	515,003
FURNITURE & FIXTURE	6.33%	1,142,210	948,813	-	2,091,023	808,404	-	-	729,516	-	1,357,920	334,326
TELEPHONE & TELEX	4.75%	131,177	266,499	-	403,676	59,379	-	-	130,019	-	189,348	77,848
MOTOR CAR	9.50%	2,236,815	822,738	-	3,059,553	438,846	-	-	286,401	-	725,248	1,797,969
MOULDS & DYES	11.31%	17,002,708	1,378,628	-	18,381,336	1,277,343	-	-	1,983,003	-	3,260,347	15,120,989
TOTAL		1,377,444,038	1,371,669,923	-	2,749,113,961	62,763,156	-	6,690,735	91,765,123	-	1,547,348,230	2,489,205,881
Last Year		861,295,853	511,038,297	664,711	1,372,444,038	3,973,145	-	-	57,600,682	20,404	62,763,156	1,509,700,882
												858,477,077



VARISANA ISPAT LIMITED

(Formerly Varisana Rapid Communication Limited)

STATEMENTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008

SCHEDULE 4 UNSECURED LOANS		
OTHER LOANS		
Inter Corporate Deposit	240,000,000	349,668,426
Total	240,000,000	349,668,426

SCHEDULE: 6 INVESTMENTS		
(LONG TERM & NON-TRADE) (At Cost)		
IN FULLY PAID UP EQUITY SHARES OF RS.10/- EACH		
<u>Unquoted</u>		
40,08,800 Shares of Octal Suppliers Pvt Ltd	35,245,000	35,245,000
63,000 Shares of Varrsana Energy Infrastructure Ltd	130,000	130,000
Total	35,375,000	35,375,000

SCHEDULE 7 CURRENT ASSETS, LOAN & ADVANCES		
SCHEDULE 7A INVENTORIES		
(As Taken, Valued & Certified by the Management)		
Finished Goods	509,148,654	320,599,080
Raw Material	390,834,589	106,944,047
Stores & Spares	14,858,595	12,457,420
Total	914,841,839	440,000,547

SCHEDULE 7B SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Debts due for a period exceeding six months	2,794,055	315,974
Other Debts	220,763,078	77,647,420
Total	223,557,133	77,963,394



ANA ISPAT LIMITED

(Communication Limited)

FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008

SCHEDULE 7C CASH & BANK BALANCES

Cash in Hand (As Certified by the Management)	262,846	40,051
Balances with Scheduled Banks		
- In Current Accounts	26,590,953	(21,825,446)
- In Fixed Deposit (For Margin Money with IOB UCO & Indus Ind Bank)	47,051,766	48,498,335
Total	73,905,565	26,712,940

SCHEDULE 7D LOANS & ADVANCES

(UNSECURED - CONSIDERED GOOD)

Advances recoverable in Cash or in kind or for value to be received	98,308,405	63,401,397
Security Deposits	60,894,257	133,981,656
Vat Excise & Other receivable	120,939,620	73,881,971
TDS Receivable & Self Assessment Tax	6,245,324	3,346,013
Other Receivables	7,830,484	41,653,727
Total	294,218,090	316,264,764

SCHEDULE 8 CURRENT LIABILITIES & PROVISIONS

CURRENT LIABILITIES

Sundry Creditors

- For Goods Supplied	96,538,586	48,124,103
- For Capital Expenditure	271,683,582	68,836,963
- For Expenses & Others	119,096,968	108,140,717
- LC Acceptance	436,683,373	285,483,917

Provisions

- For Taxation	5,867,133	2,745,969
- FBT Payable	448,310	47,504

Total	930,317,952	513,379,173
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ANANA ISPAT LIMITED

(Formerly Anana Rapid Communication Limited)

ACCOUNTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008

SCHEDULE: 9 MISCELLANEOUS EXPENDITURE		
Preliminary Expenditure (To the extent not written off or adjusted)	-	91,368
Written-off during the year	-	91,368
Total	-	-

	YEAR ENDED 31.03.08	YEAR ENDED 31.03.07
SCHEDULE: 10 SALES & SERVICES		
Sales Manufacturing	3,206,998,931	1,295,853,573
Sales Trading	56,673,176	324,584,583
Job Work Income	1,442,871	-
Total	3,265,114,978	1,620,438,156

SCHEDULE: 11 OTHER INCOME		
Management Consultancy Services	-	10,894,769
Exchange Fluctuation	1,521,485	99,192
Misc Income	-	206,524
Profit from Future & Option Trading	-	43,939,304
Total	1,521,485	55,139,789

SCHEDULE: 12 INCREASE / (DECREASE) IN FINISHED INVENTORY		
Opening Stock of Finished Goods	320,599,080	75,971,774
Closing Stock of Finished Goods	509,148,654	320,599,080
INCREASE/(DECREASE) IN INVENTORY	188,549,574	244,627,306



ANANA ISPAT LIMITED

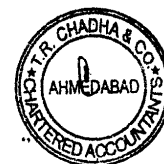
(Incorporated in India under the Companies Act, 1956)

STATEMENT OF INCOME FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008

SCHEDULE: 13 RAW MATERIAL CONSUMED & PURCHASE OF GOODS		
Raw Material Consumed		
Opening Stock	106,944,047	52,274,877
Add: Purchases (Net of Sales)	2,220,050,042	1,063,105,665
Less: Closing Stock	390,834,589	106,944,047
Purchase of Trading Goods	51,759,752	232,403,242
Total	1,987,919,252	1,240,839,737

SCHEDULE: 14 STORES & SPARES CONSUMED		
Stores & Spares Consumed		
Opening Stock	12,457,420	-
Add: Purchases	83,451,015	35,865,836
Less: Closing Stock	14,858,595	12,457,420
Total	81,049,839	23,408,416

SCHEDULE: 15		
Manufacturing Expenses		
Electricity Expenses & Power & Fuel	441,690,460	262,790,052
Water Charges	821,431	1,695,085
Labour Charges	55,883,921	26,394,700
Inspection Charges	7,017,653	4,270,397
Material Handling Charges	7,245,236	2,334,853
Repair & Maintenance	1,527,471	1,243,505
Excise Duty on Closing Stock (Net off Opening Excise Duty)	17,666,511	32,601,827
Total	531,852,682	331,330,419



SANA ISPAT LIMITED

(Formerly Sana Communication Limited)

STATEMENTS FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008**SCHEDULE: 16**

Employees' Emoluments		
Salary & Wages	47,559,227	17,229,353
Bonus	2,191,178	284,721
Contribution to Provident Fund	1,639,159	674,909
Gratuity	236,347	634,712
Staff Welfare	3,110,125	2,066,503
Total	54,736,035	20,890,198

SCHEDULE: 17

Selling & Administrative Expenses		
Carriage Outward	32,259,624	34,158,557
Brokerage	5,607,576	2,031,101
Insurance	2,269,823	1,222,046
Rates & Taxes	353,638	122,599
Auditors Remuneration	477,530	392,840
Travelling & Conveyance	7,326,772	2,577,353
Rent	1,099,180	593,100
Security Charges	2,784,165	2,340,819
Service Tax	6,638,646	1,789,290
Loss on Sale of Fixed Asset	-	154,664
Misc Expenditure	11,971,364	5,353,081
Total	70,788,317	50,735,450

SCHEDULE: 18

FINANCE CHARGES		
Interest On Term Loan (Net)	155,277,667	49,697,227
Interest On Working Capital(Net)	55,301,929	11,615,724
Other Finance Charges	1,516,005	2,783,536
Total	212,095,601	64,096,487



Schedule: 19

(A) 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) 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.



- 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

The provision for current tax is based on the assessable profits of the Company computed in accordance with the applicable provisions of the Income Tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent years.

10. Employees Benefits:

Provision for accruing liability for Gratuity and leave encashment benefits are accounted for on accrual basis on the basis of the Actuary's assumptions and taking into consideration the valuation certificate.

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

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 impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Where the recoverable amount is greater of Net Selling 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 previous years 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.

14. Earning Per Share:

The earnings considered in ascertaining the Company's EPS comprises the net profit after tax. The number of shares used for computing basic EPS is the weighted average number of shares outstanding during the year.



(B) Notes on accounts

1. Estimated amount of contracts remaining to be executed on capital account, not provided for (net of advances) Rs. 8885.66 Lacs (Previous year Rs. 1476.13).
2. There are no dues to small scale industrial undertakings outstanding for more than 30 days as at balance sheet date. The identification of small scale industrial undertaking is based on the information available with the Company.
3. Based on the information available with the Company there are no dues to micro and small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006.
4. 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.

5. Auditors' Remuneration

Particulars	Year ended 31.03.2008 (Rs.)	Year ended 31.03.2007 (Rs.)
Audit Fee	3,50,000	3,00,000
Tax Audit	75,000	50,000
Service Tax	52,530	42,840
Certification Fees	1,34,832	NIL
Out of Pocket Expenses	55,711	52,489
Total	6,68,073	4,45,329

6. Earning per Share:

Particulars	2007-08	2006-07
Net Profit available for Equity shareholders (Rs.)	1,69,67,281	1,47,42,666
Weighted No. of Shares	1,20,49,623	21,02,659
Basic Earning Per Share (Rs.)	1.41	7.01

7. Related Party disclosures:

(A) Key Management Personnel:

- a. Sh. Sandip Jhunjunwala
- b. Sh. Manoj Mishra

(B) Name of the companies where control exists (either individually or with others)/Associate Concerns :

- a. REI Agro Limited



8. Employee Benefits

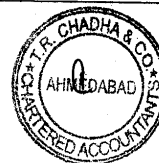
a) Defined Contribution Plan:

Company's Contribution to Provident fund Rs. 22.34 Lacs.

b) Defined Benefit Plans

Rs. in Lacs

Sr. No.	Particulars	Privilege Leave Benefits	Gratuity
A	Present Value of funded obligation	Nil	Nil
	Fair Value of plan assets	Nil	Nil
	Present value of unfunded obligations	2.03	9.74
	Net Liability	2.03	9.74
B	Expenses recognized for the year		
	Current Service Cost	0.14	3.19
	Interest on obligations	0.08	0.50
	Expected return on plan assets	Nil	Nil
	Net actuarial losses (gains) recognized in the year	1.82	(1.33)
	Total included in employee benefit expenses	2.04	2.36
	Actual return on Plan assets	Nil	Nil
	Changes in the present value of defined benefit obligations representing reconciliation of opening and closing balances		
	Opening defined benefit obligation	Nil	2.83
	Service Cost	0.14	7.73
	Interest Cost	0.08	0.50
	Actuarial losses (gains)	1.82	(1.33)
	Benefits Paid	Nil	Nil
	Closing defined benefit obligation	2.04	9.74



No.	Particulars	Privilege Leave Benefits	Gratuity
D	Changes in the fair value of defined benefit obligations representing reconciliation of opening and closing balances		
	Opening fair value of plan assets	Nil	Nil
	Expected returns	Nil	Nil
	Actuarial losses (gains)	Nil	Nil
	Contribution by Employer	Nil	Nil
	Benefits Paid	Nil	Nil
	Closing balance of fair value of plan assets	Nil	Nil
E	Major categories of Plan assets representing reconciliation of opening and closing balances thereof	Nil	Nil
F	Principal Actuarial assumptions at the balance sheet date		
	Discount rate	7.5%	7.5%
	Expected return on plan assets	Nil	Nil
	Proportion of employees opting for early retirements	Nil	Nil
	Annual increase in salary costs	5%	5%
G	Transitional Liability (Assets)		
	Defined benefit obligation as on 1 st April 2007	N.A.	N.A.
	Market value of Investments as on 1 st April 2007	N.A.	N.A.
	Provisions in books of accounts maintained under Accounting Standard As - 15 assumed to have been recognized on adoption of revised AS - 15	N.A.	N.A.
	Transition liability / (asset) as at 1 st April 2006 adjusted in the current year	Nil	Nil



In assessing the Company's Post Retirement Liabilities the Company monitors assumptions and uses up-to-date mortality tables.

This being the first year in which the Company has adopted the Revised Accounting Standard (AS) 15 on Employee Benefits, comparatives have not been included.

8. 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.

9. Deferred Tax Liabilities :

Particulars	2007-08 (Rs.)	2006-07 (Rs.)
a) Deferred Tax Liabilities ;		
--- Due to Depreciation	122,468,574	5,36,90,478
b) Deferred Tax Assets :		
--- Due to carried forward losses/Unabsorbed Depreciation	101,811,776	4,16,88,305
--- Due to disallowances under the Income Tax Act (Timing differences)	1,488,354	26,25,946
--- Minimum Alternative Tax	5,776,164	26,87,634
Total Deferred Tax Asset	109,076,295	4,70,01,885
Net Liability	13,392,279	66,88,593

10. 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*	2007-08	2006-07
Steel Melt Shop	216000	216000
Rolling Mill	240000	240000
Sponge Iron	96000	-
Tower Plant	14400	-
* Delicensed as per Government of India Notification		



PARTICULARS	Items	Year Ended 31 st March, 2008		Year Ended 31 st March, 2007	
		(Rs. In Thousand)			
1) <u>Production, Sales and Stocks:</u>		In Mt		In Mt	
		Year Ended 31 st March, 2008		Year Ended 31 st March, 2007	
		Qty (MT)	Amount	Qty (MT)	Amount
a) <u>Opening Stock</u>		NIL	NIL	-	-
- Steel Melting Division	Ingots	35.48	706	4134.00	75,703
- Steel Melting Division	Billet	3217.92	83,748	-	-
- Rolling Mill Division	TMT	7344.18	216,020	-	-
- Rolling Mill Division				-	-
(Includes billet of 539.92 MT in Rolling Mill Division)	Other	899.99	20,125	9.00	268
Total			320,599		75,971
b) <u>Production</u>					
- Steel Melting Division	Ingots	0.00	-	10396.18	-
- Steel Melting Division	Billets	98806.49	-	52892.17	-
- Rolling Mill	TMT Bar	70544.54	-	37276.22	-
Structure Mill	Beam	13673.86	-	0.00	-
Structure Mill	Angel	1334.17	-	0.00	-
Rolling & Structure	Others	5978.62	-	3076.52	-
Sponge Iron Division	Sponge	29893.34	-	0.00	-
TLT Division	Towers	1444.88	-	0.00	-
c) <u>Sales</u>					
- Steel Melting Division	Ingots	25.81	669	11185.52	2,28,180
- Steel Melting Division	Billets	8805.78	234027	12329.98	2,83,844
- Rolling Mill Division	TMT Bar	68715.15	2185864	29049.50	7,68,222
Structure Mill	Beam	12199.79	401336		0
Structure Mill	Angel	348.72	14727		0
Rolling & Structure	Others	2967.76	75126	711.96	15,607
Sponge Iron Division	Sponge	0.00	0		0
TLT Division	Towers	746.17	40562		0
Others			254689		0
Total			3206999		12,95,853



d) **Closing Stock**

- Steel Melting Division	Ingots	-	-	35.48	706
- Steel Melting Division	Billets	1,658.05	50,446	3217.92	83,748
- Rolling Mill Division	TMT Bar	7,883.50	260,708	7344.18	2,16,020
Structure Mill	Beam	1,301.68	42,176		0
Structure Mill	Angel	839.12	32,357		0
Rolling & Structure	Others	883.90	25,145	899.99	20,125
Sponge Iron Division	Sponge	-	-		0
TLT Division	Towers	698.72	35,670		0
Others			62,647		0
Total			509,149		3,20,599

e) **Trading Goods**

Opening Stock				-	-
Purchase	Steel/Paddy	2540.17	51759752	14469.12	2,32,403
Sales	Steel/Paddy	2540.17	56673176	14469.12	3,24,584
Closing Stock				-	-

2) **Raw Material Consumed**

a) - Steel Melting Division	Scrap	52814.61	849,663	52109.68	7,11,919
	Scrap(Internal)	5267.32	-	-	-
	Sponge	23601.64	312,747	19475.16	2,13,347
	Sponge (Internal)	29881.85	-	-	-
	Ferro Silicon & Manganese	1369.06	63,016	935.32	29,775
b) - Rolling & Structure Mill Division	Ingot	-	-	3309.03	-
	Billets (Purchase)	2541.71	59,121	582.55	9895
	Billets (Internal)	92100.50	-	37926.83	-
c) Sponge Mill Division	Iron Ore	50129.39	286,373	-	-
	Pellets	6873.20	50,895	-	-
	Coal	34017.70	166,863	-	-



d)	TLT Division	Structure Steel	1610.49	44,867	-	-
		Zinc	72.41	10,022	-	-
		Others (Net of TMT & Structure Internal Use for project)				
e)	All Division			92,591	-	39,939
		Total		1,936,159		1,008,435
3)	Raw Material Consumed		%	Amount Rs.	%	Amount Rs.
		Imported	8.75%	169,464	21.81%	219,155
		Indigenous	91.25%	1,766,695	78.19%	789,280
	Stores & Spares Consumed		0%	-	0%	-
4)		Imported				
		Indigenous	100%	81050	100%	23408
5)	CIF Value of Import					
	a) Raw Material			207,845		151,629
	b) Capital Goods			1,015		7,548
6)	Other Expenditure in Foreign Currency			Nil		Nil
7)	Earning in Foreign Currency			Nil		Nil

11. Balances of unsecured loans, sundry debtors, sundry creditors, loans & advances, etc. are subject to confirmation and subsequent reconciliation, if any.
12. Figures of previous year are rearranged /regrouped wherever considered necessary to make them comparable.

Signatures to Schedule 1 to 19

As per our separate report of even date annexed herewith

For and on behalf of Board

For T. R. CHADHA & CO.
Chartered Accountants

(Kashyap I. Vaidya)
Partner

M. No. 37623

Place: Mumbai

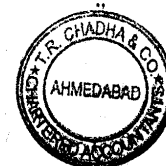
Date : 1st September, 2008

For VARRSANA ISPAT LIMITED

Company Secretary

Manoj Mishra
Director

Maresh Sureka
Director



VARRSANA ISPAT LIMITED

Balance Sheet Abstract and Company's Business Profile

I. Registration Details

Registration No.

1 0 3 9 0 3

State Code

2 1

Balance Sheet Date

3 1 0 3

2 0 0 8

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

Public Issue*

N I L

Right Issue

N I L

Bonus Issue

N I L

Preferential Issue

5 1 6 0 5

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

Total Liabilities

3 9 4 2 3 1 6

Total Assets

3 9 4 2 3 1 6

Sources of Funds

Paid-up Capital

0 1 7 1 5 3 6

Application of Funds

Net Fixed Assets

3 3 3 0 7 3 7

Reserves & Surplus

1 4 1 4 8 7 2

Net Current Assets

0 5 7 6 2 0 4

Secured Loans

2 1 0 2 5 1 6

Investments

0 0 3 5 3 7 5

Unsecured Loans

0 2 4 0 0 0 0

Misc. Expenditure

0 0 0 0 0 0 0

Deferred Tax

0 0 1 3 3 9 2

Accumulated Losses

0 0 0 0 0 0 0

IV Performance of Company (Rs. in Thousands)

Turnover

3 2 6 5 1 1 5

Total Expenditure

3 0 3 0 2 0 7

Profit/(Loss) Before Tax

0 0 2 8 6 4 4

Profit/(Loss) After Tax

9 1 0 7 9 8

Earning per Share in (Rs.)

1 4 1

Dividend Rate

0 0 0

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

Item Code No (ITC Code)

7 2 2 7

7 2 0 3

7 2 1 4

Product Description

BILLET

TOWER & ITS PART

T M T

Date:

Place: New Delhi

For and on behalf of the Board

For VARRSANA ISPAT LIMITED

Manoj Mishra
Director

Maresh Sureka
Director

Company Secretary