

## **CONTENTS**

<b>SN</b>	<b>PARTICULARS</b>	<b>PAGE NO</b>
1.	Company Brief	1.
2.	Chairman's Message	2.
3.	Managing Director's Message	4.
4.	Director's Report	5.
5.	Management Discussion and Analysis Report	9.
6.	Annexure to Director's Report	25.
7.	Corporate Governance	28.
8.	Auditor Report	39.
9.	Balance Sheet	42.
10.	Profit and Loss Account	43.
11.	Schedule to Accounts	44.
12.	Notes to the Accounts	51.
13.	Balance Sheet Abstract & Company's Profile	60.
14.	Cash Flow Statement	61.
15.	Statements Pursuant to Section 212	62.
16.	Subsidiaries and Consolidated Financial Statements	63.

COMPANY BRIEF

**BOARD OF DIRECTORS**

<b>Mr. Mukesh Bhandari</b>	<b>: Chairman &amp; Chief Technology Officer</b>
<b>Mr. Shailesh Bhandari</b>	<b>: Managing Director</b>
<b>Mr. Harish Sharma</b>	<b>: Whole Time Director</b>
<b>Mr. Narendra Dalal</b>	<b>: Whole Time Director</b>
<b>Mr. Avinash Bhandari</b>	<b>: Whole Time Director</b>
<b>Mr. Naveen Nakra</b>	<b>: Director</b>
<b>Mr. Nilesh Desai</b>	<b>: Director</b>
<b>Mr. Madhusudan Somani</b>	<b>: Director</b>
<b>Mr. Ram Singh</b>	<b>: Director</b>
<b>Brig. Pradeep Krishna Prasad</b>	<b>: Director</b>
<b>Mr. Sunay Mathure</b>	<b>: Nominee Director</b>
<b>Mr. Ravi Trehan</b>	<b>: Director</b>

**AUDITORS**

**MEHTA LODHA & CO.**

Chartered Accountants  
Ahmedabad

**COMPANY SECRETARY  
ASHWIN PATEL**

**BANKERS :**

Bank of India  
State Bank of India  
Punjab National Bank  
State Bank of Travancore  
Corporation Bank  
Bank of Baroda  
State Bank of Saurashtra  
Dena Bank  
Oriental Bank of Commerce  
Union Bank of India  
Canara Bank  
Uco Bank  
ICICI Bank  
State Bank of Indore

**REGISTERED OFFICE**

A1, Skylark Apartments  
Satellite Road,  
Satellite, Ahmedabad  
Gujarat - 380015

**WORKS**

**Engineering & Projects Division**

Survey No.72, Village: Palodia  
Tal : Kalol, Dist:Gandhinagar-382115

**Steel, Engineering, DI Pipe & Electric  
Vehicle Division**

Survey No.325, Village: Samakhiyali,  
Taluka: Bhachau, Dist: Kutch

**Wind Farm Project**

Village: Dhank, Tal. Upleta, Dist: Rajkot, Guajrat

## CHAIRMAN'S MESSAGE



Dear Shareholders,

Until a few months ago all economists were predicting higher and higher GDP growth and there were only two views on India: bullish and super bullish. A stage for mild slow down in the Indian economy was set by the combined effect of tighter domestic monetary policy, sudden appreciation of Indian rupee against US dollar and intensification of global economic woes. The GDP growth for the year 2008-09 is predicted to be between 7% and 8% as compared to 9% projected earlier.

The commodities have touched all time high. Oil is now more than USD 125, gold has crossed USD 1000 and inflation is intolerably high in most economies. The food prices are rising and price is at a 34 year high. There is a severe credit crunch and the declining assets of banks is making them more cautious about lending.

We feel that India is still very strong and there is no need to panic. Our GDP can certainly grow to 9% and even 10% with proper Government support. There are three reasons for this optimism. First, India's growth does not depend primarily on exports. Second, the effect of US slow down may limit Foreign Institutional Investment and a large scale FII inflows only leads to volatility in stock market. For growth, we need Foreign Direct Investment and there is no reason why FDI inflows should be affected. India has emerged as a fast growing and a very large economy and it will continue to attract the attention of MNCs from all over the world. Thirdly, the major driver of India's growth is domestic consumption and this is likely to remain high. It is said that finance is a brain which matches the labor with capital. Finance is what brings together the savers and the borrowers. For quite some time India will remain in the borrowing category and the rich will have no better place to invest than in India.

There is a huge deficit in the infrastructure in our economy and this deficit may be of the order of USD 500 billion. This provides a great opportunity to build infrastructure and boost demand in our country. The exports can also multiply as some of the largest economies are spending a lot of money on construction and infrastructure. China is building huge power plants and developing a large network of roads and railways. Gulf, now extremely rich in petrodollars are spending millions on sky scrapers, roads and new airports. Mexico, Brazil and Russia have launched massive infrastructure projects which will take years to complete. This is a big opportunity for a company like ours, indeed, the entire country and we should go all out to export our goods and services which are very much in demand in all these economies and will increase our exports several times. At times like these, it is unfortunate that our leaders are considering imposing curbs on steel exports when the policy should be just the reverse.

Over the past few years, India has steadily emerged as a major Research and Development centre for world's leading telecom players. This trend is now happening in other fields also. India is fast shedding its image as a low cost destination for back office jobs and acquiring the reputation of a place where innovation and engineering is happening every day. What India now needs the ability to churn out high quality engineers to sustain the technological edge and grow in the arena of R&D.

It is quite usual in many countries that the bureaucrats and politicians are less efficient than the business people. India's 10 millions strong civil services is the size of a small country and its unreformed public sector is a huge barrier to faster rate of sustainable growth. Many people equate private sector with tiger and the tiger in India is always under a great threat.

In India growth and prices usually tend to move together. Either they rise in tandem or remain moderate. The objective of macroeconomic management is high growth with low prices, but in a country like India where the supply side does not change as fast as the demand increases, which results in flare up in prices. It is hard to achieve high growth with moderate prices unless the supply side constraints are taken care of.

Many people ask me why my business card reads as CTO and not CEO. Some time ago we realized that the founding team of our company was indeed very good but the time is now ripe to bring in external talent on board. As the founder CEO of this company, I always was able to differentiate between the self and the company. I have always asked this question: What I am doing, is it good for me or good for the company? As this company is my baby, I have to do what is good for the baby and not what is good for the parent. I have always asked if this company will be better served by other more talented people. We have therefore continued to add talented people in the organization to bring in competence, analytical insights and action which coupled with the hard work, loyalty and passion of the founder team has become a winning combination.

It is unfortunate that the high price of crude is encouraging developed countries to promote biofuel policy. The need of the hour is to look for vehicles which do not have engines. If there are no engines, there is no need for any liquid fuel, be it petrol, diesel, CNG or biofuel. Even if all of the American land under cultivation today is used to produce biofuels, US will only be able to meet 6% of its diesel and 12% of its petrol requirements by 2020. Similarly some 40% of the Europe's cultivated land would need to go under biofuel production to meet 10% replacement targets. Clearly diverting the land under cultivation to biofuels is not likely to solve the problem of depleting crude reserves. What is needed is reforms in the energy sector and encouragement to generate electricity by whatever means each economy is capable of. Side by side what is needed is a switch to battery operated vehicles which can use cheap electricity for charging the batteries and keeping the vehicle moving. The future is for electric vehicle and hybrid electric vehicles and Electrotherm will continue to work in this area in order to provide cleaner atmosphere in cities, in order to conserve costly liquid fuels which the country is importing, in order to help the middle class to save on transportation costs and in order to prepare the current generation for the future where no oil will be available.

I would like to convey my thanks to all our shareholders for their continued support. Special thanks go to DEG, Germany who have expressed immense faith in the company acquiring 1,366,666 shares of the company and investing Rs.820 Millions, thus becoming one of our major shareholders. I would also like to express my gratitude to International Finance Corporation for investing Rs. 1000 Millions in our company as FCCB and ECB

I would also like to thank our bankers, customers, suppliers, auditors, legal advisors, consultants, business associates and various government authorities for their support. I also would like to appreciate the hard work put in by our employees at all level, without which would not have been possible to achieve the results.

I am also thankful to my colleagues on the Board for their dedication and hard work which is responsible for the excellent performance which our company has achieved in the current year. The growth has been 83% with the turnover crossing Rs.13,000 Millions and the profit has improved by 44%, which now stands at Rs.623 Millions.

Thank you

**MUKESH BHANDARI**  
Chairman

## MANAGING DIRECTOR'S MESSAGE



Dear Shareholders,

You will be pleased to note that the company has shown a significantly improved performance during the year ending March 2008. Your company has achieved a sales of Rs.13254 Million. There was a significant increase in the input prices of many items due to which the company realigned its strategy to combat the pressure on margins and also embarked on major cost reduction initiatives across all divisions, which has resulted in positive impact on the profitability of the company.

The company continues to focus on nurturing and developing human resources. We are focusing not only on the development of high achievers but also on the career needs and aspirations of all the employees of the company.

As a corporate leader in our field of activity in the country and with ambitions to become a respected global player, your company is continuously investing in Research & Development and is also striving to benchmark its processes against the best practices available globally.

I would like to thank the staff of Electrotherm at all levels, from the shop floor to the top management for their commitment to duty and high level of integrity which have contributed collectively to the company's continuous growth. The future of our country and indeed our company is now in the hands of young people who are in their thirties and forties and the original team which built this organization is encouraging the younger ones to race ahead.

In spite of a slow down in GDP growth as well as in the manufacturing growth in the country during the last quarter, your company continued to grow from quarter to quarter. We at Electrotherm are not deterred by US melt down or global slow down and are confident that we will continue to grow at a breathtaking speed.

Indian economy is on a roll and will continue to grow because we are dependant on domestic demand, which continues to grow. Starting with IT sector, followed by BPOs, and then KPOs, the manufacturing sector is now flexing its muscles and will continue to grow both due to domestic demand and due to international competitiveness. Our company today stands on a propitious moment in our history. While there are many challenges which we have to acknowledge, there is a world of opportunity which awaits us. Globally we have established our credentials and our exports will continue to grow from year to year.

Electrotherm continues to expand and consequently continues to invest in order to keep one step ahead of competition. We have systematically and proactively identified opportunities for growth and have invested in them, often ahead of time. We are fortunate that our bankers and our investors continue to have a high level of confidence in us, which is helping us in speedy implementation of our projects. Whereas ICICI Ventures became an important stakeholder last year, in the current year DEG of Germany has invested in our company by acquiring 1,366,666 shares of our company. We are thankful to DEG for this confidence which they had shown in our company. We are also thankful to International Finance Corporation for their financial assistance in form of ECB and FCCB, which helped us in our growth.

We all know from studies in India and abroad that markets and investors take notice of well managed companies and respond positively to reward such companies. A common feature of all such companies is that they have systems in place, which allows sufficient freedom to the Board but at the same time keeps them tightly within the framework of the corporate governance and accountability. Your company believes strongly in corporate governance and attaches a lot of importance to good management practices. The strong desire to move ahead may sometimes encourage companies to cut corners, but at Electrotherm we strongly believe in ethics and are confident that we can continue to grow without sacrificing our values. An enduring value system, based on openness, honesty, integrity, meritocracy, fairness, transparency and excellence has improved the confidence of our customers and our customer focus will continue to be the guiding principle in all our areas of activity.

Lastly I would like to thank all our customers, vendors, suppliers, bankers, government officials and our employees due to which Electrotherm is growing from strength to strength.

My thanks to my colleagues on the Board for their guidance and dedication, to our investors ICICI Ventures and DEG for their support and advice and IFC for their continuous feedback.

Thank you

**SHAILESH BHANDARI**  
Managing Director

## DIRECTOR'S REPORT

To  
The Members,

Your Directors have pleasure in presenting the 22<sup>nd</sup> Annual Report on the business and operations of your Company and Audited Financial Statement for the financial year ended as on 31<sup>st</sup> March, 2008.

### FINANCIAL RESULTS

YEAR ENDING MARCH 31 <sup>st</sup>	Amount in Rs. Millions		Amount in USD Millions	
	2008	2007	2008	2007
Sales and other Income	13321.42	7273.85	333.04	181.85
Profit before interest, Depreciation & Tax	2139.38	1141.98	53.48	28.55
Interest	785.09	350.30	19.63	8.76
Depreciation	318.61	178.45	7.97	4.46
Profit before Tax	1035.68	613.23	25.89	15.33
Provision for Tax	148.01	68.40	3.70	1.71
Profit after Tax (Before Deferred Tax)	887.67	544.83	22.19	13.62
Provision for Deferred Tax	265.88	112.80	6.65	2.82
Profit after Deferred Tax	621.79	432.03	15.54	10.80
Prior period adjustment	1.55	1.48	0.04	0.04
Profit after prior period adjustment	623.34	433.51	15.58	10.84
Surplus brought forward	534.77	231.06	13.37	5.78
Balance	1158.11	664.57	28.95	16.62
(a) Proposed Dividend on Equity Shares	27.44	18.27	0.69	0.46
(b) Proposed Dividend on Preference Shares	7.20	7.20	0.18	0.18
(c) Tax on Dividend	5.89	4.33	0.15	0.11
(d) Transfer to General Reserves	200.00	100.00	5.00	2.50
Balance carried forward	917.58	534.77	22.93	13.37

#### **DIVIDEND:**

In view of the Company's profitable performance, the Directors are pleased to recommend dividend of 25% (Rs.2.50 per share) on paid up equity capital and 6% on preference shares, Subject to approval at the Annual General Meeting. The Dividend will be paid on 10,976,374 Equity Shares at Rs. 2.50 per share aggregating to Rs. 27.44 Millions and on 12,000,000 Redeemable Preference Shares at Rs. 0.60 per share aggregating to Rs. 7.20 Millions.

#### **OPERATIONS:**

The Indian economy is today a strong position and at the current annual growth rate, as per Japan's central bank, India's economy will overtake Japanese economy by the year 2025 to rank third in the world after the United States and China in terms of purchasing power parity. Realization of such a growth potential is possible only with the growth in manufacturing sector and the corresponding support from infrastructure sector.

During the year, your Company has achieved a turnover of Rs. 13254 Millions in comparison to the turnover of Rs.7248 Millions of previous year, showing a growth of 83%. Net profit after provision for taxation (Before Prior Period Adjustment) during the year is Rs.622 Millions as against Rs. 432 Millions during the previous year, showing an increase of 44%.

#### **CAPITAL PROJECTS:**

Your company is undertaking an aggressive capacity addition program besides launching new products. The company has assessed the requirement of finances for these initiatives. All the plant capacity addition programs are to be financed with a debt to equity ratio of 60:40. In this connection the company has allotted Equity Shares as per SEBI Guidelines for Preferential Issues to a private equity player ((M/s DEG-Deutsche Investitions-und Entwicklungsgesellschaft mbH, Cologne, Germany) to raise Rs.820 Millions.

The company has completed its Second Phase of project at Kutch. The Third Phase of the project, having an outlay of Rs.5820 Millions is in advanced stage and is likely to be completed by June 2009. The finance is being tied up and except for QIP issue of Rs. 3000 Millions, all other funds have been received.

With this expansion, the company will be self sufficient in sponge iron, pig iron and power. The company would also have established facilities for manufacturing transformers. In addition, the company will become more competitive in ductile iron pipes and pipe line projects due to enhanced capacities of 150000 TPA and a full range from 100 mm dia to 400 mm dia. The company would also make foray into supplying structural steel for transmission line towers and eventually enter this segment as turnkey implementer of transmission projects. This expansion will also enable the company to position itself better in international markets, specially in the area of turnkey projects. The other products like induction heating and hardening equipment will also get a boost due to additional manufacturing infrastructure.

In the electric vehicle division, the company will become self sufficient in all the components including motors, batteries and electronic controllers.

#### **EXPORTS :**

The thrust on exports continues and the company has completed prestigious projects in Turkey and MiddleEast. Due to expansion in geographical reach, the company has been able to achieve exports of Rs.1490 Million as against Rs.515 Million in the year ending Mar 2007. This is a 189% jump in exports in the engineering division. In the coming year, the company is again targeting huge growth in the export front. The pending export orders are in excess of Rs.1200 Million and the important destinations are again Turkey, Middle East and our traditional markets in Pakistan, Africa and Bangladesh.

#### **QUALITY & ENVIRONMENT :**

Quality is the most important mantra of the company and no effort is spared to ensure best quality and after sales service to our customers. Today Electrotherm's product is recognized as one of the best not only in India but globally. This emphasis on quality has enabled the company to position its product above the competitors and Electrotherm brand is now recognized as a symbol of quality. Electrotherm is recognized as a company which tailors its products according to the requirements of the customers instead of trying to push the products which it is comfortable in manufacturing. This customer focus has earned a good name for the company and your company has a record that none of its customers ever change their loyalties in favour of its competitors. In a short time, all the products which the company launched at its newly established engineering and steel works at Kutch have been recognized as brand leaders.

#### **DIRECTORS:**

In accordance with the provisions of the Companies Act, 1956 and the Articles of the Association of the Company, Mr. Shailesh Bhandari, Mr. Avinash Bhandari and Mr. Nilesh Desai, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointments.

Mr. Sunay Mathure and Mr. Ravikumar Trehan have been appointed as Additional Directors with effect from 30<sup>th</sup> July, 2007 and holds office up to the date of ensuing Annual General Meeting. Your company has received a notice under Section 257 of the Companies Act, 1956 proposing their candidature as directors.

For perusal of the shareholders, a brief resume of each of the directors being appointed or re-appointed are given and forms part of the Notice. Your directors recommend their re-appointment.

#### **SUBSIDIARIES:**

As required under section 212 of the Companies Act, 1956, the financial statement of subsidiaries of the Company i.e. Jinhua Indus Entreprises Ltd. and Jinhua Jahari Enterprises Ltd. are attached with the Annual Report.

#### **DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

1. In the preparation of the annual accounts for the year 2007-08, the applicable accounting standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently and have made judgments 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 financial year and of the profit of the company for the financial year.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
4. The Annual Accounts have been prepared on a going concern basis.

#### **RESEARCH & DEVELOPMENT:**

Your company being primarily an engineering company, is continuously making efforts to explore, learn and absorb emerging technologies. The company continuously makes investment in tools and equipment to facilitate research. It is also providing training to its employees to facilitate development of new products appropriate for the business of the company.

Continuous research and development is going on to enhance the functions of various products manufactured and sold by the company. The development and up gradation of equipment is carried out with a view to meet the rising needs of the existing customers. Proactive research is also being carried out to impart new features to the various products keeping the future needs of the customers in mind.

#### **AUDITOR'S REPORT :**

The Auditors have not made any adverse comments in their report. However an explanation on the contingent liabilities is being given here.

The pending contracts for capital equipment will be executed in the current year and the payments to the parties will be made based on terms of the contract. The company has imported certain items duty free against export obligation. In this connection, the company has not paid duty of Rs.286 Million and has to execute export order of Rs.2292 Million in next 8 years. This amounts to an annual obligation of Rs.287 Million which is modest. It may be noted that our exports for the year ending Mar 08 were equaled to Rs.1490 Million. Hence the annual obligation is less than 20% of the actual exports and the company does not envisage any difficulty in fulfilling its export obligation.

#### **HUMAN RESOURCES:**

Your company is a research driven organization. It believes that its employees are key contributors to its business success. With its prime focus on attracting and retaining the best talent in the industry, the company offers excellent working environment and competitive compensation packages. The company ensures a feeling of well being in employees through care and respect. Looking at the growth of the company, it has developed robust processes to evaluate and recruit large number of employees. In the last year the company added 808 numbers to its strength and the recruitment process is continuing.

The company believes that well trained employees are necessary for efficient growth of operations. Without competent employees it will not be possible to manage this large and complex organization which Electrotherm has now become.

With an endeavour to link careers to competencies, individual preferences and organizational needs, an elaborate performance management system has been established. The review mechanism takes care of several aspects of employee's career such as competency development, financial rewards and recognition.

#### **PARTICULARS OF EMPLOYEES:**

In compliance with the provisions of Section 217(2A) of the Companies Act, 1956, a statement giving requisite information is annexed hereto.

#### **PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :**

The additional information required under the provision of Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report, is annexed hereto.



**CORPORATE GOVERNANCE:**

Pursuant to clause 49 of the Listing Agreement, a corporate governance report along with a Certificate from the Auditors confirming the compliance is annexed and forms a part of this report.

**MANAGEMENT DISCUSSIONS AND ANALYSIS:**

Pursuant to Clause 49 of the listing agreement, Management Discussions and Analysis Report is annexed after the Director's Report and forms a part of this report.

**AUDITORS:**

M/s. Mehta Lodha & Co. Chartered Accountants, Ahmedabad, the present Auditors of the company, retires at the forthcoming Annual General Meeting and has confirmed their eligibility and willingness to accept the office, if re-appointed.

**APPRECIATION:**

Your Directors wish to place on record their appreciation for the valuable co-operation and support received from the Customers and Suppliers, various Financial Institutions, Banks, Government Authorities, Auditors and Shareholders during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the company for its success.

**On behalf of the Board**

Date: 8<sup>th</sup> May, 2008

**MUKESH BHANDARI**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### AN OVERVIEW OF ECONOMY

The optimism stemming from the sustained high growth rates of last few years, excellent tax revenues and corporate profits is now appearing to be fading. Many economists are now predicting slowing down of the global economy which will also slow down Indian economy. In India, the slow pace of infrastructure development and stagnation of agriculture along with rising rupee have discouraged many people. There is now a doubt if 9% growth rate which our country has been registering for the last two years is sustainable. Land for industrial applications has always been a sensitive issue and there have been cases where a wide spread opposition to acquisition of farm land for industrial use was the reason for delay in implementation of prestigious projects.

In spite of all these, the domestic steel consumption continues to grow and the consumption touched about 60 million tons in 2007 as against 35 million tons in 2001. The consumption of steel has outstripped the production and the country imported more than 6 million tons of steel last year. This is an enough indication to expand capacity in steel as the demand will continue to be buoyant in the next few years.

India is gearing up for a GDP growth rate of 9-10% during the next decade and if the steel capacity in the country does not increase, there will be lot more imports in this area. Indian companies have been active in formulating projects to expand steel making capacity and our company has not been left behind in this. Funding is also not a problem as profitability of company like ours has been good and will remain to be good. Internationally is also best the steel demand is growing at 6% per annum and all this is an opportunity for our engineering and project division to grab this share of growing capacity in steel production in several developing economies like Middle East, Africa, Turkey, Iran, Russia and many other countries.

### INTERNAL CONTROL SYSTEM AND ADEQUACY:

Your company has proper internal mechanism, which monitors the adequacy and effectiveness of the internal control. Looking to the growth of the business, your company has further strengthened the internal controls and management analysis. We also have a regular monitoring of business risk control procedure by the Internal Audit Department, which is reviewed by the Audit Committee.

### COMPANY'S BUSINESS PLAN:

#### A. Engineering, Capital and Project Division

##### 1. Engineering Division related to metallurgical Industry

This is the oldest division of the company which started in 1985. Over the years, the company has successfully demonstrated its capability and competed with players such as ABB, GEC, Inductotherm etc. The company has also collaboration with HYL, Mexico for Gas Based DRI Plants. Starting as a Furnace manufacturer, it has emerged as a company which provides turnkey solutions to foundries, steel plants, alloy steel plants and stainless steel plants. The company is also the dominant player in Induction Heating and Hardening Equipment used by engineering and automobile industry. The core competence of the company is power electronics and it has a strong R&D base. Consistently the company has been first in the country in introducing new products in its area of activity and today commands more than 50% market share. The company employs more than 300 engineers for product development, R&D, manufacturing and servicing. It is providing customized engineering and metallurgical solutions to its customers and is recognized as a company which can deliver custom built equipment at a very low delivery period vis-à-vis its competitors.

##### 2. Engineering Structural

The company is installing a versatile Rolling Mill for production of Alloy Steel Bars and Structural. It will cater to the growing market of Structural steel used in transmission line towers, engineering projects and infrastructure projects. It will also supply special steels and alloy steels meant for engineering industry and auto sector, both in India and abroad. The company is in the process of establishing a most modern melting shop consisting of Ladle Refining Furnace, Vacuum Degassing facilities and Continuous Casting with Electro Magnetic Stirring. The capacity of the plant will be 36000 Tons per annum.

There are practically no plants in Gujarat capable of manufacturing alloy steel bars and heavy structurals. There is a huge growth in this segment and Electrotherm will be able to en-cash this opportunity.

**3. Transmission Lines Towers**

The total investment in Transmission Line Towers is expected to be Rs 70,000 crores in next five years and the investment in Telecom Towers and other similar activities is expected to be Rs 50,000 Crores. There is a huge demand for galvanized structures from middle east and USA. Considering the huge opportunity in this sector, Electrotherm is setting up a composite unit to cater to this area. The project envisaged includes setting up steel melting facilities of 2.2 Lac TPA, bloom casting facilities of 2.1 Lac TPA, structural rolling facilities of 2 Lac TPA and fabrication facility of 1 Lac TPA. The Company will also set up galvanizing facility of 1 Lac TPA.

**4. Transformers**

The transformer segment is among the largest beneficiaries of the power sector reforms. The industry, which had fallen by as much as 31% during FY97-10, in terms of units produced, has pearly tripled its production since then. Transformers derive demand from need generation capacity addition, which needs to be wheeled to a demand centre, or transmission project, that is independent of a generation project.

Rural electrification is another driver that requires transformers, which are of slightly lower rating and hence value. Apart from these, a ramp – up in distribution infrastructure provides replacement demand. As per estimates, there is a shortage of about 30,000 MVA of transformer capacity and all manufactures are overbooked. However, since new transformer manufacturing capacity does not take much time, the gap should be over in a year or two. Total requirement of transformers is expected to be 140,000 – 150,000 MVA within the next two years, against the current production of about 90,000 MVA.

**5. Engineering D I Pipes**

Ductile Iron is one of the most commonly used pipe material in modern society. It is preferred over cast iron pipes, concrete pipes and HDPE Pipes due to its superior properties and hygienic qualities. Today Ductile iron pipe is used worldwide for transportation of raw and potable water, sewerage, gas, slurries and process chemical. The main advantages are its superior strength, machinability, corrosion resistance, toughness and ductility. There is a huge demand for such pipes in the country on account of growth of cities and infrastructure. There is a good demand in gulf and other countries also. The company started manufacturing this product recently and in a short time its product is well accepted by the leading customers.

**B. Special Steel Division****1. Billet / Construction (TMT) Steel Division**

The company has set up a continuous TMT bar mill to supply high quality TMT bars for construction and infrastructure projects. Within a short time, the TMT Bars of the company have started commanding a premium in the market due to its superior shape and quality and better mechanical and metallurgical properties. The product is BIS certified and the company is approved supplier for many prestigious projects. The company has already set up the facility and its capacity is being expanded to 150000 Tons per annum.

**2. Stainless Steel Division**

The capital equipment division of the company has been recognized as a leading supplier of metal refining converters for stainless steel making. Its equipment is being used by all the major stainless steel producer of the country and more than 50% of country's stainless steel is produced on Electrotherm equipment. Over the years, the company has been selling its equipment and also know how for the manufacture of stainless steel. The company has now set up a most modern plant for production of stainless steel and intends to cater to sophisticated stainless steel customers, both in India and abroad. The capacity of the plant is 36000 Tons per annum. Stainless Steel is growing at a much faster rate than normal steel. The growth in stainless steel is in excess of 12% and the projections are that it will grow at 14%. Stainless Steel is a very versatile material, and though clubbed with steel, it is an engineering material with very wide applications. The uses of stainless steel are in utensils, cutlery, consumer durables, fasteners, FMCG goods, industrial applications, power sector, oil sector, chemical plants etc. It is also widely used worldwide in construction of airports, hotels and other infrastructure projects. India is fast emerging as a leading supplier of stainless steel to many western countries including USA. Electrotherm has the know how and capability to supply quality stainless steel, catering to international specifications. Its location at Kutch will give it an advantage in reaching its products in international markets.

**C. Electric Vehicle Division :**

The competence and expertise of the company in power electronics encouraged the company to enter the market of electric vehicles. After an R&D effort of more than 3 years, the company has developed and launched electric scooters and electric bikes under the category of Yo Bykes. Yo Bykes (Electric Bikes), have started doing very well and the sales are increasing steadily. The product was launched in Feb 2006. Besides Electric Two Wheelers, the company will shortly launch Electric Three Wheelers. The Company is also developing Hybrid Electric Bus. The advantage of these vehicles are their low operating costs and virtually no pollution.

YObykes operates on a different concept. They operate with lead acid sealed batteries. Battery's power is fed to an electric motor through electronic controller. Speed of motor is controlled through electronic controller by accelerator handle. YObykes do not have petrol engine, gearbox, carburetor, clutch, kick, silencer etc. In the absence of these components there is no major maintenance in the vehicles and there are no moving parts except the motor. Therefore efficiency of YObykes is extremely high. They are pollution free. They are silent in operation and give a feel of smooth driving.

The battery box and the motor are water proof. There will be no problems using these vehicles during rains. Tyres used in these vehicles are no different than which are used in ordinary vehicles so they can be repaired easily by conventional ways.

Rising oil prices, environmental issues and development of sophisticated technology has led to substantial growth in electric vehicles. Electric Vehicles industry is large and prosperous

with USD 31 bn sales globally in 2005 excluding electric toys. It is growing strongly and, by 2015, the Electric Vehicles market is expected to be 7.3 times the value in 2005.

In the last 5 years the demand for electric vehicles in China has witnessed an average growth of more than 73% CAGR. Also, battery-run-two-wheelers are quite popular in Japan and Korea. These Low speed Battery Operated Scooters do not require Driving License or RTO Registration as vehicles having speed limitation of 25 KMPH are exempt from above as per Indian Motor Vehicle Act. Looking at the success of low speed Electric Scooters, the company is now expanding its products and Electric Vehicle Division. The company has already Launched a high speed Electric Scooter, The Company also has developed Electric Three Wheeler. A prototype of the same has also been given to ARAI for approval. The company has made two prototypes of Hybrid Electric Bus which is under testing. For this project the company has entered into a MOU with MERKAVIM of Israel for supplying technical know how.

**RISK AND CONCERNS:**

Most industries are cyclic in nature. They experience periods of high growth and profitability as well as periods of downturns. At Electrotherm, we are continuously striving to insulate our company from these cyclic downturns. This is achieved by the company's ability to broaden its product base, expand its markets and increase its geographic reach. With this strategy, the company is able to mitigate the risks and ensure consistent performance.

**CAUTIONARY STATEMENT:**

Statements in this Management's discussions and analysis detailing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" with the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could made a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the Countries within which the Company conducts business and other factors such as litigation and labour negotiations.

**DEVELOPMENT IN HUMAN RESOURCES FRONT:**

The industrial relations continued to be cordial. Your company is continuously upgrading its policies and processes as well as remuneration packages to attract and retain substantial pool of technical and managerial resources. During the year, the company increased its strength from 812 employees to 1043 employees. The break up of the man power is tabulated below:

**MAN POWER DETAILS**

SN	Division / Category	No as on April 01, 2007	Additions During the year	Strength as on Mar 31, 2008
<b>1</b>	<b>ENGG DIVISION</b>			
1.1	Sr. Managerial	27	0	27
1.2	Managerial	153	22	175
1.3	Supervisory	82	10	92
1.4	Technicians/Foremen	9	0	9
1.5	Workers	41	0	41
	<b>Total</b>	<b>312</b>	<b>32</b>	<b>344</b>
<b>2</b>	<b>EV DIVISION</b>			
2.1	Sr. Managerial	7	10	17
2.2	Managerial	106	14	120
2.3	Supervisory	70	18	88
2.4	Technicians/Foremen	0	0	0
2.5	Workers	0	0	0
	<b>Total</b>	<b>183</b>	<b>42</b>	<b>225</b>
<b>3</b>	<b>STEEL DIVISION</b>			
3.1	Sr. Managerial	29	7	36
3.2	Managerial	82	16	98
3.3	Supervisory	122	70	192
3.4	Technicians/Foremen	10	2	12
3.5	Workers	74	62	136
	<b>Total</b>	<b>317</b>	<b>157</b>	<b>474</b>
<b>4</b>	<b>ALL DIVISION</b>			
4.1	Sr. Managerial	63	16	80
4.2	Managerial	341	52	393
4.3	Supervisory	274	98	372
4.4	Technicians/Foremen	19	2	21
4.5	Workers	115	62	177
	<b>Total</b>	<b>812</b>	<b>230</b>	<b>1043</b>

The female employees are very small and the company is encouraging qualified females to join the work force. As on date, the company has 10 female employees. In addition to the above strength, the company also engages contract workers, from time to time, to take care of the requirements of projects and operations.

**BUSINESS PERFORMANCE:**

From its humble beginning 22 years ago, Electrotherm has become a force to reckon with. Our journey has been bumpy at times and exciting otherwise. We have been growing at a compounded annual growth rate of 100% for last 5 years and for the year ended Mar 31, 2008, the growth recorded was 83%. Our net worth has improved by 77% over the last year. We are market leaders in most of the segments in which we operate. We are continuously investing to sustain future growth.

There are two traits of Electrotherm which has made this track record possible. We are continuously embracing change, without changing our core values. No matter how successful we are, there is always a desire to achieve more and perform better. We are continuously investing in future because we know that to reap benefits tomorrow, we must sow the seeds today. With operational success of past few years behind us, we look to the future with more enthusiasm.

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008**

Table shows profit and loss statement for the past 3 years ended 31<sup>st</sup> Mar 08, 31<sup>st</sup> Mar 07 & 31<sup>st</sup> Mar 06.

SN	PARTICULARS	2007-08 Rs. Millions	2006-07 Rs. Millions	2005-06 Rs. Millions
<b>A</b>	<b>INCOME</b>			
1	Furnace & Engineering	3206.86	1654.92	1758.80
2	Steel Billet / TMT	9583.19	4903.54	1670.16
3	Electric Vehicles	463.53	689.33	18.25
	<b>SUB TOTAL</b>	<b>13253.58</b>	<b>7247.79</b>	<b>3447.21</b>
4	Other Income	67.84	26.06	18.36
5	Increase in Stock	63.04	255.38	97.36
	<b>TOTAL INCOME</b>	<b>13384.46</b>	<b>7529.23</b>	<b>3562.93</b>
<b>B</b>	<b>EXPENDITURE</b>			
<b>1</b>	<b>Material Cost (Including stores &amp; spares)</b>	<b>9209.86</b>	<b>5151.03</b>	<b>2536.04</b>
<b>2</b>	<b>Manufacturing Expense</b>			
2.1	Job Charges	225.39	122.00	85.60
2.2	Power & Fuel	914.77	608.91	211.99
2.3	Repair & Maintenance	8.86	8.96	9.54
	<b>SUB TOTAL</b>	<b>1149.03</b>	<b>739.87</b>	<b>307.14</b>
<b>3</b>	<b>Employee Remuneration</b>	<b>311.18</b>	<b>165.96</b>	<b>95.53</b>
<b>4</b>	<b>Administrative and General Exp.</b>	<b>219.62</b>	<b>153.80</b>	<b>75.87</b>
<b>5</b>	<b>Selling Expense</b>			
5.1	Sales Commission	54.46	16.02	13.33
5.2	Advertising & Sales Development	77.51	38.81	6.39
5.3	Forwarding & Freight Outward	204.96	107.92	62.61
	<b>SUB TOTAL</b>	<b>336.93</b>	<b>162.75</b>	<b>82.32</b>
6	Insurance expense	10.06	7.63	4.27
	<b>TOTAL ADMN., GEN. &amp; SELLING EXP.</b>	<b>566.61</b>	<b>324.18</b>	<b>162.46</b>
7	R & D Expense	8.41	6.20	6.99
	<b>TOTAL EXPENSE</b>	<b>11245.08</b>	<b>6387.24</b>	<b>3108.16</b>
<b>PBIDT</b>	<b>Profit before Interest, Depreciation &amp; Tax</b>	<b>2139.38</b>	<b>1141.98</b>	<b>454.77</b>
<b>8</b>	<b>Financial Expense</b>	<b>785.09</b>	<b>350.30</b>	<b>92.27</b>
<b>CP</b>	<b>Profit before Depreciation</b>	<b>1354.29</b>	<b>791.68</b>	<b>362.50</b>
<b>9</b>	<b>Depreciation</b>	318.61	178.45	70.46
<b>PBT</b>	<b>Profit before Tax</b>	<b>1035.68</b>	<b>613.23</b>	<b>292.04</b>
<b>10</b>	<b>Tax</b>			
10.1	Provision for Tax	142.86	65.00	26.61
10.2	Provision for Fringe Benefit Tax	5.15	3.40	2.65
10.3	Provision for Deferred Tax	265.88	112.80	74.84
<b>PAT</b>	<b>NET PROFIT</b>	<b>621.79</b>	<b>432.03</b>	<b>187.94</b>
	Prior period adjustment Income/(Expenses)	1.55	1.48	(69.49)
	<b>Profit after Prior Period Adjustment</b>	<b>623.34</b>	<b>433.51</b>	<b>118.44</b>

**Comparison of Fiscal 2008 with Fiscal 2007 and Fiscal 2006****Income Comparison**

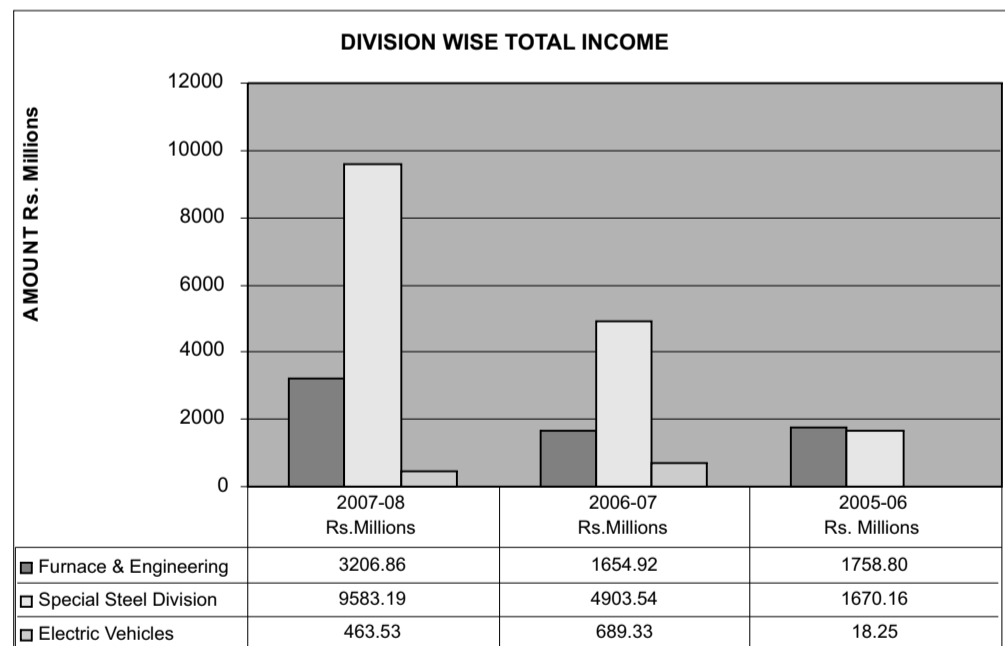
SN	PARTICULARS	2007-08 Rs. Millions	2006-07 Rs. Millions	2005-06 Rs. Millions
<b>A</b>	<b>INCOME</b>			
1	Furnace & Engineering	3206.86	1654.92	1758.80
2	Special Steel Division	9583.19	4903.54	1670.16
3	Electric Vehicles	463.53	689.33	18.25
	<b>SUB TOTAL</b>	<b>13253.58</b>	<b>7247.79</b>	<b>3447.21</b>
4	Other Income	67.84	26.06	18.36
5	Increase in Stock	63.04	255.38	97.36
	<b>TOTAL INCOME</b>	<b>13384.46</b>	<b>7529.23</b>	<b>3562.93</b>

The income which was Rs. 3447 Millions for FY 06, increased to Rs.7248 Millions in FY 07 and Rs.13254 Millions in FY 08. The growth in the last year was 83%.

Whereas the company posted substantial growth in both Engineering Division and Special Steel Division, there was a decline in the sales of Electric Vehicles in the year ending Mar 08 as compared to Mar 07. The reasons are:

- The company had initially launched YoSmart which was designed for carrying a single passenger but in practice the customers were overloading the vehicle which resulted in service problems.
- The company launched a bigger model under the brand name YoSpeed. Due to late approval of this model from ARAI, we could not place the vehicle during the peak season.
- The company also had difficulty in sourcing key components of the right quality.

The problems now been overcome and the company is setting up a unit in China to manufacture Electric Motors. Another unit for Battery manufacturing is under installation. At the plant the company has upgraded the manufacturing infrastructure and has added a modern paint shop. It is expected that the above steps will enable the company to post significant growth in the coming year.

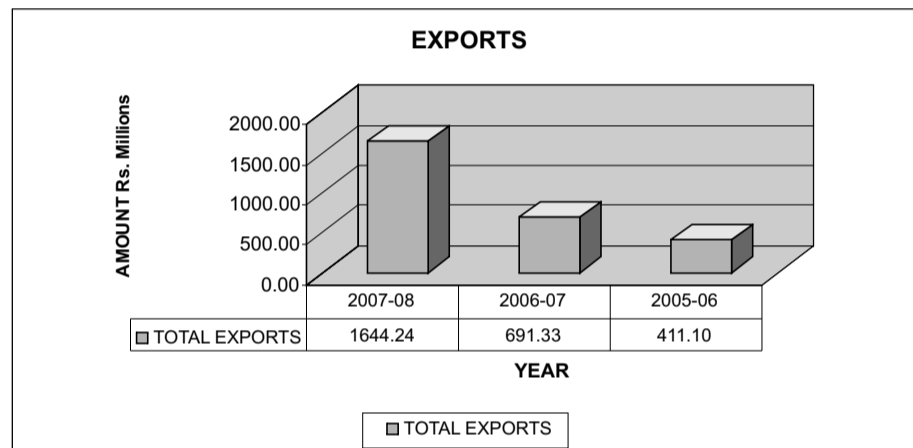


**Export Sales**

The break of domestic and export sales for the last three years are given below:

<b>PARTICULARS</b>	<b>2007-08 Rs. Millions</b>	<b>2006-07 Rs. Millions</b>	<b>2005-06 Rs. Millions</b>
Domestic Sales	11609.34	6556.46	3036.11
<b>EXPORTS</b>			
Exports Sales	1490.23	515.14	411.10
Deemed Export Sales	154.01	176.19	0.00
<b>TOTAL EXPORTS</b>	<b>1644.24</b>	<b>691.33</b>	<b>411.10</b>
<b>TOTAL</b>	<b>13253.58</b>	<b>7247.79</b>	<b>3447.21</b>

The growth in export is commendable. From an export level of Rs.411 Millions for the FY 06, the same increased to Rs. 691 Millions in FY 07 and have grown to Rs.1644 Millions in FY 08. The growth last year on account of exports is 138%.

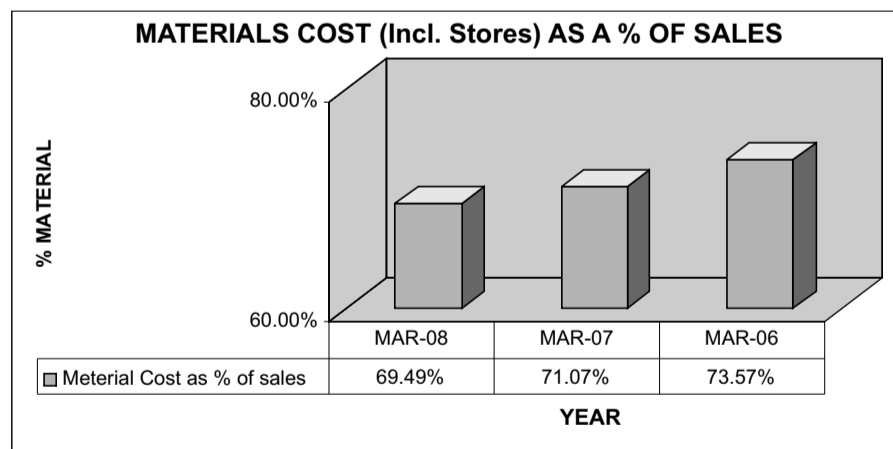


**Material Cost**

Material Cost for Mar 08, Mar 07 & Mar 06 are compared below.

<b>PARTICULARS</b>	<b>MAR-08 Rs. Millions</b>	<b>MAR-07 Rs. Millions</b>	<b>MAR-06 Rs. Millions</b>
Material Cost (Incl. Stores)	9209.86	5151.03	2536.04
Material Cost as % of sales	69.49%	71.07%	73.57%

Raw Materials, which accounted for nearly 74% in FY 06, reduced to 71% in FY 07 and have further reduced to 69% in FY 08.





**Power & Fuel Cost.**

Power and Fuel Cost for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Power & Fuel Cost	914.77	608.91	211.99
Power & Fuel Cost as % of sales	6.90%	8.40%	6.15%

Power & Fuel Cost accounts for nearly 6% of the sales in the year 2006. Which increase to around 8% in the year 2007. This increase is mainly due to commissioning of steel plant in Kutch. In the current year, Power & Fuel cost reduced to 7%, due to better utilization of the resources and capacity.

**Repair and Maintenance Cost:**

The Repair and Maintenance Cost for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Repair and Maintenance Cost	8.86	8.96	9.54
Repair and Maintenance Cost as % of Sales	0.07%	0.12%	0.28%
Repair and Maintenance Cost as % of Gross Block	0.14%	0.29%	0.57%

The Repair and maintenance cost 0.57% of Gross Block in Mar 06, which came down to 0.29% in March 07 and 0.14% in March 08. The company has been very efficiently utilizing the equipment. The quality of fixed assets installed is world class leading to moderate repair and maintenance cost.

**Employee Cost**

Employee Cost for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Employee Cost	311.18	165.96	95.53
Employee Cost as % of sales	2.35%	2.29%	2.77%

The total cost of Employees was Rs. 95 Million in Mar 06, which went up to Rs.166 Millions in March 07 and Rs.311 Millions in Mar 08. Though there is an apparent increase in man power cost, it can be seen that the cost as % of sale it has been reducing. In Mar 06 the employees cost accounted for 2.77% of the sales, which reduced to 2.29% of the sales in the year Mar 06. In the current year ending Mar 08, the employees cost account for 2.35% of the sales.

**Administrative and General Expense**

Administrative and General Cost for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Administrative & General Exp	219.62	153.80	75.87
Administrative & General Exp as % of sales	1.66%	2.12%	2.20%

The administration and general expense were Rs. 76 Millions in Mar 06, Rs. 154 Millions in Mar 07 and 220 Millions in Mar 08. As a % of sale, the administrative and general expenses were 2.20% in Mar 06, which reduced to 2.12% in Mar 07 and in the current year ending Mar 08, it accounts for 1.66% of sales. The company has successfully controlled the administrative cost as compared to growth in the business.

**Selling Expense**

Selling expense for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Selling Expense	336.93	162.75	82.32
Selling Expense as % of sales	2.54%	2.25%	2.39%

The selling expenses were Rs.82 Millions in Mar 06, Rs. 163 Millions in Mar 07 and Rs. 337 Millions in Mar 08. There has been a substantial increase in selling expenses, which includes advertising cost, dealers discount and forwarding / transporting expense. The selling expenses are now 2.54% of the sales as against 2.25% of sales in the year Mar 07.

**PBIDT**

PBIDT for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
PBIDT	2139.38	1141.98	454.77
PBIDT as % of sales	16.14%	15.76%	13.19%

The profit before interest, depreciation and tax has shown a healthy growth. In Mar 06 PBIDT was Rs. 455 Millions which was equal to 13.19% of the sales. In the year Mar 07, the PBIDT jumped to Rs. 1142 Millions, accounting for 15.76% of the sales. In Mar 08, the PBIDT has further grown to Rs. 2139 Millions, which is equal to 16.14 % of the sales.

**Cash Profit After Tax Excl. deferred tax**

Cash Profit after tax excl. deferred tax for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Profit	1206.28	723.28	333.24
Profit as % of sales	9.10%	9.98%	9.67%

In the year 2006, cash profit was Rs. 333 Millions, which was equal to 9.67% of sales. It increased to 9.98% of the sales, amounting to Rs. 723 millions. In the current year 2008, it has reduced to 9.10% of sales due to higher interest burden of the projects recently commissioned but not fully operational.

**Net Profit**

Net Profit after tax (Before Prior Period Adjustment) for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Net Profit	621.79	432.03	187.95
Net Profit as % of sales	4.69%	5.96%	5.45%

The net profit margin was 5.45% in the year Mar 06. It increased to 5.96% in the year Mar 07. In the current year Mar 08, the margin has reduced to 4.69% due to large amount of depreciation and interest burden on the profitability of the company.

**Financial Expense**

Financial Expenses for Mar 08, Mar 07 and Mar 06 are compared below.

<b>PARTICULARS</b>	<b>MAR-08 Rs. Millions</b>	<b>MAR-07 Rs. Millions</b>	<b>MAR-06 Rs. Millions</b>
Financial Expense	785.09	350.30	92.27
Financial Expense as per % of sales	5.92%	4.83%	2.68%

The financial Expenses were Rs. 92 Millions in Mar 06, Rs. 350 Millions in Mar 07 and Rs. 785 Millions in Mar 08. The increase in financial expenses is on account of interest on term loan and increased working capital limits.

**Balance Sheet**

 Table showing Balance Sheet for the past 3 years ended as at 31<sup>st</sup> Mar 08, 31<sup>st</sup> Mar 07 and 31<sup>st</sup> Mar 06.

SN	PARTICULARS	2007-08 Rs.Millions	2006-07 Rs.Millions	2005-06 Rs.Millions
<b>A</b>	<b>SOURCES OF FUNDS</b>			
<b>1</b>	<b>Shareholders Funds</b>			
1.1	Equity Share Capital	109.76	91.35	47.66
1.2	Preference Share Capital	120.00	120.00	120.00
1.3	Share Application Money	30.00	58.50	150.32
1.4	Reserves & Surplus	3587.60	1918.20	269.17
	<b>SUB TOTAL</b>	<b>3847.36</b>	<b>2188.05</b>	<b>587.15</b>
<b>2</b>	<b>Deferred Tax Liability</b>	<b>521.55</b>	<b>255.67</b>	<b>142.87</b>
<b>3</b>	<b>Loan Funds</b>			
3.1	Secured Term Loans	3507.32	2519.84	1261.97
3.2	Secured Working Capital Loans	2309.24	553.23	557.50
3.3	Un Secured Loans	2462.66	819.73	312.85
3.4	Vehicle Loan, Home Loan & Sales Tax Def	10.94	8.08	8.38
	<b>SUB TOTAL</b>	<b>8290.17</b>	<b>3900.87</b>	<b>2140.70</b>
<b>4</b>	<b>Current Liabilities</b>			
4.1	Current Liabilities	2697.71	2285.63	807.52
4.2	Provisions	200.03	105.57	55.22
	<b>SUB TOTAL</b>	<b>2897.74</b>	<b>2391.21</b>	<b>862.74</b>
	<b>TOTAL SOURCES</b>	<b>15556.81</b>	<b>8735.79</b>	<b>3733.47</b>
<b>B</b>	<b>APPLICATION OF FUNDS</b>			
<b>1</b>	<b>Fixed Assets</b>			
1.1	Gross Block	6177.36	3100.82	1666.29
1.2	Capital work in progress	1657.17	1052.28	362.70
	<b>SUB TOTAL</b>	<b>7834.53</b>	<b>4153.10</b>	<b>2028.98</b>
1.3	Depreciation	634.46	316.69	138.97
	<b>NET BLOCK</b>	<b>7200.07</b>	<b>3836.41</b>	<b>1890.02</b>
<b>2</b>	<b>Investments</b>	<b>21.25</b>	<b>0.67</b>	<b>0.67</b>
<b>3</b>	<b>Current Assets, Loans, Advances</b>			
3.1	Raw Materials incl. transit	2274.26	1411.12	442.64
3.2	Stores & Spares	105.02	97.57	42.69
3.3	Work in Process	407.53	314.07	226.97
3.4	Finished Goods	175.46	205.88	37.60
	<b>SUB TOTAL</b>	<b>2962.26</b>	<b>2028.63</b>	<b>749.90</b>
3.4	Sundry Debtors	2726.45	1425.52	622.06
3.5	Cash & Bank Balance	621.54	410.42	212.17
3.6	Loans and Advances	1724.78	911.54	242.28
	<b>SUB TOTAL</b>	<b>5072.77</b>	<b>2747.48</b>	<b>1076.51</b>
	<b>TOTAL CURRENT ASSETS</b>	<b>8035.03</b>	<b>4776.11</b>	<b>1826.40</b>
<b>4</b>	<b>Misc. Expenditure not W/O</b>	<b>300.46</b>	<b>122.61</b>	<b>16.38</b>
	<b>TOTAL APPLICATION</b>	<b>15556.81</b>	<b>8735.80</b>	<b>3733.47</b>

**Balance Sheet Analysis****Net Worth**

The net worth of the company for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	2007-08 Rs. Millions	2006-07 Rs. Millions	2005-06 Rs. Millions
Equity Share Capital	109.76	91.35	47.66
Preference Shares	120.00	120.00	120.00
Warrants / Application Money	30.00	58.50	150.32
Reserves	3587.60	1918.20	269.17
<b>Total Net Worth</b>	<b>3847.36</b>	<b>2188.05</b>	<b>587.15</b>
Deferred Tax Liability	521.55	255.67	142.87
<b>Net Worth Incl. DTL</b>	<b>4368.90</b>	<b>2443.72</b>	<b>730.02</b>

The net worth of the company which stood at Rs.587 Millions in FY 06, jumped to Rs. 2188 Millions in FY 07. As on Mar 08, the net worth excluding deferred tax liability is Rs. 3847 Millions. The net worth of the company excluding deferred tax liability increased by Rs 1659 Millions in the year ending March 08. The bifurcation of this increase is given below:

SN	PARTICULARS	AMOUNT (Rs. Millions)
1	Additional Equity due to allotment of 1.37 Millions shares to DEG, Germany and conversion of 0.475 Millions warrants	18.42
2	Share Premium and Application money	1058.08
3	Current year profit less dividend and dividend tax	582.81
	<b>TOTAL</b>	<b>1659.31</b>

In the current financial year, the company allotted 1,366,666 shares to DEG, Germany at a premium of Rs.590 per share to aggregate Rs.820 Millions.

- DEG: The German Investment and Development Company, which is the investment arm of Government of Germany.
- It promotes private companies in developing and emerging market countries.
- Long Term investor in private enterprises on market oriented conditions.
- Finances projects that keep the principles of sustainable development
- Finances companies which follow ecological and social acceptances to international guidelines.
- Finances companies which contribute to sustainable economic growth and poverty reduction.
- Headquarters at Cologne in Germany

**Secured Loans**

The secured loans of the company for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Secured term loans	3507.32	2519.84	1261.97
Secured working capital loans	2309.24	553.23	557.50
Vehicle Loans & Sales Tax Deferment	10.94	8.08	8.38
<b>TOTAL</b>	<b>5827.51</b>	<b>3081.14</b>	<b>1827.86</b>

### Gross Block

The Gross Block of the company for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Gross Block	6177.36	3100.82	1666.29
Capital Work in progress	1657.17	1052.28	362.70
<b>TOTAL</b>	<b>7834.53</b>	<b>4153.10</b>	<b>2028.98</b>
Depreciation	634.46	316.69	138.97
<b>NET BLOCK</b>	<b>7200.07</b>	<b>3836.41</b>	<b>1890.02</b>

There has been a substantial increase in the fixed asset of the company over last three years. The gross block which was Rs. 1666 Millions in Mar 06, increased to Rs. 3101 Millions in Mar 07 and Rs.6177 Millions in Mar 08. There has been expansion on account of facilities created for steel making, sponge iron making, mini blast furnace for ductile iron pipe production and captive power plant.

### Raw Material Inventory

The Raw Material inventory of the company for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Value of Raw Material and stores	2379.28	1508.69	485.33
Stock of Raw material in no of months Consumption	3.10	3.51	2.30
Raw Material as a % of sales	17.95%	20.82%	14.08%

### Finished Goods and WIP

The inventory of finished goods and WIP of the company for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Value of finished goods and WIP	582.98	519.94	264.57
Finished goods stock in no of months sales	0.53	0.86	0.92
Finished goods as a % of sales	4.40%	7.17%	7.67%

The finished goods inventory remains approximately 0.50 month in the last year, which is reasonable.

### Debtors

The debtors of the company for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Debtors	2726.45	1425.52	622.06
Debtors equal to no of months sale	2.47	2.36	2.17

The level of debtors remains approximately equaled to 2.5 months.

### Current liabilities

The Current Liabilities of the company for Mar 08, Mar 07 & Mar 06 are compared below.

PARTICULARS	MAR-08 Rs. Millions	MAR-07 Rs. Millions	MAR-06 Rs. Millions
Current Liabilities	2697.71	2285.63	807.52
Current Liabilities equal to no of months sale	2.44	3.78	2.81

**Segment Results:**

The division wise results for the year ending Mar 08 are given below:

SN	Particulars	Engineering	Steel	EV	Total
1	Revenue	3209.09	9625.22	487.11	13321.43
2	PBIDT	566.69	1509.94	62.75	2139.38
3	PBT	471.76	537.47	26.45	1035.68
4	PAT	283.23	322.68	15.88	621.79

**Segment Capital Employed:**

The following table gives divisional balance sheet as at Mar 31, 2008.

SN	Particulars	Engineering	Steel	EV	Total
<b>A</b>	<b>SOURCES OF FUNDS</b>				
1	Shareholders Funds	837.90	2368.58	640.87	3847.35
2	Deferred Tax liability	28.88	478.93	13.74	521.55
	<b>Sub Total</b>	<b>866.78</b>	<b>2847.51</b>	<b>654.61</b>	<b>4368.90</b>
<b>3</b>	<b>Loan Funds</b>				
3.1	Term Loans	0	3493.43	13.89	3507.32
3.2	Unsecured Loans	680.77	1716.83	76.00	2473.60
3.3	Working Capital Loans	197.69	1962.82	148.73	2309.24
	<b>Total Loans</b>	<b>878.46</b>	<b>7173.08</b>	<b>238.62</b>	<b>8290.16</b>
<b>4</b>	<b>Current Liabilities and Provisions</b>				
		406.29	2407.11	84.34	2897.74
	<b>Total Sources</b>	<b>2151.53</b>	<b>12427.70</b>	<b>977.57</b>	<b>15556.80</b>
<b>B</b>	<b>APPLICATION OF FUNDS</b>				
<b>1</b>	<b>Block</b>				
1.1	Fixed Assets	342.07	5672.52	162.77	6177.36
1.2	capital Work in Progress	0.00	1657.17	0.00	1657.17
1.3	Accrued Depreciation	105.55	520.94	7.97	634.46
<b>1.4</b>	<b>Net Block</b>	<b>236.52</b>	<b>6808.75</b>	<b>154.80</b>	<b>7200.07</b>
2	Investments	0.18	0.65	20.41	21.24
3	Current Assets & Misc	1914.83	5618.30	802.36	8335.49
	<b>Total Application</b>	<b>2151.53</b>	<b>12427.70</b>	<b>977.57</b>	<b>15556.80</b>

**Subsidiaries in China :**

Earlier the company had proposed to set up a company by the name of Tianjin Electrotherm Induction Ltd in Bichen High Tech Industrial Park, Tianjin, for manufacture of Induction Furnaces. Subsequently the company felt that they can supply the furnaces from Indian operations hence the proposal to manufacture induction furnaces in China was dropped and business license was surrendered.

Looking at the huge potential of Electric Vehicles, the company decided to set up two subsidiaries in China. The names of these subsidiaries are:

SN	Company	Activity
1	Jinhua Indus Enterprises Ltd	Manufacture of motors for electric vehicles
2	Jinhua Jahari Enterprise Ltd	Inspection and sourcing of components for electric vehicles for sale to Electrotherm EV Division

The above companies have started operation recently. The Balance Sheet and Profit & Loss A/c of these companies as at Mar 31, 2008 are given below:

**Profit & Loss A/c:**

The Profit and Loss statement of the two Chinese subsidiaries is given below:

SN	Particulars	Jinhua Indus (Motor Plant )	Jinhua Jahari (Component Sourcing)	Combined (Rs. Millions)
<b>1</b>	<b>Income</b>			
1.1	Sales	53.46	104.26	157.72
1.2	Other Income	0.62	5.87	6.49
	<b>Total</b>	<b>54.08</b>	<b>110.13</b>	<b>164.21</b>
<b>2</b>	<b>Expenditure</b>			
2.1	Material Cost	54.09	95.31	149.40
2.2	Manufacturing Expense	0.29	0.06	0.35
2.3	Employee Cost	3.18	0.97	4.15
2.4	Administrative Expense	3.69	2.72	6.42
2.5	Financial Expense	0.03	0.12	0.15
	<b>Total Expense</b>	<b>61.28</b>	<b>99.19</b>	<b>160.47</b>
<b>3</b>	<b>PBDT</b>	<b>7.20</b>	<b>10.94</b>	<b>3.74</b>
	Depreciation	0.42	0.01	0.43
	Provision for Tax	0.00	1.44	1.44
	<b>Net Profit</b>	<b>-7.62</b>	<b>9.49</b>	<b>1.87</b>

**Balance Sheet:**

The balance sheet of the two Chinese subsidiaries is given below:

SN	Particulars	Jinhua Indus (Motor Plant)	Jinhua Jahari (Component Sourcing)	Combined (Rs. Millions)
<b>A</b>	<b>SOURCES OF FUNDS</b>			
<b>1</b>	<b>Shareholders Funds</b>			
1.1	Equity Share Capital	20.56	0.00	20.56
	Less : Investment in Jinhua Jahari by Jinhua Indus	-5.41	5.41	0.00
1.2	Reserves & Surplus	-7.61	9.49	1.88
	<b>Total</b>	<b>7.54</b>	<b>14.90</b>	<b>22.44</b>
<b>2</b>	<b>Loan Funds</b>	21.76	13.43	35.19
	<b>Total Sources</b>	<b>29.30</b>	<b>28.33</b>	<b>57.63</b>
<b>B</b>	<b>APPLICATION OF FUNDS</b>			
<b>1</b>	<b>Block</b>			
1.1	Gross Block	21.37	0.34	20.71
1.2	Depreciation	0.42	0.01	0.43
<b>1.3</b>	<b>Net Block</b>	<b>19.95</b>	<b>0.33</b>	<b>20.28</b>
<b>2</b>	<b>Current Assets, Loans &amp; Advances</b>			
2.1	Inventories	1.06	0.00	1.06
2.2	Debtors	0.00	0.00	0.00
2.3	Cash& Bank	0.68	1.54	2.22
2.4	Loans & Advances	7.61	27.90	35.51
	<b>Current Assets</b>	<b>9.35</b>	<b>29.44</b>	<b>38.79</b>
2.5	Current Liabilities	0.00	1.44	1.44
2.6	Net Current Assets	<b>9.35</b>	<b>28.00</b>	<b>37.35</b>
	<b>Total Application</b>	<b>29.30</b>	<b>28.33</b>	<b>57.63</b>



**PERFORMANCE INDICATORS AND IMPORTANT RATIOS****Current Ratio:**

SN	PARTICULARS	2007-08 Rs. in Millions	2006-07 Rs. in Millions	2005-06 Rs. in Millions
1	TOTAL CURRENT ASSETS	8035.03	4776.11	1826.40
2	TOTAL CURRENT LIABILITIES	5206.98	2944.43	1420.25
	<b>CURRENT RATIO (Times)</b>	<b>1.54</b>	<b>1.62</b>	<b>1.29</b>

**TOL/TNW:**

SN	PARTICULARS	2007-08 Rs. in Millions	2006-07 Rs. in Millions	2005-06 Rs. in Millions
1	LOAN FUNDS	8290.17	3900.87	2140.70
2	CURRENT LIABILITIES	2897.74	2391.21	862.74
	<b>TOTAL OUTSIDE LIABILITIES</b>	<b>11187.91</b>	<b>6292.08</b>	<b>3003.44</b>
	LESS: LOAN PERTAINING TO ASSETS WHICH IS NOT FULLY OPERATIONAL	980.00	0.00	0.00
	LESS: LOAN PERTAINING TO CWIP	990.00	630.00	217.00
	<b>FUNDS PERTAINS TO OPERATION</b>	<b>9217.91</b>	<b>5662.08</b>	<b>2786.44</b>
3	TOTAL NET WORTH	3847.35	2188.05	587.16
	TOL/TNW (Times)	2.40	2.59	4.75

**DEBT/EBIDTA:**

SN	PARTICULARS	2007-08 Rs. in Millions	2006-07 Rs. in Millions	2005-06 Rs. in Millions
1	LOAN FUNDS	8290.17	3900.87	2140.70
2	CURRENT LIABILITIES	2897.74	2391.21	862.74
	<b>TOTAL OUTSIDE LIABILITIES</b>	<b>11187.91</b>	<b>6292.08</b>	<b>3003.44</b>
	LESS: LOAN PERTAINING TO ASSETS WHICH IS NOT FULLY OPERATIONAL	980.00	0.00	0.00
	LESS: LOAN PERTAINING TO CWIP	990.00	630.00	217.00
	<b>FUNDS PERTAINS TO OPERATION</b>	<b>9217.91</b>	<b>5662.08</b>	<b>2786.44</b>
3	EBIDTA	<b>2139.38</b>	<b>1141.98</b>	<b>454.77</b>
	<b>DEBT/EBIDTA (Times)</b>	<b>4.31</b>	<b>4.96</b>	<b>6.13</b>

**ANNEXURE TO DIRECTOR'S REPORT**

**PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**

**1. CONSERVATION OF ENERGY:**

India has made rapid strides towards economic self reliance over the last few years. The demand for energy is growing many fold and the energy sources are becoming scarce and costlier. Energy efficiency and energy conservation are part of our business strategy, both to help the nation to conserve scarce resources as well as to ensure that the company remains competitive globally. Of the one thousand billion units of electrical energy produced annually in our country, only six hundred billion units are effectively utilized. Of the four hundred billion units which are lost, there is a definite potential to save about two hundred billion units. The value of this saving is more than Rs.50000 crores. From this we can judge the potential which energy saving offers to this country. Each one of us has to contribute to save something so that the country as well as the industry benefits. We have approached the energy conservation initiative by a three-pronged strategy:

**i) Capacity Utilization:**

High capacity utilization is very essential for achieving efficiency in energy. By higher utilization of equipment, we are able to bring down fixed energy loss component of the total energy consumption. We are taking steps to ensure that all the production unit operate at high efficiency.

**ii) Fine Tuning of Equipment:**

All equipment go out of tune if not maintained properly. Improperly maintained equipment result in higher energy consumption. We are therefore ensuring that all the electricity consuming equipment are kept finally tuned to minimize energy losses.

**iii) Technology Up-gradation:**

Quantum improvement in energy saving can only take place by application of new technologies. In our company innovation, improving of existing technologies and application of newer technology has been made an ongoing activity in all the divisions.

**2. TECHNOLOGY ABSORPTION**

**(A) Research & Development**

**(i) Specific Areas:**

Development of Electric Vehicles which will enable the country to save the petroleum products.

**(ii) Benefits Derived:**

Development of Electric Vehicles will reduce the pollution levels in our congested cities besides reducing the consumption of petroleum products

**(iii) Future Plan**

Plan to develop Hybrid Electric Buses and Transformers.

**(iv) Expenditure on R & D**

A Capital Expenditure	:	Rs. 63.76 Millions
B Recurring Expenditure	:	Rs. 8.41 Millions
C Total Expenditure	:	Rs.72.17 Millions
D R&D as % of Turnover	:	0.54%

**(B) Technology absorption, adaptation and innovation:**

**(i) Efforts made:**

Designs are being continuously improve to reduce power consumptions, increase melting rate and make furnaces more efficient and reliable.

**(ii) Benefits Derived :**

Due to the above development and modification, company could establish its brand name in market and is able to increase its turnover.

**(iii) Import Technology**

None

**3. FOREIGN EXCHANGE EARNING AND OUTGO:**

**(I) Activities Relating to Export:**

The Company has been making efforts for direct exports at international level. Company has executed export orders worth of Rs 1490.23 Million during the year and has further diversified its export market

**(II) Total Foreign Exchange Earning and Outgo:**

a) Foreign Exchange Earnings	:	Rs. 1232.30 Million
b) Foreign Exchange outgo	:	Rs. 1504.27 Million

**On Behalf of the Board**

**Date: 8<sup>th</sup> May, 2008**

**MUKESH BHANDARI  
CHAIRMAN**

**ANNEXURE TO DIRECTOR'S REPORT****FORM : A  
(SEE RULE 2)**

Form of disclosure of particulars with respect to conservation of energy

**A. POWER AND FUEL CONSUMPTION**

SN	PARTICULARS	2007-08	2006-07
<b>I.</b>	<b>ELECTRICITY</b>		
A	Purchase Units	184004430	129555745
	Total Amount (Rs. Millions)	902.77	608.91
	Rate per unit. (Rs.)	4.90	4.70
B	Own Generation		
i.	Through diesel generator (Unit)	124500	114000
	Unit per Litre. Of Diesel Oil (Unit)	3.80	3.80
	Cost per Unit. (Rs. / KWH)	10.5	9.21
ii.	Through Wind Mill (Unit)	396000	439142
	Cost per Unit. (Rs. / KWH)	0.15	0.15
iii.	Through Steam Turbine / generator (Unit)	693000	Nil
	Cost per Unit. (Rs. / KWH)	2.50	Nil
<b>II</b>	<b>STEAM COAL</b>		
	Quantity	346.50	Nil
	Total Cost (Rs.)	1420650	Nil
	Average Rate (Rs. Per mt.)	4100	Nil
<b>III.</b>	<b>FURNACE OIL</b>		
	Quantity - Litres	1972000	2436681
	Total Cost (Rs.)	50345160	50877905
	Average Rate (Rs. Per Litre)	25.53	20.88
<b>IV.</b>	<b>OTHERS / INTERNAL GENERATION</b>		
	Lignite quantity used	Nil	Nil
	Total Cost (Rs.)	Nil	Nil
	Average Rate (Rs. Per mt.)	Nil	Nil

**B. CONSUMPTION PER UNIT OF PRODUCTION**

SN.	PARTICULARS	STANDARDS (IF ANY)	2007-08	2006-07
1	Electricity			
A	For Steel Billets / TMT / DI Pipes (KWH/Ton)	NA	690	710
B	For Equipment manufacturing Equipment (KWH / Equipment Dispatched)	NA	4300	4500
2	Furnace Oil	NA	NA	NA
3	Coal	NA	NA	NA
4	Lignite	NA	NA	NA

Since they are manufactured in common manufacturing facility, it is not possible to work out separate power consumption per item per unit.

**ANNEXURE TO DIRECTORS' REPORT**

**Information as per section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March, 2008**

S N	Name	Age (Yr)	Designation	Gross Remuneration (Rs)	Net Remuneration (Rs)	Qualification	Experience (Yr)	Date of Joining	Previous Employment
1	Mr. Mukesh Bhandari	55	Chairman	3508800	1989234	B.E. Electrical	33	01/03/94	GEC of India Ltd (Sr.Design Engineer)
2	Mr. Shailesh Bhandari	50	Managing Director	3199200	1826834	B.Sc (Economics)	30	26/08/89	Koras (India) Ltd (Sales Rep.)
3	Mr. Sanjay Kaul *	35	Sr. Vice President	933012	762234	M.B.A., Msc.-Technical	12	01/01/08	Ballard Power Systems, Canada. (Manager-Corporate & Business Development)
				<b>7641012</b>	<b>4578302</b>				

\* Employed for part of the year.

**Notes:**

- 1). The Gross remuneration shown above is subject to tax and comprises salary, monetary value of perquisites as per Income Tax Rules and Company's contribution to Provident Fund.
- 2). In addition to the above remuneration, employees are entitled to gratuity in accordance with the Company rules.
- 3). The net remuneration is arrived at by deducting from the gross remuneration, Income Tax, Company's contribution to Provident Fund, Professional Tax and electricity expenses etc.

**CORPORATE GOVERNANCE****1. Company's Philosophy on Corporate Governance:**

The Company's philosophy on Corporate Governance envisages attainment of higher levels of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders, including shareholders, employees, customers, suppliers, government, lenders and the community at large. It aims to increase and sustain its corporate value through growth and innovation.

The Company's core value includes business ethics, Customer focus, professional pride, mutual respect, speed and innovation, excellence in manufacturing and total quality. The company believes that its operations and actions must serve the underlying goal of enhancing the interests of its stakeholders over a sustained period of time.

The policies and actions of the Company are in terms of applicable guidelines on Corporate Governance with endeavour to enhance shareholders' value.

**2. Board of Directors:**

The Board of Directors of the Company is having optimum combination of Executive and Non-Executive Directors as per Clause 49 of the listing Agreement. The Board of Directors comprises twelve directors out of which five are executive directors, six are non-executive directors and one is nominee director. All non-executive directors are independent directors.

The details of composition of Board, category of directors as well as their directorship/membership in other companies/committees are given below:

SN	Name and Designation of Director	Category	Number of other Directorship and Committee member / Chairmanship		
			Other Directorships	Committee Membership	Committee Chairmanship
1.	Mr. Mukesh Bhandari Chairman & Chief Technology Officer	Promoter & Executive	4	NIL	NIL
2.	Mr. Shailesh Bhandari Managing Director	Promoter & Executive	4	NIL	NIL
3.	Mr. Harish Sharma Whole Time Director	Executive	NIL	NIL	NIL
4.	Mr. Narendra Dalal Whole Time Director	Executive	NIL	NIL	NIL
5.	Mr. Avinash Bhandari Whole Time Director	Executive	2	1	NIL
6.	Mr. Naveen Nakra	Independent Non-Executive	NIL	NIL	NIL
7.	Mr. Nilesh Desai	Independent Non-Executive	2	2	NIL
8.	Mr. Madhusudan Somani	Independent Non-Executive	NIL	NIL	NIL
9.	Mr. Ram Singh	Independent Non-Executive	NIL	NIL	NIL
10.	Mr. Pradeep Krishna Prasad	Independent Non-Executive	NIL	NIL	NIL
11.	Mr. Ravikumar Trehan	Independent Non-Executive	NIL	NIL	NIL
12.	Mr. Sunay Mathure	Nominee Director	2	NIL	NIL

- Directorships in other companies mentioned above excludes directorships in private limited companies, unlimited companies and foreign companies
- Mr. Ravikumar Trehan was appointed as Additional Director with effect from 30<sup>th</sup> July, 2007
- Mr. Sunay Mathure was appointed as Additional Director / Nominee Director with effect from 30<sup>th</sup> July 2007, nominated by ICICI Venture Funds Management Company Ltd. as Investment Manager of India Advantage Fund – VI.
- While calculating the number of Membership / Chairmanship in Committees of other Companies, Membership / Chairmanship of only Audit Committee and Shareholders' / Investors' Grievance Committee have been considered pursuant to Clause 49 of the listing agreement. None of the Director is a member in more than ten committees and act as a Chairman in more than five committees across all companies in which he is a Director.
- None of the Directors are related to each other except Mr. Mukesh Bhandari and Mr. Shailesh Bhandari, who are Brothers.

**Board Meetings:**

During the financial year 2007 - 2008, eight board meetings were held on 7<sup>th</sup> April 2007, 7<sup>th</sup> May, 2007, 24<sup>th</sup> May 2007, 25<sup>th</sup> June 2007, 30<sup>th</sup> July 2007, 29<sup>th</sup> October 2007, 30<sup>th</sup> January 2008 and 3<sup>rd</sup> March 2008.

Attendance of Directors at the Board meetings and at the last Annual General Meeting held on 25<sup>th</sup> June 2007 is as under:

Name	Attendance	
	Board Meetings	AGM held on 25.06.2007
Mr. Mukesh Bhandari	4	No
Mr. Shailesh Bhandari	7	Yes
Mr. Harish Sharma	7	Yes
Mr. Narendra Dalal	5	Yes
Mr. Avinash Bhandari	6	Yes
Mr. Naveen Nakra	8	Yes
Mr. Nilesh Desai	8	No
Mr. Madhusudan Somani	2	No
Mr. Ram Singh	6	No
Mr. Pradeep Krishna Prasad	6	No
Mr. Ravikumar Trehan	1	N.A.
Mr. Sunay Mathure	3	N.A.

All the information required to be furnished to the Board was made available to them along with detail agenda notes. Time gap between two Board meetings is not more than four months.

**3. Committees of Board**
**A. Audit Committee**
**(i) Brief description of Terms of Reference**

The terms of reference and powers of the Audit Committee are in compliance with the provisions of the Corporate Governance – Clause 49 of the Listing Agreement and Section 292(A) of the Companies Act, 1956. Minutes of the Audit Committee are circulated and discussed at the Board meetings.

**(ii) Composition of Audit Committee**

At present, the Audit Committee comprises of four members all being non-executive directors. Mr. Naveen Nakra is the Chairman and Mr. Sunay Mathure, Mr. Nilesh Desai and Mr. Ram Singh are members of the Audit Committee. The Board of Directors at their meeting held on 30<sup>th</sup> July, 2007 re-constituted the Audit Committee. Mr. Sunay Mathure has been appointed as member of the Committee and Mr. Pradeep Krishna Prasad resigned as member of the Committee. Mr. Naveen Nakra, Chairman of the Audit Committee was present at the last annual general meeting of the Company.

**(iii) Meetings and attendance during the year**

During the financial year 2007 -2008, four meetings of the Audit Committee were held on 7<sup>th</sup> May 2007, 30<sup>th</sup> July 2007, 29<sup>th</sup> October 2007 and 30<sup>th</sup> January 2008.

**Details of Attendance at the Audit Committee**

Name	Designation	Attendance
Mr. Naveen Nakra	Chairman	4
Mr. Nilesh Desai	Member	4
Mr. Ram Singh	Member	4
Mr. Pradeep Krishna Prasad	Member	2
Mr. Sunay Mathure	Member	2

**B. Remuneration Committee:****(i) Brief description of Terms of Reference**

The Remuneration Committee has been constituted to recommend and review remuneration package of Executive directors by reference to performance, experience and responsibilities.

**(ii) Composition of the Committee**

The Remuneration Committee consists of three non-executive independent directors, to comply with and meet the requirements of the listing agreement and Schedule XIII of the Companies Act, 1956. Mr. Nilesh Desai is the Chairman and Mr. Naveen Nakra and Mr. Pradeep Krishna Prasad are members of the Remuneration Committee.

**(iii) Meetings and attendance**

No meeting of the Remuneration Committee was held during the financial year 2007 – 2008.

**(iv) Details of Remuneration of Directors**

The details of remuneration paid to Chairman, Managing Director and Whole Time Directors for the financial year ended on 31<sup>st</sup> March, 2008 is as under: (in Rupees)

Name	Salary	Other Allowances	Contribution to PF	Total
Mr. Mukesh Bhandari	2040000	1224000	244800	<b>3508800</b>
Mr. Shailesh Bhandari	1860000	1116000	223200	<b>3199200</b>
Mr. Harish Sharma	1308000	788727	156960	<b>2253687</b>
Mr. Narendra Dalal	1116000	669600	133920	<b>1919520</b>
Mr. Avinash Bhandari	750000	450000	90000	<b>1290000</b>

Mr. Sunay Mathure, Nominee Director has been paid sitting fees within the limits prescribed under the Companies Act, 1956 and as fixed by the Board of Directors at their meeting held on 30<sup>th</sup> July, 2007. Accordingly, during the financial year ended on 31<sup>st</sup> March, 2008, Rs. 60,000/- has been paid as sitting fees to ICICI Venture Funds Management Company Ltd. as per Shareholders Agreement entered into with it.

**C. Shareholders'/Investors' Grievance Committee**

The Company has Shareholders'/Investors' Grievance Committee comprising of two executive directors and two non-executive independent directors to expedite the process of redressal of complaints like non-transfer of shares, non-receipt of annual report, non-receipt of dividends etc.

Mr. Naveen Nakra, a Non-Executive and Independent Director is the Chairman and Mr. Avinash Bhandari, Mr. Harish Sharma and Mr. Nilesh Desai are members of Shareholders'/Investors' Grievance Committee. The Committee meets at least two times a quarter to expedite all matters relating to shareholders / investors grievances received during that period. The Committee reviews summary of share transfers, dematerialization of shares, consolidation or sub-division of shares, complaints received and disposed off etc.

During the financial year 2007-2008, ten meetings of the Shareholders' / Investors' Grievance Committee were held. Mr. Ashwin Patel, Company Secretary is the Compliance Officer.

**Details of Shareholders Complaints**

The details of complaints received / solved / pending during the year are as under:

Sr. No.	Nature of Complaint	Complaints received	Complaints solved	Complaints pending
1.	Non receipt of share Certificates after transfer etc.	NIL	NIL	NIL
2.	Non receipt of Dividend / Annual Report	8	8	NIL
3.	Non receipt of Demat credit	1	NIL	1
4.	Non receipt of duplicate share certificates	1	1	NIL

**D. Share Allotment Committee**

The Company has constituted a Share Allotment Committee on 29th July, 2006. The terms of reference of Share Allotment Committee includes to look into the receipt of money by way of subscription of Shares, Warrants, FCCBs or other convertible instruments issued or to be issued by the Company and allotment of Shares, Warrants, FCCBs or other convertible instruments and allotment of Equity shares arising on conversion of Warrants, FCCBs or other convertible instruments issued by the Company or to be issued by the Company in future.

Mr. Shailesh Bhandari is the Chairman of the Committee and Mr. Avinash Bhandari and Mr. Naveen Nakra are members of the Committee.

During the Financial year 2007-2008, one meeting of the Share allotment Committee was held on 31<sup>st</sup> March, 2008. All members of the Committee were present at the meeting.

**E. Management Committee**

The Company has constituted a Management Committee on 29th October, 2007. The terms of reference of Management Committee includes to look into the day to day functioning and exercise of delegated power of the Board for matters relating to operations and granting of authority for various functional requirements such as issue of Power of Attorney, arranging for vehicle loans, dealings with Central / State Governments and various statutory / judicial / regulatory / local / commercial / excise / customs / port / sales tax / income tax / electricity board etc. and other authorities on behalf of the Company.

Mr. Shailesh Bhandari is the Chairman of the Committee and Mr. Avinash Bhandari and Mr. Harish Sharma are members of the Committee.



During the Financial year 2007-2008, two meeting of the Management Committee were held on 11<sup>th</sup> November, 2007 and 8<sup>th</sup> February, 2008. All members of the Committee were present at the meeting.

#### 4. General Body Meeting:

##### (I) Annual General Meetings

The last three Annual General Meetings of the Company were held within the statutory time period and the details of the same are as under:

AGM	Financial Year	Venue	Date	Time
21 <sup>st</sup>	2006-2007	A-1, Skylark Apartment, Satellite Road, Satellite, Ahmedabad-380 015.	25.06.2007	11.00 A.M.
20 <sup>th</sup>	2005 – 2006	Survey No. 72, Village : Palodia, Taluka : Kalol, Dist.:Gandhinagar:382115	29.09.2006	12:00 A.M.
19 <sup>th</sup>	2004 – 2005	Survey No. 72, Village : Palodia, Taluka : Kalol, Dist.:Gandhinagar:382115	30.09.2005	10:00 A.M.

##### Special Resolutions:

The following special resolutions were passed in previous three Annual General Meetings:

- (1) Special Resolution under Section 81, 81(1A) of the Companies Act, 1956 for raising of funds through ADRs / GDRs / FCCBs was passed at the 21<sup>st</sup> Annual General Meeting held on 25<sup>th</sup> June, 2007.
- (2) Special Resolution under Section 81, 81(1A) of the Companies Act, 1956 and SEBI (Disclosure and Investor Protection) Guidelines, 2000 for raising of funds through Qualified Institutions Placement was passed at the 20<sup>th</sup> Annual General Meeting held on 29<sup>th</sup> September, 2006.
- (3) Special Resolution under SEBI (Delisting of Securities) Guidelines, 2003 for voluntary delisting of equity shares of the Company from Saurashtra Kutch Stock Exchange Ltd., Rajkot, Vadodara Stock Exchange Ltd., Vadodara, Madras Stock Exchange Ltd. , Chennai and Madhya Pradesh Stock Exchange Ltd., Indore was passed at the 19<sup>th</sup> Annual General Meeting held on 30<sup>th</sup> September, 2005.

##### (II) Extra Ordinary General Meetings

During the financial year 2007 - 2008, Two Extra Ordinary General Meetings were held as under and following Special Resolutions were passed;

Date of EGM	Time	Venue	Special Resolutions
11/05/2007	11.00 A.M.	A-1, Skylark Apartment, Satellite Road, Satellite, Ahmedabad - 380 015	1. Raising of Funds by issue of ADRs / GDRs / FCCBs or or any other means 2. Alteration of Articles of Association 3. Increase in Number of Directors
28/03/2008	11.00 A.M.	A-1, Skylark Apartment, Satellite Road, Satellite, Ahmedabad - 380 015	1. Raising of funds through Qualified Institutions Placement (QIP) 2. Raising of funds through preferential allotment of Equity Shares

All Special Resolutions moved at the above Extra Ordinary General Meetings were unanimously passed by a show of hands by the shareholders present at the meeting.

**Postal Ballot**

During the year under review, no Resolutions were passed through postal ballot under the provisions of Section 192A of the Companies Act, 1956 and the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 nor any resolution is proposed to be conducted through postal ballot.

**5. Disclosures:**

**(i) Disclosures on materially significant related party transactions**

The Company does not have any related party transactions with promoters, directors or management or relatives, which may have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in the notes to the accounts in this Annual Report.

**(ii) Code of Conduct**

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has been posted on the website of the Company [www.electrotherm.com](http://www.electrotherm.com)

In compliance with the Code, directors and senior management of the Company have affirmed compliance with the Code for year ended on 31<sup>st</sup> March, 2008. The declaration of compliance of Code of Conduct by the Managing Director is part of this Annual Report.

**(iii) CEO Certification:**

The Managing Director of the Company has furnished the requisite certificate to the Board of Directors under Clause 49 V of the Listing Agreement.

**(iv) Cases of Non-compliance / Penalties:**

There are no non-compliances by the Company on any matter related to capital markets, during the last three years. Similarly, there are no penalties or strictures imposed on the Company by Stock Exchanges, SEBI or any other statutory authorities on any matter related to capital markets during the last three years.

The Company has complied with all the mandatory requirements of the Clause 49 of the listing agreement with the Stock Exchanges as well as regulations and guidelines issued by SEBI.

**6. Means of Communication:**

The Company normally publishes the quarterly results in Economic Times in English & Gujarati editions and in Western Times in English and Gujarati editions.

The company has its own website [www.electrotherm.com](http://www.electrotherm.com), on which the quarterly results are displayed.

The management discussion and analysis report is attached herewith and form part of the Annual Report.

**7. General Shareholder Information:**

**A. Annual General Meeting:**

Date : 20.06.2008

Time : 11.00 A.M.

**B. Venue:**

: A-1, Skylark Apartment,  
Satellite Road, Satellite,  
Ahmedabad – 380 015

**C. Financial Calendar:** [Tentative]

Financial Year	:	April-March
First Quarter Results	:	End July, 2008
Half yearly Results	:	End October, 2008
Third Quarter Results	:	End January, 2009
Result for the year ending March 31, 2009	:	End April/ June, 2009

**D. Book Closure Date:** : **14<sup>th</sup> June, 2008 to 20<sup>th</sup> June, 2008**  
(Both days Inclusive)

**E. Dividend Payment Date:** : **On or after 20<sup>th</sup> June, 2008**

**F. Listing on Stock Exchange(s):**

Your Company's Shares are listed on

Sr. No.	Name of Stock Exchange	Address of Stock Exchange
1	Bombay Stock Exchange Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai -400 001.
2	National Stock Exchange of India Limited	Exchange Plaza, Bandra - Kurla Complex, Bandra (East), Mumbai - 400 051.

**Notes:**

1. The Equity Shares of the Company had been delisted from Madhya Pradesh Stock Exchange Ltd., Indore w.e.f. 24.03.2007 vide its letter dated 18<sup>th</sup> June, 2007.
2. The Equity shares of the company has been listed and admitted to dealing on National Stock Exchange of India Ltd. (NSE) w.e.f. August 20, 2007 under symbol : ELECTHERM
3. Annual Listing fees for the year 2007 -2008 have been duly paid to the stock exchanges.
4. During the year ended on 31<sup>st</sup> March, 2008, 1368333 Equity Shares allotted to India Advantage Funds VI through its Investment Manager ICICI Venture Funds Management Company Ltd. were listed with BSE on 3<sup>rd</sup> July, 2007.
5. The Company has applied for the listing of 1366666 Equity Shares allotted to DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH, a Foreign Financial Institution and 475000 Equity Shares allotted to Promoter Group Company, Western India Speciality Hospital Ltd. with BSE and NSE.

**G. Stock Code:**

a)	Bombay Stock Exchange Ltd	:	526608
b)	National Stock Exchange of India Ltd.	:	ELECTHERM
c)	ISIN with NSDL & CDSL	:	INE822G01016

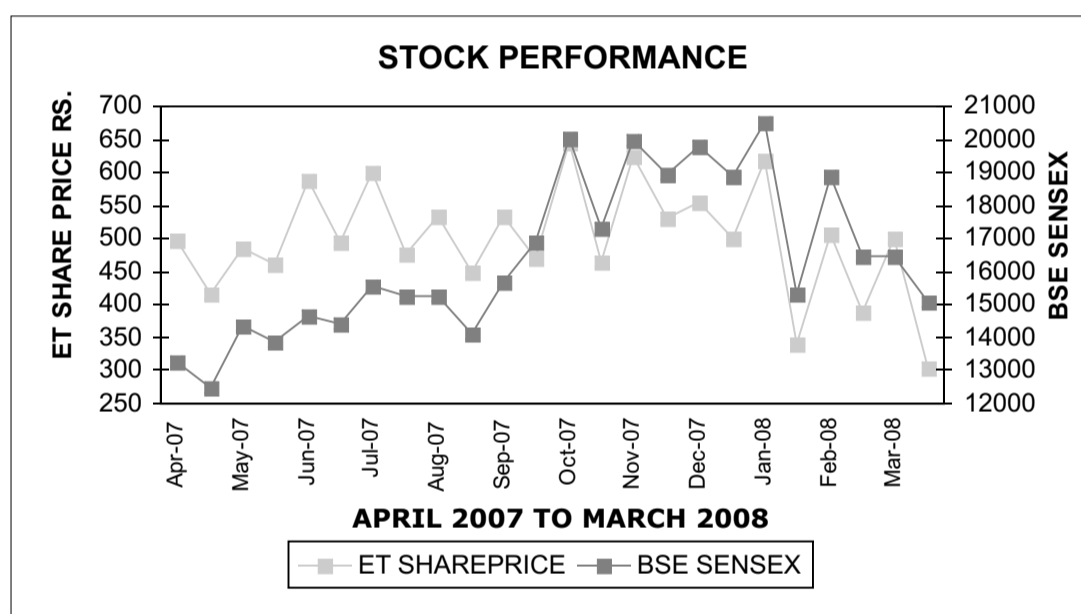
**H. Market Price Data:**

Market price data of Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) for the financial year 2007-2008 are given below:

Month	BSE Share Price (In Rs. per share)		NSE – Share Price (In Rs. per share)	
	High	Low	High	Low
April, 2007	498.95	415.25	N.A.	N.A.
May, 2007	504.00	450.00	N.A.	N.A.
June, 2007	589.00	452.25	N.A.	N.A.
July, 2007	599.00	476.65	N.A.	N.A.
August, 2007	534.65	450.00	544.90	445.00
September, 2007	532.90	470.00	538.00	432.05
October, 2007	644.40	464.00	640.00	451.00
November, 2007	625.00	531.05	630.00	502.65
December, 2007	554.75	501.00	564.90	460.00
January, 2008	619.00	340.45	644.00	344.10
February, 2008	506.00	390.00	535.00	391.00
March, 2008	501.00	305.10	505.00	310.25

**I. Stock Performance:**

Performance of share price of ELECTROTHERM in comparison to BSE Sensex for the year 2007 – 2008 is as under:



**J. Share Transfer System:**

M/s Intime Spectrum Registry Ltd. is the Share Transfer Agent for entire functions of share registry, both for physical transfers as well as dematerialisation / rematerialisation of shares, issue of duplicate / split / consolidation of shares etc.

Shareholders are requested to send their share transfer related requests at the following address:

INTIME SPECTRUM REGISTRY LTD.,  
 211, Sudarshan Complex,  
 Near Mithakhali under Bridge,  
 Navrangpura, Ahmedabad – 380 009  
 Phone No. (079) 2646 5179  
 E-mail Address: ahmedabad@intimespectrum.com

**K. Distribution of shareholding as on 31<sup>st</sup> March, 2008**

Category	No. of Shareholders		No. of Shares	
	Total	% of Shareholders	Total	% of Shares
1 – 500	6349	93.68	519084	4.73
501 – 1000	196	2.89	149801	1.36
1,001 – 2000	98	1.45	149813	1.36
2,001 – 3000	33	0.49	83756	0.76
3,001 – 4000	20	0.30	72197	0.66
4,001 – 5000	17	0.25	78599	0.72
5,001 – 10,000	23	0.34	160965	1.47
10,001 & above	41	0.60	9762159	88.94
<b>Total ....</b>	<b>6777</b>	<b>100.00</b>	<b>10976374</b>	<b>100.00</b>

**L. Categories of Shareholding as on 31<sup>st</sup> March, 2008**

SN	Category	No. of Shares	% to Share Capital
<b>A.</b>	<b>PROMOTERS SHAREHOLDING</b>		
1.	Promoters and Promotes Group	3201075	29.16
<b>B.</b>	<b>PUBLIC SHAREHOLDING</b>		
2.	Mutual Funds / UTI	38385	0.35
3.	Banks/Financial Institutions	150100	1.37
4.	Foreign Institutional Investors	21375	0.19
5.	Foreign Financial Institution	1366666	12.45
6.	Bodies Corporate	1400862	12.76
7.	NRIs	98215	0.89
8.	Trusts	1369333	12.48
9.	Foreign Companies	2000000	18.22
10.	Clearing Members	29387	0.27
11.	Indian Public	1300976	11.85
	<b>Total ....</b>	<b>10976374</b>	<b>100.00</b>

**M. Dematerialisation of shares and liquidity**

The shares of the company are under compulsory trading in demat form. The details of dematerialisation of shares as on 31<sup>st</sup> March, 2008 is as under:

SN	Particulars	No. Of Shares	% of Paid up Capital
1	Held in demat form	57,37,706	52.27
2	Held in Physical form	33,97,002	30.95
3	Pending credit in demat account of allottees through Corporate Action with Depository	18,41,666	16.78
	<b>TOTAL</b>	<b>1,09,76,374</b>	<b>100.00</b>

13,66,666 Equity Shares allotted to DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH, a Foreign Financial Institution are under lock-in upto 30<sup>th</sup> March, 2009 and 4,75,000 Equity Shares allotted on conversion of warrants to Promoter Group Company, Western India Speciality Hospital Ltd. are under lock-in upto 14<sup>th</sup> March, 2010 as per SEBI Guidelines for Preferential Issues.

Shares of your company are regularly traded in BSE and NSE and are included in Group "B" category of shares of Bombay Stock Exchange Limited.

**N. Outstanding GDRs/ADRs/Warrants or Convertible instruments, conversion date and likely impact on the equity:**

The Company has issued and allotted 9,75,000 warrants carrying one option to apply for 9,75,000 equity shares of Rs. 10/- to Promoter Group Company on preferential basis in accordance with SEBI Guidelines for preferential issue, pursuant to Special Resolution passed by the members at their Extra Ordinary General Meeting held on March 1, 2007. The said warrants are convertible on or after April 1, 2007 but within a period not exceeding 18 months from the date of their allotment i.e. March 15, 2007 in a manner that in any financial year, not exceeding 5% of the total capital will be converted into equity shares. Out of 9,75,000 warrants, 4,75,000 warrants were converted into 4,75,000 Equity Shares on 31<sup>st</sup> March, 2008. Balance 5,00,000 warrants are due for conversion on or before 14<sup>th</sup> September, 2008.

The Company has issued and allotted US \$ 10 Million Foreign Currency Convertible Bonds (FCCB), 1000 FCCB of US \$ 10,000 each, to International Finance Corporation (IFC) pursuant to Special Resolution passed by the members at their Extra Ordinary General Meeting held on May 11, 2007. The said FCCBs are convertible within a period of 18 months at a price of Rs. 600/- per Equity share.

After conversion of all the warrants and FCCBs, paid up capital will stand increased to 1,21,56,374 equity shares of Rs. 10/- each amounting to Rs. 1215.64 Lacs.

Except as above, the Company does not have any GDRs/ADRs/Warrants or any other convertible instruments.

**O. Plant Locations:**

Factory & Works	:	Survey No.: 72, Village: Palodia, Taluka: Kalol, Dist.: Gandhinagar, Gujarat - 382 115
Vatva Factory	:	414/1 GIDC, Phase : II, Vatva Industrial Area Ahmedabad - 382 445
Wind Farm	:	Village: Dhank, Taluka:Upleta, Dist.: Rajkot, Gujarat.
Kutch Plant	:	Village Samkhiyali, Tal. Bhachau Dist. Kutch

**P. Correspondence:**

Shareholders are requested to correspond with the company at the following address:

Electrotherm (India) Limited  
A-1, Skylark Apartment,  
Satellite Road, Satellite,  
Ahmedabad - 380 015

Phone No. (079) 2676 8844  
Fax No. (079) 2676 8855  
Email sec@electrothem.com

**ANNEXURE TO CORPORATE GOVERNANCE REPORT**  
**Declaration regarding affirmation of code of conduct**

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the company, which is posted on the website of the company. The Board Members and Senior Management have affirmed compliance with the Code of Conduct, for the financial year ended on Mar 31, 2008.

Date : May 08, 2008  
Place : Ahmedabad

**SHAILESH BHANDARI**  
Managing Director

---

**AUDITOR'S CERTIFICATE**  
**(Compliance of Corporate Governance)**

To,  
The Members  
Electrotherm (India) Limited  
Ahmedabad

We have examined the compliance of conditions of Corporate Governance by **Electrotherm (India) Limited** for the year ended on 31<sup>st</sup> March 2008, 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. Our examination was limited to a review of the procedures and implementation thereof adopted by the Company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreements.

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

**For, MEHTA LODHA & CO.**  
**CHARTERED ACCOUNTANTS**

**PLACE: AHMEDABAD**  
**DATE : 8<sup>th</sup> May 2008**

**PRAKASH D. SHAH**  
**PARTNER**  
**Membership No.34363**

**AUDITORS' REPORT**

To  
The Members  
**ELECTROTHERM (INDIA) LIMITED**  
**AHMEDABAD**

We have audited the attached Balance Sheet of **ELECTROTHERM (INDIA) LIMITED**, as at **31st March, 2008**, the Profit & Loss Account and also 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.

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.

- A. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Amended order 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, for the year under consideration.
- B. Further to our report as stated above in para (A) of this report and subject to notes on account & significant accounting policies, we further broadly report that:-
- (i) 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;
  - (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, read with the notes to accounts and accounting policies, comply with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representation received from the Directors of the Company as on March 31<sup>st</sup> 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31<sup>st</sup>, 2008 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 our opinion and to the best of our information and according to the explanations give to us, the said accounts, subject to the notes to the accounts and the accounting policies, 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 balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2008;
    - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For, MEHTA LODHA & CO.**  
**CHARTERED ACCOUNTANTS**

**PLACE: AHMEDABAD**  
**DATE: 8<sup>th</sup> May 2008**

**PRAKASH D. SHAH**  
**PARTNER**  
**Membership No.34363**



**ANNEXURE TO THE AUDITOR'S REPORT**

(Referred to in Paragraph (3) thereof)

**ANNEXURE REFERRED TO IN PARAGRAPH (3) OF THE AUDIT REPORT OF EVEN DATE OF THE MEMBERS OF ELECTROTHERM (INDIA) LIMITED, ON THE ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH, 2008.**

- (1) (a) The company has maintained records showing particulars of quantity and situation of fixed assets.  
(b) As informed to us, according to the Phased Manner Program of Physical verification of the fixed assets, during the year, fixed assets of the HEV Plant at Kutch (Gujarat) of the company, have been physically verified by the management which in our opinion is reasonable having regard to the size of the Company and the nature of its assets and as informed to us, no material discrepancies were noticed on such physical verification.  
(c) None of the substantial part of fixed assets has been disposed off during the year.
- (2) (a) As informed to us, during the year the management has conducted physical verification of the inventories & in our opinion the frequency of verification is reasonable.  
(b) The procedures of physical verification of inventories followed by the management is reasonable and adequate having regard to the size of the Company and the nature of its business.  
(c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (3) (a) As informed to us, the company has taken unsecured loan from the Companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956, from two such parties and aggregating amount of Rs. 0.5 Million and its terms are not stipulated. The total outstanding at the year end is Rs. 0.5 Million.  
(b) As informed to us, the company has given loans to the companies firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 to one such party and aggregating amount of Rs.2 million and its terms are not stipulated. The total outstanding at the year end is Rs. Nil.
- (4) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the company and the nature of its business with regards to purchases of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that transactions that need to be entered into the register maintained under section 301 have been so entered.  
(b) In respect of transactions with parties with whom transactions exceeding value of Rs. 5 Lacs have been entered into during the financial year, are at the prices which are reasonable having regard to the prevailing market prices at the relevant time, except in case of transactions where we are unable to comment owing to the unique and specialized nature of the items and absence of the any comparable prices, whether the transactions are made at the prevailing market prices at the relevant time or not.
- (6) In our opinion and according to the information and explanation given to us, the company not accepted deposits from public for which the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975 are applicable.
- (7) The Company has an Internal Audit Department system; however, the same is required to be further strengthened with regard to the scope, reporting and its compliance.

- (8) The Central Government of India has prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the Steel Products and Vehicles. On the basis of the explanation given and our broad review of the records maintained by the company, prima facie the company has maintained cost records for the said Products. However, we have not made detailed examination of the same.
- (9)
  - (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
  - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Customs Duty, Excise Duty and cess were in arrears as at 31<sup>st</sup> March, 2008 for a period of more than six months from the date they become payable.
  - (c) According to the information and explanations given to us, there is no Outstanding dues in respect of Sales tax, Income tax, Custom duty, Wealth tax, Excise Duty and Cess, which have not been deposited on account of any dispute.
- (10) In our opinion and on the basis of accounts, read with notes to accounts, there are no losses of the Company at the end of financial year and the Company has not incurred cash loss in the current financial year and in preceding financial year.
- (11) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institution or bank. The company does not have any borrowings by way issue of debentures.
- (12) We are of the opinion, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (13) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society and therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2004 are not applicable to the company.
- (14) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments and accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order 2004 are not applicable to the Company.
- (15) According to the information and explanations given to us, during the year, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (16) According to the information and explanations given to us, the term loan taken during the year have been broadly applied for the purpose for which the loans were obtained.
- (17) According to the information & explanations given to us and on the basis of the Cash Flow Statement and other records examined by us, as well as on an overall basis, we report that broadly funds raised on short term basis have not prima-facie been used for long term investment.
- (18) The Company has made allotment of share to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 and price at which shares have been issued is not prima facie prejudicial to the interest of the company.
- (19) The company has not issued any debentures and accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (20) During the year, the company has not raised any money through a public issue.
- (21) Based upon the audit procedures performed and information and explanations given by the management, we report that no financial fraud on or by the Company has been noticed or reported during the course of our audit.

**For, MEHTA LODHA & CO.  
CHARTERED ACCOUNTANTS**

**PLACE: AHMEDABAD  
DATE: 8<sup>th</sup> May 2008**

**PRAKASH D. SHAH  
PARTNER  
Membership No.34363**

**ELECTROTHERM (INDIA) LIMITED**  
**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008**

PARTICULARS	SCHEDULE NO.	AS AT 31/03/08 Rs. Millions	AS AT 31/03/07 Rs. Millions
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDER'S FUNDS</b>			
1. A. Equity Share Capital	01	109.76	91.35
B. Preference Share Capital	01	120.00	120.00
C. Share Warrants	1A	30.00	58.50
2. Reserves & Surplus	02	3587.59	1918.20
		<b>3847.35</b>	<b>2188.05</b>
<b>LOAN FUNDS</b>			
1. Secured Loans	03	5827.51	3081.14
2. Unsecured Loans	04	2462.66	819.73
		<b>8290.17</b>	<b>3900.87</b>
<b>DEFERRED TAX LIABILITY</b>		<b>521.55</b>	<b>255.67</b>
<b>TOTAL SOURCES OF FUNDS</b>		<b>12659.07</b>	<b>6344.59</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
1. Gross Block	05	6177.36	3100.82
2. Less: Depreciation		634.46	316.69
3. Net Block		<b>5542.90</b>	<b>2784.13</b>
<b>4. Capital Work-In-Progress</b>		<b>1657.17</b>	<b>1052.28</b>
<b>INVESTMENTS</b>	06	<b>21.25</b>	<b>0.67</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
1. Inventories	07	2962.26	2028.63
2. Sundry Debtors	08	2726.45	1425.52
3. Cash & Bank Balance	09	621.54	410.42
4. Loans & Advances	10	1724.78	911.54
<b>TOTAL CURRENT ASSETS</b>		<b>8035.03</b>	<b>4776.11</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
1. Current Liabilities	11	2697.71	2285.63
2. Provisions	12	200.03	105.57
<b>TOTAL CURRENT LIABILITIES</b>		<b>2897.74</b>	<b>2391.20</b>
<b>NET CURRENT ASSETS</b>		<b>5137.29</b>	<b>2384.91</b>
<b>MISCELLANEOUS EXPENDITURES (To the extent not written off or adjusted)</b>	13	<b>300.46</b>	<b>122.61</b>
<b>TOTAL APPLICATION OF FUNDS</b>		<b>12659.07</b>	<b>6344.59</b>
<b>NOTE TO THE ACCOUNTS</b>	21		

As per our even date report attached

For MEHTA LODHA & CO.,  
Chartered Accountants

**PRAKASH D SHAH**  
Partner

Date : 8th May, 2008  
Place: Ahmedabad

For and on behalf of Board of Directors

**AVINASH BHANDARI**  
Director

**ASHWIN PATEL**  
Company Secretary

**HARISH SHARMA**  
Director

**SHAILESH BHANDARI**  
Managing Director

**ELECTROTHERM (INDIA) LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH, 2008**

PARTICULARS	SCHEDULE NO.	2007-08 Rs. Millions	2006-07 Rs. Millions
<b>INCOME</b>			
Sales & Other operational Income	14	13253.58	7247.79
Other Income	15	67.84	26.06
Increase in Stocks	16	63.04	255.38
<b>TOTAL INCOME</b>		<b>13384.46</b>	<b>7529.23</b>
<b>EXPENDITURE</b>			
Material Cost		8677.04	4809.75
Manufacturing Expenses	17	1681.84	1081.15
Employees Remuneration	18	311.18	165.96
Administrative, Selling & General Expenses	19	566.61	324.18
Financial Expenses	20	785.09	350.30
<b>TOTAL EXPENDITURE</b>		<b>12021.76</b>	<b>6731.34</b>
<b>PROFIT BEFORE DEPRECIATION &amp; RESEARCH &amp; DEVELOPMENT EXPENSES</b>		<b>1362.70</b>	<b>797.88</b>
Research & Development Expenses		8.41	6.20
<b>PROFIT BEFORE DEPRECIATION</b>		<b>1354.29</b>	<b>791.68</b>
Depreciation		318.61	178.45
<b>PROFIT AFTER DEPRECIATION</b>		<b>1035.68</b>	<b>613.23</b>
Provision for Taxation		142.86	65.00
Provision for Fringe Benefit Tax		5.15	3.40
Provision for Deferred Tax - Current Year		265.88	112.80
<b>NET PROFIT FOR THE YEAR</b>		<b>621.79</b>	<b>432.03</b>
Prior period adjustment Income / (Expenses)		1.55	1.48
<b>PROFIT AFTER PRIOR PERIOD ADJUSTMENT</b>		<b>623.34</b>	<b>433.51</b>
Balance brought forward		534.77	231.06
Transfer to general reserve		200.00	100.00
<b>PROPOSED DIVIDEND</b>			
Equity shares		27.44	18.27
Preference shares		7.20	7.20
Tax on proposed Dividend		5.89	4.33
<b>BALANCE CARRIED TO BALANCESHEET</b>		<b>917.58</b>	<b>534.77</b>
<b>Basic Earnings per share (Rs.)</b>		67.11	82.57
<b>Diluted Earnings per share (Rs.)</b>		52.53	46.51
Refer Note No. 12 of Schedule 21			
Nominal value of Equity share (Rs.)		10.00	10.00
<b>NOTE TO THE ACCOUNTS</b>	<b>21</b>		

As per our even date report attached

For MEHTA LODHA & CO.,  
Chartered Accountants

**PRAKASH D SHAH**  
Partner

Date : 8th May, 2008  
Place: Ahmedabad

For and on behalf of Board of Directors

**AVINASH BHANDARI**  
Director

**ASHWIN PATEL**  
Company Secretary

**HARISH SHARMA**  
Director

**SHAILESH BHANDARI**  
Managing Director

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008

PARTICULARS	AS AT 31/03/08 Rs Millions	AS AT 31/03/07 Rs Millions
<b>SCHEDULE : 01- SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
25 000 000 Equity shares of Rs. 10/- each	250.00	250.00
25,000,000 6% non cumulative redeemable preference shares of Rs. 10/ each	250.00	250.00
<b>TOTAL</b>	<b>500.00</b>	<b>500.00</b>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
<b>1. EQUITY SHARES</b>		
10,976,374(Previous year 9,134,708 ) equity shares of Rs. 10/- each fully paid up (out of above shares 953275 shares are allotted on 13th November, 1995 as fully paid up bonus shares by capitalizing general reserve and profit & loss account	109.76	91.35
<b>2. PREFERENCE SHARES</b>		
12,000,000 (P.Y 12,000,000) 6% Non cumulative redeemable preference shares of Rs.10/- each fully paid up. (Redeemable at par not later than 20 years from the date of their issue.)	120.00	120.00
<b>TOTAL</b>	<b>229.76</b>	<b>211.35</b>
<b>SCHEDULE : 01A</b>		
<b>SHARE WARRANTS</b>		
<b>1. EQUITY SHARE WARRANTS</b>		
500,000 (P.Y. 975,000) Party paid share warrants of Rs. 600/-each (P.Y. Rs. 600/-) to be converted into equity share of Rs. 10 each at a premium of Rs. 590/- (P.Y. Rs 590/-), option exercisable on or before 14th September, 2008.	30.00	58.50
<b>TOTAL</b>	<b>30.00</b>	<b>58.50</b>
<b>SCHEDULE : 02 - RESERVES &amp; SURPLUS</b>		
<b>1. CAPITAL RESERVE</b>		
As per last balance sheet	9.11	9.11
<b>2. SHARE PREMIUM ACCOUNT</b>		
As per last balance sheet	1245.32	0.00
Add: Addition during the year	1086.58	1245.32
<b>SUB TOTAL</b>	<b>2331.90</b>	<b>1245.32</b>
<b>3. GENERAL RESERVE</b>		
As per last balance sheet	129.00	29.00
Add: Transfer from profit & loss account	200.00	100.00
<b>SUB TOTAL</b>	<b>329.00</b>	<b>129.00</b>
<b>4. PROFIT &amp; LOSS ACCOUNT</b>		
	917.58	534.77
<b>TOTAL</b>	<b>3587.59</b>	<b>1918.20</b>

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008**

PARTICULARS	AS AT 31/03/08 Rs Millions	AS AT 31/03/07 Rs Millions
<b>SCHEDULE : 03 - SECURED LOANS</b>		
<b>1. WORKING CAPITAL LOANS FROM BANKS</b> (Working Capital Loans are secured by first charge by way of hypothecation of all company's stock & receivables and second charge on all immovable fixed assets & second charge by way of equitable mortgage of all immovable properties situated at Vatva, Palodia, Dhank, Samakhiyali- Kutch. Further the loans are guaranteed by the personal guarantees of some of the directors of the company.)	2309.24	553.23
<b>2. TERM LOAN FROM</b>		
<b>A. Banks</b>	2892.17	2519.84
<b>B. International Finance Corporation(USD 15 Millions)</b> (Term Loans are Secured by first charge by way of equitable mortgage of all immovable properties and hypothecation of specified movable assets situated at Vatva, Palodia, Dhank, Samakhiyali - Kutch & as second charge on all stock in trade & receivables. Further the loans are guaranteed by the personal guarantees of the some of the directors.) The charges for the ECB Loan taken from International Finance Corporation is yet to be created	615.15	0.00
<b>3. VEHICLE &amp; HOME LOANS</b> (Hypothecation of specific vehicles.)	10.32	7.47
<b>4. SALES TAX DEFERMENT</b> (Amount due within one year Rs. NIL (P.Y. NIL)	0.62	0.62
<b>TOTAL</b>	<b>5827.51</b>	<b>3081.14</b>
<b>SCHEDULE : 04 - UNSECURED LOANS</b>		
<b>1. LOANS FROM</b>		
A. Banks	1302.13	346.76
B. International Finance Corporation (USD 10 Millions)	383.22	0.00
C. Financial Institutions	0.00	179.53
<b>2. OTHER LOANS, ADVANCES &amp; DEPOSITS FROM</b>		
A. Directors	3.25	0.45
B. Customers, Staff & Others	774.06	292.98
<b>TOTAL</b>	<b>2462.66</b>	<b>819.73</b>
<b>SCHEDULE : 05 - FIXED ASSET (SUMMARY)</b> <b>DETAILED SCHEDULE 05 IS AFTER SCHEDULE 20)</b>		
<b>FIXED ASSETS</b>		
Opening Balance	3100.82	1666.29
Additions	3078.24	1441.48
Deductions	1.70	6.94
Closing Balance	6177.36	3100.82
<b>Depreciation</b>		
Opening Balance	316.69	138.97
Additions	318.61	178.45
Deductions	0.83	0.73
Closing Balance	634.46	316.69
<b>Net Block</b>	<b>5542.90</b>	<b>2784.13</b>

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008**

<b>PARTICULARS</b>	<b>AS AT 31/03/08 Rs Millions</b>	<b>AS AT 31/03/07 Rs Millions</b>
<b>SCHEDULE: 06 - INVESTMENTS</b>		
<b>A) UNQUOTED</b>		
1. 6540 (Previous year 6540) shares of Rs. 25 each of Siddhi Co. Op. Bank Ltd.	0.16	0.16
2. National Saving Certificates	0.01	0.01
3. 1000 (Previous year nil) shares of Rs.10 each EIL Software Pvt. Ltd.	0.01	0.00
4. 1000 (Previous year nil) shares of Rs.10 each EIL Technology Pvt. Ltd.	0.01	0.00
5. Investment in Subsidiary Company 3,800,000 shares of Jinhua Indus Enterprises Limited of RMB 1 each	20.42	0.00
<b>B) QUOTED:</b>		
64,288.778 (P.Y. 48,999) Units of PNB Mutual Fund (Market Value of Quoted shares Rs. 0.58 Millions (P.Y. Rs. 0.54)	0.64	0.50
<b>TOTAL</b>	<b>21.25</b>	<b>0.67</b>
<b>SCHEDULE : 07 - INVENTORIES (As verified, valued &amp; certified by the Management)</b>		
1. Stores, Spares & Fuel	105.02	97.57
2. Raw Materials	2258.44	1393.14
3. Work in process	407.53	314.07
4. Finished Goods	175.46	205.88
5. Goods in transit	15.83	17.98
<b>TOTAL</b>	<b>2962.26</b>	<b>2028.63</b>
<b>SCHEDULE : 08 - SUNDRY DEBTORS (Unsecured Considered Good)</b>		
1. More than Six months	310.50	118.89
2. Others	2415.95	1306.63
<b>TOTAL</b>	<b>2726.45</b>	<b>1425.52</b>
<b>SCHEDULE : 09 - CASH &amp; BANK BALANCES</b>		
1. Cash on Hand	2.70	1.93
2. Balance with scheduled bank in		
A. Current Account	232.48	87.32
B. Fixed Deposits	371.46	315.82
C. Interest receivable on Fixed Deposits	14.90	5.35
3. Balance with Non Scheduled Bank in		
A. Current Account with Siddhi Co Operative Bank Maximum Balance during the year is Rs. 945/- (P.Y. Rs. 91271/-)	0.00	0.00
<b>TOTAL</b>	<b>621.54</b>	<b>410.42</b>

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008**

PARTICULARS	AS AT 31/03/08 Rs Millions	AS AT 31/03/07 Rs Millions
<b>SCHEDULE : 10 - LOANS &amp; ADVANCES [UNSECURED CONSIDERED GOOD]</b>		
1. Advance recoverable in cash or in kind for value to be received	1041.12	463.22
2. Advance Income Tax & Fringe benefit tax	90.77	51.74
3. Balance/Receivable Excise & other Govt. Dept.	462.44	266.15
4. Sundry Deposits	130.45	130.43
<b>TOTAL</b>	<b>1724.78</b>	<b>911.54</b>
<b>SCHEDULE : 11 - CURRENT LIABILITIES</b>		
1. Sundry Creditors	2690.87	2280.50
2. Statutory Liabilities	6.84	5.13
<b>TOTAL</b>	<b>2697.71</b>	<b>2285.63</b>
<b>SCHEDULE : 12 - PROVISIONS</b>		
1. Taxation	148.01	68.40
2. Employee's Unavailed Leave	8.67	6.30
3. Proposed Dividend (Including Dividend Tax)	40.53	29.80
4. Gratuity	2.82	1.07
<b>TOTAL</b>	<b>200.03</b>	<b>105.57</b>
<b>SCHEDULE : 13 - MISCELLANEOUS EXPENDITURES (TO THE EXTENT NOT WRITTEN OF OR ADJUSTED)</b>		
1. Preliminary Expenses	51.15	23.39
2. Deferred Revenue Expenditure	169.07	82.75
3. Product Development	80.23	16.47
<b>TOTAL</b>	<b>300.45</b>	<b>122.61</b>
<b>SCHEDULE : 14 - SALES &amp; OTHER OPERATIONAL INCOME</b>		
1. Gross Sales	13434.68	7378.02
2. Sale of Electricity Power Generation	1.90	2.11
3. Technical Know -How & Service Income	63.63	91.02
<b>TOTAL</b>	<b>13500.22</b>	<b>7471.14</b>
Less: Excise Duty	169.63	156.47
Less: Inter Division Sales	77.01	66.88
<b>TOTAL</b>	<b>13253.58</b>	<b>7247.79</b>
<b>SCHEDULE : 15 - OTHER INCOME</b>		
1. Interest Income (Gross) [T.D.S. Rs.6.67 Millions (P.Y. Rs. 3.22 Millions)]	38.46	14.62
2. Rent Income (Gross) [T.D.S. Rs. 1.10 Millions (P.Y Rs.1.13 Millions)]	5.09	0.70
	4.52	7.07
3. Net Foreign Exchange Fluctuation	0.00	0.09
4. Profit on Sale of Fixed Assets	0.14	0.00
5. Profit on Sale of Investment	19.63	3.59
6 Miscellaneous Income		
<b>TOTAL</b>	<b>67.84</b>	<b>26.06</b>



**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008**

<b>PARTICULARS</b>	<b>AS AT 31/03/08 Rs Millions</b>	<b>AS AT 31/03/07 Rs Millions</b>
<b>SCHEDULE : 16 - INCREASE IN STOCK</b>		
1. Opening Stock of Work in Process	314.07	226.96
2. Opening Stock of Finished Goods	205.88	37.60
<b>SUB TOTAL</b>	<b>519.94</b>	<b>264.57</b>
Less: Closing Stock of Work in Process	407.53	314.07
Less: Closing Stock of Finished Goods	175.46	205.88
<b>SUB TOTAL</b>	<b>582.98</b>	<b>519.94</b>
<b>TOTAL</b>	<b>63.04</b>	<b>255.38</b>
<b>SCHEDULE : 17 - MANUFACTURING EXPENSES</b>		
1. Job Charges	225.39	122.00
2. Power & Fuel	914.77	608.91
3. Stores Consumption	532.82	341.28
4. Repairs & Maintenance		
[A] Machinery	3.98	6.00
[B] Building	1.01	1.30
[C] Others	3.87	1.66
<b>TOTAL</b>	<b>1681.84</b>	<b>1081.15</b>
<b>SCHEDULE : 18 - EMPLOYEES REMUNERATION</b>		
1. Salary, Wages & Bonus	290.16	153.60
2. Staff & Labour Welfare	6.80	4.44
3. Contribution to Provident Fund & Other Funds	14.22	7.93
<b>TOTAL</b>	<b>311.18</b>	<b>165.96</b>
<b>SCHEDULE : 19 - ADMINISTRATIVE, SELLING &amp; GENERAL EXPENSES</b>		
1. Post-Telephone & Fax Expenses	17.63	11.58
2. Printing & Stationery	7.19	5.73
3. Vehicle Expenses	15.54	7.16
4. Conveyance Expenses	2.57	1.45
5. Hire-Lease-Rent Charges	5.31	3.46
6. Security Charges	5.18	3.17
7. Insurance Premium	10.06	7.63
8. Subscription & Membership	1.67	0.93
9. Consultation & Legal Expenses	43.90	42.04
10. Rates & Taxes	13.48	3.64
11. Traveling Expenses	43.33	43.13
12. Sales Commission	54.46	16.02
13. Advertising & Sales-Development Expenses	77.51	38.81
14. Freight out ward & Other Expense	204.96	107.92
15. Donation	2.82	0.87
16. Sundry Balances Written off	0.03	0.18
17. Miscellaneous Expenses	35.84	28.67
18. Preliminary Expenses Written off	24.97	1.79
19. Loss on sales of fixed assets	0.15	0.00
<b>TOTAL</b>	<b>566.61</b>	<b>324.18</b>

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008**

PARTICULARS	AS AT 31/03/08 Rs Millions	AS AT 31/03/07 Rs Millions
<b>SCHEDULE : 20 - FINANCIAL EXPENSES</b>		
1. Interest on Working Capital	293.25	107.02
2. Interest on Term Loan	274.51	124.15
3. Interest to Others	7.50	2.74
4. Bank Charges	209.84	116.39
<b>TOTAL</b>	<b>785.09</b>	<b>350.30</b>

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008**  
**SCHEDULE: 05 - FIXED ASSETS**

S N	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		OPENING BALANCE	ADDN	DEDN	CLOSING	OPENING BALANCE	ADDN	DEDN	CLOSING BALANCE	As at 31st March 08	As at 31st March 07
1	FREE HOLD LAND	15.76	6.78	-	22.54	-	-	-	-	22.54	15.76
2	LEASEHOLD LAND	2.47	-	-	2.47	-	-	-	-	2.47	2.47
3	BUILDING	726.39	188.36	-	914.75	48.69	27.11	-	75.80	838.95	677.70
4	PLANT AND MACHINERY	2,269.22	2,856.19	-	5,125.41	248.39	283.63	-	532.02	4,593.39	2,020.83
5	FURNITURE AND FIXTURES	36.00	15.41	0.01	51.40	10.14	2.56	0.00	12.70	38.70	25.86
6	VEHICLES	50.98	11.51	1.69	60.80	9.47	5.31	0.83	13.94	46.85	41.51
	<b>TOTAL</b>	<b>3,100.82</b>	<b>3,078.24</b>	<b>1.70</b>	<b>6,177.36</b>	<b>316.69</b>	<b>318.61</b>	<b>0.83</b>	<b>634.46</b>	<b>5,542.90</b>	<b>2,784.13</b>
	<b>PREVIOUS YEAR</b>	<b>1,666.29</b>	<b>1,441.48</b>	<b>6.94</b>	<b>3,100.82</b>	<b>138.97</b>	<b>178.45</b>	<b>0.73</b>	<b>316.69</b>	<b>2,784.13</b>	<b>1,527.32</b>

Amt. Rs. Millions

**SCHEDULE-21****NOTES TO THE ACCOUNTS****1. SIGNIFICANT ACCOUNTING POLICIES:**

- (i) **BASIS FOR PREPARATION OF ACCOUNTS:**  
The accounts have been prepared to comply in all material aspects with applicable accounting principles in India and the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- (ii) **REVENUE RECOGNITION:**  
Sales are recognized when goods are billed and are accounted net of trade discounts, rebates, sales tax & excise duty (except where Exemption is availed) but includes, export incentives. Income on services rendered is accounted for as and when the services are rendered as per the terms.
- (iii) **FIXED ASSETS:**  
Fixed Assets in Furnace Division are stated at cost (net of CENVAT but includes Taxes and Duties) and in case of other Divisions, Fixed Asset are stated at cost and is inclusive of Excise Duty and applicable taxes & duties less depreciation. The fixed assets amount includes the value of the assets acquired from other Division of the Company. Costs include expenses incurred during pre-commercial production/construction period.
- (iv) **DEPRECIATION:**  
Depreciation on all the assets has been provided as per the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on all assets has been provided on straight line method except assets at Chatral Unit on which depreciation has been provided on Written Down Value Method (W.D.V.).  
The amount of Long Term lease hold land is amortized by equal installments during the last fifteen years of the residual lease period.
- (v) **INVESTMENTS:**  
Long term investments including investment in subsidiary company are stated at cost. Diminution in value, if any, which is of a temporary nature, is not provided.
- (vi) **INVENTORIES:**  
Inventories comprising finished goods are valued at cost or estimated net realizable value whichever is lower. Cost in the case of raw-material and stores are computed on weighted average basis. Cost of work-in-progress includes raw-material, labour and appropriate overheads.
- (vii) **RESEARCH AND DEVELOPMENT:**  
Revenue expenditure on research and development is charged against the profit of the year in which it is incurred, except in case of new projects, where it is accounted for as deferred revenue expenditure and charged to Profit & Loss account from the commencement of the project in five years. Capital expenditure on research and development is shown as an addition to fixed assets.
- (viii) **FOREIGN EXCHANGE TRANSACTIONS:**  
The transactions in foreign exchange are accounted at the exchange rate prevailing on the date of transaction. Foreign Currency monetary assets and liabilities at the date of balance sheet are translated at the rate of exchange prevailing on that date.  
Gains/losses arising out of fluctuations in the exchange rates are recognized in Profit and Loss in the period in which they arise except in respect of imported Fixed Assets where exchange variance is adjusted in the carrying amount of respective Fixed Assets.  
To account for differences between the forward exchange rates and the exchange rates at the date of transactions, as income or expense over the life of the contracts, except in respect of liabilities incurred for acquiring imported Fixed Assets, in which case such differences are adjusted in the carrying amount of the respective Fixed Assets.

To account for profit/loss arising on cancellation or renewal of forward exchange contracts as income/expense for the period, except in case of forward exchange contracts relating to liabilities incurred for acquiring imported Fixed Assets, in which case such profit/loss are adjusted in the carrying amount of the respective Fixed Asset.

**(ix) TAXES ON INCOME :**

Current tax is determined as the amount of tax payable in respect of taxable income for the period and the credits computed in accordance with the provisions of the Income Tax, 1961, and based on the expected outcome of the assessment/appeals.

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 year and are capable of reversal in one or more subsequent years.

Deferred tax assets are recognized and carried forward to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized

**(x) BORROWING COSTS:**

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset till put for its intended use is capitalized as part of the cost of that asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing cost is charged to revenue.

**(xi) IMPAIRMENT OF ASSETS:**

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the assets. If such recoverable amount of the assets is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

**(xii) DEFERRED REVENUE EXPENDITURE :**

Expenditure relating to Preliminary Expenses, Capital issues and Deferred Revenue Expenses is amortized on straight line basis over a period of five years.

**(xiii) RETIREMENT / POST RETIREMENT BENEFITS:**

Contributions to defined contribution schemes such as Employees Provident fund and Family pension fund are charged to the profit & loss account as and when incurred.

Provision for gratuity is determined and accounted for in terms of employee's contracts. The provision for Furnace Division and Vehicle Division is based on actuarial valuation and Steel Division is calculated on the basis of fifteen days salary last drawn for each completed year of service or part thereof.

Leave encashment provided for Furnace and Vehicle Division is based on actuarial valuation and Steel division on the basis of un-availed accumulated leave.

**(xiv) PROVISIONS AND CONTINGENT LIABILITIES:**

a) Provisions are recognized when the present obligation of a past event gives rise to a probable outflow, embodying economic benefits on settlement and the amount of obligation can be reliably estimated.

b) Contingent Liabilities are disclosed after a careful evaluation of facts and legal aspects of the matter Involved.

c) Provisions and Contingent Liabilities are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

**(xv) SEGMENT REPORTING**

The accounting policies adopted for segment reporting are in line with the accounting policies of the company with the following additional policies for the segment reporting:

- a) Inter segment revenue have been accounted or based on the transaction price agreed to, between segments which is primarily marked led.
- b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segment on a reasonable basis, have been included under "unallocated corporate expenses".

**2. QUANTITATIVE AND OTHER INFORMATION:**

Additional information pursuant to the provision of Para 3 & 4(c), (d) of part II of Schedule VI to the Companies Act, 1956 to the extent applicable to the Company and as certified by the Management and relied upon by the Auditors:-

**A. INSTALLED CAPACITY (AS ASSESSED BY THE MANAGEMENT) AND PRODUCTION:**

SN	Particulars	Unit	Current Year		Previous Year	
			Installed Capacity	Actual Production	Installed Capacity	Actual Production
1	Electronic Furnaces and other capital equipments.	Sets	350	298	350	278
2	Wind Power generation	KW	500		500	
		Million KWH	0.80	0.396	0.80	0.439
3	Thermal Power generation	MW	30		0	0
		Million KWH	192	0.696	0	0
4	Steel Plant Capacity					
4.1	Gross Capacity	MT	422000	283526	322000	153791
4.2	Captive Capacity of Sponge & Pig	MT	110000	65077	60000	1376
4.3	Saleable Capacity (Billets / Bars / Pipes)	MT	312000	218449	262000	152415
5	Battery Operated Vehicles	Nos	150000	16398	150000	30618

**B. OPENING AND CLOSING STOCK OF FINISHED GOODS**

SN	Particulars	Units	Opening stock				Closing Stock			
			Qty.	Value Rs. Millions	Qty.	Value Rs. Millions	Qty.	Value Rs. Millions	Qty.	Value Rs. Millions
			Current Year		Previous Year		Current Year		Previous Year	
(a)	Billets / Bars / Pipes	MT	3743	179.60	1451	33.76	2996	147.21	3743	179.60
(b)	Battery Operated Vehicles & Spares	Nos.	1151	26.28	300	3.84	1108	28.25	1151	26.28
	<b>TOTAL</b>			<b>205.88</b>		<b>37.60</b>		<b>175.46</b>		<b>205.88</b>

**C. GROSS SALES AND OTHER OPERATIONAL INCOME:**

PARTICULARS	UNIT	Current Year		Previous Year	
		Qty.	Rupees Millions	Qty.	Rupees Millions
Electronic Furnaces, Induction Heating Equipment & Others	No.	298	2,081.00	278	1,128.71
Billets /Bars / Pipes #	MT	219196	10,371.19	150123	5,133.37
Battery Operated Vehicles	No.	16441	420.70	29767	661.36
Electricity Power Generation	Millions KW	0.396	1.90	0.439	2.11
Spares / Up Gradation Income & Misc. Sale			315.16		231.23
Technical Fees & Service income			63.63		91.01
<b>Net Sales &amp; Other Operational Income</b>			<b>13,253.58</b>		<b>7247.79</b>
Excise Duty - Engineering Division			<b>169.63</b>		<b>156.47</b>
Inter Division Sales			<b>77.01</b>		<b>66.88</b>
<b>Gross Sales &amp; Other Operational Income</b>			<b>13,500.22</b>		<b>7471.14</b>

# Includes Excise Duty, Sales tax collected under Excise Duty and Sales Tax Exemption Schemes for Kutch Unit (Gujarat) (of Rs 419.59 Millions.)

**D. DETAILS OF RAW MATERIAL CONSUMED:**

PARTICULARS	UNIT	Current Year		Previous Year	
		Quantity	Rupees Millions	Quantity	Rupees Millions
Scrap, Sponge and others	MT	184224	2067.22	133481	2446.84
Battery operated vehicles kits and spares	Nos.	16509	288.11	30764	505.08
Other Materials*			6321.71		1857.83
<b>Total</b>			<b>8677.04</b>		<b>4809.75</b>

\* Consists of items valuing less than 10% of the total consumption and includes indirect material used for research and development.

**E. VALUE OF IMPORTS CALCULATED ON CIF BASIS:**

PARTICULARS	Current Year	Previous year
	Rupees Millions	Rupees Millions
Raw Materials	1591.62	845.50
Stores	63.14	13.26
Capital Goods	86.77	31.97
<b>Total</b>	<b>1741.53</b>	<b>890.73</b>

**F. VALUE OF RAW MATERIAL AND STORES & SPARES CONSUMED:**

PARTICULARS	Current Year		Previous Year	
	Rs. Millions	%	Rs. Millions	%
<b>Raw Materials</b>				
(i) Imported	1762.88	20.32%	682.29	14.19%
(ii) Indigenous	6914.16	79.68%	4127.46	85.81%
<b>Total</b>	<b>8677.04</b>	<b>100.00%</b>	<b>4809.75</b>	<b>100.00%</b>
<b>Stores &amp; Spares</b>				
(i) Imported	83.75	15.72%	11.62	3.40%
(ii) Indigenous	449.07	84.28%	329.66	96.60%
<b>Total</b>	<b>532.82</b>	<b>100.00%</b>	<b>341.28</b>	<b>100.00%</b>

**G. DIRECTOR'S REMUNERATION :**

PARTICULARS	Current Year Rupees In Millions	Previous Year Rupees In Millions
(i) Salary	7.07	7.07
(ii) Contribution to Provident & other funds	0.85	0.85
(iii) Other Allowances	4.25	4.24
<b>Total</b>	<b>12.17</b>	<b>12.16</b>

**H. STATUTORY AUDITOR'S REMUNERATION :**

PARTICULARS	Current Year Rupees In Millions	Previous Year Rupees In Millions
(i) Audit Fees	0.56	0.33
(ii) Tax Audit Fees	0.04	0.04
(iii) Other Matters	0.11	0.14
<b>Total</b>	<b>0.71</b>	<b>0.51</b>

**I. TOTAL FOREIGN EXCHANGE EARNING & OUTGO:**

- (i) Earning in Foreign Exchange for Export of Goods & Services: Rs.1232.30 Millions (Rs. 486.81 Millions in Previous Year)
- (ii) Expenditures in Foreign Currency for Import of Materials, Traveling & Others: Rs. 1504.27 Millions (Rs. 492.68 Millions in Previous Year).

3. In the opinion of the Directors, the Current Assets, Loan & Advances are realizable at the values stated, if realized in the ordinary course of the business and the provisions for all known liabilities are adequate. That some of account of Sundry Creditors, Debtors and Loan & Advances are subject to confirmation/reconciliation and accordingly the same are subject to necessary adjustments or re-grouping/classification.
4. Deferred Revenue expenditure includes research and development expenses of Rs. 80.23 Millions incurred on development of Hybrid Bus/T-Cab project which is still in progress and such expenses would be written off in five years from the year of completion.
5. (a) The loans & advances include Rs. Nil Millions (Previous year: Rs. 0.08 Millions) amount due from the concerns in which directors are interested.  
(b) The amount of capital work in progress of Rs 1657.17 Millions (Previous Year 1052.28 Millions) includes the amount of advances of Rs 484.52 Millions (Previous Year Rs. 167.34Millions) and it is after reducing the amount of sundry creditors for capital goods of Rs 174.67 Millions (Previous Year Rs 88.36 Millions)

**6. SEGMENT REPORTING UNDER ACCOUNTING STANDARD 17 :**
**A) Business Segment**

Based on the guiding principles given as per Accounting Standard on "Segment Reporting" (AS-17) issued by The Institute of Chartered Accountants of India, the Company's primary business is manufacturing and marketing of Induction Furnaces, Steel items and Battery Operated Vehicles.



**PRIMARY SEGMENT INFORMATION:**

(Rs. Millions)

<b>PARTICULARS</b>	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
<b>SEGMENT REVENUE</b>		
Engineering & Projects Division-Palodia	3,281.20	1,721.88
Steel, Engineering & D.I. Pipe Division- Kutch	9,584.81	4,903.36
Electric Vehicle Division	464.58	689.39
Thermal Power Generation-Captive Consumption of Rs.3.14 Millions	-	-
<b>Total Sales</b>	<b>13,330.59</b>	<b>7,314.67</b>
<b>Less : Inter segment Revenue</b>	<b>77.01</b>	<b>66.88</b>
<b>Net Sale</b>	<b>13,253.58</b>	<b>7,247.79</b>
<b>SEGMENT PROFIT BEFORE TAX AND INTEREST</b>		
Engineering & Projects Division-Palodia	550.77	319.01
Steel, Engineering & D.I. Pipe Division-Kutch	1213.85	539.97
Electric Vehicle Division	56.15	104.56
Thermal Power Generation	-	-
<b>Profit Before Interest, Tax &amp; Prior Period Adjustment</b>	<b>1,820.77</b>	<b>963.54</b>
<b>Less: FINANCIAL EXPENSES</b>	<b>785.09</b>	<b>350.30</b>
<b>Less : Provision for Tax (Including Deferred Tax)</b>	<b>413.89</b>	<b>181.20</b>
<b>Net Profit After Tax</b>	<b>621.80</b>	<b>432.04</b>
<b>OTHER INFORMATION</b>		
<b>Segment Assets</b>		
Engineering & Projects Division-Palodia	2,110.74	12,482.88
Steel, Engineering & D.I. Pipe Division-Kutch	11,438.58	68,061.51
Electric Vehicle Division	828.00	6,471.10
Thermal Power Generation	879.05	
<b>Total Segment Assets</b>	<b>15,256.37</b>	<b>87,015.49</b>
<b>Segment Liabilities</b>		
Engineering & Projects Division-Palodia	1278.58	849.87
Steel, Engineering & D.I. Pipe Division-Kutch	9,401.48	4,809.41
Electric Vehicle Division	324.46	538.01
Thermal Power Generation	0	0
Un-allocable Liabilities & Provisions	183.39	94.80
<b>Total Segment Liabilities</b>	<b>11,187.91</b>	<b>6,292.08</b>
<b>Segment Depreciation</b>		
Engineering & Projects Division-Palodia	15.92	13.11
Steel, Engineering & D.I. Pipe Division-Kutch	281.30	164.47
Electric Vehicle Division	6.60	0.87
Thermal Power Generation	14.79	
<b>Total Depreciation</b>	<b>318.61</b>	<b>178.45</b>
<b>Segment Capital Expenditure</b>		
Engineering & Projects Division-Palodia	78.35	62.98
Steel, Engineering & D.I. Pipe Division-Kutch	2,030.17	1,916.10
Electric Vehicle Division	74.19	66.05
Thermal Power Generation	893.83	
<b>Total Capital Expenditure</b>	<b>3,076.54</b>	<b>2,045.13</b>

**B) Geographical Segments**

The operations of the Company are in India and all Assets and Liabilities are located in India. Summary of Sales and other operational income in India & overseas is as under.

Sales Summary	2007-08 (Rs. Millions)	2006-07 (Rs. Millions)
India	11763.35	6732.65
Overseas	1490.23	515.14
<b>Total</b>	<b>13253.58</b>	<b>7247.79</b>

**7. RELATED PARTY (AS IDENTIFIED BY THE COMPANY) DISCLOSURES UNDER ACCOUNTING STANDARD 18:-**

**(I) ASSOCIATES:**

- |  |  |
|--|--|
| 1. Ahmedabad Aviation & Aeronautics Ltd.   | 16. EIL Realty Pvt. Ltd.                     |
| 2. Palace Tours & Air Charters Pvt. Ltd.   | 17. EIL Software Pvt. Ltd.                   |
| 3. Western India Speciality Hospital Ltd.  | 18. EIL Software Services Offshore Pvt. Ltd. |
| 4. Mangalam Information Technology Ltd.    | 19. EIL Technology Pvt. Ltd.                 |
| 5. Liberty Finance & Leasing Co. Pvt. Ltd. | 20. Electrotherm Infrastructure Pvt. Ltd.    |
| 6. E-Motion Power Ltd.                     | 21. Global Avianautics Ltd.                  |
| 7. Indus Elec-Trans Pvt Ltd.               | 22. Indus Real Estate Pvt. Ltd.              |
| 8. Magnum Limited.                         | 23. New Delhi Real Estate Pvt. Ltd.          |
| 9. Alwar Trading and Investment Company    | 24. Palace Infrastructure Pvt. Ltd.          |
| 10. Afghan Trading Pvt. Ltd.               | 25. S B Realty Developers Pvt. Ltd.          |
| 11. Bhandari Brothers Commercial Pvt. Ltd. | 26. Smart Infra power Pvt. Ltd.              |
| 12. Palanpur Reality Developers Pvt. Ltd.  | 27. Sun Infrapower Pvt. Ltd.                 |
| 13. Jay Shree Petro Yarn Pvt. Ltd.         | 28. Sun Residency Pvt. Ltd.                  |
| 14. Adroit Trading and Investment Co.      | 29. Suraj Real Estate Pvt. Ltd.              |
| 15. EIL Hospitality Pvt. Ltd.              |  |

**(II) SUBSIDIARY COMPANIES**

1. Jinhua Indus Enterprises Limited.
2. Jinhua Jahari Enterprises Limited.

**(III) KEY MANAGEMENT PERSONNEL:**

**(Other than Nominee & Independent Director)**

1. Mr. Mukesh Bhandari (Chairman & Chief Technology Officer)
2. Mr. Shailesh Bhandari (Managing Director)
3. Mr. Harish Sharma (Whole-time Director)
4. Mr. Narendra Dalal (Whole-time Director)
5. Mr. Avinash Bhandari (Whole-time Director)

**(IV) RELATIVES OF KEY MANAGEMENT PERSONNEL:**

Where Transaction Has Taken Place

1. Smt. Indubala Bhandari
2. Mrs. Jyoti Bhandari
3. Mr. Rakesh Bhandari

**Transaction with Related Parties**

SN	Nature of Relationship	Current Year			Previous Year		
		Associates/Subsidiary Rs. Millions	Key Management Personnel Rs. Millions	Relatives of Key Management Personnel Rs. Millions	Associates/Subsidiary Rs. Millions	Key Management Personnel Rs. Millions	Relatives of Key Management Personnel Rs. Millions
1	Purchase of Raw Materials	145.33	-	-	-	-	-
2	Sale of Fixed Assets	-	-	-	-	-	5.50
3	Loans Received	119.04	10.62	5.70	66.29	101.30	2.52
4	Loans Payments	118.50	7.83	5.55	39.15	22.64	18.05
5	Rent Paid	-	0.10	0.37	-	0.11	0.11
6	Rent Received	-	-	-	1.19	-	-
7	Directors Remuneration (Please refer note No.2(g) of notes to accounts)	12.17	-	-	-	12.16	-
8	Credit Balance Outstanding as on 31 <sup>st</sup> March	0.54	3.25	0.40	0.00	0.35	0.02
9	Debit Balance Outstanding as on 31 <sup>st</sup> March	-	-	-	0.08	0.00	0.00

8. The Company has determined Pre-Operative Expenditure (including borrowing cost) of Rs.138.69 Millions (Previous year: Rs. 121.74 Millions) and which have been allocated towards the respective fixed assets.
9. In compliance of Accounting Standard 22 issued by Institute of Chartered Accountants of India, Deferred Tax liability mainly arising on account of difference between book and income tax written down value of fixed assets, during the year deferred tax liability of Rs.265.88 Millions (Previous Year Rs. 112.80 Millions) has been provided.

**10. CONTINGENT LIABILITIES:**

The Company is liable for following contingent liabilities:-

- Disputed Income Tax liability of Rs. Nil (Rs. 5.38 Millions Previous Year).
- Disputed Custom Duty liability of Rs. Nil (Rs. 19.57 Millions Previous Year).
- Guarantees / Counter guarantees (including un-utilized Letters of Credit) issued Rs. 488.29 Millions (Rs. 373.95 Millions in Previous year).
- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 483.11 Millions. (P.Y. Rs. 30.07 Millions.).
- The company is contingently liable for the pending disputed labour and other matters, amount is Rs. 6.94 Millions (P.Y. Rs. 6.94 Millions).
- The company has executed Legal Undertaking Bond to pay Central Excise Duty (Terminal Excise Duty), levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. In this regard aggregate duty liability amount of Rs. 286.54 Millions as at March 31, 2008 (Previous Year: Rs. 310.99 Millions). Against these exports amounting to Rs. 2292.32 Millions (previous year Rs. 2487.92 Millions) will have to be made within next 8 years from the installation of Machinery.

**11. DUES TO SMALL SCALE INDUSTRIES CREDITORS:**

On the basis of data available with the company, the name of the Small Scale Industrial undertakings (SSI) to whom the Company owes a sum exceeding Rupees One Lacs for more than 30 days are as follows:-

(Cpp Thermo Devices Pvt. Ltd., Goyal Lime Products, Jajoo Rashmi Refractories Pvt. Ltd., Kastwel Foundries, Mefaflux Company Pvt. Ltd. (Unit – I), Swasti Chemical Lime Industries, Sun Enterprises, Rajat Products Pvt. Ltd., Parth Industrial Control, Aaradike Engineering Enterprise, Noble Refractories, Cherub Engineering Company, Orbit Polycoat, Shree Umiya Timber Mart, Heavy Metal Industries, Sheel Extruders, Priyanka Enterprises, Real Hydraulics, Valcon Engineers, Bartakke Electrofab Pvt. Ltd., Divine Power, Appollo International, Shubh Ceramic Pvt. Ltd., Ashutosh Rubber, Disha Print Pack, Manakmoti Forgings Pvt. Ltd., Packwell Traders, Shri Sainath Engineering Industries)

**12. EARNING PER SHARE (EPS):**

The basic Earning per Share is calculated by dividing the profit/ loss attributable to the existing Equity Shares outstanding and the diluted Earning per Share has been calculated after considering the share equity consequent after exercising of Share Warrants issued on preferential basis and conversion of FCCB.

<b>EPS CALCULATION *</b>	<b>Year ended 31<sup>st</sup> March 2008</b>	<b>Year ended 31<sup>st</sup> March 2007</b>
Profit attributable to the Equity Shareholder (Before prior period expenses) Rs. Millions	614.92	423.61
Closing number of Equity Shares outstanding during the year	1,09,76,374	91,34,708
Basic/ Weighted average number of Equity Shares outstanding during the year	91,39,754	51,30,466
Nominal value of Equity share (Rs.)	10.00	10.00
Basic Earning per Share (Rs.)	67.11	82.57
Diluted earning per share	52.53	46.51

\* Diluted EPS has been calculated on 1,17,06,374 Equity Shares, after considering 10% application money received against partly paid share warrants and conversion of FCCB from IFC into Equity Shares.

- 13.** Previous year's figures have been re-arranged/ regrouped /reclassified wherever necessary.
- 14.** Signed Schedule No.1 to 21 forms part of the Annexed account of the Company.

As per our even date report attached

For MEHTA LODHA & CO.,  
Chartered Accountants

**PRAKASH D SHAH**  
Partner

Date : 8th May, 2008  
Place: Ahmedabad

For and on behalf of Board of Directors

**AVINASH BHANDARI**  
Director

**ASHWIN PATEL**  
Company Secretary

**HARISH SHARMA**  
Director

**SHAILESH BHANDARI**  
Managing Director

**ADDITIONAL INFORMATION PURSUANT TO THE PROVISION OF PART-IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 :****BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :**

<b>I</b>	<b>REGISTRATION DETAILS</b>	
	REGISTRATION NO : 9126	STATE CODE : 04
		BALANCE SHEET : 31-03-2008
<b>II</b>	<b>CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)</b>	
	PUBLIC ISSUE	Nil
	BONUS ISSUE	Nil
	RIGHT ISSUE	Nil
	ISSUE OF EQUITY SHARES & COVERSION OF EQUITY SHARE WARRANTS	18,416
<b>III</b>	<b>POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)</b>	
	TOTAL LIABILITIES	12,659,069
	TOTAL ASSETS	12,659,069
	<b>SOURCE OF FUNDS :</b>	
	PAID-UP CAPITAL	229,764
	SHARE WARRANTS	30,000
	SECURED LOANS	5,827,507
	RESERVES & SURPLUS	3,587,592
	DEFERRED TAX LIABILITY	521,546
	UNSECURED LOANS	2,462,660
	<b>APPLICATION OF FUNDS :</b>	
	NET FIXED ASSETS	7,200,074
	INVESTMENTS	21,252
	NET CURRENT ASSETS	5,137,286
	MISC. EXPENDITURES	300,457
	ACCUMULATED LOSSES	Nil
<b>IV</b>	<b>PERFORMANCE OF COMPANY (Amount in Rs. Thousands)</b>	
	TURNOVER AND OTHER INCOME	13,321,418
	TOTAL EXPENDITURE	11,958,726
	PROFIT BEFORE TAX	1,035,679
	PROFIT AFTER TAX	621,789
	BASIC EARNING PER SHARE (In Rs.)	67.11
	DIVIDEND	25.00%
<b>V</b>	<b>GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY</b>	
	<b><u>ITEM CODE ( ITC CODE)</u></b>	<b><u>PRODUCT DESCRIPTION</u></b>
	851420	ELECTRONIC INDUCTION FURNACE
	851440	INDUCTION HEATING EQUIPMENT
	8502	ELECTRICITY POWER GENERATION
	7207	STEEL BILLETS
	7213	STEEL BARS

As per our even date report attached

For MEHTA LODHA & CO.,  
Chartered Accountants**PRAKASH D SHAH**  
PartnerDate : 8th May, 2008  
Place: Ahmedabad

For and on behalf of Board of Directors

**AVINASH BHANDARI**  
Director**ASHWIN PATEL**  
Company Secretary**HARISH SHARMA**  
Director**SHAILESH BHANDARI**  
Managing Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH, 2008**

PARTICULARS	2007-08 Rs. in Millions	2006-07 Rs. in Millions
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT BEFORE TAX</b>	1,035.68	613.23
<b>ADJUSTMENT FOR :</b>		
DEPRECIATION	318.61	178.45
PRELIMINARY EXPENSES WRITTEN OFF	24.97	1.79
INTEREST PAID	575.25	233.91
INTEREST RECEIVED	(38.46)	(14.62)
PRIOR PERIOD ADJUSTMENT	1.55	1.48
PROFIT (LOSS) ON SALE OF ASSETS	0.15	(0.09)
PROFIT ON SALE OF INVESTMENT	(0.14)	-
<b>OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL</b>	<b>1,917.60</b>	<b>1,014.15</b>
<b>ADJUSTMENT FOR :</b>		
TRADE & OTHER RECEIVABLE	(2,023.40)	(1,420.99)
INVENTORIES	(933.63)	(1,278.72)
TRADE & OTHER PAYABLE	347.80	1,449.03
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(691.64)</b>	<b>(236.53)</b>
INCOME TAX PAID	90.77	51.74
<b>CASH FLOW BEFORE EXTRAORDINARY ITEM</b>	<b>(782.41)</b>	<b>(288.27)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITY [A]</b>	<b>(782.41)</b>	<b>(288.27)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	(3,683.13)	(2,131.06)
SALE OF FIXED ASSETS	0.71	6.30
INVESTMENT	(21.08)	-
SALE OF INVESTMENT	0.64	
INTEREST RECEIVED	38.46	14.62
PRELIMINARY EXPENSES, DEFERRED REVENUE & PRODUCT DEVELOPMENT	(202.82)	(108.02)
<b>NET CASH USED IN INVESTING ACTIVITIES [B]</b>	<b>(3,867.21)</b>	<b>(2,218.16)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
PROCEEDS FROM ISSUE OF EQUITY SHARE & EQUITY SHARE WARRANTS	1,076.50	1,297.18
REPAYMENT OF PREFERENCE SHARE APPLICATION MONEY	-	(100.00)
PROCEED FROM TERM BORROWING	4,743.16	1,920.64
REPAYMENT OF TERM BORROWING	(353.87)	(160.48)
DIVIDEND PAID	(25.47)	(16.44)
DIVIDEND TAX	(4.33)	(2.31)
INTEREST PAID	(575.25)	(233.91)
<b>NET CASH FROM FINANCING ACTIVITIES [C]</b>	<b>4,860.74</b>	<b>2,704.68</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; BANK BALANCE</b>		
<b>CASH EQUIVALENTS TOTAL [ A + B + C ]</b>	<b>211.12</b>	<b>198.25</b>
<b>CASH &amp; CASH EQUIVALENTS AS AT 1ST APRIL</b>	<b>410.42</b>	<b>212.17</b>
<b>CASH &amp; CASH EQUIVALENTS AS AT 31ST MARCH</b>	<b>621.54</b>	<b>410.42</b>

As per our even date report attached

 For MEHTA LODHA & CO.,  
Chartered Accountants

**PRAKASH D SHAH**  
Partner

 Date : 8th May, 2008  
Place: Ahmedabad

For and on behalf of Board of Directors

**AVINASH BHANDARI**  
Director

**ASHWIN PATEL**  
Company Secretary

**HARISH SHARMA**  
Director

**SHAILESH BHANDARI**  
Managing Director

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956,  
RELATING TO COMPANY'S INTEREST IN SUBSIDIARY**

SN	Name of Subsidiary Company	Jinhua Indus Enterprises Ltd.	Jinhua Jahari Enterprises Ltd.*
1	Country in which incorporated	People's Republic of China	People's Republic of China
2	Financial period ended	31.12.2007	31.12.2007
3	Extent of Holding	100%	100%
4	The net aggregate of profits or (losses) of the subsidiary for the current period so far as it concerns the members of the holding company		
(a)	Dealt with or provided for in the account of the holding company (Rs. Millions)	(7.62)	16.30
(b)	Not dealt with or provided for in the account of the holding company (Rs. Millions)	Nil	Nil
5	The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company (Rs. Millions)		
(a)	Dealt with or provided for in the account of the holding company (Rs. Millions)	Nil	Nil
(b)	Not dealt with or provided for in the account of the holding company (Rs. Millions)	Nil	Nil

\* By virtue of Section 4(1)(c) of the Companies Act, 1956, this is subsidiary of the Company

**STATEMENT PURSUANT TO SECTION 212(5) OF THE COMPANIES ACT, 1956,  
RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES FOR THE  
FINANCIAL YEAR 2007-2008**

SN	Name of Subsidiary Company	Jinhua Indus Enterprises Ltd.	Jinhua Jahari Enterprises Ltd.*
1	Change in the interest between 31.12.2007 to 31.03.2008	NIL	NIL
2	Material changes between 31.12.2007 to 31.03.2008 in respect of -		
	(i) Fixed Assets	RS. 0.34 Million	-
	(ii) Investments	-	-
	(iii) Money lent	RS. 2.21 Million	RS. 0.04 Million
	(iv) Moneys borrowed	RS. 3.67 Million	RS. 10.75 Million

Date : 8th May, 2008  
Place: Ahmedabad

**AVINASH BHANDARI**  
Director

**HARISH SHARMA**  
Director

**ASHWIN PATEL**  
Company Secretary

**SHAILESH BHANDARI**  
Managing Director

**SUBSIDIARIES AND CONSOLIDATED FINANCIAL STATEMENTS**

The subsequent section gives consolidated results of the company. Electrotherm India Ltd has two subsidiaries in China, viz.:

1. M/s. JInhua Indus Enterprises Ltd.  
Room 201, Building 8,  
Nanbin Garden, Binhong Road,  
Jinhua, Zhejiang  
PR China  
Ph: +86-579-2067597,  
Fax : +86-579-2067597
2. M/s. Jinhua Jahari Enterprise Ltd.  
2<sup>nd</sup> Floor, 9 Building,  
Zhejiang Nai SI Kang MEDicone Co, Ltd,  
Shi Cheng Street No.399  
Jinhua Industry Zone  
JInhua Zhejiang Province - 321017

<b>PARTICULARS</b>	<b>PAGE NOS.</b>
<b>Subsidiary's Financial Statements</b>	
Balance Sheet	64
Profit and Loss Account	65
Schedules to Accounts	66
<b>Consolidated Financial Statements</b>	
Auditors' Report	69
Balance Sheet	70
Profit and Loss Account	71
Schedule of Accounts	72
Notes to Accounts	78
Cash Flow	86



**BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER, 2007**

PARTICULARS	SCHEDULE NO.	Jinhua Indus Enterprises Limited	Jinhua Jahari Enterprises Limited
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDER'S FUNDS:</b>			
1. Equity Share Capital	01	20.56	5.41
2. Reserves & Surplus	02	(7.55)	10.36
<b>TOTAL</b>		<b>13.01</b>	<b>15.77</b>
<b>LOAN FUNDS:</b>			
1. Unsecured Loans	03	18.08	2.68
<b>TOTAL</b>		<b>18.08</b>	<b>2.68</b>
<b>TOTAL SOURCES OF FUNDS</b>		<b>31.09</b>	<b>18.45</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
1. Gross Block	04	20.37	0.34
2. Less: Depreciation		0.42	0.01
3. Net Block		<b>19.95</b>	<b>0.33</b>
<b>INVESTMENTS</b>	05	<b>5.41</b>	<b>0.00</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES:</b>			
1. Inventories	06	1.25	0.00
2. Cash & Bank Balance	07	0.44	2.88
3. Loans & Advances	08	0.87	14.73
<b>TOTAL CURRENT ASSETS</b>		<b>2.56</b>	<b>17.61</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
1. Current Liabilities	09	(3.17)	(1.95)
2. Provisions	10	0.00	1.44
<b>TOTAL CURRENT LIABILITIES</b>		<b>(3.17)</b>	<b>(0.51)</b>
<b>NET CURRENT ASSETS:</b>		<b>5.73</b>	<b>18.11</b>
<b>TOTAL APPLICATION OF FUNDS</b>		<b>31.09</b>	<b>18.45</b>

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31<sup>ST</sup> DECEMBER, 2007**

PARTICULARS	SCHEDULE NO.	Jinhua Indus Enterprises Limited	Jinhua Jahari Enterprises Limited
<b>INCOME</b>			
Sales & Other operational Income	11	51.61	92.84
Other Income	12	0.53	7.42
<b>TOTAL INCOME</b>		<b>52.14</b>	<b>100.26</b>
<b>EXPENDITURE</b>			
Material Cost		54.09	85.35
Manufacturing Expenses	13	0.13	0.06
Employees Remuneration	14	2.05	0.60
Administrative, Selling & General Expenses	15	2.97	2.34
Financial Expenses	16	0.03	0.11
<b>TOTAL EXPENDITURE</b>		<b>59.28</b>	<b>88.45</b>
<b>PROFIT BEFORE DEPRECIATION &amp; RESEARCH &amp; DEVELOPMENT EXPENSES</b>		<b>(7.14)</b>	<b>11.80</b>
<b>PROFIT BEFORE DEPRECIATION</b>			
Depreciation		0.42	0.00
<b>PROFIT AFTER DEPRECIATION</b>		<b>(7.55)</b>	<b>11.80</b>
Provision for Tax		0.00	1.44
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(7.55)</b>	<b>10.36</b>

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> DECEMBER, 2007

PARTICULARS	Jinhua Indus Enterprises Limited	Jinhua Jahari Enterprises Limited
<b>SCHEDULE : 01 - SHARE CAPITAL AUTHORISED</b>		
3,800,000 Equity shares of RMB 1/- each	20.56	-
2,000,000 Equity shares of RMB 1/- each	-	10.82
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
<b>1. EQUITY SHARES</b>		
3,800,000 Equity shares (P.Y. Nil) of RMB 1/- each	20.56	-
1,000,000 Equity shares (P.Y. Nil) of RMB 1/- each	-	5.41
<b>TOTAL</b>	<b>20.56</b>	<b>5.41</b>
<b>SCHEDULE : 2 - RESERVES &amp; SURPLUS PROFIT &amp; LOSS ACCOUNT</b>		
<b>TOTAL</b>	<b>(7.55)</b>	<b>10.36</b>
<b>SCHEDULE : 3 - UNSECURED LOANS</b>		
Customers, Staff & Others	18.08	2.68
<b>TOTAL</b>	<b>18.08</b>	<b>2.68</b>
<b>FIXED ASSET (SUMMARY)</b> <b>SCHEDULE 4 IS AFTER 16 SCHEDULE)</b>		
<b>FIXED ASSETS</b>		
Opening Balance	0.00	0.00
Additions	20.37	0.34
Deductions	0.00	0.00
Closing Balance	20.37	0.34
<b>Depreciation</b>		
Opening Balance	0.00	0.00
Additions	0.42	0.01
Deductions	0.00	0.00
Closing Balance	0.42	0.01
<b>Net Block</b>	<b>19.95</b>	<b>0.33</b>
<b>SCHEDULE: 05 - INVESTMENTS</b>		
<b>A) UNQUOTED</b>		
1,000,000 shares of Jinhua Jahari Enterprises Limited of RMB 1 each	5.41	0.00
<b>TOTAL</b>	<b>5.41</b>	<b>0.00</b>
<b>SCHEDULE: 06 - INVENTORIES</b> <b>(As verified, valued &amp; certified by the management)</b>		
Raw Materials	1.25	0.00
<b>TOTAL</b>	<b>1.25</b>	<b>0.00</b>
<b>SCHEDULE : 07 - CASH &amp; BANK BALANCES</b>		
1. Cash on Hand	0.26	0.00
2. Balance with scheduled bank in	0.18	2.88
<b>TOTAL</b>	<b>0.44</b>	<b>2.88</b>

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> DECEMBER, 2007

PARTICULARS	Jinhua Indus Enterprises Limited	Jinhua Jahari Enterprises Limited
<b>SCHEDULE : 08 - LOANS &amp; ADVANCES [UNSECURED CONSIDERED GOOD]</b>		
1. Advance recoverable in cash or in kind for value to be received	0.78	14.19
2. Advance Income Tax	0.00	0.50
3. Sundry Deposits	0.09	0.04
<b>TOTAL</b>	<b>0.87</b>	<b>14.73</b>
<b>SCHEDULE : 09 - CURRENT LIABILITIES</b>		
1. Sundry Creditors	(3.17)	(1.95)
<b>TOTAL</b>	<b>(3.17)</b>	<b>(1.95)</b>
<b>SCHEDULE : 10 - PROVISIONS</b>		
1. Income Tax	0.00	1.44
<b>TOTAL</b>	<b>0.00</b>	<b>1.44</b>
<b>SCHEDULE : 11 - SALES &amp; OTHER OPERATIONAL INCOME</b>		
1. Gross Sales	51.61	92.84
<b>TOTAL</b>	<b>51.61</b>	<b>92.84</b>
<b>SCHEDULE : 12 - OTHER INCOME</b>		
1. Interest Income (Gross)	0.04	0.02
2. Net Foreign Exchange Fluctuation	0.50	7.40
<b>TOTAL</b>	<b>0.54</b>	<b>7.42</b>
<b>SCHEDULE : 13 - MANUFACTURING EXPENSES</b>		
1. Power & Fuel	0.07	0.05
2. Stores Consumption	0.05	0.00
3. Repairs & Maintenance	0.01	0.01
<b>TOTAL</b>	<b>0.13</b>	<b>0.06</b>
<b>SCHEDULE : 14 - EMPLOYEES REMUNERATION</b>		
1. Salary & Wages	2.05	0.60
<b>TOTAL</b>	<b>2.05</b>	<b>0.60</b>
<b>SCHEDULE : 15 - ADMINISTRATIVE, SELLING &amp; GENERAL EXPENSES</b>		
1. Post-Telephone & Fax Expenses	0.23	0.16
2. Printing & Stationery	0.03	0.00
3. Conveyance Expenses	0.13	0.07
4. Hire-Lease-Rent Charges	1.47	0.00
5. Insurance Premium	0.13	0.08
6. Rates & Taxes	0.09	0.15
7. Traveling Expenses	0.18	0.25
8. Freight out ward & Other Expense	0.53	1.40
9. Miscellaneous Expenses	0.19	0.22
<b>TOTAL</b>	<b>2.97</b>	<b>2.34</b>

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> DECEMBER, 2007**

PARTICULARS	Jinhua Indus Enterprises Limited	Jinhua Jahari Enterprises Limited
<b>SCHEDULE : 16 - FINANCIAL EXPENSES</b>		
4. Bank Charges	0.03	0.11
<b>TOTAL</b>	<b>0.03</b>	<b>0.11</b>

**SCHEDULE: 04: FIXED ASSETS (Jinhua Indus Enterprises Limited)**  
 Amt. Rs. Million

S N	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		OPENING BALANCE	ADDN	DEDN	CLOSING	OPENING BALANCE	ADDN	DEDN	CLOSING BALANCE	As at 31st March 08	As at 31st March 07
1	PLANT AND MACHINERY	0.00	19.19	0.00	<b>19.19</b>	0.00	0.36	0.00	0.36	18.83	0.00
2	FURNITURE AND FIXTURES	0.00	0.25	0.00	<b>0.25</b>	0.00	0.01	0.00	0.01	0.24	0.00
3	VEHICLES	0.00	0.93	0.00	<b>0.93</b>	0.00	0.05	0.00	0.05	0.88	0.00
	<b>TOTAL</b>	<b>0.00</b>	<b>20.37</b>	<b>0.00</b>	<b>20.37</b>	<b>0.00</b>	<b>0.42</b>	<b>0.00</b>	<b>0.42</b>	<b>19.95</b>	<b>0.00</b>
	<b>PREVIOUS YEAR</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**SCHEDULE: 04: FIXED ASSETS (Jinhua Jahari Enterprises Limited)**  
 Amt. Rs. Million

S N	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		OPENING BALANCE	ADDN	DEDN	CLOSING	OPENING BALANCE	ADDN	DEDN	CLOSING BALANCE	As at 31st March 08	As at 31st March 07
1	PLANT AND MACHINERY	0.00	0.34	0.00	<b>0.34</b>	0.00	0.01	0.00	0.01	0.33	0.00
	<b>TOTAL</b>	<b>0.00</b>	<b>0.34</b>	<b>0.00</b>	<b>0.34</b>	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>	<b>0.33</b>	<b>0.00</b>
	<b>PREVIOUS YEAR</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

To,  
The Board of Directors,  
**ELECTROTHERM (INDIA) LIMITED**  
**AHMEDABAD**

We have audited the attached consolidated Balance Sheet of **ELECTROTHERM (INDIA) LIMITED ('the Company')** and its subsidiaries constitute 'the Group), as at **31<sup>st</sup> March, 2008**, the consolidated Profit & Loss Account and also the consolidated Cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding the components. Our responsibility is to express as opinion on these consolidated financial statements based on our audit and the financial statements of the subsidiaries received by the company.

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.

We did not audit the financial statements of the wholly owned subsidiaries, whose financial statements reflects total net worth of Rs 17.40 Millions as at 31<sup>st</sup> March, 2008, total revenue of Rs 150.34 Millions and net profit (after tax) of Rs. 8.68 Millions for the year ended on 31<sup>st</sup> March, 2008. We have relied upon the unaudited financial statements as provided by the management of those companies for the purpose of our examination of consolidated financial statements.

Subject to above remark, we further broadly report that the consolidated financial statements have been prepared by the company's management, in accordance with the requirement of the Accounting Standard-21-"Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of separate financial statements and on the other financial information of the components and to the best of information and explanation given to us, we are of the opinion that, the said attached consolidated financial statements, subject to the notes to accounts and significant accounting policy, give a true and fair view in conformity with the accounting principles generally accepted in India;

- (a) in the case of Consolidated Balance Sheet, of the state of affairs of the group as 31<sup>st</sup> March, 2008;
- (b) in the case of the Consolidated Profit & Loss account, of the profits of the group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statements, of the cash flows of the group for the year ended on that date.

**For, MEHTA LODA & CO.**  
**CHARTERED ACCOUNTANTS**

**PLACE: AHMEDABAD**  
**DATE : 8<sup>th</sup> May 2008**

**PRAKASH D. SHAH**  
**PARTNER**  
**Membership No. 34363**

**ELECTROTHERM (INDIA) LIMITED  
CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2008**

PARTICULARS	SCHEDULE NO.	AS AT 31/03/08 Rs. Millions	AS AT 31/03/07 Rs. Millions
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDER'S FUNDS:</b>			
1. A. Equity Share Capital	01	109.76	91.35
B. Preference Share Capital	01	120.00	120.00
C. Share Warrants	1A	30.00	58.50
2. Reserves & Surplus	02	3597.44	1918.20
<b>TOTAL</b>		<b>3857.20</b>	<b>2188.05</b>
<b>LOAN FUNDS:</b>			
1. Secured Loans	03	5827.51	3081.14
2. Unsecured Loans	04	2539.13	819.73
<b>TOTAL</b>		<b>8366.64</b>	<b>3900.87</b>
<b>DEFERRED TAX LIABILITY:</b>		<b>521.55</b>	<b>255.67</b>
<b>TOTAL SOURCES OF FUNDS</b>		<b>12745.39</b>	<b>6344.59</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
1. Gross Block	05	6199.41	3100.82
2. Less: Depreciation		635.06	316.69
3. Net Block		<b>5564.35</b>	<b>2784.13</b>
<b>4. Capital Work-In-Progress</b>		<b>1657.17</b>	<b>1052.28</b>
<b>INVESTMENTS</b>		<b>0.84</b>	<b>0.67</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES:</b>			
1. Inventories	07	2963.37	2028.63
2. Sundry Debtors	08	2726.45	1425.52
3. Cash & Bank Balance	09	623.87	410.42
4. Loans & Advances	10	1763.47	911.54
<b>TOTAL CURRENT ASSETS</b>		<b>8077.16</b>	<b>4776.11</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
1. Current Liabilities	11	2653.05	2285.63
2. Provisions	12	201.55	105.57
<b>TOTAL CURRENT LIABILITIES</b>		<b>2854.60</b>	<b>2391.21</b>
<b>NET CURRENT ASSETS:</b>		<b>5222.56</b>	<b>2384.90</b>
<b>MISCELLANEOUS EXPENDITURES: (To the extent not written off or adjusted)</b>			
	13	<b>300.46</b>	<b>122.61</b>
<b>TOTAL APPLICATION OF FUNDS</b>		<b>12745.39</b>	<b>6344.59</b>
<b>NOTE TO THE ACCOUNTS</b>		21	

As per our even date report attached

For MEHTA LODHA & CO.,  
Chartered Accountants

**PRAKASH D SHAH**  
Partner

Date : 8th May, 2008  
Place: Ahmedabad

For and on behalf of Board of Directors

**AVINASH BHANDARI**  
Director

**ASHWIN PATEL**  
Company Secretary

**HARISH SHARMA**  
Director

**SHAILESH BHANDARI**  
Managing Director

**ELECTROTHERM (INDIA) LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH, 2008**

PARTICULARS	SCHEDULE NO.	2007-08 Rs. Millions	2006-07 Rs. Millions
<b>INCOME</b>			
Sales & Other operational Income	14	13253.57	7247.79
Other Income	15	85.72	26.06
Increase in Stocks	16	63.04	255.38
<b>TOTAL INCOME</b>		<b>13402.33</b>	<b>7529.23</b>
<b>EXPENDITURE</b>			
Material Cost		8674.29	4809.75
Manufacturing Expenses	17	1682.09	1081.15
Employees Remuneration	18	315.43	165.96
Administrative, Selling & General Expenses	19	571.77	324.18
Financial Expenses	20	785.27	350.30
<b>TOTAL EXPENDITURE</b>		<b>12028.85</b>	<b>6731.34</b>
<b>PROFIT BEFORE DEPRECIATION &amp; RESEARCH &amp; DEVELOPMENT EXPENSES</b>		<b>1373.49</b>	<b>797.88</b>
Research & Development expenses		8.41	6.20
<b>PROFIT BEFORE DEPRECIATION</b>		<b>1365.08</b>	<b>791.68</b>
Depreciation		319.20	178.45
<b>PROFIT AFTER DEPRECIATION</b>		<b>1045.88</b>	<b>613.23</b>
Provision for Tax		144.37	65.00
Provision for fringe benefit tax		5.15	3.40
Provision for Deferred Tax Current Year		265.88	112.80
<b>NET PROFIT FOR THE YEAR</b>		<b>630.47</b>	<b>432.03</b>
Prior period adjustment Income / (Expenses)		1.55	1.48
<b>PROFIT AFTER PRIOR PERIOD ADJUSTMENT</b>		<b>632.02</b>	<b>433.51</b>
Balance brought forward		534.77	231.06
Transfer to general reserve		200.00	100.00
<b>PROPOSED DIVIDEND</b>			
Equity shares		27.44	18.27
Preference shares		7.20	7.20
Tax on proposed Dividend		5.89	4.33
<b>Total Dividend</b>		<b>40.53</b>	<b>29.80</b>
<b>BALANCE CARRIED TO BALANCESHEET</b>		<b>926.26</b>	<b>534.77</b>
<b>Basic Earnings per share (Rs.)</b>		68.06	82.57
<b>Diluted Earnings per share (Rs.)</b>		53.27	46.51
Refer Note No. 12 of Schedule 21			
Nominal value of Equity share (Rs.)		10.00	10.00
<b>NOTE TO THE ACCOUNTS</b>	<b>21</b>		

As per our even date report attached

For MEHTA LODHA & CO.,  
Chartered Accountants**PRAKASH D SHAH**  
PartnerDate : 8th May, 2008  
Place: Ahmedabad

For and on behalf of Board of Directors

**AVINASH BHANDARI**  
Director**ASHWIN PATEL**  
Company Secretary**HARISH SHARMA**  
Director**SHAILESH BHANDARI**  
Managing Director



CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008

PARTICULARS	AS AT 31/03/08 Rs Millions	AS AT 31/03/07 Rs Millions
<b>SCHEDULE : 01 - SHARE CAPITAL AUTHORISED</b>		
25,000,000 Equity shares of Rs. 10/- each	250.00	250.00
25,000,000 6% non cumulative redeemable preference shares of Rs. 10/- each	250.00	250.00
<b>TOTAL</b>	<b>500.00</b>	<b>500.00</b>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
<b>1. EQUITY SHARES</b>		
10,976,374 (Previous year 9,134,708) equity shares of Rs.10/- each fully paid up (out of above shares 953275 shares are allotted on 13th November, 1995 as fully paid up bonus shares by capitalizing general reserve and profit & loss account)	109.76	91.35
<b>2. PREFERENCE SHARES</b>		
12,000,000 (P.Y 12,000,000) 6% Non cumulative redeemable preference shares of Rs.10/- each fully paid up. (redeemable at par not later than 20 years from the date of their issue.)	120.00	120.00
<b>TOTAL</b>	<b>229.76</b>	<b>211.35</b>
<b>SCHEDULE : 1A - SHARE WARRANTS</b>		
<b>1. EQUITY SHARE WARRANTS</b>		
500,000 (P.Y. 975,000) Party paid share warrants of Rs. 600/- each (P.Y. Rs. 600/-) to be converted into equity share of Rs. 10/- each at a premium of Rs. 590/- (P.Y. Rs 590/-), option exercisable on or before 14th September, 2008.	30.00	58.50
<b>TOTAL</b>	<b>30.00</b>	<b>58.50</b>
<b>SCHEDULE : 02 - RESERVES &amp; SURPLUS</b>		
<b>1. CAPITAL RESERVE</b>		
As per last balance sheet	9.11	9.11
<b>2. SHARE PREMIUM ACCOUNT</b>		
As per last balance sheet	1245.32	0.00
Add: Addition during the year	1086.58	1245.32
	<b>2331.90</b>	<b>1245.32</b>
<b>3. GENERAL RESERVE</b>		
As per last balance sheet	129.00	29.00
Add: Transfer from profit & loss account	200.00	100.00
<b>TOTAL</b>	<b>329.00</b>	<b>129.00</b>
<b>4. FOREIGN CURRENCY FLUCTUATION RESERVE</b>	<b>1.17</b>	
<b>5. PROFIT &amp; LOSS ACCOUNT</b>	926.26	534.77
<b>TOTAL</b>	<b>3597.45</b>	<b>1918.20</b>

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008

PARTICULARS	AS AT 31/03/08 Rs. Millions	AS AT 31/03/07 Rs. Millions
<b>SCHEDULE : 03 - SECURED LOANS</b>		
<b>1. WORKING CAPITAL LOANS FROM BANKS</b> (Working Capital Loans are secured by first charge by way of hypothecation of all company's stock & receivables and second charge on all immovable fixed assets & second charge by way of equitable mortgage of all immovable properties situated at Vatva, Palodia, Dhank, Samakhiyali - Kutch. Further the loans are guaranteed by the personal guarantees of some of the directors of the company.)	2309.24	553.23
<b>2. TERM LOAN FROM</b>		
<b>A. Banks</b>	2892.17	2519.84
<b>B. International Finance Corporation (USD 15 Millions)</b> (Term Loans are Secured by first charge by way of equitable mortgage of all immovable properties and hypothecation of specified movable assets situated at Vatva, Palodia, Dhank, Samakhiyali - Kutch & as second charge on all stock in trade & receivables. Further the loans are guaranteed by the personal guarantees of the some of the directors.) The charges for the ECB Loan taken from International Finance Corporation is yet to be created.	615.15	0.00
<b>3. VEHICLE &amp; HOME LOANS</b> (Hypothecation of specific vehicles.)	10.32	7.47
<b>4. SALES TAX DEFERMENT</b> (Amount due within one year Rs. NIL (P.Y. NIL))	0.62	0.62
<b>TOTAL</b>	<b>5827.51</b>	<b>3081.14</b>
<b>SCHEDULE : 04 - UNSECURED LOANS</b>		
<b>1. LOANS FROM</b>		
A. Banks	1302.13	346.76
B. International Finance Corporation (USD 10 Millions)	383.22	0.00
C. Financial Institutions	0.00	179.53
<b>2. OTHER LOANS, ADVANCES &amp; DEPOSITS FROM</b>		
A. Directors	3.25	0.45
B. Customers, Staff & Others	850.53	292.98
<b>TOTAL</b>	<b>2539.13</b>	<b>819.73</b>
<b>SCHEDULE: 06 - INVESTMENTS</b>		
<b>A) UNQUOTED</b>		
1. 6540 (Previous year 6540) shares of Rs. 25 each of Siddhi Co. Op. Bank Ltd.	0.16	0.16
2. National saving certificates	0.01	0.01
3. 1000 (Previous year nil) shares of Rs.10 each EIL software Pvt. Ltd.	0.01	0.00
4. 1000 (Previous year nil) shares of Rs.10 each EIL Technology Pvt. Ltd.	0.01	0.00

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008

**SCHEDULE : 05 - CONSOLIDATED FIXED ASSETS**

S N	DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		OPENING BALANCE	ADDN	DEDN	CLOSING	OPENIN G BALANCE	ADDN	DEDN	CLOSING BALANCE	As at 31-03-2008	As at 31-03-2007
-											
1	FREE HOLD LAND	15.76	6.78	-	22.54	-	-	-	-	22.54	15.76
2	LEASEHOLD LAND	2.47	-	-	2.47	-	-	-	-	2.47	2.47
3	BUILDING	726.39	188.36	-	914.75	48.69	27.11	-	75.80	838.95	677.70
4	PLANT AND MACHINERY	2,269.22	2,876.99	-	5,146.21	248.39	284.14	-	532.53	4,613.68	2,020.83
5	FURNITURE AND FIXTURES	36.00	15.67	0.01	51.66	10.14	2.58	0.00	12.71	38.95	25.86
6	VEHICLES	50.98	12.48	1.69	61.77	9.47	5.38	0.83	14.01	47.76	41.51
	<b>TOTAL</b>	<b>3,100.82</b>	<b>3,100.29</b>	<b>1.70</b>	<b>6,199.41</b>	<b>316.69</b>	<b>319.20</b>	<b>0.83</b>	<b>635.06</b>	<b>5,564.35</b>	<b>2,784.13</b>
	<b>PREVIOUS YEAR</b>	1,666.29	1,441.48	6.94	3,100.82	138.97	178.45	0.73	316.69	2,784.13	1,527.32

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008

PARTICULARS	AS AT 31/03/08 Rs Millions	AS AT 31/03/07 Rs Millions
<b>B) QUOTED:</b> 64288.778 (P.Y. 48,999) Units of PNB Mutual Fund (Market Value of Quoted shares Rs. 0.58 Million (P.Y. Rs. 0.54))	0.64	0.50
<b>TOTAL</b>	<b>0.83</b>	<b>0.67</b>
<b>SCHEDULE: 07 - INVENTORIES</b> <b>(As verified, valued &amp; certified by the management)</b>		
1. Stores, Spares & Fuel	105.01	97.57
2. Raw Materials	2259.55	1393.14
3. Work in process	407.53	314.07
4. Finished Goods	175.46	205.88
5. Goods in transit	15.83	17.98
<b>TOTAL</b>	<b>2963.37</b>	<b>2028.63</b>
<b>SCHEDULE : 08 - SUNDRY DEBTORS</b> <b>(Unsecured Considered Good)</b>		
1. More than Six months	310.50	118.89
2. Others	2415.95	1306.63
<b>TOTAL</b>	<b>2726.45</b>	<b>1425.52</b>
<b>SCHEDULE : 09 - CASH &amp; BANK BALANCES</b>		
1. Cash on Hand	3.17	1.93
2. Balance with scheduled bank in		
A. Current Account	234.34	87.32
B. Fixed Deposits	371.46	315.82
C. Interest receivable on Fixed Deposits	14.90	5.35
3. Balance with Non Scheduled Bank in		
A. Current Account with Siddhi Co Operative Bank Maximum Balance during the year is Rs. 945/- (P.Y. Rs. 91271/-)	0.00	0.00
<b>TOTAL</b>	<b>623.87</b>	<b>410.42</b>
<b>SCHEDULE : 10 - LOANS &amp; ADVANCES</b> <b>[UNSECURED CONSIDERED GOOD]</b>		
1. Advance recoverable in cash or in kind for value to be received	1078.16	463.22
2. Advance Income Tax & Fringe benefit tax	92.28	51.74
3. Balance / Receivable Excise & other Govt. Dept.	462.44	266.15
4. Sundry Deposits	130.58	130.43
<b>TOTAL</b>	<b>1763.47</b>	<b>911.54</b>
<b>SCHEDULE : 11 - CURRENT LIABILITIES</b>		
1. Sundry Creditors	2646.20	2280.50
2. Statutory Liabilities	6.84	5.13
<b>TOTAL</b>	<b>2653.05</b>	<b>2285.63</b>

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008**

PARTICULARS	AS AT 31/03/08 Rs Millions	AS AT 31/03/07 Rs Millions
<b>SCHEDULE : 12 - PROVISIONS</b>		
1. Taxation	149.53	68.40
2. Employee's Un availed Leave	8.67	6.30
3. Proposed Dividend (Including Dividend Tax)	40.53	29.80
4. Gratuity	2.82	1.07
<b>TOTAL</b>	<b>201.54</b>	<b>105.57</b>
<b>SCHEDULE : 13 - MISCELLANEOUS EXPENDITURES (TO THE EXTENT OF NOT WRITTEN OFF OR ADJUSTED)</b>		
1. Preliminary Expenses	51.15	23.39
2. Deferred Revenue Expenditure	169.07	82.75
3. Product Development	80.23	16.47
<b>TOTAL</b>	<b>300.46</b>	<b>122.61</b>
<b>SCHEDULE : 14 - SALES &amp; OTHER OPERATIONAL INCOME</b>		
1. Gross Sales	13434.68	7378.02
2. Sale of Electricity Power Generation	1.90	2.11
3. Technical Know -How & Service Income	63.63	91.02
<b>TOTAL</b>	<b>13500.21</b>	<b>7471.14</b>
Less: Excise Duty	169.63	156.47
Less: Inter Division Sales	77.01	66.88
<b>TOTAL</b>	<b>13253.57</b>	<b>7247.79</b>
<b>SCHEDULE : 15 - OTHER INCOME</b>		
1. Interest Income (Gross) [T.D.S. Rs.6.67 Millions (P.Y. Rs. 3.22 Millions)]	38.68	14.62
2. Rent Income (Gross) [T.D.S. Rs. 1.10 Millions (P.Y Rs. 0.13 Millions)]	5.09	0.70
3. Net Foreign Exchange Fluctuation	22.18	7.07
4. Profit on Sale of Fixed Assets	0.00	0.09
5. Profit on Sale of Investment	0.14	0.00
6. Miscellaneous Income	19.63	3.59
<b>TOTAL</b>	<b>85.72</b>	<b>26.06</b>
<b>SCHEDULE : 16 - INCREASE IN STOCK</b>		
Opening Stock of Work in Process	314.07	226.96
Opening Stock of Finished Goods	205.88	37.60
<b>SUB TOTAL</b>	<b>519.94</b>	<b>264.57</b>
Less: Closing Stock of Work in Process	407.53	314.07
Less: Closing Stock of Finished Goods	175.46	205.88
<b>SUB TOTAL</b>	<b>582.98</b>	<b>519.94</b>
<b>TOTAL</b>	<b>63.04</b>	<b>255.38</b>

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH 2008**

<b>PARTICULARS</b>	<b>AS AT 31/03/08 Rs Millions</b>	<b>AS AT 31/03/07 Rs Millions</b>
<b>SCHEDULE : 17 - MANUFACTURING EXPENSES</b>		
1. Job Charges	225.45	122.00
2. Power & Fuel	914.89	608.91
3. Stores Consumption	532.87	341.28
4. Repairs & Maintenance		
[A] Machinery	3.98	6.00
[B] Building	1.01	1.30
[C] Others	3.88	1.66
<b>TOTAL</b>	<b>1682.09</b>	<b>1081.15</b>
<b>SCHEDULE : 18 - EMPLOYEES REMUNERATION</b>		
1. Salary, Wages & Bonus	294.40	153.60
2. Staff & Labour Welfare	6.80	4.44
3. Contribution to Provident Fund & Other Funds	14.22	7.93
<b>TOTAL</b>	<b>315.43</b>	<b>165.96</b>
<b>SCHEDULE : 19 - ADMINISTRATIVE, SELLING &amp; GENERAL EXPENSES</b>		
1. Post-Telephone & Fax Expenses	18.03	11.58
2. Printing & Stationery	7.22	5.73
3. Vehicle Expenses	15.54	7.16
4. Conveyance Expenses	2.77	1.45
5. Hire-Lease-Rent Charges	7.41	3.46
6. Security Charges	5.18	3.17
7. Insurance Premium	10.35	7.63
8. Subscription & Membership	1.67	0.93
9. Consultation & Legal Expenses	43.91	42.04
10. Rates & Taxes	13.60	3.64
11. Travelling Expenses	43.88	43.13
12. Sales Commission	54.46	16.02
13. Advertising & Sales-Development Expenses	77.51	38.81
14. Freight out ward & Other Expenses	206.43	107.92
15. Donation	2.82	0.87
16. Sundry Balances Written off	0.03	0.18
17. Miscellaneous Expenses	35.84	28.67
18. Preliminary Expenses Written off	24.97	1.79
19. Loss on sales of fixed assets	0.15	0.00
<b>TOTAL</b>	<b>571.77</b>	<b>324.18</b>
<b>SCHEDULE : 20 - FINANCIAL EXPENSES</b>		
1. Interest on Working Capital	293.25	107.02
2. Interest on Term Loan	274.51	124.15
3. Interest to Others	7.50	2.74
4. Bank Charges	210.02	116.39
<b>TOTAL</b>	<b>785.27</b>	<b>350.30</b>

**SCHEDULE-21**

**CONSOLIDATED NOTES TO THE ACCOUNTS**

**1. SIGNIFICANT ACCOUNTING POLICIES:**

**(i) BASIS FOR PREPARATION OF ACCOUNTS:**

The Consolidated accounts of Electrotherm (India) Limited and its wholly owned subsidiary company have been prepared to comply in all material aspects with applicable accounting principles in India and the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**(ii) PRINCIPLES OF CONSOLIDATION:**

The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its Subsidiary Companies have been combined on line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses.
- Intra group balances and intra group transactions and resulting profits are eliminated in full.
- The subsidiaries considered in the consolidated financial statements are:

Name of the Subsidiary	Country of Incorporation	% voting power held as at March 31, 2008	% voting power held as at March 31, 2007
Jinhua Indus Enterprises Limited (JIEL)	China	100%	Not Applicable
Jinhua Jahari Enterprises Limited (100% held by JIEL)	China	100%	Not Applicable

**(iii) REVENUE RECOGNITION:**

Sales are recognized when goods are billed and are accounted net of trade discounts, rebates, sales tax & excise duty (except where Exemption is availed) but includes, export incentives. Income on services rendered is accounted for as and when the services are rendered as per the terms.

**(iv) FIXED ASSETS:**

Fixed Assets in Furnace Division are stated at cost (net of CENVAT but includes Taxes and Duties) and in case of other Divisions, Fixed Asset are stated at cost and is inclusive of Excise Duty and applicable taxes & duties less depreciation. The fixed assets amount includes the value of the assets acquired from other Division of the Company. Costs include expenses incurred during pre-commercial production/construction period.

**(v) DEPRECIATION:**

Depreciation on all the assets has been provided as per the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on all assets has been provided on straight line method except assets at Chatral Unit on which depreciation has been provided on Written Down Value Method (W.D.V.).

The amount of Long term lease hold land is amortized by equal installments during the last fifteen years of the residual lease period.

**(vi) INVESTMENTS:**

Long term investments are stated at cost. Diminution in value, if any, which is of a temporary nature, is not provided.

**(vii) INVENTORIES:**

Inventories comprising finished goods are valued at cost or estimated net realizable value whichever is lower. Cost in the case of raw-material and stores are computed on weighted average basis. Cost of work-in-progress includes raw-material, labour and appropriate overheads.

**(viii) RESEARCH AND DEVELOPMENT:**

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred, except in case of new projects, where it is accounted for as deferred revenue expenditure and charged to Profit & Loss account from the commencement of the project in five years. Capital expenditure on research and development is shown as an addition to fixed assets.

**(ix) FOREIGN EXCHANGE TRANSACTIONS:**

The transactions in foreign Exchange are accounted at the exchange rate prevailing on the date of transaction. Foreign Currency monetary assets and liabilities at the date of balance sheet are translated at the rate of exchange prevailing on that date.

Gains/losses arising out of fluctuations in the exchange rates are recognized in Profit and Loss in the period in which they arise except in respect of imported Fixed Assets where exchange variance is adjusted in the carrying amount of respective Fixed Assets.

To account for differences between the forward exchange rates and the exchange rates at the date of transactions, as income or expense over the life of the contracts, except in respect of liabilities incurred for acquiring imported Fixed Assets, in which case such differences are adjusted in the carrying amount of the respective Fixed Assets.

To account for profit/loss arising on cancellation or renewal of forward exchange contracts as income/expense for the period, except in case of forward exchange contracts relating to liabilities incurred for acquiring imported Fixed Assets, in which case such profit/loss are adjusted in the carrying amount of the respective Fixed Asset.

**(x) TAXES ON INCOME :**

Current tax is determined as the amount of tax payable in respect of taxable income for the period and the credits computed in accordance with the provisions of the Income Tax, 1961, and based on the expected outcome of the assessment/appeals.

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 year and are capable of reversal in one or more subsequent years.

Deferred tax assets are recognized and carried forward to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized

**(xi) BORROWING COSTS:**

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset till put for its intended use is capitalized as part of the cost of that asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing cost is charged to revenue.



**(xii) IMPAIRMENT OF ASSETS:**

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the assets. If such recoverable amount of the assets is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

**(xiii) DEFERRED REVENUE EXPENDITURE :**

Expenditure relating to Preliminary Expenses, Capital issues and Deferred Revenue Expenses is amortized on straight line basis over a period of five years.

**(xiv) RETIREMENT / POST RETIREMENT BENEFITS:**

Contributions to defined contribution schemes such as Employees Provident fund and Family pension fund are charged to the profit & loss account as and when incurred.

Provision for gratuity is determined and accounted for in terms of employee's contracts. The provision for Furnace Division and Vehicle Division is based on actuarial valuation and Steel Division is calculated on the basis of fifteen days salary last drawn for each completed year of service or part thereof.

Leave encashment provided for Furnace and Vehicle Division is based on actuarial valuation and Steel division on the basis of un-availed accumulated leave.

**(xv) PROVISIONS AND CONTINGENT LIABILITIES:**

- a) Provisions are recognized when the present obligation of a past event gives rise to a probable outflow, embodying economic benefits on settlement and the amount of obligation can be reliably estimated.
- b) Contingent Liabilities are disclosed after a careful evaluation of facts and legal aspects of the matter involved.
- c) Provisions and Contingent Liabilities are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

**(xvi) SEGMENT REPORTING**

The accounting policies adopted for segment reporting are in line with the accounting policies of the company with the following additional policies for the segment reporting:

- a) Inter segment revenue have been accounted or based on the transaction price agreed to, between segments which is primarily marked led.
  - b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segment on a reasonable basis, have been included under "unallocated corporate expenses".
2. In the opinion of the Directors, the Current Assets, Loan & Advances are realizable at the values stated, if realized in the ordinary course of the business and the provisions for all known liabilities are adequate. That some of account of Sundry Creditors, Debtors and Loan & Advances are subject to confirmation/reconciliation and accordingly the same are subject to necessary adjustments or re-grouping/classification.

3. Deferred Revenue expenditure includes research and development expenses of Rs. 80.23 Millions incurred on development of Hybrid Bus/T-Cab project which is still in progress and such expenses would be written off in five years from the year of completion.
4. (a) The loans & advances include Rs. Nil Millions (Previous year: Rs. 0.08 Millions) amount due from the concerns in which directors are interested.  
  
(b) The amount of capital work in progress of Rs 1657.17 Millions (Previous Year 1052.28 Millions) includes the amount of advances of Rs 484.52 Millions (Previous Year Rs. 167.34Millions) and it is after reducing the amount of sundry creditors for capital goods of Rs 174.67 Millions (Previous Year Rs 88.36 Millions)

**5. SEGMENT REPORTING UNDER ACCOUNTING STANDARD 17 :**

**A) Business Segment**

Based on the guiding principles given as per Accounting Standard on "Segment Reporting" (AS-17) issued by The Institute of Chartered Accountants of India, the Company's primary business is manufacturing and marketing of Induction Furnaces, Steel items and Battery Operated Vehicles.

**PRIMARY SEGMENT INFORMATION:**

(Rs. Millions)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SEGMENT REVENUE</b>		
Engineering & Projects Division-Palodia	3,281.20	1,728.88
Steel, Engineering & D.I. Pipe Division- Kutch	9584.81	4,903.36
Electric Vehicle Division	464.58	689.39
Thermal Power Generation-Captive Consumption of Rs.3.14 Millions	-	-
<b>Total Sales</b>	<b>13330.59</b>	<b>7,314.67</b>
<b>Less : Inter segment Revenue</b>	<b>77.01</b>	<b>66.88</b>
<b>Net Sale</b>	<b>13253.58</b>	<b>7,247.79</b>
<b>SEGMENT PROFIT BEFORE TAX AND INTEREST</b>		
Engineering & Projects Division-Palodia	550.77	319.01
Steel, Engineering & D.I. Pipe Division-Kutch	1213.85	539.97
Electric Vehicle Division	56.15	104.56
Thermal Power Generation	-	-
<b>Profit Before Interest, Tax &amp; Prior Period Adjustment</b>	<b>1820.77</b>	<b>963.54</b>
<b>Less: FINANCIAL EXPENSES</b>	<b>785.27</b>	<b>350.30</b>
<b>Less : Provision for Tax (Including Deferred Tax)</b>	<b>415.40</b>	<b>181.20</b>
'Less :Other Un allocable expend net off Un allocable income	(8.80)	-
<b>Net Profit After Tax</b>	<b>630.47</b>	<b>432.04</b>
<b>OTHER INFORMATION</b>		
<b>Segment Assets</b>		
Engineering & Projects Division-Palodia	2,110.75	12,482.89
Steel, Engineering & D.I. Pipe Division-Kutch	11438.57	68,061.51
Electric Vehicle Division	828.00	6,471.10
Thermal Power Generation	879.05	-
Subsidiary Companies	43.18	-
<b>Total Segment Assets</b>	<b>15299.55</b>	<b>87,015.49</b>
<b>Segment Liabilities</b>		
Engineering & Projects Division-Palodia	1278.58	849.87
Steel, Engineering & D.I. Pipe Division-Kutch	9,401.48	4,809.41
Electric Vehicle Division	324.46	538.01
Thermal Power Generation	0.00	-
Subsidiary Companies	33.32	-
Un-allocable Liabilities & Provisions	183.39	94.80
<b>Total Segment Liabilities</b>	<b>11,221.23</b>	<b>6,292.08</b>
<b>Segment Depreciation</b>		
Engineering & Projects Division-Palodia	15.92	13.11
Steel, Engineering & D.I. Pipe Division-Kutch	281.30	164.47
Electric Vehicle Division	6.60	0.87
Thermal Power Generation	14.79	-
Subsidiary Companies	0.60	-
<b>Total Depreciation</b>	<b>319.21</b>	<b>178.45</b>
<b>Segment Capital Expenditure</b>		
Engineering & Projects Division-Palodia	78.35	62.98
Steel, Engineering & D.I. Pipe Division-Kutch	2585.75	1,916.10
Electric Vehicle Division	67.13	66.05
Thermal Power Generation	893.83	-
Subsidiary Companies	22.05	-
<b>Total Capital Expenditure</b>	<b>3647.11</b>	<b>2,045.13</b>

**6. RELATED PARTY (AS IDENTIFIED BY THE COMPANY) DISCLOSURES UNDER ACCOUNTING STANDARD 18: -**

**(I) ASSOCIATES:**

1. Ahmedabad Aviation & Aeronautics Ltd.
2. Palace Tour & Air Charter Pvt. Ltd.
3. Western India Speciality Hospital Ltd.
4. Mangalam Information Technology Ltd.
5. Liberty Finance Leasing Co. Pvt. Ltd.
6. E-Motion Power Pvt. Ltd.
7. Indus Elec-Trans Pvt. Ltd.
8. Magnum Limited.
9. Alwar Trading and Investment Company
10. Afghan Trading Pvt. Ltd.
11. Bhandari Brothers Commercial Pvt. Ltd.
12. Palanpur Reality Developers Pvt. Ltd.
13. Jay Shree Petro Yarn Pvt. Ltd.
14. Adroit Trading and Investment Co.
15. EIL Hospitality Pvt. Ltd.
16. EIL Reality Pvt. Ltd.
17. EIL Software Pvt. Ltd.
18. EIL Software Services Offshore Pvt. Ltd.
19. EIL Technology Pvt. Ltd.
20. Electrotherm Infrastructure Pvt. Ltd.
21. Global Avianautics Ltd.
22. Indus Real Estate Pvt. Ltd.
23. New Delhi Real Estate Pvt. Ltd.
24. Palace Infrastructure Pvt. Ltd.
25. S B Realty Developers Pvt. Ltd.
26. Smart Infra power Pvt. Ltd.
27. Sun Infrapower Pvt. Ltd.
28. Sun Residency Pvt. Ltd.
29. Suraj Real Estate Pvt. Ltd.

**(II) KEY MANAGEMENT PERSONNEL: (Other than Nominee & Independent Director)**

1. Mr. Mukesh Bhandari (Chairman & Chief Technology Officer)
2. Mr. Shailesh Bhandari (Managing Director)
3. Mr. Harish Sharma (Whole-time Director)
4. Mr. Narendra Dalal (Whole-time Director)
5. Mr. Avinash Bhandari (Whole-time Director)

**(III) RELATIVES OF KEY MANAGEMENT PERSONNEL:**

Where Transaction Has Taken Place

1. Smt. Indubala Bhandari
2. Mrs. Jyoti Bhandari
3. Mr. Rakesh Bhandari

**Transaction with Related Parties**

SN	Nature of Relationship	Current Year			Previous Year		
		Associates Rs. Millions	Key Management Personnel Rs. Millions	Relatives of Key Management Personnel Rs. Millions	Associates Rs. Millions	Key Management Personnel Rs. Millions	Relatives of Key Management Personnel Rs. Millions
1	Sale of Fixed Asset	-	-	-	-	-	5.50
2	Loans Received	119.04	10.62	5.70	66.29	101.30	2.52
3	Loans Payments	118.50	7.83	5.55	39.15	22.64	18.05
4	Rent Paid	-	0.10	0.37	-	0.11	0.11
5	Rent Received	-	-	-	1.19	-	-
6	Directors Remuneration	12.17	-	-	-	12.16	-
7	Credit Balance Outstanding as on 31 <sup>st</sup> March	0.54	3.25	0.40	0.00	0.35	0.02
8	Debit Balance Outstanding as on 31 <sup>st</sup> March	-	-	-	0.08	0.00	0.00

7. The Company has determined Pre-Operative Expenditure (including borrowing cost) of Rs.138.69 Millions (Previous year: Rs. 121.74 Millions) and which have been allocated towards the respective fixed assets.
8. In compliance of Accounting Standard 22 issued by Institute of Chartered Accountants of India, Deferred Tax liability mainly arising on account of difference between book and incometax written down value of fixed assets, during the year deferred tax liability of Rs. 265.88 Millions (Rs. 112.80 Millions) has been provided.

**9. CONTINGENT LIABILITIES:**

- (i) Disputed Income Tax liability of Rs. Nil (Rs. 5.38 Millions Previous Year).
- (ii) Disputed Custom Duty liability of Rs. Nil (Rs. 19.57 Millions Previous Year).
- (iii) Guarantees / Counter guarantees (including un-utilized Letters of Credit) issued Rs. 488.29 Millions (Rs. 373.95 Millions in Previous year).
- (iv) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 483.11 Millions. (P.Y. Rs. 30.07 Millions.).
- (v) The company is contingently liable for the pending disputed labour and other matters, amount is Rs. 6.94 Millions (P.Y. Rs. 6.94 Millions.).
- (vi) The company has executed Legal Undertaking Bond to pay Central Excise Duty (Terminal Excise Duty), levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. In this regard aggregate duty liability amount of Rs 286.54 Millions as at March 31, 2008 (Previous Year: Rs. 310.99 Millions). Against these exports amounting to Rs. 2292.32 Millions (previous year Rs. 2487.92 Millions) will have to be made within next 8 years from the installation of Machinery.

**10. EARNING PER SHARE (EPS):**

The basic Earning per Share is calculated by dividing the profit/ loss attributable to the existing Equity Shares outstanding and The diluted Earning per Share has been calculated after considering the share equity consequent after exercising of Share Warrants issued on preferential basis.

<b>EPS CALCULATION *</b>	<b>Year ended 31<sup>st</sup> March 2008</b>	<b>Year ended 31<sup>st</sup> March 2007</b>
Profit attributable to the Equity Shareholder (Before prior period expenses) Rs. Millions	623.40	423.61
Closing number of Equity Shares outstanding during the year	1,09,76,374	91,34,708
Basic/ Weighted average number of Equity Shares outstanding during the year	91,39,754	51,30,466
Nominal value of Equity share (Rs.)	10.00	10.00
Basic Earning per Share (Rs.)	68.04	82.57
Diluted earning per share	53.25	46.51

\* Diluted EPS has been calculated on the net profit of Rs, 623.40 Millions on Equity Shares 1,17,06,374 after considering 10% application money received against partly paid share warrants and conversion of FCCB from IFC into Equity Shares.

**11.** Previous year's figures have been re-arranged/ regrouped /reclassified wherever necessary.

**12.** Signed Schedule No.1 to 21 forms part of the Annexed account of the Company.

As per our even date report attached

For MEHTA LODHA & CO.,  
Chartered Accountants

**PRAKASH D SHAH**  
Partner

Date : 8th May, 2008  
Place: Ahmedabad

For and on behalf of Board of Directors

**AVINASH BHANDARI**  
Director

**ASHWIN PATEL**  
Company Secretary

**HARISH SHARMA**  
Director

**SHAILESH BHANDARI**  
Managing Director

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008**

PARTICULARS	2007-08 Rs. Millions	2006-07 Rs. Millions
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT BEFORE TAX</b>	1,045.88	613.23
<b>ADJUSTMENT FOR :</b>		
DEPRECIATION	319.20	178.45
PRELIMINARY EXPENSES WRITTEN OFF	24.97	1.79
INTEREST PAID	575.25	233.91
INTEREST RECEIVED	(38.68)	(14.62)
PRIOR PERIOD ADJUSTMENT	1.55	1.48
PROFIT (LOSS) ON SALE OF ASSETS	0.15	(0.09)
PROFIT ON SALE OF INVESTMENT	(0.14)	-
<b>OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL</b>	<b>1,928.18</b>	<b>1,014.15</b>
<b>ADJUSTMENT FOR :</b>		
TRADE & OTHER RECEIVABLE	(2,060.58)	(1,420.99)
INVENTORIES	(934.74)	(1,278.72)
TRADE & OTHER PAYABLE	303.14	1,449.03
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(764.00)</b>	<b>(236.53)</b>
INCOME TAX PAID	92.28	51.74
<b>CASH FLOW BEFORE EXTRAORDINARY ITEM</b>	<b>(856.28)</b>	<b>(288.27)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITY [A]</b>	<b>(856.28)</b>	<b>(288.27)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	(3,705.17)	(2,131.06)
SALE OF FIXED ASSETS	0.71	6.30
INVESTMENT	(0.66)	-
SALE OF INVESTMENT	0.64	
INTEREST RECEIVED	38.68	14.62
PRELIMINARY EXPENSES, DEFERRED REVENUE & PRODUCT DEVELOPMENT	(202.82)	(108.02)
<b>NET CASH USED IN INVESTING ACTIVITIES [B]</b>	<b>(3,867.47)</b>	<b>(2,218.16)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
PROCEEDS FROM ISSUE OF EQUITY SHARE & EQUITY SHARE WARRANTS	1,076.50	1,297.18
REPAYMENT OF PREFERENCE SHARE APPLICATION MONEY	-	(100.00)
PROCEED FROM TERM BORROWING	4,819.63	1,920.64
REPAYMENT OF TERM BORROWING	(353.87)	(160.48)
DIVIDEND PAID	(25.47)	(16.44)
DIVIDEND TAX	(4.33)	(2.31)
INTEREST PAID	(575.25)	(233.91)
<b>NET CASH FROM FINANCING ACTIVITIES [C]</b>	<b>4,937.20</b>	<b>2,704.68</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; BANK BALANCE</b>		
<b>CASH EQUIVALENTS TOTAL [A + B + C]</b>	<b>213.45</b>	<b>198.25</b>
<b>CASH &amp; CASH EQUIVALENTS AS AT 1ST APRIL</b>	<b>410.42</b>	<b>212.17</b>
<b>CASH &amp; CASH EQUIVALENTS AS AT 31ST MARCH</b>	<b>623.87</b>	<b>410.42</b>

As per our even date report attached

 For MEHTA LODHA & CO.,  
Chartered Accountants

**PRAKASH D SHAH**  
Partner

 Date : 8th May, 2008  
Place: Ahmedabad

For and on behalf of Board of Directors

**AVINASH BHANDARI**  
Director

**ASHWIN PATEL**  
Company Secretary

**HARISH SHARMA**  
Director

**SHAILESH BHANDARI**  
Managing Director