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COMPANY BRIEF

BOARD OF DIRECTORS

Mr. Mukesh Bhandari	: Chairman
Mr. Shailesh Bhandari	: Managing Director
Mr. Harish Sharma	: Whole Time Director
Mr. Narendra Dalal	: Whole Time Director
Mr. Avinash Bhandari	: Whole Time Director
Mr. Naveen Nakra	: Director
Mr. Nilesh Desai	: Director
Mr. Madhusudan Somani	: Director
Mr. Ram Singh	: Director
Brig. Pradeep Krishna Prasad	: Director

AUDITORS
MEHTA LODHA & CO.
Chartered Accountants
Ahmedabad

Company Secretary
Ashwin Patel

BANKERS :
Bank of India
Bank of Baroda
Corporation Bank
Dena Bank
Oriental Bank of Commerce
Punjab National Bank
State Bank of India
State Bank of Indore
State Bank of Saurashtra
State Bank of Travancore
Uco Bank

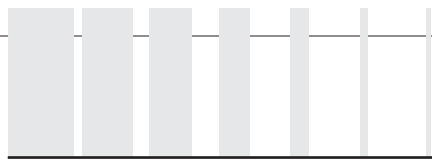
REGISTERED OFFICE
A1, Skylark Apartment,
Satellite Road, Satellite,
Ahmedabad-380015
Gujarat.

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. Dist: Rajkot, Guajrat



CHAIRMAN'S MESSAGE



Dear Shareholder,

Electrotherm has yet again delivered impressive results. While the competitive environment remained hyperactive, your company with its excellent product range has been undergoing a major transformation in its marketing approach, market segments, business mix, internal processes and systems to improve its revenue mix and profitability. We have achieved all these which have resulted in excellent value addition to our customers.

It gives me great pleasure to inform you that we have once again more than doubled our last year's turnover. The current year's turnover stands at Rs.731 Crores as against Rs.345 crores of the last year. All this has been possible and your company has been able to scale such heights due to dedicated and committed management team. Your company is fortunate to have a talented and dynamic person like Mr. Shailesh Bhandari who now takes over as Managing Director of the company. This is not a sudden change and for the last two years practically the overall responsibility of the company rested on his shoulders. Besides him, your company is lucky to have many other highly qualified and talented managerial personnel who continue to guide the company and manage the change necessitated out of huge growth.

I will continue to steer the company with focus on Research & Development and in improving the various technologies used by the company. Manufacturing is witnessing increased competition, complexity and costs. Electrotherm has strong fundamentals and technology wise your company is quite competent. Most Indian companies are either engaged in re-engineering or are manufacturing under technology transfer arrangements. At Electrotherm we do not believe in copying others but are focused on customer requirements to identify future market needs. In the short run one needs cost competitiveness but in the long run it is necessary to launch new products. This is where we are concentrating. We are faced with three main challenges: cost reduction, productivity improvement and fast speed in converting market requirements to design and manufacturing. As cost reduction is essential for ensuring the bottom line of manufacturing companies, getting newer products to the market rapidly has become a necessity. To meet these challenges of costs, productivity and speed, at Electrotherm we are embracing new technologies, processes and concepts such as lean manufacturing, just in time production, work flow technologies and work flow automation.

Economic conditions around the world have been very encouraging. Global growth which was 4.8% in 2005 reached 4.9% in 2006 and is expected to hover around this level in the current year also. While the Chinese economy is growing at around 10% without any signs of slow down, the Indian economy is also continuing to grow at more than 8%. In the coming years, I am expecting that the Indian economy will be booming owing to the heavy demand on infrastructure. Energy sector is growing by leaps and bounds as it is receiving the highest attention of both the State Governments and Central Government.

India has moved from an agrarian economy to a manufacturing economy. The manufacturing sector now contributes around one-fourth of the total GDP and the industrial output has now crossed USD 65 Billion in value.

Global steel production is continuing its growth and the production in 2006 crossed 1.2 billion ton mark. In spite of some control measures adopted by Chinese Government the crude steel registered an impressive growth and has crossed 450 million tons. India is also witnessing a huge growth in steel production and it is expected that steel industry will continue to grow by more than 12% per annum.



Sustainable economic growth of India as well as rest of the world will depend on effective energy planning. Nearly 40% of the world's energy comes from petroleum. Natural gas contributes to another 20% and these two natural resources account for 60% of the world's energy. The growth in consumption of oil and natural gas in the past has been such that the consumption has been doubling every 15 years. This trend is likely to continue and will lead to complete depletion of natural resources in next 30 years.

It is significant to note that more than 20% of the world's total primary energy is consumed in transportation. There are more than 410 million cars currently in the world and in another 20 years the automobile population will reach one billion mark. It is also significant to note that after 1970 the new oil discoveries have been very few and any new discoveries will not make any significant contribution to the world's energy pool.

Transportation sector which consumes a large share of energy resource of the country also contributes significantly towards pollution. We at Electrotherm have made it our mission to provide vehicles which are emission free, which do not use petroleum products and which are inexpensive to acquire and operate. Our launch of battery operated YoBykes has been highly successful and Electrotherm is now developing several new vehicles for the Indian market. Our launch in India has developed interest for our vehicles for international market also and in the future we will be exporting these vehicles to other countries. Electrotherm will continue to provide leadership in this segment by delivering innovative, cost effective, practical and environmental friendly electric vehicles. Economic and environmental forces are frequently pitted against each other and many a times the financial cost of environmentally friendly technologies and goods is so high that one has to strike a balance or look for Government subsidies. Our Electric Vehicles are unique in this aspect as they are not only economical but also environment friendly. You will be pleased to note that the "2007 Overdrive Automotive Product of the Year" award was given to YoBykes of Electrotherm.

Your company has always relied on quality and technical excellence in providing goods to the customers which are consistent in their performance. The technical team is always striving to provide better and better designs and the service team is always at the beck and call of the customers to ensure full satisfaction. For the last two years your company has been focusing on turnkey projects in overseas market. In the coming year you will find that several projects have moved from the drawing board to the green field and substantial revenues are expected from this activity in the current financial year.

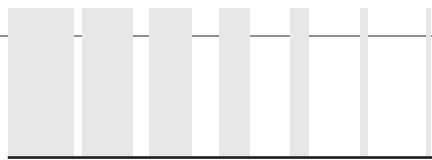
I would like to place on record my sincere thanks to our shareholders, for their continued trust in the management of the company. Special thanks go to the management of ICICI Group which has expressed their faith in our company. Your company has recently allotted 13.68 lacs share to M/s The Western India Trustee and Executor Company Ltd (India Advantage Fund VI), through their investment managers M/s ICICI Venture Fund Management Company Ltd. With this investment, they become one of our major shareholders and we are looking forward to their contribution in guiding us on our growth strategy.

I also want to convey my thanks to our bankers, customers, suppliers, auditors, legal advisors, consultants and other business associates as well as various government authorities for their continued support to our company.

My appreciation also goes to my colleagues on the Board for their guidance and advice as well as to all the employees of Electrotherm, without whose dedication and contribution, we would not have been able to achieve the growth and continuous improvement in our business.

Thank you.

Sd
MUKESH BHANDARI
Chairman



MANAGING DIRECTOR'S MESSAGE



Dear Shareholder,

Alvin Toffler in his book "Future Shock" said that future belongs to those who can learn, unlearn and relearn. At Electrotherm with the fast pace of changes and growth we are learning, we are unlearning and we are relearning constantly. The foundation of success of Electrotherm is not merely because of the ambition of its management but on account of passion to innovate and excel.

The only reason your company is different from many others is that it is able to leverage economies of its knowledge bank. Leveraging economies of knowledge is very high on our agenda. We spend a substantial amount on R&D every year. However in research there cannot be economies of scale, there can be only economies of ideas. The business world is undergoing a transformation from mass production system where the principle source of value was human labour to a new era where the principal component of value creation, productivity and economic growth is knowledge. We feel that a large component of our market capitalization will be on account of intangible assets such as know-how and skilled man power.

Today at Electrotherm we divide various jobs into 3 categories:

- Transformational jobs
- Transactional Jobs
- Tacit jobs

The first two categories are conventional in nature and it is easy to find people who can carry out these jobs. The transformational jobs are related to conversion of raw materials into finished goods. Transactional jobs are related to various interactions with vendors, suppliers, customers, bankers, consultants and other associates.

The third category of tacit jobs is most important. These include complex interactions requiring high level of judgment. It is in this category that it is most difficult to find people. I am proud to admit that your organization has adequate number of people to manage complex issues and use their judgment and we are continuously striving to add more people in this category.

Your organization is a vibrant company and our Chairman continues to develop newer products on a continuous basis, which need commercialization. This leads to two clear implications. The first is that intellectual capital (know-how and ideas) has become key source of value. The second is an increasing dependence within the organization on the people who generate this intellectual capital. These clever people are today the back bone of your company which is full of ideas.

However economic success does not come from only knowledge and know-how. Our challenge is to align all these creative individuals and inspire them to not only achieve their fullest potential as individuals but to do so in a way that creates wealth and value for all the stakeholders.

It is important to be dynamic and take actions with aim to win instead of basking in one's knowledge and accepting the things as they are. It is this action which can transform our organization to one that we desire instead of one that is destined. The new mind set of Electrotherm is going to be more for action instead of only knowledge orientation. Whether at cricket field or in the competitive environment of business, this emphasis of action and winning will ensure success instead of having emphasis only on knowledge and skills.

We at Electrotherm are stretching ourselves to achieve that which is to some beyond our grasp. We are only aiming at the highest, aiming to maximize the resources. We win only when our team wins, our team wins only when Electrotherm wins, Electrotherm wins only when our customers win, and our stakeholders win. This does not mean that we want to win at any cost and we want to win every time. When we play to win, we try to bring out the best in us. We continuously innovate and endeavor to do better than last time.

There are more than 500 million Indians below the age of 21 and the medium age of India is 31 years which is lower than China's 33 years. This is the big force and this is what will drive our economy.

I believe in activating our own destiny than to accept the destiny bestowed on us by God almighty. We would like to transform our organization into one which is always looking for a win instead of one which is governed by cyclic nature of industry.

I would like to place on record my special thanks to our financial advisors M/s. KPMG. I am also grateful to ICICI Group for expressing their faith in your company and investing in your company.

Sd
SHAILESH BHANDARI
Managing Director



DIRECTOR'S REPORT TO THE SHAREHOLDERS

To:
The Members,

Your Directors have pleasure in presenting the 21st Annual Report on the business and operations of your Company and Audited Financial Statement for the financial year ended as on 31st March, 2007.

FINANCIAL RESULTS:

(Rs. Lacs)

Year ending March 31	2007	2006
Sales And Other Income	73407.31	34,655.70
Profit Before Interest, Depreciation & Tax	11419.86	4,544.07
Interest	3502.97	922.66
Depreciation	1784.50	704.61
Profit before Tax	6132.39	2,920.41
Provision For Income Tax	684.04	292.63
Profit after Tax (Before Deferred Tax)	5448.35	2,627.78
Provision for Deferred Tax	1128.00	748.43
Profit After Deferred Tax	4320.35	1,879.35
Prior period adjustment	14.78	(694.92)
Profit after prior period adjustment	4335.13	1,184.43
Surplus Brought forward	2310.62	1,513.69
Balance Carried forward	5347.76	2,310.62

DIVIDEND:

In view of the Company's profitable performance, the Directors are pleased to recommend dividend of 20% on paid up equity capital and 6% on preference shares.

OPERATIONS:

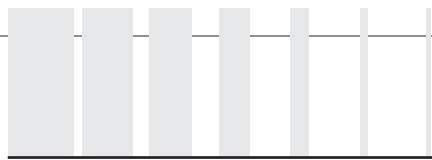
The Indian economy is growing at more than 8%. The manufacturing sector now contributes to around one-fourth of the total GDP and industrial output has crossed USD 65 Billion.

During the year, your Company has achieved a turnover of Rs. 73,088.65 Lacs in comparison to the turnover of Rs. 34,472.10 lacs of previous year, showing a growth of over 112%. Net profit after provision for taxation (Before Prior Period Adjustment) during the year is Rs. 4,320.35 Lacs against Rs. 1,879.35 Lacs during the previous year, showing an increase of 130%.

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 placed shares with a private equity player ((M/s The Western India Trustee and Executor Company Ltd (India Advantage Fund VI), through their investment managers M/s ICICI Venture Fund Management Company Ltd.)) to raise Rs.82 crores. The company is in the process of raising USD 25 Million from International Finance Corporation, Washington DC, out of which USD 15 Million is debt and the balance USD 10 Million will be converted into equity. Subject to approval y General body/Statutory approvals. Additional funds, if required, will be raised both from Indian Banks as well as from overseas as ECB or FCCB.

The company is nearing completion of its project at Kutch. This is a project having a capital outlay of Rs.437 crores went into commercial production in Mar 07, except captive power plant, which is scheduled to go into operation in Sep 07. With the completion of this project, the company will be one of the few totally integrated units in the country, which will not only



produce special quality steel products but will also be one of the lowest cost steel producer of its type, in view of captive sponge iron and captive power generated by using waste gases.

The company has also established manufacturing capabilities to produce Electric vehicles and has expanded the same to produce 150000 Electric Scooters per annum.

EXPORT:

Your company is keenly pursuing projects to increase its foot print in the different parts of the world. The company has now started providing consultancy services in engineering and project management to our clients outside India. In order to scout for more business opportunities outside India, your company has now representative in Middle East, China, Turkey, South Africa, Bangladesh, Russia and CIS Countries.

Your Company's exports continue to increase each year. During the year, the export turnover was Rs.51.51 Crores. In addition the company made exports which are considered as deemed exports of Rs 17.62 crores. These two together account for an export turnover of Rs 69.13 crores. In comparison the exports during the previous year were Rs 41.11 Crores. Several initiatives have been taken which has resulted in an export order booking of more than Rs. 200 Crores. In the current year as well as in coming years, the company is targeting a growth of more than 100% on the export front.

QUALITY & ENVIRONMENT

Your company is focusing on its quality and after sales service. Whereas the Palodia Division enjoys ISO 9001 Certification, the Kutch Products are BIS Certified. 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:

Mr.Harish Sharma, Mr. Narendra Dalal and Mr. Naveen Nakra Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment at the ensuing Annual General Meeting.

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 2006-2007, 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 raising 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.

During the year your company was honored with the award of Automotive Product of the year by Overdrive for its Battery Operated Yobykes.

AUDITOR'S REPORT

With regard to point no. B(vi) of the Auditor's Report, your Boards submits that Electrotherm being the manufacturer of metallurgical equipment and allied items, has supplied the same to its steel division which have been capitalized at cost.

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 263 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:

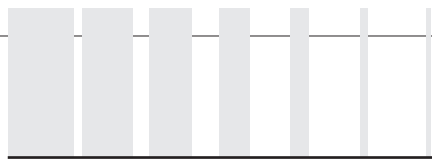
Your Directors wish to place on record their appreciation for the valuable co-operation and support received from the Customers and Suppliers, various Financial Institutions, Banks, Government Authorities, Auditors and Share Holders during the year under review. Your Directors wish to place on record 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

Sd

MUKESH BHANDARI
Chairman

Date: 7th May, 2007



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

An Overview of Economy

The world's largest democracy continues to grow from strength to strength. The country's GDP is consistently growing above 8%. The investment rates are healthy and can sustain an annual growth rate of more than 8%. The scenario is generally promising and we are very optimistic about the future. The risk factors which can dampen the growth are a fact that India is no longer insulated from the global influences. Any international adverse factors slow down of US economy, climbing up of international interest rates, increase in crude oil prices, can affect Indian economy. Nevertheless, the development trajectory of India is high and is likely to remain so.

One worrying factor is the increase in interest rates. Many individual depositors would like to see the interest rates going up. Senior citizens may appear to be happy that the banks are giving them better return on their fixed deposits. But for millions of young professionals, higher interest rate means higher EMIs on their house loans, car loans, consumer loans and even holiday loans which they have taken.

To discourage excessive borrowing, the RBI has been pushing up interest rates by raising its benchmark lending rate of banks and also reducing the amount they can lend by increase in their cash reserve ratio or the portion of deposit they must keep with the central bank. The reason for this drastic step by The Reserve Bank of India is largely on account of the inflation which is close to 6% as against 5% desired by it. The RBI has pushed the interest rate to control this inflation. It is assumed that when the consumers can borrow money at low interest rates, people take loans to buy houses, cars and other consumer goods. Cheap credit pushes demand beyond the available supply, leading to higher prices. Thus, by raising interest rates the central bank hopes to slow down the growth in credit, helping in lowering the demand for houses, which in turn will slow down the construction activity and reduce the demand for steel, cement, other equipment and in turn reduce the prices and reduce in inflation. We feel that the RBI should have taken a more balanced view on interest rate and should have kept them stable so that there is no slow down in industrial activity.

On our part, we are taking steps that the higher interest rates do not adversely affect our profitability. We are taking steps to borrow from lenders abroad for our expansion activities in form of external commercial borrowings. Such loans are available at 7 to 7.5%. The interest rate is normally 2% above the six-month London Inter-Bank Offered Rate or LIBOR. With LIBOR close to 5.5%, it is possible to get ECBs at 7.5% and keep the interest burden within acceptable levels. We have to guard against any depreciation of rupee vis-à-vis dollar. In the current scenario appreciation of dollar looks unlikely and with our rising exports, we have a natural hedge.

Internal Control Systems 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.

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" within 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, 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.

Business Performance:

From its humble beginning 25 years ago, Electrotherm has become a force to reckon with. Our journey has been bumpy at times and exciting otherwise. We have clocked our best ever performance for the year ended Mar 31, 2007 with sales growing by more than 112%. Our net worth has multiplied nearly 4 times since last year and so has our market capitalization. We are market leaders in most of the segments in which we operate. We are continuously investing to sustain future growth.

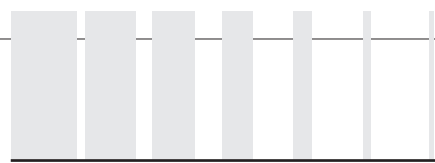
There are two traits of Electrotherm which has made this track record possible. We are continuously embracing change, without changing our core values. No matter how successful we are, there is always a desire to achieve more and perform better. We are continuously investing in future because we know 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.



Discussion on Results of Operations

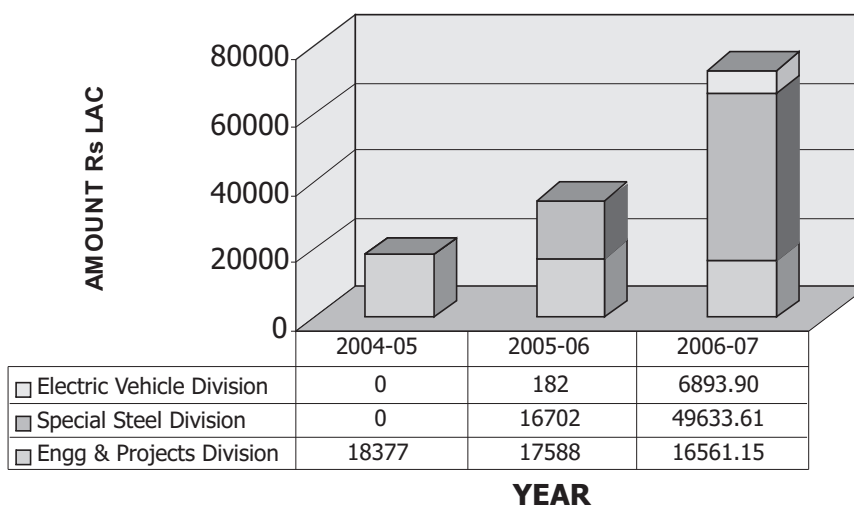
Table shows profit and loss statement for the past 3 years ended 31st March 2007, 31st March 2006 and 31st March 2005.

SN	Particulars	2006-07 Rs. Lacs	2005-06 Rs. Lacs	2004-05 Rs. Lacs
A	INCOME			
1	Furnace & Engg	16,561.15	17,587.99	18,376.84
2	Steel Billet / TMT	49,633.61	16,701.62	-
3	Electric Vehicles	6,893.90	182.49	-
	Sub Total	73,088.65	34,472.10	18,376.84
4	Income	318.66	183.60	221.62
5	Increase in Stock	2,553.76	973.59	1,114.79
	Total Income	75,961.07	35,629.29	19,713.25
B	EXPENDITURE			
1	Material Cost	52,179.12	25,360.39	16,104.31
2	Manufacturing Expense			
2.1	Job Charges	1,219.99	856.04	693.40
2.2	Power & Fuel	6,089.12	2,119.93	121.50
2.3	Repairs & Maintenance	89.57	95.43	45.12
	Sub Total	7,398.68	3,071.40	860.02
3	Employee Remuneration	1,659.61	955.31	472.96
4	Admn and General Exp	1,555.39	758.72	322.34
5	Selling Expense			
5.1	Sales Commission	160.15	133.25	25.47
5.2	Advertising	370.73	63.85	50.36
5.3	Forwarding& Freight o/w	1,079.25	626.05	30.50
	Sub Total	1,610.13	823.15	106.33
6	Insurance expense	76.31	42.71	7.98
	Total Admn, Gen&Selling exp	3241.83	1,624.58	436.65
7	R&D Expense	61.97	69.93	119.04
	Total Expenditure	64,541.22	31,081.61	17,992.98
PBIDT	Profit Before Interest Depreciation tax	11419.84	4,547.68	1,720.27
8	Financial Expense	3,502.97	922.66	159.29
CP	Profit Before Depreciation	7,916.89	3,625.02	1,560.98
9	Depreciation	1,784.50	704.61	90.83
PBT	Profit before tax	6,132.39	2,920.41	1,470.15
10	Tax			
10.1	Provision for tax	650.00	266.14	120.00
10.2	Provision for fringe benefit tax	34.04	26.49	-
10.3	Provision for deferred tax	1,128.00	748.43	-
PAT	Net Profit	4,320.35	1,879.35	1,350.15
	Prior period adjustment Income/ Expenses)	14.78	(694.92)	-
	Profit after Prior Period Adjustment	4,335.12	1,184.43	1,350.15

**Comparison of Fiscal 2007 with Fiscal 2006 and Fiscal 2005****Income Comparison**

SN	Particulars	2006-07 Rs. Lacs	2005-06 Rs. Lacs	2004-05 Rs. Lacs
A	INCOME			
1	Furnace & Engineering	16,561.15	17,587.99	183,76.84
2	Special Steel Division	49,633.61	16,701.62	-
3	Electric Vehicles	6,893.90	182.49	-
	Sub Total	73,088.66	344,72.10	183,76.84
4	Other Income	318.66	1,83.60	2,21.62
5	Increase in Stock	2,553.76	9,73.59	11,14.79
	Total Income	75,961.07	356,29.29	197,13.25

The income for Mar 05 increased from Rs.183.77 crores to Rs. 344.72 crores in Mar 06, a jump of 88%. In the year Mar 07, the income further increased to Rs. 730.89 crores, a jump of 112%. The jump was on account of increased sales of special steel division and launching of Electric vehicles.

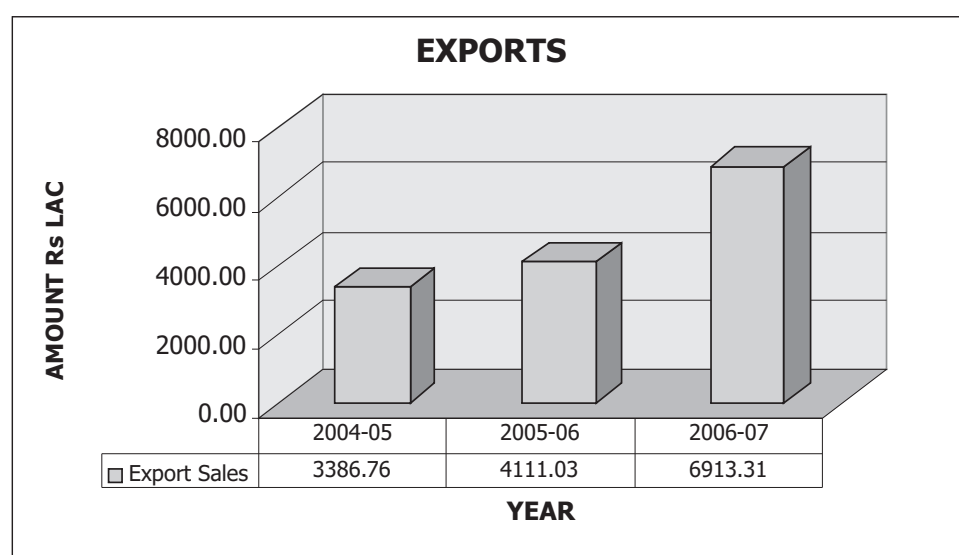
DIVISION WISE TOTAL INCOME**Export Sales**

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

Particulars	2006-07 Rs. Lacs	2005-06 Rs. Lacs	2004-05 Rs. Lacs
Domestic Sales	66,175.34	30,361.07	14,990.08
Exports			
Export Sales	5,151.38	4,111.03	3,386.76
Deemed Export Sales	1,761.93	0.00	0.00
Total Exports	6,913.31	4,111.03	3,386.76
Total	73,088.65	34,472.10	18,376.84



The exports are steadily increasing. The exports could have been much higher, but several orders which are under execution will actually be completed in the current financial year (2007-08) and the export figures will be reflected in the current year.

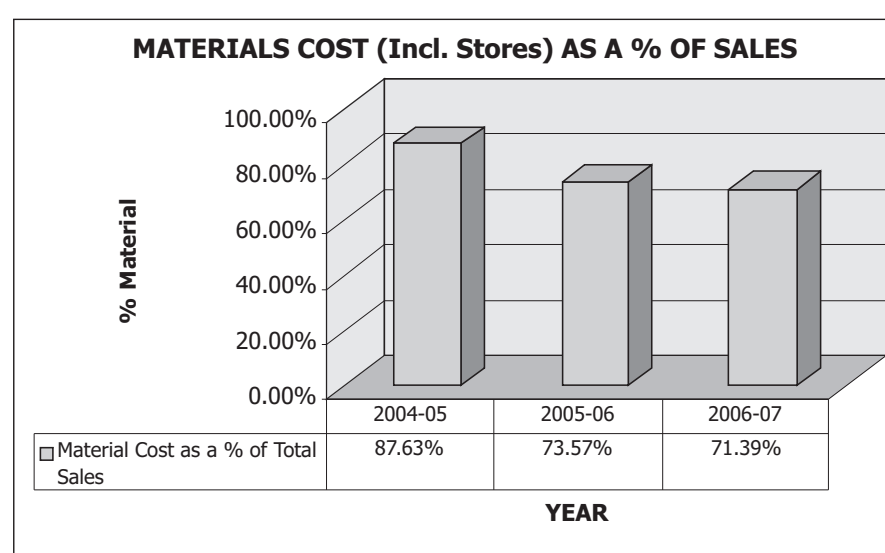


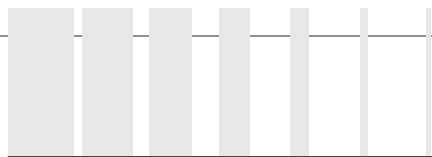
Material Cost

Material Cost for Mar 05, Mar 06 & Mar 07 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs. Lacs
Material Cost (Incl. Stores)	52179.12	25360.39	16104.31
Material Cost as % of sales	71.39 %	73.57 %	87.63 %

Raw Materials, which accounted for nearly 88% in Mar 05, reduced to 74% in Mar 06 and have further reduced to 71% in the year ending Mar 07.





Annual Report 2006-07



Power & Fuel Cost.

Power and Fuel Cost for Mar 05, Mar 06 & Mar 07 are compared below.

Item	Mar 07 Rs Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Power & Fuel Cost	6089.12	2119.93	121.50
Power & Fuel Cost as % of sales	8.33%	6.15%	0.66%

Up to Mar 05, Electrotherm was only manufacturing capital equipment and the cost of power and fuel accounted for 0.66% of the total sales. However in the year Mar 06, the company commissioned its steel plant at Kutch. This is a highly power intensive operation and the power and fuel cost is now accounting for nearly 8% of the combined sales value. The capital equipment division continues to spend less than 0.60% on power and fuel and the entire increase is on account of steel plant operations. Considering the fact that steel manufacturing is power intensive, Electrotherm has taken steps to set up a 30MW Power plant. This plant is likely to be commissioned by Sept 07. The generation cost of captive power plant will be substantially lower as it will utilize the waste gases of sponge iron plant. After commissioning of the power plant, the power cost will go down substantially.

Repair and Maintenance Cost:

The Repair and Maintenance Cost for Mar 05, Mar 06 & Mar 07 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Repair and Maintenance Cost	89.57	95.43	45.12
Repair and Maintenance Cost as % of Sales	0.12%	0.28%	0.25%
Repair and Maintenance Cost as % of Gross Block	0.29%	0.57%	0.58%

The Repair and maintenance cost 0.58% of Gross Block in Mar 05, which came down to 0.57% in March 06 and 0.29% in March 07. 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 05, Mar 06 & Mar 07 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Employee Cost	1659.61	955.31	472.96
Employee Cost as % of sales	2.27%	2.77%	2.57%

The total cost of Employees was Rs. 4.73 crores in Mar 05, which went up to Rs.9.55 crores in March 06 and Rs.16.60 crores in Mar 07. Though there is an apparent increase in man power cost, it can be seen that the cost as % of sale it has not changed appreciably. In Mar 05 the employees accounted for 2.57% of the sales, which increased to 2.77% of the sales in the year Mar 06. In the current year ending Mar 07, the employees account for 2.27% of the sales.

Administrative and General Expense

Administrative and General Cost for Mar 05, Mar 06 & Mar 07 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Admn General exp	1555.39	758.72	322.34
Admn general exp as % of sales	2.13%	2.20%	1.75%

The administration and general expense were Rs.3.22 crores in Mar 05, Rs. 7.59 Crores in Mar 06 and Rs. 15.55 crores in Mar 07. As a % of sale, the administrative and general expenses were 1.75% in Mar 05, which increased to 2.20% in Mar 06 and in the current year ending Mar 07, it accounts for 2.13% of sales. The increase in administrative and general expense is due to change in the product mix of the company. From B 2 B, the company is now operating in B 2 C area. This requires additional man power in marketing and selling as well as in the technical service area. The change in product mix has also resulted in additional traveling expense, both within the country and outside the country. The expense on advertising has also increased due to our new business initiatives.



Selling Expense

Selling expense for Mar 07, Mar 06 & Mar 05 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Selling Expense	1610.13	823.15	106.33
Selling expense as % of sales	2.20%	2.39%	0.58%

The selling expenses were Rs.1.06 crores in Mar 05, Rs. 8.23 crores in Mar 06 and Rs. 16.10 Crores in Mar 07. There has been a substantial increase in selling expenses, which includes advertising cost, dealers discount and forwarding / transporting expense. The main increase is on account of new products which have been introduced in the current year at Kutch plant. The selling expenses are now 2.20% of the sales as against 2.39% of sales in the year Mar 06.

PBIDT

PBIDT for Mar 07, Mar 06 & Mar 05 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
PBIDT	11419.86	4544.07	1720.25
PBIDT as % of sales	15.62%	13.18%	9.36%

The profit before interest, depreciation and tax has shown a healthy growth. In Mar 05 PBIDT was Rs. 17.20 Crores which was equal to 9.36% of the sales. In the year Mar 06, the PBIDT jumped to Rs. 45.44 Crores, amounting to 13.18% of the sales. In Mar 07, the PBIDT has further grown to Rs. 114.20 crores, which amounts to 15.62% of the sales.

Cash Profit After Tax Excl. deferred tax

Cash Profit after tax excl. deferred tax for Mar 07, Mar 06 & Mar 05 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Profit	7232.85	3332.39	1440.98
Profit as % of sales	9.90%	9.67%	7.84%

The cash profit has shown a many fold increase in the year Mar 05, the cash profit was Rs. 14.41 crores. In the year Mar 06, the cash profit jumped to Rs. 33.32 crores. In Mar 07, the cash profit has further increased to Rs. 72.33 crores, amounting to 9.90% of the sales.

Net Profit

Net Profit after tax (Before Prior Period Adjustment) for Mar 07, Mar 06 & Mar 05 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Net profit	4320.34	1879.35	1350.15
Net profit as % of sales	5.91%	5.45%	7.35%

The Net Profit of the company stood at Rs. 13.50 crores in Mar 05. Due to excellent performance of engineering division, it jumped to Rs. 18.79 crores in Mar 06. With the commissioning of Kutch plant, the net profit now stands at Rs. 43.20 crores, after allowing for deferred tax.

Financial Expense

Financial Expenses for Mar 07, Mar 06 & Mar 05 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Financial Expense	3502.97	922.66	159.29
Financial Expense as per % of sales	4.79%	2.68%	0.87%

The financial Expenses were Rs. 1.59 crores in Mar 05, Rs. 9.22 crores in Mar 06 and Rs. 35.03 crores in Mar 07. 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 31st March 2007, 31st March 2006 and 31st March 2005.

SN	Particulars	2006-07	2005-06	2004-05
A	SOURCES OF FUNDS			
1	Shareholders funds			
1.1	Share Capital, Share warrants and Application money	2,698.47	3,179.84	1,832.64
1.2	Reserves & Surplus	19,182.05	2,691.74	1,694.81
	Sub Total	21,880.52	5,871.58	3,527.45
2	Deferred Tax Liability	2,556.67	1,428.67	-
3	Loan Funds			
3.1	Secured Term Loans	25,198.36	12,619.73	3,914.15
3.2	Secured Working Capital Loans	5,532.29	5,575.04	1,566.42
3.3	Un Secured Loans	7,801.51	3,128.47	3,340.33
3.4	Vehicle Loan, Home Loan & Sales Tax Deferment	80.82	83.79	80.62
	Sub Total	38,612.98	21,407.03	8,901.52
4	Current Liabilities			
4.1	Current Liabilities	17,818.46	8,075.22	3,078.56
4.2	Provisions	1,055.72	552.19	228.09
	Sub Total	18874.18	8,627.41	3,306.65
	Total Sources	81924.35	37,334.69	15,735.62
B	APPLICATION OF FUNDS			
1	Fixed Assets			
1.1	Gross Block	31,008.21	16,662.86	7,835.47
1.2	Capital work in progress	9,732.93	3,626.95	-
	Sub Total	40,741.13	20,289.81	7,835.47
1.3	Depreciation	3,166.87	1,389.65	685.05
	Net Block	37,574.27	18,900.16	7,150.42
2	Investments	6.74	6.74	1.64
3	Current Assets, Loans, Advances			
3.1	Raw Materials incl. transit	14,111.17	4,426.38	2,458.35
3.2	Stores & Spares	975.71	426.89	52.00
3.3	Work in Process	3,140.66	2,269.65	1,672.09
3.4	Finished goods	2,058.78	376.03	-
	Sub Total	20,286.32	7,498.95	4,182.44
3.4	Sundry Debtors	13,859.38	6,220.59	2,133.76
3.5	Cash & Bank Balance	4,104.20	2,121.74	881.13
3.6	Loans and Advances	4,867.35	2,422.75	1,386.23
	Sub Total	22,830.93	10,765.08	4,401.12
	Total Current Assets	43,117.25	18,264.03	8,583.56
4	Misc. Expenditure not w/o	1,226.09	163.76	-
	Total Application	81924.35	37,334.69	15,735.62

Balance Sheet Analysis

Net Worth

The net worth of the company for Mar 07, Mar 06 & Mar 05 are compared below. (Rs. In Lacs)

Particulars	2006-07	2005-06	2004-05
Equity Share Capital	913.47	476.64	476.64
Preference Shares	1200.00	1200.00	356.00
Warrants / Application Money	585.00	1503.20	1000.00
Reserves	19182.05	2691.74	1694.81
Total Net Worth	21880.52	5871.58	3527.45
Deferred Tax Liability	2556.67	1428.67	0.00
Net Worth Incl. DTL	24437.19	7300.25	3527.45

The net worth of the company which stood at Rs.35.27 crores in Mar 05, jumped to Rs. 58.72 crores in Mar 06. As on Mar 07, the net worth excluding deferred tax liability is Rs. 218.80 crores. If deferred tax liability of Rs.25.57 crores is added, then it becomes Rs.244.37 crores.

The net worth of the company excluding deferred tax liability increased by Rs 160.09 crores in the year ending March 07. The bifurcation of this increase is given below:

SN	Item	Amount (Rs Crore)
1	Additional Equity due to allotment of 13.68 lacs shares to ICICI group and conversion of 30 Lac warrants	4.37
2	Share Premium, Advance against warrants Less refund of Application money	115.35
3	Current Year Profit Less dividend and Dividend tax	40.37
	Total	160.09

Secured Loans

The secured loans of the company for Mar 07, Mar 06 & Mar 05 are compared below.

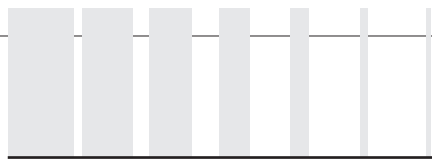
Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Secured term loans	25,198.36	12619.73	3914.14
Secured working capital loans	5,532.29	5575.04	1566.42
Vehicle Loan & Sales Tax Deferment	80.82	83.79	80.62
Total	30,811.47	18278.56	5561.18

The secured term loans were Rs 39.14 crores in March 05. These increased to Rs 126.20 crores in March 06 and to Rs 251.98 crores in March 07. Correspondingly the Gross Block increased from Rs 78.35 crores in March 05, Rs 166.63 crores in March 06 and Rs 310.08 crores in March 07. The entire additional term loan was utilized for adding additional facilities at Kutch, along with money raised through equity as well as internal accruals generated from operations. The borrowing is justified considering substantial increase in turnover of the company. The turnover which was Rs 184 crores in March 05, increased to Rs 345 crores in March 06 and to Rs 731 crores in March 07.

Gross Block

The Gross Block of the company for Mar 07, Mar 06 & Mar 05 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Gross Block	31,008.21	16662.86	7835.47
Capital Work in progress	9,732.93	3626.95	0.00
Total	40,741.14	20289.81	7835.47
Depreciation	3,166.87	1389.65	685.05
Net Block	37,574.27	18900.16	7150.42



There has been a substantial increase in the fixed asset of the company over last three years. The gross block which was Rs. 78.35 crores in Mar 05, increased to Rs. 166.62 crores in Mar 06 and Rs.310.08 crores in Mar 07. There has been expansion on account of facilities created for steel making, sponge iron making, ductile iron pipe production and electric vehicle production.

Raw Material Inventory

The Raw Material inventory of the company for Mar 07, Mar 06 & Mar 05 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Value of Raw Material and stores	15,086.88	4853.27	2510.35
Stock of Raw Material in no of months Consumption	3.47	2.30	1.87
Raw Material as a % of sales	20.64%	14.08%	13.66%

The raw material inventory has increased in line with increase in sales. A large consignment of imported raw materials arrived at plant in March 07, resulting in higher inventory.

Finished Goods and WIP

The inventory of finished goods and WIP of the company for Mar 07, Mar 06 & Mar 05 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Value of finished goods and WIP	5,199.44	2645.68	1672.09
Finished goods stock in no of months sales	1	1	1
Finished goods as a % of sales	7.11%	7.67%	9.10%

The finished goods inventory remains approximately one month in all the years.

Debtors

The debtors of the company for Mar 07, Mar 06 & Mar 05 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Debtors	13859.38	6220.59	2133.76
Debtors equal to no of months sale	2.28	2.17	1.39

The debtors which were 1.39 months in Mar 05 increased to 2.17 months in Mar 06. As on Mar 07 the debtors are equal to 2.28 months. This level is on account of newer products introduced in the market. It may be noted that the finished goods inventory of the company is very low.

Current liabilities

The Current Liabilities of the company for Mar 07, Mar 06 & Mar 05 are compared below.

Item	Mar 07 Rs. Lacs	Mar 06 Rs. Lacs	Mar 05 Rs.Lacs
Current Liabilities	17,818.46	8,075.22	3,078.55
Current Liabilities equal to no of months sale	2.93	2.81	2.01

The current liabilities which were equal to 2 months in Mar 05, increased to 2.81 months in Mar 06. Currently they are equal to 2.93 months as on Mar 07.



ANNEXURE TO DIRECTOR'S REPORT

Conservation of energy, technology absorption and foreign earning and outgo under Section 217(1)(e) of the Companies Act, 1956 read with the Company's (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988.

A]. 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.

B]. TECHNOLOGY ABSORPTION:

We understand that for us to remain globally competitive there is an immediate need to reduce the cost of energy as energy cost accounts for significant portion of total manufacturing cost.

We have observed that energy conservation will be achieved by adopting latest technologies at the design stage and incorporating latest energy saving devices. There are several energy saving equipment which result in energy conservation and Electrotherm has adopted the usage of most of these equipment. Some of the major equipment which Electrotherm has installed at all their manufacturing units are given below:

- 1 Variable frequency drive
- 2 Soft starter
- 3 Auto star delta star converter
- 4 Energy efficient motors
- 5 Lighting voltage stabilizer
- 6 Energy efficient chokes
- 7 On/off temperature control

EXPENDITURE ON R & D:

- | | |
|--|-------------------|
| A) Capital Expenditure | : Rs. 32.19 Lacs. |
| B) Recurring Expenditure | : Rs. 61.97 Lacs. |
| C) Total Expenditure | : Rs. 94.16 Lacs. |
| D) Total R & D as a percentage of Total turnover | : 0.13 % |

C]. 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 5151.38 Lacs during the year and has further diversified its export market

(II) Total Foreign Exchange Earning and Outgo:

- | | | |
|------------------------------|---|------------------|
| a) Foreign Exchange Earnings | : | Rs. 4868.08 Lacs |
| b) Foreign Exchange outgo | : | Rs. 4926.84 Lacs |

On behalf of the Board

Sd
MUKESH BHANDARI
Chairman

Date: 7th May, 2007

**FORM : A
(SEE RULE 2)**

Form of disclosure of particulars with respect to conservation of energy

A. POWER AND FUEL CONSUMPTION

PARTICULARS	2006-07	2005-06
I. ELECTRICITY		
a. Purchased Units	129555745	42760792
Total Amount (Rs. Lacs)	6089.12	2009.16
Rate per unit. (Rs.)	4.70	4.70
b. Own Generation		
i. Through diesel generator (Units)	114000	28500
Unit per Litre. Of Diesel Oil (Units)	3.80	3.80
Cost per Unit.(Rs./ KWH)	9.21	9.26
ii. Through Wind Mill (Units)	439142	347475
Cost per unit (Rs./ KWH)	0.15	0.15
Through Steam turbine/ generator		
iii. (Units)	Nil	Nil
Cost per Unit.(Rs./ KWH)	Nil	Nil
II. STEAM COAL		
Quantity	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate (Rs.per mt.)	Nil	Nil
III. FURNACE OIL		
Quantity – Litres	2436681	379827
Total Cost (Rs.)	50877905	7134952
Average Rate (Rs.per Litre)	20.88	18.78
IV. OTHERS/ INTERNAL GENERATION		
Lignite quantity used	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate (Rs.per mt.)	Nil	Nil

B. CONSUMPTION PER UNIT OF PRODUCTION

	Standards (if any)	2006-07	2005-06
1. Electricity			
For Steel Billets / TMT / DI Pipes			
a) (KWH/Ton)		710	720
b) For Equipment manufacturing		4500	4700
Equipment (KWH/Equipment			
Dispatched)			
2. Furnace Oil		NA	NA
3. Coal		NA	NA
4. Lignite		NA	NA

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

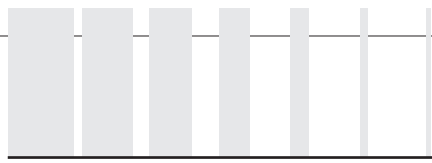
ANNEXURE TO DIRECTORS' REPORT

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, 2007.

SN	Name	Age (Years)	Designation	Gross Remuneration (Rs)	Net Remuneration (Rs)	Qualification	Experience (Years)	Date of Joining	Previous Employment
1	Mr.Mukesh Bhandari	55	Chairman	3508800	1233240	B.E. Electrical	33	01/03/94	GEC of India Ltd (Sr.Design Engineer)
2	Mr. Shailesh Bhandari	49	Managing Director	3199200	1081840	B.Sc (Economics)	30	26/08/89	Koras (India) Ltd (Sales Rep.)
				6708000.00	2315080.00				

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 etc.



REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance:

Good Corporate Governance in any organisation needs to be principle-based as well as simple, moral, accountable, responsive and transparent (SMART). Your Company believes the same philosophy to attain the highest standards of Corporate Governance by ensuring transparency in all its actions & operations and to maximise values of its stakeholders.

The Company recognizes its responsibility towards its shareholders and therefore constantly endeavours to create and enhance shareholder's wealth and value by implementing its business plans at appropriate times and thus taking maximum advantage of available opportunities to benefit the Company, its shareholders and society at large.

2. Board of Directors:

The Board of Directors comprises ten directors out of which five are executive directors and five are non-executive directors. 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:

Name and Designation of Directors	Category	No. of Directorship held in other Company as on March 31, 2007	No. of Committee memberships held in other Companies
Mr. Mukesh Bhandari Chairman & Managing Director*	Promoter & Executive Director	8	NIL
Mr. Shailesh Bhandari Whole Time Director**	Promoter & Executive Director	12	NIL
Mr. Harish Sharma Whole Time Director	Executive Director	NIL	NIL
Mr. Narendra Dalal Whole Time Director	Executive Director	NIL	NIL
Mr. Avinash Bhandari Whole Time Director	Executive Director	2	1
Mr. Naveen Nakra	Independent Non-Executive Director	NIL	NIL
Mr. Nilesh Desai	Independent Non-Executive Director	3	NIL
Mr. Madhusudan Somani	Independent Non-Executive Director	1	NIL
Mr. Ram Singh	Independent Non-Executive Director	NIL	NIL
Brig. Pradeep Krishna Prasad	Independent Non-Executive Director	NIL	NIL

* Re-designated as Chairman & Chief Technology Officer w.e.f. 7th April, 2007

** Re-designated as Managing Director w.e.f. 7th April, 2007



Board Meetings:

During the year, eleven board meetings were held on April 30, 2006; July 29, 2006; August 16, 2006; September 6, 2006; October 16, 2006; October 25, 2006; November 30, 2006; January 5, 2007; January 30, 2007; February 17, 2007 and March 10, 2007.

Name	No. of Board meeting attended	Attendance at the last AGM
Mr. Mukesh Bhandari	05	No
Mr. Shailesh Bhandari	11	No
Mr. Harish Sharma	09	Yes
Mr. Narendra Dalal	09	Yes
Mr. Avinash Bhandari	09	Yes
Mr. Naveen Nakra	09	Yes
Mr. Nilesh Desai	08	No
Mr. Madhusudan Somani	02	No
Mr. Ram Singh	08	No
Brig. Pradeep Krishna Prasad	07	No

All the information required to be furnished to the Board was made available to them along with detail agenda notes.

3. Committees of Board:

A. Audit Committee:

The Audit Committee comprises of four members all being non-executive and independent directors. Mr. Naveen Nakra is the Chairman and Mr. Nilesh Desai, Mr. Ram Singh and Brig. Pradeep Krishna Prasad are members of the Audit Committee. Mr. Naveen Nakra, Chairman of the Audit Committee was present at the last annual general meeting of the Company.

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 Committee meetings are circulated and discussed at the Board meetings. The Company Secretary / Compliance Officer acts as the Secretary to the Committee.

During the year four meetings of the Audit Committee were held on April 30, 2006; July 29, 2006; October 25, 2006 and January 30, 2007.

Details of meetings of Audit Committee and attendance

Name	Designation	No. of Committee meeting attended
Mr. Naveen Nakra	Chairman	4
Mr. Nilesh Desai	Member	4
Mr. Ram Singh	Member	4
Brig. Pradeep Krishna Prasad	Member	4

B. Remuneration Committee:

The Company has a Remuneration Committee comprising 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 Brig. Pradeep Krishna Prasad are members of the Remuneration Committee. The Committee recommends remuneration package of Executive Directors to the Board by reference to performance, experience and responsibilities.

No meeting of the Remuneration Committee was held during the year. The non-executive directors do not draw any remuneration from the Company either by way of sitting fees or commission.

Details of remuneration to Managing Director / Whole Time Directors:

Name	Salary	Other Allowances	Contribution to PF	Total
Mr. Mukesh Bhandari	2040000	1224000	244800	3508800
Mr. Shailesh Bhandari	1860000	1116000	223200	3199200
Mr. Harish Sharma	1308000	784800	156960	2249760
Mr. Narendra Dalal	1116000	669600	133920	1919520
Mr. Avinash Bhandari	750000	450000	90000	1290000

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 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 year eight meetings of the Shareholders' / Investors' Grievance Committee were held and all the members of Committee are present at all meetings. Mr. Ashwin Patel, Company Secretary is the Compliance Officer.

Details of Shareholders' Complaints:

During the year, the Company has received and resolved 6 complaints in respect of non-receipt of Shares sent for transfer, issue of duplicate share certificate and non-receipt of Annual Report. There was no complaint pending at the year end March 31, 2007.

4. General Body Meeting:

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
20 th	2005 - 2006	Survey No. 72, Village : Palodia, Taluka : Kalol Dist.:Gandhinagar:382115	29.09.2006	12:00 AM
19 th	2004 - 2005	Survey No. 72, Village : Palodia, Taluka : Kalol Dist.:Gandhinagar:382115	30.09.2005	10:00 AM
18 th	2003 - 2004	A-1, Skylark Apartment, Satellite Road, Satellite, Ahmedabad - 380 015	30.09.2004	10:00 AM

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 and SEBI (Disclosure and Investor Protection) Guidelines, 2000 for raising of funds through Qualified Institutions Placement was passed at the 20th Annual General Meeting held on September 29, 2006.
- (2) 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 19th Annual General Meeting held on September 30, 2005.

During the year 1 (One) Extra Ordinary General Meeting was held as under and following Special Resolutions passed;

Date of EGM	Time	Venue	Special Resolutions
01/03/2007	11.00 AM	A-1, Skylark Apartment, Satellite Road, Satellite, Ahmedabad - 380 015	1. Issue of Equity shares to non-promoters on preferential basis 2. Issue of warrants to Promoter group company on preferential basis 3. Delisting of equity shares from Ahmedabad Stock Exchange Ltd.

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

Postal Ballot

During the year, two Special 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.

1. Shifting of Registered Office outside local limits

Special Resolution pursuant to Section 146(2) of the Companies Act, 1956, for shifting of Registered Office of the Company from Survey No. 72, Village: Palodia, Tal: Kalol, Dist: Gandhinagar 382 115 to A-1, Skylark Apartment, Satellite Road, Satellite, Ahmedabad 380 015 was put through postal ballot and the result of the same was declared on 25th October, 2006 at the registered office of the company as per the report of scrutinizer.

1	Number of valid postal ballot forms received	110
2	Votes in favour of the Resolution	2615205
3	Votes Against the Resolution	1975
4	Number of invalid postal ballots form received	8

2. Alteration of Main Object Clause of Memorandum of Association

Special Resolution pursuant to Section 17 of the Companies Act, 1956, for alteration of Main Object Clause of the Memorandum of Association of the Company was put through postal ballot and the result of the same was declared on 29th March, 2007 at the registered office of the Company as per the report of scrutinizer.

1	Number of valid postal ballot forms received	208
2	Votes in favour of the Resolution	2619130
3	Votes Against the Resolution	110
4	Number of invalid postal ballots form received	3

M/s Jignesh A. Maniar & Associates, Company Secretaries conducted both the postal ballot process as scrutinizer appointed by the Board for that purpose.

5. Disclosures:**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.

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

In compliance with the Code, directors and senior management of the Company have affirmed compliance with the Code for year ended on March 31, 2007. A declaration to this effect signed by the Managing Director forms part of this Annual Report.

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.

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 requirements of the listing agreement with the Stock Exchanges as well as regulations and guidelines of SEBI.

6. Means of Communication:

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

The company has its own website www.electrotherm.com, on which the quarterly results are displayed.

Half yearly results are not sent to the shareholders. The management discussion and analysis report is attached with Directors' Report and form part of the Annual Report.

7. General Shareholder Information:**A. Annual General Meeting:**

Date : 25.06.2007
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, 2007
Half yearly Results	:	End October, 2007
Third Quarter Results	:	End January, 2008
Result for the year ending March 31, 2008	:	End April/ June, 2008

**D. Book Closure Date: June 18, 2007 to June 25, 2007
(Both days Inclusive)**

E. Dividend Payment Date: On or after June 25, 2007

F. Listing on Stock Exchange(s):

Your Company's Shares are listed on

Sr. No.	Name of Stock Exchange	Address of Stock Exchange
1	Ahmedabad Stock Exchange Limited	Kamdhenu Complex, Opp. Sahjanand College, Ambawadi, Ahmedabad - 380 015
2	Bombay Stock Exchange Limited,	Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400 001.
3	Madhya Pradesh Stock Exchange Ltd	201, Palika Plaza, Phase II, M.T. H. Compound, Indore - 452 001

Notes:

1. Application for voluntary delisting of the Securities from Madhya Pradesh Stock Exchange Ltd., Indore is pending from their end since October, 2005.
2. The Company has made application to Ahmedabad Stock Exchange Ltd. for voluntary delisting of equity shares pursuant to Special Resolution passed by members of the Company at their Extra Ordinary General Meeting held on March 1, 2007 and the Ahmedabad Stock Exchange Ltd. vide their letter dated May 4, 2007 informed the Company that the securities will remove from the list of exchange w.e.f. 08.05.2007.
3. The securities of the Company had been delisted from Vadodara Stock Exchange Ltd. w.e.f. July 13, 2006 and from Saurashtra Kutch Stock Exchange Ltd. w.e.f. October 9, 2006.
4. Annual Listing fees for the year 2007 -2008 have been duly paid to the stock exchanges.

G. Stock Code:

- a) Bombay Stock Exchange Ltd : 526608
- b) ISIN with NSDL & CDSL : INE822G01016

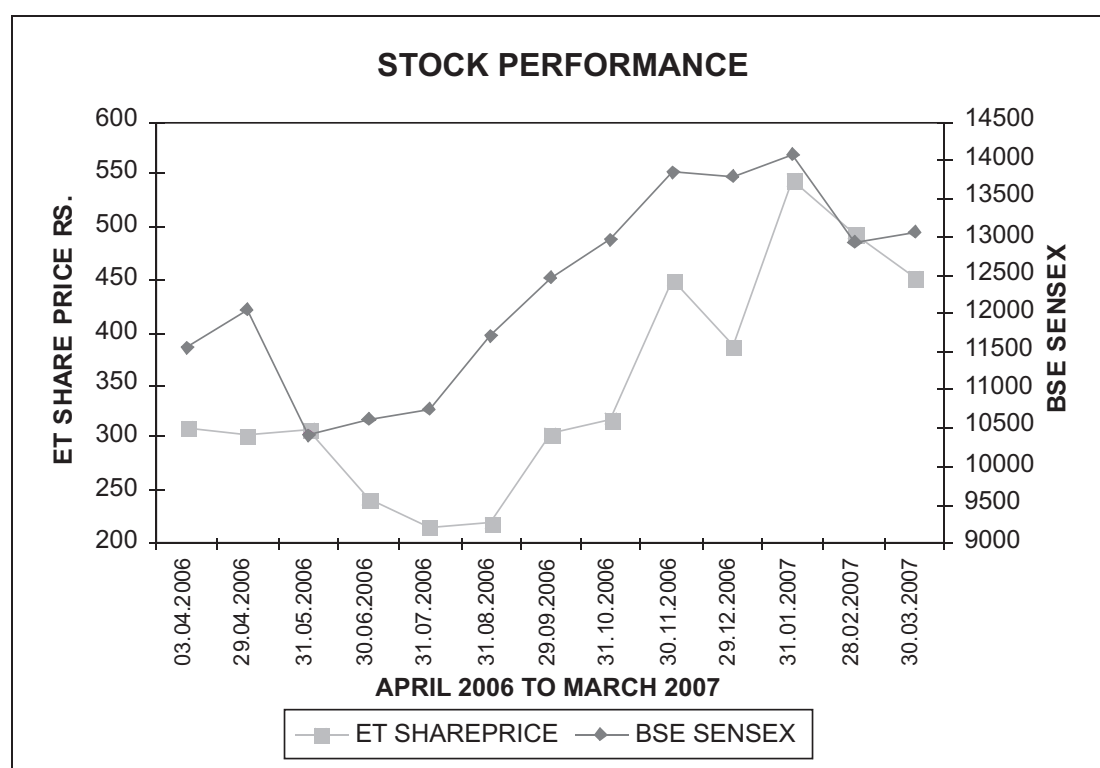
H. Market Price Data:

Market price data of Bombay Stock Exchange Limited, Mumbai for the year 2006 2007 is given below:

Month	Share Price		BSE Sensex	
	High	Low	High	Low
April, 2006	316.90	267.25	12102.00	11008.43
May, 2006	360.45	289.05	12671.11	9826.91
June, 2006	317.90	242.15	10626.84	8799.01
July, 2006	244.00	195.80	10940.45	9875.35
August, 2006	256.90	213.60	11794.43	10645.99
September, 2006	332.00	218.00	12485.17	11444.18
October, 2006	335.30	276.00	13075.85	12178.83
November, 2006	459.95	300.60	13799.08	12937.30
December, 2006	459.95	343.00	14035.30	12801.65
January, 2007	546.15	387.00	14325.92	13303.22
February, 2007	592.00	452.55	14723.88	12800.91
March, 2007	535.00	407.05	13386.95	12316.10

I. Stock Performance:

Performance of share price of ELECTROTHERM in comparison to BSE Sensex for the year 2006-2007 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 March 31, 2007:

Category	No. of Shareholders		No. of Shares	
	Total	% of Shareholders	Total	% of Shares
1 - 500	3471	88.98	385278	4.22
501 - 1000	188	4.82	149199	1.63
1,001 - 2000	100	2.56	154459	1.69
2,001 - 3000	30	0.77	77458	0.85
3,001 - 4000	28	0.72	98904	1.08
4,001 - 5000	14	0.36	64998	0.71
5,001 - 10,000	24	0.62	164989	1.81
10,001 & above	46	1.18	8039423	88.01
Total	3901	100.00	9134708	100.00

L. Categories of Shareholding as on March 31, 2007

Category	No. of Shares	% to Share Capital
Indian Promoters	2726075	29.84
Banks, Financial Institutions, Insurance Company etc.	150100	1.64
Mutual Funds & UTI	64698	0.71
Private Corporate Bodies	1234536	13.51
NRIs /OBCs	108435	1.19
FIIs	159683	1.75
Foreign Companies	2000000	21.89
Trusts	1368333	14.98
Indian Public	1322848	14.48
Total	9134708	100.00

M. Dematerialisation of shares and liquidity

The shares of the company are under compulsory trading in demat form. Total 37,78,426 equity shares representing 41.36% were held on demat form and balance 53,56,282 equity shares representing 58.64% were in physical form as on March 31, 2007.

Shares of your company are regularly traded and are included in Group "B2" category of shares of Bombay Stock Exchange Limited.

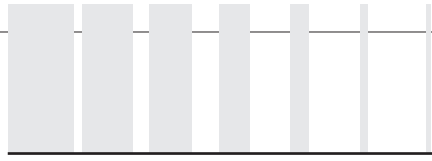
N. Outstanding GDRs/ADRs/Warrants or Convertible instruments, conversion date and likely impact on the equity:

During the year 30,00,000 warrants issued and allotted by the Company on September, 2005 were converted into 30,00,000 equity shares of Rs. 10/- each.

Further, 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.

After conversion of all the warrants, paid up capital will stand increased to 1,01,09,708 equity shares of Rs. 10/- each amounting to Rs. 1010.97 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 March 31, 2007.

Date: 7th May 2007
Place: Ahmedabad

SHAILESH BHANDARI
Managing Director

AUDITOR'S CERTIFICATE

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 31/03/2007, 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.

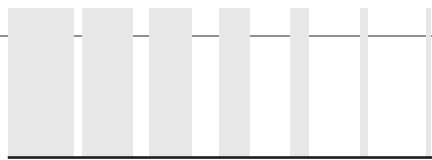
In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, We certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing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

Date: 7th May, 2007
Place: Ahmedabad

Sd
Prakash D.Shah
Partner
Membership No. 34363



AUDITOR'S REPORT

To,
The Members
ELECTROTHERM (INDIA) LIMITED.
AHMEDABAD

We have audited the attached Balance Sheet of **ELECTROTHERM (INDIA) LIMITED**, as at **31st March, 2007**, 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 (AS-1 to AS- 29) 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 31st, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31st, 2007 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 given to us, subject to **First Note of note no.2(C) of notes to account** relating to, inclusion of value of the products transferred to other division of Rs. 1673.34 lacs (including items of Rs. 1522.65 lacs capitalised), in the gross sales amount, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (a) in the case of balance sheet, of the state of affairs of the company as at 31st March, 2007;
 - (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

Sd
PRAKASH D. SHAH
PARTNER
Membership No.34363

Date : 7th May 2007
Place : Ahmedabad.



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 31ST MARCH, 2007.

- (1) (a) As informed to us, according to the Phased Manner Program of Physical verification of the fixed assets, during the year fixed assets of the Palodia Factory 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.
(B) 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 4 such parties and aggregating amount of Rs.126.45 Lacs and its terms are not stipulated. The total outstanding at the year end is Rs.3.76 Lacs.
(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 4 such parties and aggregating amount of Rs.386.04 Lacs and its terms are not stipulated. The total outstanding at the year end is Rs.0.75 Lacs.
- (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 has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975 with regard to deposits accepted from the public.
- (7) In our opinion, the Company has an Internal Audit Department system, commensurate with the size and nature of its business; 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 and on the basis of explanation given and our broad review of the records maintained, prima facie the company has maintained the 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 31st March, 2007 for a period of more than six months from the date they become payable.
- (c) On the basis of information furnished to us, the following are the details of 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: -

NAME OF THE STATUTORY DUES	FORUM WHERE DISPUTE IS PENDING	UNPAID AMOUNT (Rs. IN LACS)
Custom duty	The Commissioner of Custom	195.86

- (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, 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 Cash Flow Statement and other records examined by us as well as information and explanations given to us on an overall basis, we report that funds raised on short term basis have not prima-facie been used for long term investment.
- (18) The Company has made preferential allotment of warrants convertible in to shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (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.
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 fraud on or by the Company has been noticed or reported during the course of our audit.

For, MEHTA LODHA & CO.
CHARTERED ACCOUNTANTS

Date : 7th May 2007
Place : Ahmedabad.

Sd
PRAKASH D. SHAH
PARTNER
Membership No.34363

ELECTROTHERM (INDIA) LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

PARTICULARS	SCHEDULE NO.	AS AT 31/03/07 Rs. In Lacs	AS AT 31/03/06 Rs. In Lacs
SOURCES OF FUNDS			
SHARE HOLDER'S FUNDS :			
1. SHARE CAPITAL	01	2,113.47	1,676.64
2. SHARE APPLICATION MONEY AND SHARE WARRANTS	1A	585.00	1,503.20
3. RESERVES & SURPLUS	02	19,182.05	2,691.74
		21,880.52	5,871.58
DEFERRED TAX LIABILITY :		2,556.67	1,428.67
LOAN FUNDS :			
1. SECURED LOANS	03	30,811.47	18,278.56
2. UNSECURED LOANS	04	7,801.51	3,128.47
		38,612.98	21,407.03
TOTAL		63,050.17	28,707.28
APPLICATIONS OF FUNDS			
FIXED ASSETS :			
1. GROSS BLOCK	05	31,008.21	16,662.86
2. LESS : DEPRECIATION		3,166.87	1,389.65
3. NET BLOCK		27,841.34	15,273.21
4. CAPITAL WORK-IN-PROGRESS		9,732.93	3,626.95
INVESTMENTS :	06	6.74	6.74
CURRENT ASSETS, LOANS AND ADVANCES :			
1. INVENTORIES	07	20,286.32	7,498.95
2. SUNDRY DEBTORS	08	13,859.38	6,220.59
3. CASH & BANK BALANCES	09	4,104.20	2,121.74
4. LOANS & ADVANCES	10	4,867.35	2,422.75
		43,117.25	18,264.03
LESS : CURRENT LIABILITIES AND PROVISIONS :			
1. CURRENT LIABILITIES	11	17,818.46	8,075.22
2. PROVISIONS	12	1,055.72	552.19
		18,874.18	8,627.41
NET CURRENT ASSETS :		24,243.07	9,636.62
MISCELLANEOUS EXPENDITURES :			
(TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)	13	1,226.09	163.76
TOTAL		63,050.17	28,707.28
NOTE TO THE ACCOUNTS	21		

As per our even date report attached

For MEHTA LODHA & CO.,
Chartered Accountants

Sd
PRAKASH D. SHAH
Partner

Date : 7th May , 2007
Place : Ahmedabad

For and on behalf of Board of Directors

Sd
SHAILESH BHANDARI
Managing Director

Sd
HARISH SHARMA
Director

Sd
ASHWIN PATEL
Company Secretary

ELECTROTHERM (INDIA) LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH, 2007

PARTICULARS	SCHEDULE NO.	2006-07 Rs.In Lacs	2005-06 Rs.In Lacs
INCOME			
SALES & OTHER OPERATIONAL INCOME	14	73,088.65	34,472.10
OTHER INCOME	15	318.66	183.60
INCREASE IN STOCKS	16	2,553.76	973.59
		75,961.07	35,629.29
EXPENDITURE			
MATERIAL COST		48,766.28	25,053.80
MANUFACTURING EXPENSES	17	10,811.52	3,377.99
EMPLOYEES REMUNERATION	18	1,659.61	955.31
ADMINISTRATIVE, SELLING & GENERAL EXPENSES	19	3,241.83	1,624.58
FINANCIAL EXPENSES	20	3,502.97	922.66
		67,982.21	31,934.34
PROFIT BEFORE DEPRECIATION AND R & D EXPENSES		7,978.86	3,694.95
RESEARCH & DEVELOPMENT EXPENSES		61.97	69.93
PROFIT BEFORE DEPRECIATION		7,916.89	3,625.02
DEPRECIATION		1,784.50	704.61
PROFIT AFTER DEPRECIATION		6,132.39	2,920.41
PROVISION FOR TAX		650.00	266.14
PROVISION FOR FRINGE BENEFIT TAX		34.04	26.49
PROVISION FOR DEFERRED TAX - CURRENT YEAR		1,128.00	748.43
NET PROFIT FOR THE YEAR		4,320.35	1,879.35
PRIOR PERIOD ADJUSTMENT- INCOME/(EXPENSES)		14.78	(694.92)
PROFIT AFTER PRIOR PERIOD ADJUSTMENT		4,335.13	1,184.43
BALANCE BROUGHT FORWARD		2,310.62	1,513.69
TRANSFER TO GENERAL RESERVE		1,000.00	200.00
PROPOSED DIVIDEND			
EQUITY SHARES		182.69	95.33
PREFERENCE SHARES		72.00	69.11
TAX ON PROPOSED DIVIDEND		43.30	23.06
		297.99	187.50
BALANCE CARRIED TO BALANCESHEET		5,347.76	2,310.62
Basic Earnings per share (Rs.)		82.57	37.78
Diluted Earnings per share (Rs.)		82.50	35.54
Refer Note No.12 of Schedule 21			
Nominal value of Equity Share (Rs.)		10.00	10.00
NOTE TO THE ACCOUNTS	21		

As per our even date report attached

For MEHTA LODHA & CO.,
Chartered Accountants

Sd
PRAKASH D. SHAH
 Partner
 Date : 7th May , 2007
 Place : Ahmedabad

For and on behalf of Board of Directors

Sd
SHAILESH BHANDARI
 Managing Director

Sd
HARISH SHARMA
 Director

Sd
ASHWIN PATEL
 Company Secretary

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	AS AT 31/03/07 Rs.In Lacs	AS AT 31/03/06 Rs.In Lacs
SCHEDULE : 01		
SHARE CAPITAL AUTHORISED		
250,00,000 EQUITY SHARES OF RS.10/- EACH	2,500.00	2,500.00
250,00,000 6% NON - CUMULATIVE REDEEMABLE PREFERENCE SHARES OF RS.10/- EACH	2,500.00	2,500.00
ISSUED, SUBSCRIBED & PAID UP		
1. EQUITY SHARES		
91,34,708 (PREVIOUS YEAR 47,66,375) EQUITY SHARES OF RS.10/- EACH FULLY PAID UP (OUT OF ABOVE SHARES 9,53,275 SHARES ARE ALLOTTED ON 13-11-1995 AS FULLY PAID UP BONUS SHARES BY CAPATALISING GENERAL RESERVE AND PROFIT & LOSS ACCOUNT)	913.47	476.64
2. PREFERENCE SHARES		
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 EARLIER THAN 2 YEARS(P.Y.10 YEARS) BUT NOT LATER THAN 20 YEARS FROM THE DATE OF THEIR ISSUE)	1,200.00	1,200.00
TOTAL	2,113.47	1,676.64
SCHEDULE : 1A		
SHARE APPLICATION MONEY AND SHARE WARRANTS		
1. PREFERENCE SHARES APPLICATION MONEY	0.00	1,000.00
2. EQUITY SHARE WARRANTS	585.00	503.20
9,75,000 (P.Y. 30,00,000) PARTLY PAID SHARE WARRANTS OF RS.600/- EACH (PREVIOUS YEAR RS.156/-) TO BE CONVERETED INTO EQUITY SHARE OF RS. 10/- EACH AT A PREMIUM OF RS. 590/- (PREVIOUS YEAR .RS.146/-).		
TOTAL	585.00	1,503.20
SCHEDULE : 02		
RESERVES & SURPLUS		
1. CAPITAL RESERVE		
AS PER LAST BALANCE SHEET	91.13	91.13
2. SHARE PREMIUM ACCOUNT -ADDITION DURING THE YEAR	12,453.16	0.00
3. GENERAL RESERVE		
AS PER LAST BALANCE SHEET	290.00	90.00
ADD : TRANSFER FROM PROFIT & LOSS ACCOUNT	1,000.00	200.00
TOTAL	1,290.00	290.00
4. PROFIT & LOSS ACCOUNT	5,347.76	2,310.61
TOTAL	19,182.05	2,691.74
SCHEDULE : 03		
SECURED LOANS		
1. WORKING CAPITAL LOANS FROM BANKS	5,532.29	5,575.04
(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)		
2. TERM LOAN FROM BANKS	25,198.36	12,619.73
(SECURED BY FIRST CHARGE BY WAY OF EQUITABLE MORTGAGE OF ALL IMMOVABLE PROPERTIES AND HYPOTHECATION OF SPECIFIED MOVBLE 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 SOME OF THE DIRECTORS)		
3. VEHICLE & HOME LOANS	74.66	77.22
(HYPOTHECATION OF SPECIFIC VEHICLES IN CASE OF VEHICLE LOANS AND MORTGAGE OF BUILDING PREMISES FOR HOME LOANS)		
4. SALES TAX DEFERMENT	6.16	6.57
(AMOUNT DUE WITHIN ONE YEAR RS.6.16 LACS/- .P.Y.0.41 Lacs)		
TOTAL	30,811.47	18,278.56

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	AS AT 31/03/07 Rs.In Lacs	AS AT 31/03/06 Rs.In Lacs
SCHEDULE : 04		
UNSECURED LOANS		
1 SHORT-TERM LOANS & ADVANCES		
A. FROM BANKS	3,467.63	0.00
B. OTHERS	1,795.34	0.00
2 OTHER LOANS,ADVANCES & DEPOSITS		
A. DIRECTORS	4.53	129.57
B. CUSTOMERS,STAFF & OTHERS	2,534.01	2,998.90
TOTAL	7,801.51	3,128.47

**SCHEDULE : 05
FIXED ASSETS**

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	OPENING BALANCE	ADDITION DURING THE YEAR	DEDUCTION DURING THE YEAR	CLOSING BALANCE	OPENING BALANCE	PROVIDED DURING THE YEAR	DEDUCTION DURING THE YEAR	CLOSING BALANCE	AS AT 31.03.07	AS AT 31.03.06
1. FREE HOLD LAND	46.36	64.84		111.20					111.20	46.36
2. LEASEHOLD LAND	24.68			24.68					24.68	24.68
3. BUILDING	4,828.85	2,490.05	55.00	7,263.90	307.16	183.85	4.08	486.93	6,776.97	4,521.69
4. PLANT AND MACHINERY	10,876.61	11,569.04		22,445.65	797.93	1,540.08		2,338.01	20,107.64	10,078.68
5. FURNITURE AND FIXTURES	227.53	132.51		360.04	84.90	16.49		101.39	258.65	142.63
6. VEHICLES	365.91	158.33	14.42	509.82	67.04	30.82	3.20	94.66	415.16	298.87
7. WIND MILL DIVISION										
[A] FREE HOLD LAND	46.42			46.42					46.42	46.42
[B] PLANT AND MACHINERY	246.50			246.50	132.62	13.26		145.88	100.62	113.88
TOTAL	16,662.86	14,414.77	69.42	31,008.21	1,389.65	1,784.50	7.28	3,166.87	27,841.34	15,273.21
PREVIOUS YEAR	7,835.47	8,827.87	0.48	16,662.86	685.04	704.61		1,389.65	15,273.21	7,150.42

SCHEDULE : 06		
INVESTMENTS		
A) UNQUOTED :		
1. 6540 (PREVIOUS YEAR 6540) SHARES OF RS.25 EACH OF SIDDHI CO.OP BANK LTD	1.64	1.64
2. NATIONAL SAVING CERTIFICATES	0.10	0.10
B) QUOTED :		
1. 48,999 (PREVIOUS YEAR 48,999) UNITS OF PNB MUTUAL FUND (MARKET VALUE OF QUOTED SHARES RS 5.36 LACS PREVIOUS YEAR RS 5.00 LACS)	5.00	5.00
TOTAL	6.74	6.74
SCHEDULE : 07		
INVENTORIES		
[AS VERIFIED, VALUED & CERTIFIED BY THE MANAGEMENT]		
1. STORES, SPARES & FUEL	975.71	426.89
2. RAW MATERIALS	13,931.41	4,240.42
3. WORK IN PROCESS	3,140.66	2,269.65
4. FINISHED GOODS	2,058.78	376.03
5. GOODS IN TRANSIT	179.76	185.96
TOTAL	20,286.32	7,498.95
SCHEDULE : 08		
SUNDRY DEBTORS		
[UNSECURED CONSIDERED GOOD]		
1. MORE THAN SIX MONTHS	1,188.88	952.16
2. OTHERS	12,670.50	5,268.43
TOTAL	13,859.38	6,220.59

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

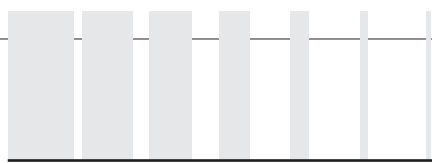
PARTICULARS	AS AT 31/03/07 Rs. In Lacs	AS AT 31/03/06 Rs. In Lacs
SCHEDULE : 09		
CASH & BANK BALANCES		
1. CASH ON HAND	19.35	21.25
2. BALANCE WITH SCHEDULED BANK IN		
[A] CURRENT ACCOUNT	873.19	149.14
[B] FIXED DEPOSITS	3,158.17	1,932.51
[C] INTEREST RECEIVABLE ON FIXED DEPOSITS	53.48	17.93
3. BALANCE WITH NON-SCHEDULED BANK IN		
[A] CURRENT ACCOUNT WITH SIDDHI CO-OPERATIVE BANK	0.01	0.91
MAXMIUM BALANCE DURING THE YEAR IS RS.0.91 LACS (P.Y. RS. 0.91 Lacs.)		
TOTAL	4,104.20	2,121.74
SCHEDULE : 10		
LOANS & ADVANCES [UNSECURED CONSIDERED GOOD]		
1. ADVANCES RECOVERABLE IN CASH OR IN KIND FOR VALUE TO BE RECEIVED	384.14	1,002.72
2. ADVANCE INCOME TAX & FRINGE BENEFIT TAX	517.42	110.01
3. BALANCE/ RECEIVABLE - EXCISE & OTHER GOVT. DEPT.	2,661.48	508.00
4. SUNDRY DEPOSITS	1,304.31	802.02
TOTAL	4,867.35	2,422.75
SCHEDULE : 11		
CURRENT LIABILITIES		
1. SUNDRY CREDITORS	17,767.15	7,991.97
2. STATUTORY LIABILITIES	51.31	83.25
TOTAL	17,818.46	8,075.22
SCHEDULE : 12		
PROVISIONS		
1. INCOME TAX	684.04	292.63
2. EMPLOYEE'S UNAVAILED LEAVE	62.98	51.19
3. PROPOSED DIVIDEND (INCLUDING DIVIDEND TAX)	297.99	187.50
4. GRATUITY	10.71	20.87
TOTAL	1,055.72	552.19
SCHEDULE : 13		
MISCELLANEOUS EXPENDITURES (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)		
1. PRELIMINARY EXPENSES	233.85	12.01
2. DEFFERED REVENUE EXPENDITURE	827.49	92.15
3. PRODUCT DEVELOPMENT COST	164.75	59.60
TOTAL	1,226.09	163.76

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	2006-07 Rs. In Lacs	2005-06 Rs. In Lacs
SCHEDULE : 14		
SALES & OTHER OPERATIONAL INCOME		
1. GROSS SALES	73,722.08	36,399.26
2. SALE OF ELECTRICITY POWER GENERATION	21.08	16.68
3. TECHNICAL KNOW-HOW & SERVICE INCOME	910.18	348.11
TOTAL	74,653.34	36,764.05
LESS : EXCISE DUTY	1,564.69	2,291.95
TOTAL	73,088.65	34,472.10
SCHEDULE : 15		
OTHER INCOME		
1. INTEREST INCOME (GROSS) [T.D.S RS. 32.16 LACS (PREVIOUS YEAR RS.5.81 LACS)]	146.17	33.08
2. RENT INCOME(GROSS) [T.D.S RS. 1.33 LACS (PREVIOUS YEAR RS.NIL)]	6.96	0.00
3. NET FOREIGN EXCHANGE FLUCTUATION	70.71	13.81
4. PROFIT ON SALE OF FIXED ASSETS	0.87	0.01
5. MISCELLANEOUS INCOME	93.95	136.70
TOTAL	318.66	183.60
SCHEDULE : 16		
INCREASE IN STOCK		
OPENING STOCK OF WORK IN PROCESS	2,269.65	1,672.09
OPENING STOCK OF FINISHED GOODS	376.03	0.00
TOTAL	2,645.68	1,672.09
LESS : CLOSING STOCK OF WORK IN PROCESS	3,140.66	2,269.65
LESS : CLOSING STOCK OF FINISHED GOODS	2,058.78	376.03
TOTAL	5,199.44	2,645.68
TOTAL	2,553.76	973.59
SCHEDULE : 17		
MANUFACTURING EXPENSES		
1. JOB CHARGES	1,219.99	856.04
2. POWER & FUEL	6,089.12	2,119.93
3. STORES CONSUMPTION	3,412.84	306.59
4. REPAIRS & MAINTENANCE		
[A] MACHINERY	59.98	58.16
[B] BUILDING	13.03	17.90
[C] OTHERS	16.56	19.37
TOTAL	10,811.52	3,377.99
SCHEDULE : 18		
EMPLOYEES REMUNERATION		
1. SALARY, WAGES & BONUS	1,535.98	876.12
2. STAFF & LABOUR WELFARE	44.38	32.74
3. CONTRIBUTION TO PROVIDENT FUND & OTHER FUNDS	79.25	46.45
TOTAL	1,659.61	955.31

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	2006-07 Rs. In Lacs	2005-06 Rs. In Lacs
SCHEDULE : 19		
ADMINISTRATIVE, SELLING & GENERAL EXPENSES		
1. POST-TELEPHONE & FAX EXPENSES	115.78	87.01
2. PRINTING & STATIONERY	57.33	31.94
3. VEHICLE EXPENSES	71.57	37.80
4. CONVEYANCE EXPENSES	14.55	9.28
5. HIRE-LEASE-RENT CHARGES	34.64	27.49
6. SECURITY CHARGES	31.70	26.83
7. INSURANCE PREMIUM	76.31	42.71
8. SUBSCRIPTION & MEMBERSHIP	9.32	2.57
9. CONSULTATION & LEGAL EXPENSES	420.43	70.93
10. RATES & TAXES	36.40	23.16
11. TRAVELLING EXPENSES	431.25	299.27
12. SALES COMMISSION	160.15	133.25
13. ADVERTISING & SALES-DEVELOPMENT EXPENSES	370.73	63.85
14. FREIGHT OUT WARD EXPESNES	1,079.25	626.05
15. DONATION	8.69	1.03
16. SUNDRY BALANCES WRITTEN OFF	1.75	0.05
17. MISCELLANEOUS EXPENSES	304.08	129.65
18. PRELIMINARY EXPENSES WRITTEN OFF	17.90	11.71
TOTAL	3,241.83	1,624.58
SCHEDULE : 20		
FINANCIAL EXPENSES		
1. INTEREST ON WORKING CAPITAL	1,070.24	383.51
2. INTEREST ON TERM LOAN	1,241.48	281.58
3. INTEREST TO OTHERS	27.35	27.97
4. BANK CHARGES	1,163.90	229.60
	3,502.97	922.66

**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 excise exemption is availed) but includes, export incentives and inter-division sales. 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:

Investments 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. Any exchange gains or losses arising out of the subsequent fluctuation are accounted for in the Profit & Loss Account except those relating to acquisition of fixed assets, which are adjusted in the cost of the respective fixed assets.



(ix) TAXES ON INCOME :

Current tax is determined as the amount of tax payable in respect of taxable income of the year.

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 not recognized on unabsorbed depreciation and carry forward of losses unless 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 5 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 15 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.

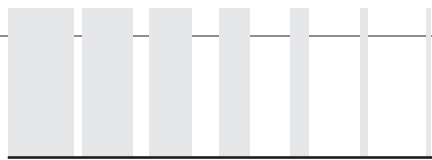
(Xiv) PROVISIONS AND CONTINGENT LIABILITIES:

- 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.
- Contingent Liabilities are disclosed after a careful evaluation of facts and legal aspects of the matter involved.
- 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:

- 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 AND PRODUCTION:

PARTICULARS	UNIT	Current Year		Previous Year	
		Installed Capacity	Actual Production	Installed Capacity	Actual Production
Electronic Furnaces, Induction Heating Equipment & Others	No.	350	278	330	281
Electricity Power Generation	Units	500KW	439142	500 KW	347475
Pig Iron / Billets / Bars / Cast Iron Pipes	M. Ton	322000	153791	160,000	75557
Battery Operated Vehicles	No.	150000	30618	50000	1176

B. OPENING AND CLOSING STOCK OF FINISHED GOODS.

Particulars Units		Opening stock				Closing Stock			
		Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
			Rs. Lacs		Rs. Lacs		Rs. Lacs		Rs. Lacs
		Current Year		Previous Year		Current Year		Previous Year	
(a)	Pig Iron / Billets / Bars / Cast Iron Pipes M. Ton	1451	337.55	-	-	3743	1796.03	1451	337.55
(b)	Battery Operated Vehicles & Spares Nos.	300	38.48	-	-	1151	262.75	300	38.48
TOTAL			376.03	-	-		2058.78		376.03



C. GROSS SALES AND OTHER OPERATIONAL INCOME:

PARTICULARS	UNIT	Current Year		Previous Year	
		Qty.	Rupees Lacs	Qty.	Rupees Lacs
Electronic Furnaces, Induction Heating Equipment & Others *	No.	278	11241.06	281	15698.03
Pig Iron / Billets / Bars / Cast Iron Pipes* #	M. Ton	151499	51989.86	74106	16701.62
Battery Operated Vehicles	No.	29767	6614.21	876	182.49
Electricity Power Generation	Units.	439142	21.08	347475	16.68
Spares / Up Gradation Income & Misc. Sale			2312.26		1525.16
Technical Fees & Service income			910.18		348.12
Net Sales & Other Operational Income			73088.65		34472.10
Excise Duty			1564.69		2291.95
Gross Sales & Other Operational Income			74653.34		36764.05

* Sales include inter-division/internal transfers of Bars, Furnaces and other materials utilized by Kutch (Gujarat) Project for the purpose of capital assets-Rs.1522.65 lacs (Previous year Rs.2189.06 lacs) and spares of Rs 150.69 Lacs (Previous Year Rs. Nil).

Includes Excise Duty, Sales tax collected under Excise Duty and Sales Tax Exemption Schemes for Kutch Unit (Gujarat).

D. DETAILS OF RAW MATERIAL CONSUMED:

PARTICULARS	UNIT	Current Year		Previous Year	
		Quantity	Rupees Lacs	Quantity	Rupees Lacs
Scrap, Nickel and others	MT	82694	19066.50	54509	8037.53
Sponge	MT	50787	5401.85	23381	2959.42
Battery operated vehicles kits and spares	Nos.	30764	5051.41	1298	168.09
Other Materials*			19246.52		13888.76
Total			48766.28		25053.80

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

E. VALUE OF IMPORTS CALCULATED ON CIF BASIS:

PARTICULARS	Current Year	Previous year
	Rupees Lacs	Rupees Lacs
Raw Materials	8454.99	5098.70
Stores	132.64	107.85
Capital Goods	319.70	200.04
Total	8907.33	5406.59

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

PARTICULARS	Current Year		Previous Year	
	Rs. Lacs	%	Rs. Lacs	%
Raw Materials				
(i) Imported	6822.86	13.99%	6021.41	24.03%
(ii) Indigenous	41943.42	86.01%	19031.39	75.97%
Total	48766.28	100.00%	25053.80	100.00%
Stores & Spares				
(i) Imported	116.16	3.40%	43.68	14.25%
(ii) Indigenous	3296.68	96.60%	262.91	85.75%
Total	3412.84	100.00%	306.59	100.00%

G. DIRECTOR'S REMUNERATION :

PARTICULARS	Current Year Rupees in Lacs	Previous Year Rupees in Lacs
(i) Salary	70.74	26.92
(ii) Contribution to Provident & other funds	8.49	3.23
(iii) Other Allowances	42.44	16.15
Total	121.67	46.30

H. STATUTORY AUDITOR'S REMUNERATION

PARTICULARS	Current Year Rupees In Lacs	Previous Year Rupees in Lacs
(i) Audit Fees	3.34	2.81
(ii) Tax Audit Fees	0.37	0.28
(iii) Other Matters	1.37	0.57
Total	5.08	3.66

I. TOTAL FOREIGN EXCHANGE EARNING & OUTGO:

- (i) Earning in Foreign Exchange for Export of Goods & Services: Rs. 4868.08 Lacs (Rs.4029.00 Lacs in Previous Year)
- (ii) Expenditures in Foreign Currency for Import of Materials, Traveling & Others: Rs.4926.84 Lacs (Rs. 3926.54 Lacs 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 Loans Funds, Current Liabilities, Letter of Credits/Buyers Credit, Bank Fixed Deposit/Margin Money, Debtors and Loan & Advances are subject to confirmation/reconciliation and the amount of Sundry Debtors & Creditors are stated on net basis, on the basis of control account, and accordingly the same are subject to necessary adjustments or re-grouping/classification.
- 4.** Deferred Revenue expenditure includes research and development expenses of Rs. 164.75 lacs 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. Sundry debtors include Rs. Nil (Previous year: 11.56 lacs) and loans & advances includes Rs. 0.75 lacs (Previous year: Rs. 322.11 lacs) amount due from the concerns in which directors are interested.

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. Lacs)

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
SEGMENT REVENUE		
Engineering & Projects Division-Palodia & Kutch*	16561.15	17,285.38
Steel, Engineering & D.I. Pipe Division- Kutch *	49633.61	16,998.00
Electric Vehicle Division	6893.90	188.72
Total Revenue	73088.66	34,472.10
SEGMENT PROFIT BEFORE TAX AND INTEREST		
Engineering & Projects Division-Palodia & Kutch	3190.06	2,077.96
Steel, Engineering & D.I. Pipe Division-Kutch	5399.70	1,750.71
Electric Vehicle Division	1045.60	10.79
Profit Before Interest, Tax & Prior Period Adj.	9635.36	3,839.46
Less: FINANCIAL EXPENSES	3502.97	919.05
Less : Provision for Tax (inc. deferred tax)	1812.04	1041.06
Net Profit After Tax	4320.35	1879.35
OTHER INFORMATION		
Segment Assets		
Engineering & Projects Division-Palodia	11642.66	8990.41
Steel, Engineering & D.I. Pipe Division-Kutch	63068.83	27212.45
Electric Vehicle Division	5986.73	968.08
Total Segment Assets	80698.22	37170.94
Segment Liabilities		
Engineering & Projects Division-Palodia	7658.52	7886.17
Steel, Engineering & D.I. Pipe Division-Kutch	43984.95	21380.65
Electric Vehicle Division	4895.70	313.98
Un-allocable Liabilities & Provisions	947.99	453.64
Total Segment Liabilities	57487.16	30034.44
Segment Depreciation		
Engineering & Projects Division-Palodia	131.08	102.76
Steel, Engineering & D.I. Pipe Division-Kutch	1644.69	596.81
Electric Vehicle Division	8.73	5.04
Total Depreciation	1784.50	704.61
Segment Capital Expenditure		
Engineering & Projects Division-Palodia	629.78	140.56
Steel, Engineering & D.I. Pipe Division-Kutch	19161.01	11910.62
Electric Vehicle Division	660.52	403.16
Total Capital Expenditure	20451.31	12454.34

* Segment Revenue includes inter-division/internal transfers of Bars, Furnaces and other materials utilized by Kutch (Gujarat) Project for the purpose of capital assets-Rs.1522.65 lacs (Previous year Rs.2189.06 lacs) and spares of Rs 150.69 Lacs (Previous Year Rs. Nil).

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	2006-07 (Rs. Lacs)	2005-2006 (Rs. Lacs)
India	67937.28	30361.07
Overseas	5151.37	4111.03
Total	73088.65	34472.10

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

- Ahmedabad Aviation & Aeronautics Ltd.
- Faraday Shop
- Palace Tour & Air Charter Pvt. Ltd.
- Western India Speciality Hospital Ltd.
- Mangalam Information Technology Ltd.
- Liberty Finance Leasing Co. Pvt. Ltd.
- E-Motion Power Pvt. Ltd.
- Indus Elec-Trans Pvt. Ltd.
- Shubham Agenices Pvt. Ltd.
- Magnum Limited.
- Alwar Trading and Investment Company
- Afghan Trading Pvt. Ltd.
- Bhandari Brothers Commercial Pvt. Ltd.
- Palanpur Reality Developers Pvt. Ltd.
- Jay Shree Petro Yarn Pvt. Ltd.
- United Co – Operative Bank Limited
- Shubh Labh Consultancy Pvt. Ltd.
- Sahajanand Laser Technology Ltd.

II) KEY MANAGEMENT PERSONNEL:

- Mr. Mukesh Bhandari, (Chairman)
- Mr. Shailesh Bhandari, (Managing Director)
- Mr. Harish Sharma, (Whole-time Director)
- Mr. Narendra Dalal, (Whole-time Director)
- Mr. Avinash Bhandari, (Whole-time Director)

III) RELATIVES OF KEY MANAGEMENT PERSONNEL:

Where transaction has taken place.

- Smt. Indubala Bhandari
- Dr. Nagesh Bhandari.
- Mrs. Ritu Bhandari
- Mrs. Jyoti Bhandari
- Mrs. Reemadevi Bhandari
- Mr. Rakesh Bhandari

Transaction with Related Parties

SN	Nature of Relationship	Current Year			Previous Year		
		Associates Rs. Lacs	Key Management Personnel Rs. Lacs	Relatives of Key Management Personnel Rs. Lacs	Associates Rs. Lacs	Key Management Personnel Rs. Lacs	Relatives of Key Management Personnel Rs. Lacs
1	Purchase of Raw Materials				287.03	-	-
2	Purchase of Capital Goods	-	-	-	4.81	-	-
3	Sale of Fixed Asset	-	-	55.00	-	-	-
4	Loans Received	662.91	1013.00	25.15	42.43	335.00	625.02
5	Loans Payments	391.48	226.35	180.46	489.76	337.61	272.53
6	Rent Paid	-	1.10	1.14	-	1.02	4.26
7	Rent Received	11.88	-	-	-	-	-
8	Directors Remuneration (Please refer note No.4 of notes to accounts)	-	121.67	-	-	46.30	-
9	Credit Balance Outstanding as on 31 st March	-	3.53	0.23	247.01	129.57	380.54
10	Debit Balance Outstanding as on 31 st March	0.75	-	-	433.77	-	-

8. The Company has determined Pre-Operative Expenditure (including borrowing cost) of Rs. 1217.36 Lacs (Previous year: Rs. 1812.96 Lacs) 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 of Rs. 1128.00 lacs (P.Y. Rs.748.43 Lacs.) has been provided.

10. CONTINGENT LIABILITIES :

The Company is liable for following contingent liabilities:-

- (I) Disputed Income Tax liability of Rs.53.81 Lacs (Rs.53.81 Lacs Previous year).
- (ii) Disputed Custom Duty liability of Rs. 195.86 lacs. (Previous Year: Nil)
- (iii) Guarantees / Counter guarantees (including un-utilized Letters of Credit) issued Rs. 3739.49 Lacs (Rs. 3432 Lacs in Previous year).
- (iv) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 300.65 lacs. (P.Y. Rs. 859 Lacs.).
- (v) The company is contingently liable for the pending disputed labour matters and the amount of which is unquantifiable.

11. DUES TO SMALL SCALE INDUSTRIES CREDITORS:

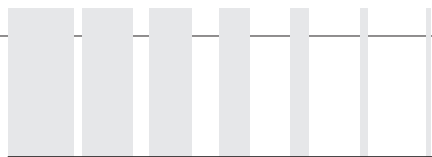
On the basis of data available with the company, the name of the Small Scale Industrial undertakings (SSI) to whom the Company owes a sum exceeding Rupees One Lacs for more than 30 days are as follows:-

(SAI GLASSES, MANIKJI METACHEM, SHILA ACIDES, APALA MINECHEM, NAV DURGA CHROMATIES PVT. LTD., KARINA ENTERPRISES, OPTIMUM ENGINEERING, PRESSUREJET SYSTEMS P. LTD., VIRAL TRADERS, POWER SWITCHGEARS, SARTH ENGINEERS, V- SMART THERMOTECH PVT.LTD, NATIONAL RUBBER INDUSTRIES, V.R. COATING PVT. LTD., VARUN TRADERS, UMIYA MINERALS, SHELL EXTRUDERS, AJAY ENGINEERS,AISHI.ONI COPPER ALLOYS PVT. LTD, SUN ENTERPRISE,PRIYANKA ENTERPRISES,PADMINI INDUSTRIES LIMITED,VALCON ENGINEERS,MORAKHIA METAL & ALLOYS (P) LTD.,RAJAT PRODUCTS PVT. LTD.,HEM INDUSTRIES,AARADJKE ENGINEERING ENTERPRISE,POWER THERM CAPACITORS (I) PVT LTD.,MULTISPAN INSTRUMENTS COMPANY, P. BHATTACHARYA ELECTRONICS,SUNFLAG IRON & STEEL CO LTD,BHARATI ELECTRICALS,MAHESHWARI METAL TECHNOLOGIES,AJANTA ENGINEERING WORKS,CHAUHAN ENGINEERING CO.,NOBLE REFRACTORIES,ATLAS CABLE INDUSTRIES, ARCO INDUSTRIES, REAL HYDRAULICS, KIYOSH ELECTRONICS, AGNI FIBER BOARDS PVT. LTD., SHREE KHODIYAR ENGINEERS & FABRICATORS, ASMI PUMPS INDUSTRIES, HEAVY METAL & TUBES LTD., KHAN & SIROHI ELECTROMECHANICAL, MIDAS RUBBER & PLASTIC PRODUCTS, DIPALI INDUSTRIES, SHREE VAGHESHWARI ENTERPRISE, POWER THERM CAPACITOR (I) PVT. LTD., OM ENGINEERS & TRADERS, DIVINE POWER, SHREE UMIYA TIMBER MART, JIGAR ENTERPRISE)

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.

EPS CALCULATION *	Year ended 31 st March 2007	Year ended 31 st March 2006
Profit attributable to the Equity Shareholder (Before prior period expenses) Rs. Lacs	4236.11	1800.54
Basic/ Weighted average number of Equity Shares outstanding during the year	5130466	4766375
Nominal value of Equity share (Rs.)	10.00	10.00
Basic Earning per Share (Rs.)	82.57	37.78
Diluted earning per share (Rs.)	82.50	35.54
Basic EPS before deferred tax (Rs.)	104.85	53.48
Diluted EPS before deferred tax (Rs.)	104.76	50.31
Basic EPS After Prior period Adjustments (Rs.)	82.86	23.20
Diluted EPS After Prior period Adjustments (Rs.)	82.79	21.82



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* Diluted EPS has been calculated on Equity Shares 5,134,740 after considering 10% application money received against partly paid share warrants.

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

Sd
PRAKASH D. SHAH
Partner

Date: 7th May, 2007
Place: Ahmedabad

For and on behalf of Board of Directors

Sd
SHAILESH BHANDARI
Managing Director

Sd
ASHWIN PATEL
Company Secretary

Sd
HARISH SHARMA
Director

ADDITIONAL INFORMATION PURSEANT TO THE PROVISION OF PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 :

BALANCE SHEET ABSTRACT AND A COMPANY'S GENERAL BUSINESS PROFILE :

I REGISTRATION DETAILS	
REGISTRATION NO : 9126	
BALANCE SHEET : 31-3-2007	STATE CODE : 04
II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)	
PUBLIC ISSUE	Nil
BONUS ISSUE	Nil
RIGHT ISSUE	Nil
ISSUE OF EQUITY SHARES & COVERSION OF EQUITY SHARE WARRANTS	43,683
III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)	
TOTAL LIABILITIES	6,305,017
TOTAL ASSETS	6,305,017
SOURCE OF FUNDS :	
PAID-UP CAPITAL	211,347
SECURED LOANS	3,081,147
RESERVES & SURPLUS (INCLUDING SHARE WARRANTS, SHARE APPLICATION MONEY & DEFERRED TAX LIABILITY)	2,232,372
UNSECURED LOANS	780,151
APPLICATION OF FUNDS :	
NET FIXED ASSETS	3,757,427
INVESTMENTS	674
NET CURRENT ASSETS	2,424,307
MISC. EXPENDITURES	122,609
ACCUMULATED LOSSES	Nil
IV PERFORMANCE OF COMPANY (Amount in Rs. Thousands)	
TURNOVER AND OTHER INCOME	7,340,731
TOTAL EXPENDITURE	6,727,492
PROFIT BEFORE TAX	613,239
PROFIT AFTER TAX	433,513
BASIC EARNING PER SHARE (In Rs.)	82.57
DIVIDEND	20.00%
V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY	
ITEM CODE (ITC CODE)	PRODUCT DESCRIPTION
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

Sd
PRAKASH D. SHAH
Partner
Date : 7th May , 2007
Place : Ahmedabad

For and on behalf of Board of Directors

Sd
SHAILESH BHANDARI
Managing Director

Sd
ASHWIN PATEL
Company Secretary

Sd
HARISH SHARMA
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	2006-07 RS. LACS	2005-06 RS. LACS
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX	6,132.39	2,920.41
ADJUSTMENT FOR:		
DEPRECIATION	1,784.50	704.61
PRELIMINARY EXPENSES RETURN OFF	17.90	11.71
INTEREST PAID	3,502.97	922.66
PRIOR PERIOD ADJUSTMENT	14.78	(14.68)
PROFIT ON SALE OF ASSETS	(0.87)	(0.01)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	11,451.67	4,544.70
ADJUSTMENT FOR:		
TRADE & OTHER RECEIVABLE	(9,565.97)	(5,071.97)
INVENTORIES	(12,787.37)	(3,316.51)
TRADE & OTHER PAYABLE	9,452.24	4,922.85
CASH GENERATED FROM OPERATIONS	(1,449.43)	1,079.07
INCOME TAX PAID	517.42	51.38
CASH FLOW BEFORE EXTRA ORDINARY ITEM	(1,966.85)	1,027.69
NET CASH FLOW FROM OPERATING ACTIVITY [A]	(1,966.85)	1,027.69
B. CASH FLOW FROM INVESTING ACTIVITIES		
PURCHASE OF FIXED ASSETS	(20,520.75)	(12,454.82)
SALE OF FIXED ASSETS	63.01	0.49
INVESTMENTS	-	(5.10)
PRELIMINARY EXPENSES, DEFERRED REVENUE & PRODUCT DEVELOPMENT	(1,080.23)	(175.47)
NET CASH USED IN INVESTING ACTIVITIES [B]	(21,537.97)	(12,634.90)
C. CASH FLOW FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUE OF EQUITY SHARE & EQUITY SHARE WARRANTS	12,971.80	503.20
PROCEEDS FROM ISSUE OF PREFERENCE SHARE CAPITAL & APPLICATION MONEY.	-	844.00
REPAYMENT OF PREFERENCE SHARE APPLICATION MONEY	(1,000.00)	-
PROCEED FROM TERM BORROWING	18,810.76	12,565.51
REPAYMENT OF TERM BORROWING	(1,604.80)	(60.00)
DIVIDEND PAID	(164.44)	(72.73)
DIVIDEND TAX	(23.06)	(9.51)
INTEREST PAID	(3,502.97)	(922.65)
NET CASH FROM FINANCING ACTIVITIES [C]	25,487.29	12,847.82
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS TOTAL [A + B + C]	1,982.46	1,240.61
CASH & CASH EQUIVALENTS AS AT 1ST APRIL	2,121.74	881.13
CASH & CASH EQUIVALENTS AS A 31ST MARCH	4,104.20	2,121.74

As per our even date report attached

For MEHTA LODHA & CO.,

Chartered Accountants

Sd

PRAKASH D. SHAH

Partner

Date : 7th May, 2007

Place : Ahmedabad

For and on behalf of Board of Directors

Sd

SHAILESH BHANDARI

Managing Director

Sd

ASHWIN PATEL

Company Secretary

Sd

HARISH SHARMA

Director