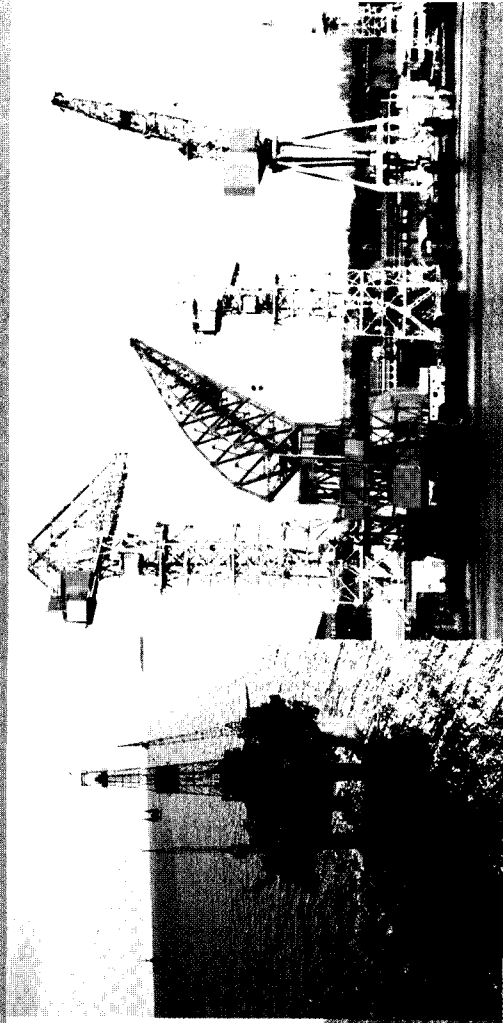
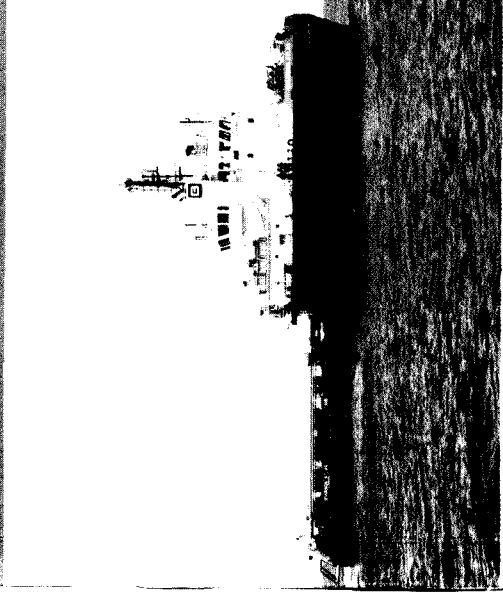


30th Annual Report 2006 - 2007

Spearheading technology revolution in Shipbuilding



Bharati Shipyard Limited

Multipurpose PSV delivered to Bourbon Supply Investments



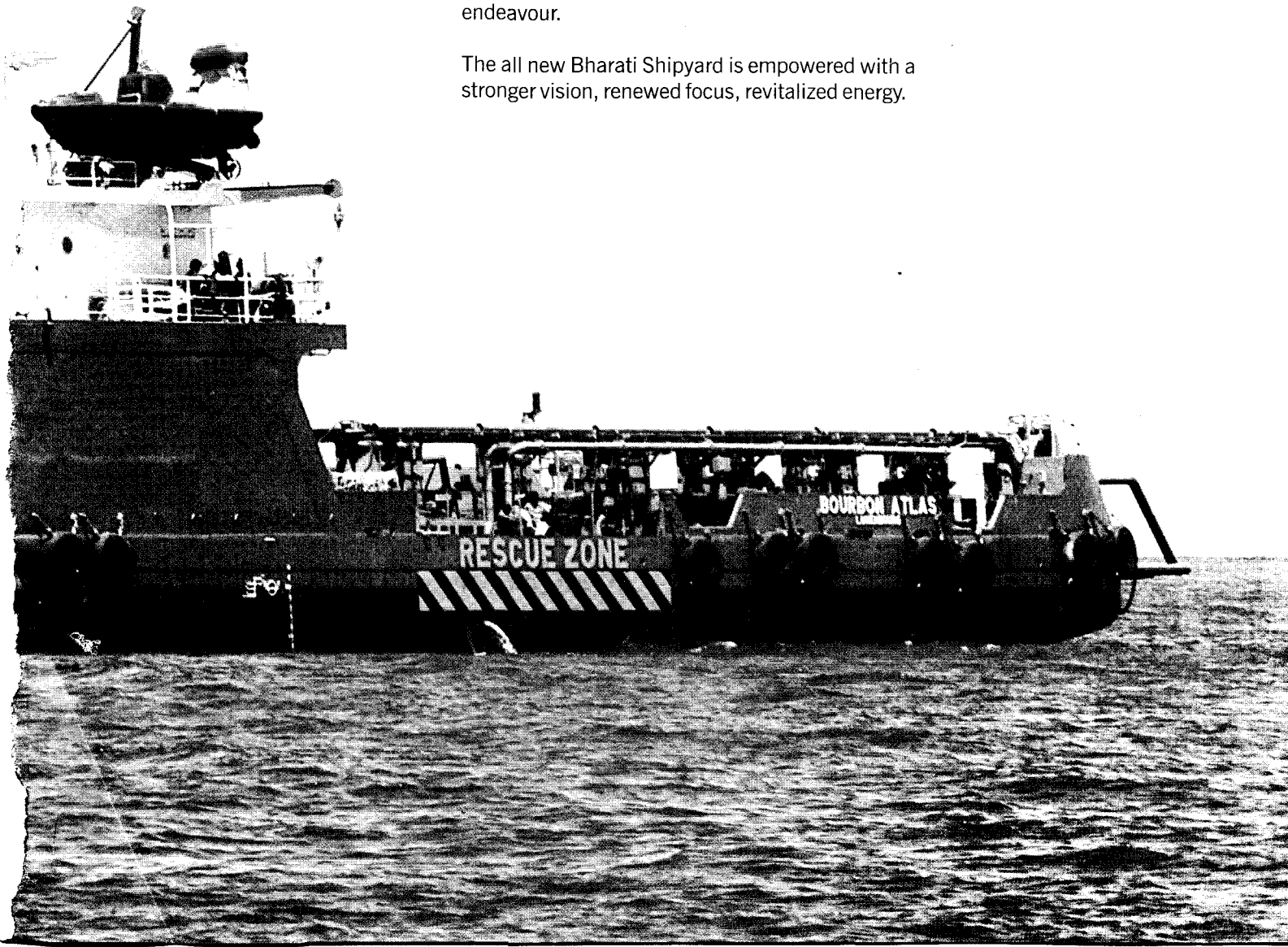


Technology, over the years has undergone radical changes, in every aspect of shipbuilding, be it design, engineering, equipment, sophistication, controls, automation, etc. The capability to perform under stringent and harsh conditions has also expanded.

The design potential has grown manifold. New attempts are being made to invent and create safer and effective solutions to enhance efficiency and performance.

There's a definite urge to go beyond, and create things that are not only beneficial to a large majority but will also inspire generations to come. And this brand of energy is palpable everywhere, across the globe. Bharati Shipyard, being in the forefront of technology revolution in the Indian Shipbuilding Industry, has embraced the change; and is advocating it through its every endeavour.

The all new Bharati Shipyard is empowered with a stronger vision, renewed focus, revitalized energy.



Zooming into high tech area. Sailing ahead of its times



AHTS delivered to Great Offshore Ltd.



Ghodbunder

Ghodbunder is located near Mumbai in Maharashtra. Spread over 12 acres of land to carry out fabrication work, upto Hull construction, the yard acts as a feeder yard to Ratnagiri yard. The Hull constructed at this yard is towed to Ratnagiri for completion. The yard is equipped with 4 slipways which can carry vessels up to 100 m. in length, cranes with 125 tons capacity, sophisticated welding equipment and cutting machines, etc.

Goa

The Goa yard is owned by Pinky Shipyard Ltd., a subsidiary of Bharati Shipyard. Spread over 2.5 acres of land, equipped with side launching facility and sophisticated hi-tech production machinery for blasting, painting and steel fabrication, and cranes with 120 tons capacity, etc. The Goa yard can build vessels upto 120 m. in length.

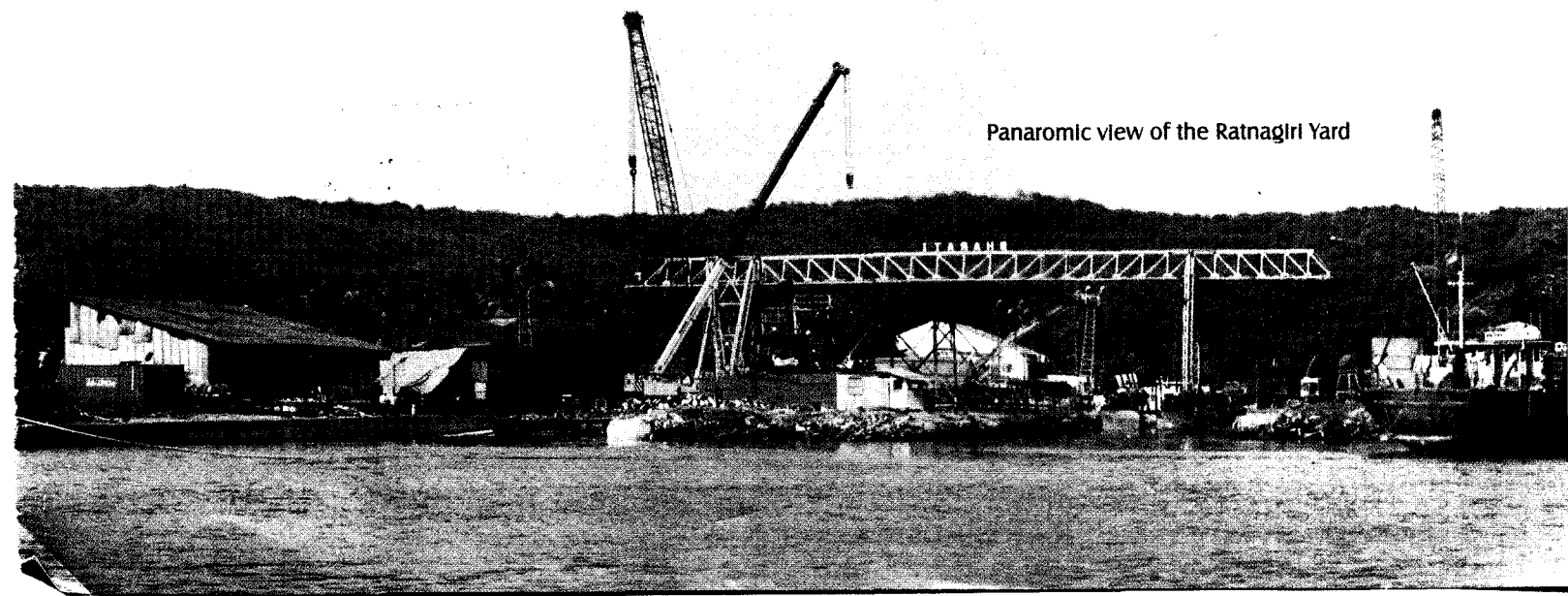
Kolkatta

The Kolkatta yard located on the east coast of India spreading over 7 acres of land is under expansion. The yard will have 2 Dry Docks of 125 m. long and 25 m. wide each, 2 Gantry cranes of 40 tons each, various other cranes ranging from 25 tons to 75 tons, CNC cutting equipment, etc. The yard is capable of building ships up to 120 m. length and 22 m. in width

Mangalore

The Mangalore yard situated on the banks of Gurpur river is under construction. Upon completion, the yard will have capacity to build vessels up to 60,000 DWT. Bharati expects to build tankers, bulk carriers, container ships, chemical carriers, product carriers and several other vessels at the yard. It will have a slipway of 160 m. x 62 m., a dry dock of 210 m. in length and 42 m. in width, a deep water jetty of 220 m. in length, automatic and semi - automatic machines including welding machines, oil-cooled welding transformers, grinding machines, pipe cutting machines, plate rolling machines, etc. The machinery acquired from Swan Hunter Shipyard is proposed to be set up at the Mangalore Yard. With its acquisition, Bharati proposes to build a world class shipyard with sophisticated and automatic machinery and modern production techniques comparable to renowned foreign shipyards.

Panaromic view of the Ratnagiri Yard

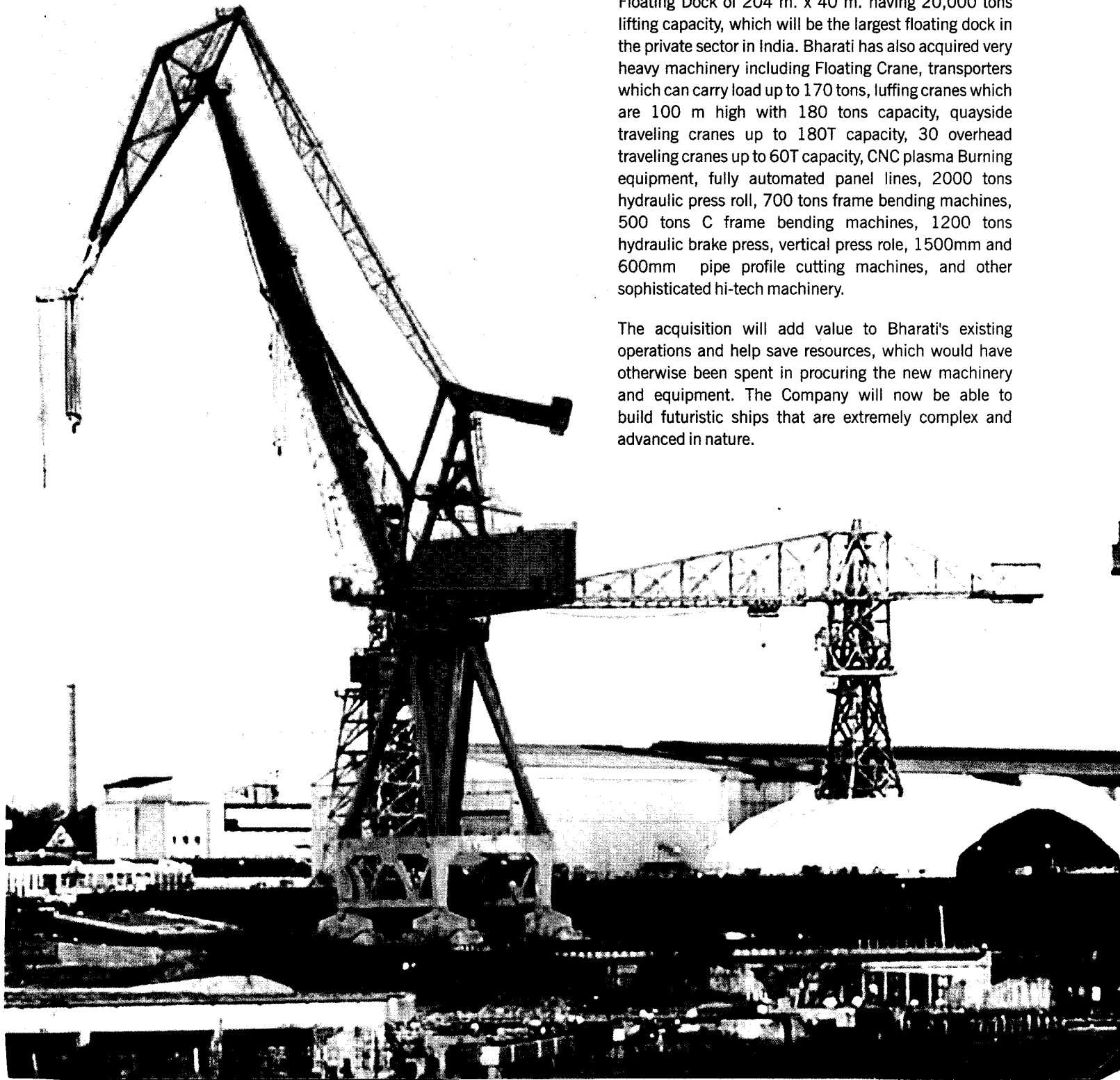


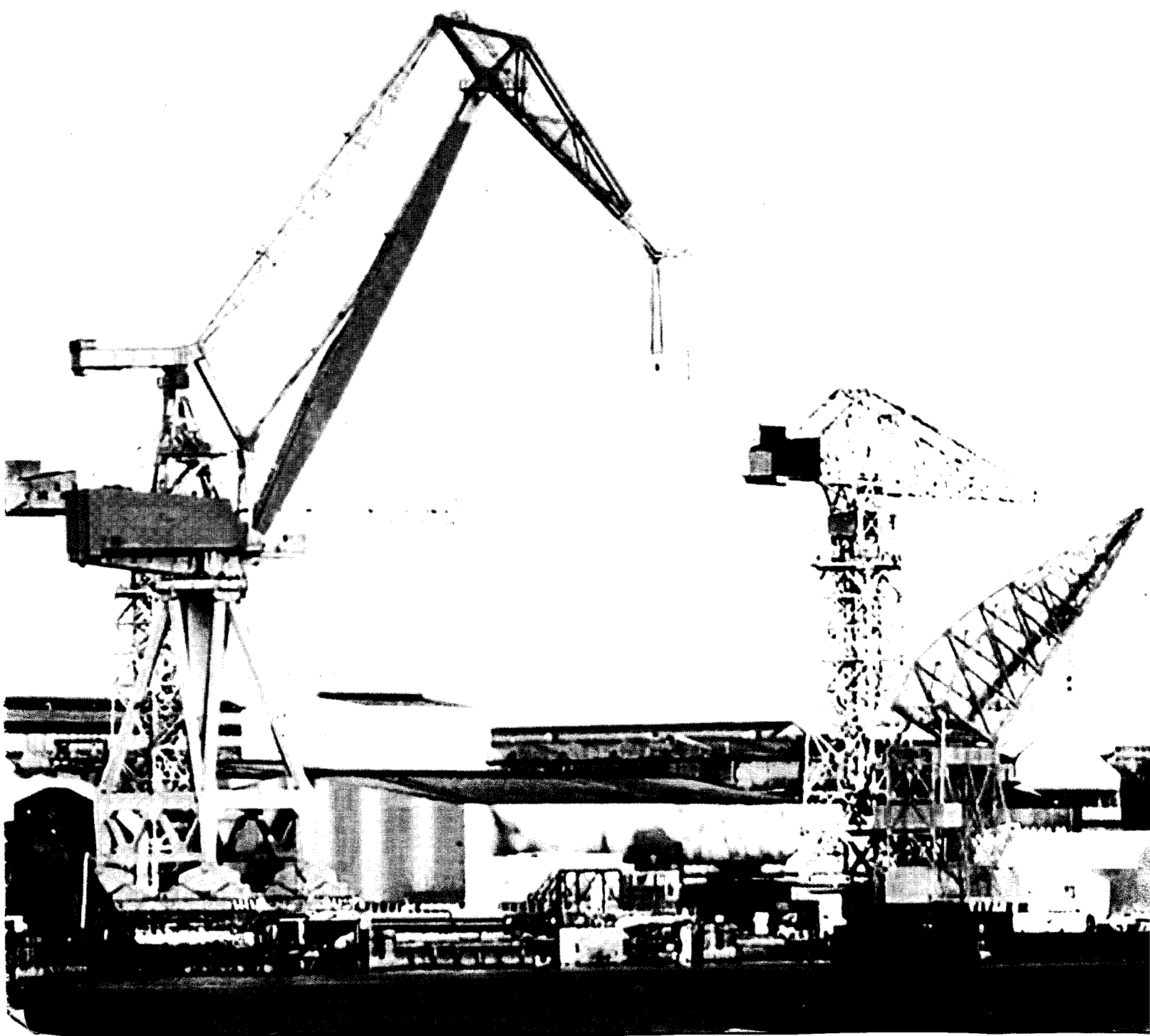
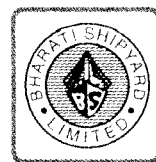
Swan Hunter Shipyard

Bharati has recently acquired the entire plant, machinery and equipment of Swan Hunter Shipyard located at Newcastle, United Kingdom. Swan Hunter Shipyard - a 130 year old world renowned shipyard - has built over 1600 ships including 400 naval ships. Besides, the firm had built aircraft carriers, offshore structures and various other types of ships; and has proven expertise in building ships of more than 1,50,000 DWT.

As a part of the acquisition, Bharati has acquired a Floating Dock of 204 m. x 40 m. having 20,000 tons lifting capacity, which will be the largest floating dock in the private sector in India. Bharati has also acquired very heavy machinery including Floating Crane, transporters which can carry load up to 170 tons, luffing cranes which are 100 m high with 180 tons capacity, quayside traveling cranes up to 180T capacity, 30 overhead traveling cranes up to 60T capacity, CNC plasma Burning equipment, fully automated panel lines, 2000 tons hydraulic press roll, 700 tons frame bending machines, 500 tons C frame bending machines, 1200 tons hydraulic brake press, vertical press role, 1500mm and 600mm pipe profile cutting machines, and other sophisticated hi-tech machinery.

The acquisition will add value to Bharati's existing operations and help save resources, which would have otherwise been spent in procuring the new machinery and equipment. The Company will now be able to build futuristic ships that are extremely complex and advanced in nature.





Creating wonders. Setting benchmarks



Ergonomic layout of the control desk in the wheel house



The Design team

Bharati has always been conscious about its design capabilities. In order to build technologically superior vessels, the design team ideates innovative concepts to match the company's engineering capabilities.

The design expertise emanates from Bharati's promoters, Mr. P. C. Kapoor and Mr. Vijay Kumar, who are both Naval Architects from IIT Kharagpur. Their vision - to build independent design capabilities has resulted in the company having the distinction of being the first private sector shipyard in India to have a full-fledged in-house design centre.



Bharati's Design Department has a strong team of engineers from all streams - naval architecture, marine, mechanical, electronics, electrical, computers, civil, etc. The team is capable of designing almost all types of vessels. Having successfully designed critical components for projects like Helideck, Moonpools, Dynamic Positioning systems, etc. and ships for Diving Support Vessel, Anchor Handling Tug-cum-Supply Vessel, Multipurpose Supply Vessel, Platform Supply Vessel. The team will also be carrying out the detailed engineering designs for the Man Ferrostaal Platform Supply vessel with Voith Cycloidal Propeller Unit for Diesel electric propulsion. All designs and drawings are carried out using computer aided tools, internet, hardware and software.

The Company is in the process of installing a state-of-the-art production engineering software. This Software integrates to latest structural analysis, hydro-dynamic basic design software and ERP systems to match the yard's future production capability.

Bharati's in-house design capabilities are its biggest strength. It can customize the design process as per its clients' requirements. In fact, it has helped Bharati bag the prestigious contract for construction of Self Elevating Jack-Up Drill Rig - the first of its kind to be constructed by any shipyard in the private sector in the country.



Leading a surge of opportunities. Reaching newer milestones



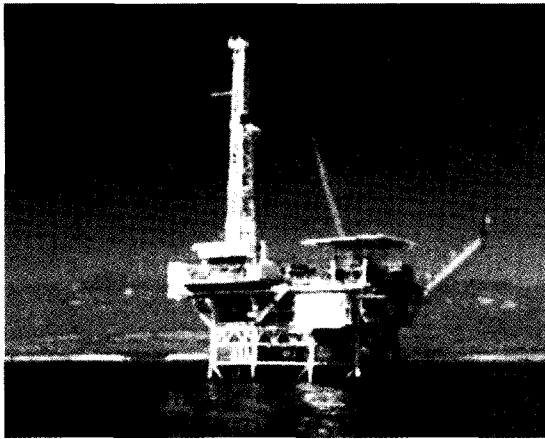
Floating dock of Swan Hunter Shipyard



Amazing achievements

Bharati Shipyard's success is celebrated not just in India but across the globe as well. No wonder, Bharati's prestigious projects are bringing laurels to the Indian shipbuilding industry. A torchbearer of excellence, Bharati Shipyard has numerous achievements to its credits:

- Bharati has successfully bagged an order for construction of a Jack-Up Drill Rig from Great Offshore Ltd. which will be the first Rig manufacturing contract awarded to an Indian private sector shipyard.
- Bharati has also received an order to build a Large PSV from Man Ferrostaal AG of Germany, which will be the fourth of its kind in the world. It will also be the first such vessel to be constructed in Asia. It is a new generation PSV with Voith Cycloidal Propeller Unit for Diesel electric propulsion.

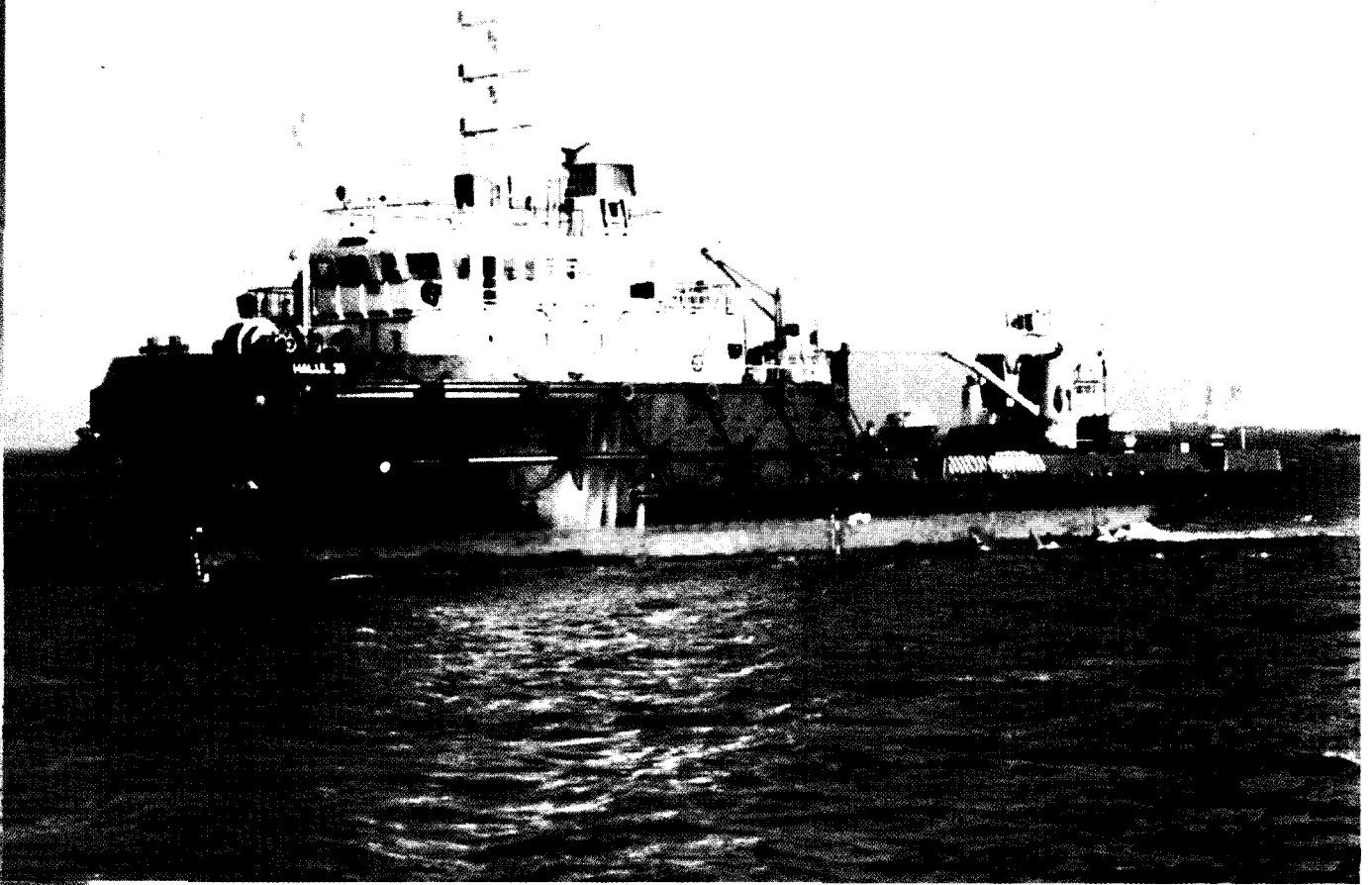


- Bharati has acquired the entire machinery and equipment of Swan Hunter Shipyard Ltd. Thus, adding a phenomenal value to its existing shipyard facilities.
- Bharati Shipyard has also bagged an order from Great Offshore Ltd. for Multipurpose Offshore Support Vessel. The vessel has a diesel electric propulsion system with 5 generators - of a total power of 10500 KW (14000HP) and all the equipment to support ROV / Diving / Sub-sea operations (3000 mt). The vessel is equipped with sophisticated 15 OT electro-hydraulic knuckle boom crane, helipad and anchor handling-cum-towing winch of 300T. It is the first time a high-end vessel to be manufactured in India.

The size of Bharati's order book has also increased tremendously from Rs. 5,109.89 million in 2005 to Rs. 39,001.15 million as on date.



Mastering Technologies. Winning global clients



OSV delivered to Halul Offshore Services



Repeat clients

Bharati's emphasis on quality and commitment has resulted in bagging repeat orders from most of its existing clients, at home and abroad. In fact, renowned clients from countries across the globe - France, Norway, Netherlands, Germany, etc. have reposed their faith in Bharati and placed orders for building quality ships.

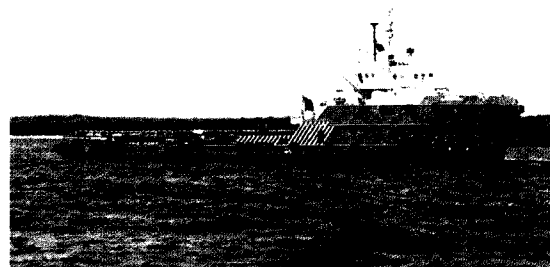


Reliance Industries Ltd., one of the largest Indian Private Companies, has been placing orders with Bharati since 1991. Great Eastern Shipping Company, India's No.1 private shipping company, is also awarding orders since 1996. The international acclaim, repeat orders, and long term relationships with customers, stand testimony to Bharati Shipyard's capabilities and consistent endeavours.

Few of Bharati's reputed Customers include:

- Bourbon Supply Investments, part of SURF group, based out of France, is the biggest offshore operator of Tugs & Supply Vessels with their vessels chartered to all Rig Operators such as Total Sina, Statoil, etc.
- Nor Lines and Seá Cargo, based out of Norway, which is one of the biggest operator of liner vessels carries multipurpose cargos along the coast of Scandanavia and Europe.

- Ultra Petrol is a ship owner, operating various kinds of vessels such as tugs / barges, offshore vessels & cruise vessels. The Company is diversifying into the offshore sea operations with a prominent presence in Brazil and North Sea. It is for the first time that a South American Country has placed an order with any Indian Shipyard.
- Great Offshore Ltd., a subsidiary of India's No. 1 Shipping Company and India's largest operator of offshore vessels, presently owns a number of Jack Up Rigs, Multipurpose Supply Vessels, Diving Support Vessels, Anchor Handling Tugs, Harbour Tugs, etc.
- Clipper Group, a leading international shipping consortium, controls approx. 250 vessels and is one of the largest operators of Bulk Cargo - both dry and oil with a sizeable presence in the world market.
- Man Ferrostaal is an industrial service provider forming part of MAN Group having presence in more than 60 countries.



Empowering a new vision



Mr. P. C. Kapoor
Managing Director



Mr. Vijay Kumar
Managing Director



Dear Shareholders,

It's been an eventful year for your Company with many developments to its credit. Your Company has witnessed unprecedented growth and emerged as a technologically advanced and quality shipbuilder.

During the year, your Company acquired the entire plant and equipment of Swan Hunter Shipyard, U.K., a 130 year old world renowned shipyard that has built over 1600 ships including 400 naval ships. Further, your Company received orders for the construction of Self Elevating Jack up Drill Rig from M/s. Great Offshore Ltd., thus becoming the first Indian Private Sector Shipyard to receive such a prestigious order.

Your Company has also set up another manufacturing facility at Kolkata. Besides, expansion activities at the existing yards in Ratnagiri, Goa and Kolkata are underway. As you are aware, your Company is in the process of building a green field shipyard at Mangalore with nearly four times higher capacity than its existing shipyards. The equipment and machinery acquired from Swan Hunter Shipyard, U.K., is proposed to be installed at the Mangalore facility, making it the most technologically advanced shipyards in the country.

You will be happy to know that your company has a very strong order book position as on today at Rs.3900 crores as compared to last year which stood at Rs.1464 crores. We also take this opportunity to announce that Bharati has become the first Indian Shipbuilding Company to bag orders from reputed European and South American Customers like Clipper Group, Man Ferrostaal, UP Offshore, Norwegian Offshore, etc. A feat that reinforces Bharati's premier ranking amongst the leading shipbuilding companies across the world in the Offshore segment. What's more? Many Companies at home and abroad have placed repeat orders with Bharati to build ships that stand testimony to the quality and engineering marvel.

On the financial front, the growth has been phenomenal. The turnover has gone up from Rs. 2600 crores to Rs.3601 crores. The Net Profit has increased from Rs. 51.06 crores to Rs.73.17 crores representing a growth of 43.29%. Not to mention the rewarding experience of our shareholders with dividend payout of 30%.

The years ahead are very promising and exciting. Our mission is to continuously create newer opportunities for earning more returns to our shareholders, add more value to our prestigious customers and more wealth for the nation, while rewarding the family of employees and benefitting the society at large.

Bharati continues to strive for technological excellence and ventures into newer and complex areas in shipbuilding. The ambitious plans of the Company include building the most modern shipyard with latest machinery and automation and to venture into building of superior-technology vessels in Offshore Structures, Semi-Submersible Rigs and Chemical Carriers.

In conclusion, we wish to assure you that Bharati's vision of becoming the leader in shipbuilding technology and engineering in India, will soon become a reality.

Thanking you,

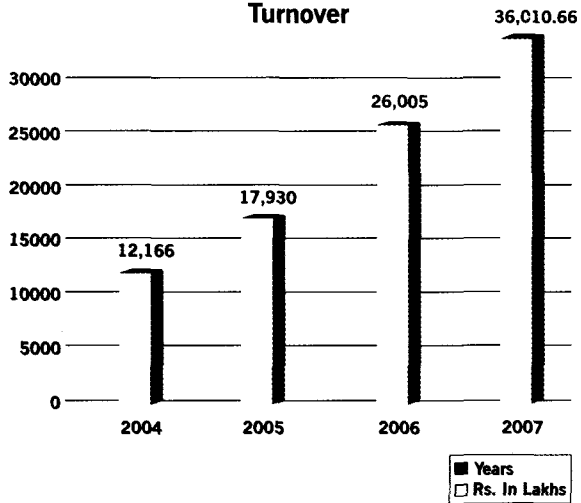
Yours sincerely,

P.C. Kapoor

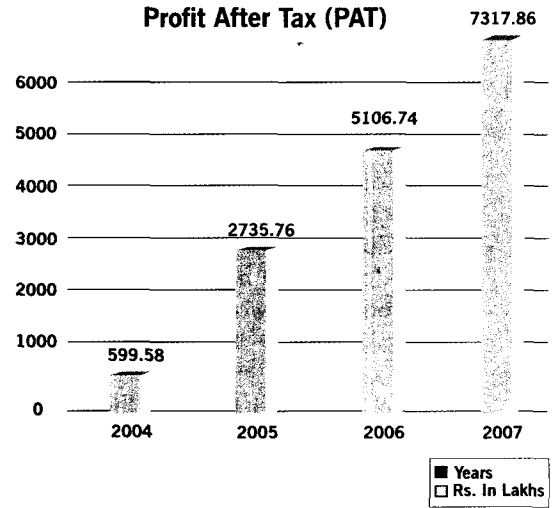
Vijay Kumar

Sound Financials. Smooth Sailing

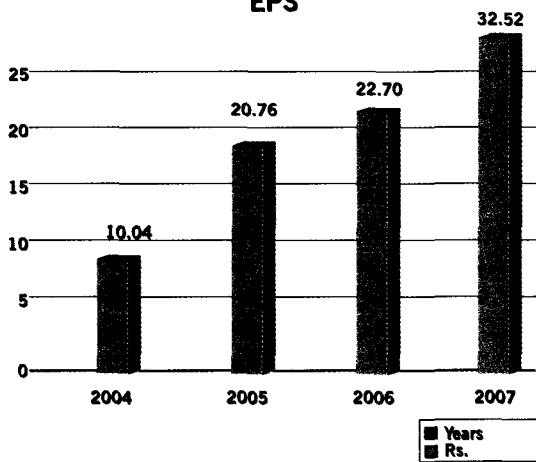
Turnover



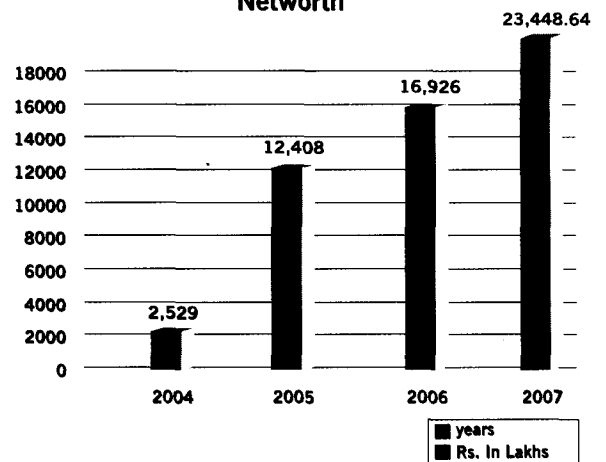
Profit After Tax (PAT)



EPS



Networth



Board of Directors

P. C. Kapoor
Managing Director

Vijay Kumar
Managing Director

J. M. Gandhi
Director

B. L. Patwardhan
Nominee Director - SBI

Management Team

Dr. J. Subbiah
Sr. President & Chief Executive

Mr. Partho Burmon Roy
Director (Projects & Client Co-ordination)

Mr. R. C. Thamba
*Director (Quality & Assurance)
and Management Rep.*

Mr. Martin Hoskins
President (Production)

Mr. R. J. Warpe
Vice President (Project Developer)

Mr. D. S. Goradia
Vice President (Purchase I)

Mr. R. C. Advani
Vice President (Purchase II)

Mr. Sauvir Sarkar
Vice President (Forward Projects)

Commodore S. Vasudevan
Vice President (Ratnagiri Yard)

Commodore V. Sequeira
Vice President (Production)

Mr. Jayant Rai
Vice President (Goa Yard)

Mr. Jayanta Roy
Asst. Vice President (Design)

Mr. U. A Patel
Chief General Manager & Company Secretary

Solicitors

Kanga & Company

Auditors

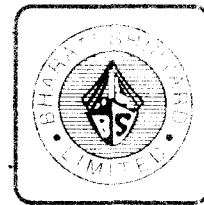
Bhuta Shah & Co.
Shantilal Mehta & Co.

Bankers

State Bank of India
State Bank of Hyderabad
State Bank of Travancore
Andhra Bank

Registrar & Share Transfer Agents

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai - 400 078



BHARATI SHIPYARD LIMITED

**30TH ANNUAL REPORT
FINANCIAL YEAR : 2006 - 07**



CONTENTS

	Page No.(s)	
Notice	2	5
Directors' Report	6	7
- Annexure - 'A'		8
- Annexure - 'B' Corporate Governance Report	9	15
- Annexure - 'C' Management Discussion and Analysis	16	20
Auditors' Certificate on Corporate Governance		21
Auditors' Report		22
Annexure to Auditors' Report	23	24
Balance Sheet		25
Profit and Loss Account		26
Schedules to the Balance Sheet and Profit and Loss Account	27	33
Significant Accounting Policies and Notes to the Accounts	34	41
Cash Flow Statement		42
Balance Sheet Abstract and Company's General Business Profile		43
Consolidated Auditors' Report		45
Consolidated Balance Sheet		46
Consolidated Profit and Loss Account		47
Schedules to the Consolidated Balance Sheet and Profit and Loss Account	48	55
Basis of Consolidation, Significant Accounting Policies and Notes to Accounts	56	60
Consolidated Cash Flow Statement		61
Section 212		62
Subsidiary (Pinky Shipyard Private Limited)	63	78
Attendance Slip and Proxy Form		79



Notice

NOTICE is hereby given that the Thirtieth Annual General Meeting of the members of BHARATI SHIPYARD LIMITED will be held at Maharashtra Chamber of Commerce's Babasaheb Dahanukar Sabhagriha at Oricon House, Maharashtra Chamber of Commerce Path Fort, Mumbai - 400001, on Thursday, the 30th August, 2007 at 11.00 a.m. to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and Profit & Loss Account for the year ended as on that date together with the Directors' and Auditors' Reports thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. J. M. Gandhi who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business :

5. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

RESOLVED THAT in supersession of the earlier resolution passed by the members of the Company at their Extra Ordinary General Meeting held on 8/11/2005 and pursuant to section 293(1)(d) and all other applicable provisions, (if any) of the Companies Act, 1956, consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time as it may deem fit, any sum or sums of money not exceeding Rs.5,000.00 Crores (Rupees five thousand Crores only) on such terms and conditions as the Board may deem fit notwithstanding that the moneys to be borrowed by the Company together with the moneys already borrowed by the Company (apart from temporary loans obtained by the Company from its bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

6. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

"RESOLVED THAT in partial modification of the earlier resolution passed by the members of the Company at their Annual General Meeting held on 12th July 2004 and pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, or any statutory amendment or modification thereto and subject to approval of the Central Government, if necessary, and such other recommendations, approvals and sanctions as may be necessary, desirable and expedient in law, the remuneration of Mr. P. C. Kapoor - Managing Director, be and is hereby increased w.e.f. 1st April, 2007 as set out in the draft agreement laid before the meeting and which agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter, vary and modify the terms and conditions of the said increment and/ or agreement, in such manner as may be agreed upon by and between the Board of Directors and Mr. P. C. Kapoor within and in accordance with the limits prescribed in Schedule XIII to the Companies Act, 1956 or any amendment thereto and if necessary as may be agreed to between the Central Government and the Board of Directors as may be acceptable to Mr. P. C. Kapoor.

RESOLVED FURTHER THAT subject to the provisions of Section 198 and Section 309 and other applicable provisions, if any, of the Companies Act, 1956, the remuneration payable to Mr. P. C. Kapoor, as Managing Director, shall not exceed five percent of such net profits of the Company and ten percent of such net profits for all such managerial personnel of the Company together in that financial year.

RESOLVED FURTHER THAT notwithstanding anything herein above stated, where in any financial year during the currency of his tenure as Managing Director, the Company has no profits or its profits are inadequate, the Company will pay the remuneration as set out under item no. 10 of the Explanatory Statement annexed to this notice as minimum remuneration subject to the approval of the Central Government and such other recommendations, approvals and sanctions, if and when necessary.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorized to vary or increase the remuneration (including the minimum remuneration) within such prescribed limits or ceilings and the aforesaid draft Agreement between the Company and Mr. P. C. Kapoor be suitably amended to give effect to such modifications, relaxations or variations without any further reference to the Company in General Meeting, if so permissible.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do and perform such acts, deeds, matters or things and take such steps as may be necessary, expedient or desirable and further to execute all such deeds including the Agreement as laid before this meeting, documents and writings as may be necessary to give effect to this resolution."

Notice (Contd.)

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

“RESOLVED THAT in partial modification of the earlier resolution passed by the members of the Company at their Annual General Meeting held on 12th July 2004 and pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, or any statutory amendment or modification thereto and subject to approval of the Central Government, if necessary, and such other recommendations, approvals and sanctions as may be necessary, desirable and expedient in law, the remuneration of Mr. Vijay Kumar - Managing Director, be and is hereby increased w.e.f. 1st April, 2007 as set out in the draft agreement laid before the meeting and which agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter, vary and modify the terms and conditions of the said increment and/ or agreement, in such manner as may be agreed upon by and between the Board of Directors and Mr. Vijay Kumar within and in accordance with the limits prescribed in Schedule XIII to the Companies Act, 1956 or any amendment thereto and if necessary as may be agreed to between the Central Government and the Board of Directors as may be acceptable to Mr. Vijay Kumar.

RESOLVED FURTHER THAT subject to the provisions of Section 198 and Section 309 and other applicable provisions, if any, of the Companies Act, 1956, the remuneration payable to Mr. Vijay Kumar, as Managing Director, shall not exceed five percent of such net profits of the Company and ten percent of such net profits for all such managerial personnel of the Company together in that financial year.

RESOLVED FURTHER THAT notwithstanding anything herein above stated, where in any financial year during the currency of his tenure as Managing Director, the Company has no profits or its profits are inadequate, the Company will pay the remuneration as set out under item no. 10 of the Explanatory Statement annexed to this notice as minimum remuneration subject to the approval of the Central Government and such other recommendations, approvals and sanctions, if and when necessary.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorized to vary or increase the remuneration (including the minimum remuneration) within such prescribed limits or ceilings and the aforesaid draft Agreement between the Company and Mr. Vijay Kumar be suitably amended to give effect to such modifications, relaxations or variations without any further reference to the Company in General Meeting, if so permissible.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do and perform such acts, deeds, matters or things and take such steps as may be necessary, expedient or desirable and further to execute all such deeds including the Agreement as laid before this meeting, documents and writings as may be necessary to give effect to this resolution.”

By Order of the Board of Directors

FOR BHARATI SHIPYARD LIMITED

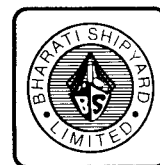
U. A. PATEL
[Chief General Manager & Company Secretary]

Place : Mumbai
Date : 2nd July, 2007

REGISTERED OFFICE :
302, Wakefield House
Sprott Road, Ballard Estate
Mumbai-400 001.

NOTES

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. A PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 16th August, 2007 to Thursday, 30th August, 2007 (both days inclusive).
3. The Dividend recommended by the Board of Directors, if declared at the Meeting, will be payable to those Shareholders whose names are registered in the Register of Members of the Company on 30th August, 2007
4. Dividend if declared will be made payable at the Registered Office of the Company on or after 30th August, 2007.
5. *Members are requested to intimate to the Company/ its Registrar, changes, if any, in their registered addresses, at an early date and to quote folio numbers in all their correspondence.*
6. Members are requested to bring their Client ID and DP ID Numbers for easy identification of attendance at the meeting.
7. Members are requested to bring the copies of Annual Report at the time of attending the Annual General Meeting.
8. Members are requested to send their queries, if any, on the accounts, to the Company Secretary at least 15 days before the Annual General Meeting; to enable the Company to be ready with the replies at the AGM.
9. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories for this purpose.
10. *An Explanatory Statement pursuant to section 173 (2) of the Companies Act 1956, in respect of Special Business at Serial No. 5, 6 and 7 of this notice is annexed here to.*



Annexure to Notice

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956

Item No.5

The Company is in the process of raising further resources by resorting to borrowing in various forms and manners. This will necessitate permission from members u/s. 293(1) (d) of the Companies Act 1956. The members at their Extra Ordinary General Meeting held on 8th November 2005 have granted their consent to borrow money upto Rs. 1,000 Crores (Rupees one thousand Crores only).

The growing financial requirements of the Company necessitate an upward revision of this limit of Rs.1,000 Crores. The Board of Directors therefore thought it prudent to raise this limit upto Rs. 5,000 Crores.

Your Directors recommend the resolution at serial no.5 of this notice for your approval. None of the Directors is concerned or interested in it.

Item Nos. .6 & 7

Mr. P. C. Kapoor and Mr. Vijay Kumar were appointed as Managing Directors pursuant to the resolution passed by the Company on 12-07-2004 for a period of 5 years from 07-06-2004 to 06-06-2009 on salary and prerequisites as contained therein.

Since the appointment of Mr. P. C. Kapoor and Mr. Vijay Kumar as Managing Directors, the Company has made great strides in terms of capacity expansions, turnover and volume of profits and has seen tremendous growth. This speaks volumes about the efforts taken by Mr. P. C. Kapoor and Mr. Vijay Kumar in all round progress of the Company. As the responsibilities of Managing Directors have increased manifold, the Board thought it prudent to increase their remuneration appropriately and has recommended increase in their remuneration as per the details contained in this Explanatory Statements. The Board is of the opinion that revised remuneration commensurate with their responsibilities.

The members are requested to consider and approve the increased remuneration of the Managing Directors, which will be adequately compensating them for the efforts being taken by them in the progress of the Company.

Your Directors recommend the resolutions at Serial No.6 & 7 of this Notice, for your approval. Mr. P. C. Kapoor - Managing Director and Mr. Vijay Kumar Managing Director may be considered interested in the resolutions to the extent of remuneration and prerequisites to be received by them.

None of the other directors is concerned or interested in the resolutions.

Details of proposed remuneration :

	Mr. P. C. Kapoor	Mr. Vijay Kumar
a) Salary :	Rs. 4,40,000/- per month or such sums as may be determined by the Board from time to time with in the limits prescribed under the Companies Act, 1956.	Rs. 4,40,000/- per month or such sums as may be determined by the Board from time to time with in the limits prescribed under the Companies Act, 1956.
b) Commission :	At ½ % of the net profits of the company calculated as per provisions of the Companies Act, 1956.	At ½ % of the net profits of the company calculated as per provisions of the Companies Act, 1956.
c) Perquisites :	Classified under the categories A, B and C as follows :	Classified under the categories A, B and C as follows :

CATEGORY A

i) Medical Expenditure :	Expenses incurred for self and his family subject to a maximum of one month's salary in a year or three month's salary in a block of three years.	Expenses incurred for self and his family subject to a maximum of one month's salary in a year or three month's salary in a block of three years.
ii) Leave Travel Assistance :	One month's salary for self and his family every year in accordance with the rules of the Company.	One month's salary for self and his family every year in accordance with the rules of the Company.
iii) Personal Accident Insurance :	For an amount, the annual premium of which does not exceed Rs. 4,000/-	For an amount, the annual premium of which does not exceed Rs. 4,000/-

Annexure to Notice (Contd.)

CATEGORY B

i) Company's Contribution towards Provident Fund	:	In accordance with the rules of the Company and subject to a ceiling of 12% of salary	In accordance with the rules of the Company and subject to a ceiling of 12% of salary
ii) Company's Contribution towards Pension / Superannuation Fund	:	As per the rules of Company, but so, however, that it shall together with the Company's Contribution to Provident Fund be limited to such amounts as are not taxable under the Income Tax Act. Contribution to Provident Fund and Superannuation Fund will not be considered or included for the computation of ceiling on perquisites.	As per the rules of Company, but so, however, that it shall together with the Company's Contribution to Provident Fund be limited to such amounts as are not taxable under the Income Tax Act. Contribution to Provident Fund and Superannuation Fund will not be considered or included for the computation of ceiling on perquisites.
iii) Gratuity	:	Shall not exceed half a month's salary for each completed year of service.	Shall not exceed half a month's salary for each completed year of service.
iv) Encashment of Leave	:	Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.	Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY C

i) Leave	:	The Managing Director shall be entitled to leave as per the applicable rules of the Company.	The Managing Director shall be entitled to leave as per the applicable rules of the Company.
ii) Company's car with Driver	:	The Managing Director shall be entitled to use of Company's car with driver on the business of the Company.	The Managing Director shall be entitled to use of Company's car with driver on the business of the Company.
iii) Telephone Facility	:	Free Telephone at residence. Personal long distance calls to be billed at actual. The aggregate of the remuneration and perquisites in any financial year shall not exceed the limits prescribed from time to time under section 198, 309, 310 and all other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act or any statutory modification or re-enactment there of for the time being in force or otherwise as may be permissible by law.	Free Telephone at residence. Personal long distance calls to be billed at actual. The aggregate of the remuneration and perquisites in any financial year shall not exceed the limits prescribed from time to time under section 198, 309, 310 and all other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act or any statutory modification or re-enactment there of for the time being in force or otherwise as may be permissible by law.

Place : Mumbai
Date : 2nd July, 2007

REGISTERED OFFICE :
302, Wakefield House
Sprott Road, Ballard Estate
Mumbai-400 001.

By Order of the Board of Directors

FOR BHARATI SHIPYARD LIMITED

U. A. PATEL
[Chief General Manager & Company Secretary]



Directors' Report

To The Members of
Bharati Shipyards Limited

Your Directors have pleasure in submitting their 30th Annual Report together with Audited Statement of Accounts for the year ended 31st March, 2007.

1. Financial Results:

The working of your Company for the year under review resulted in

(Rs. in Lakhs)

Particulars	Financial Year	
	2006 - 2007	2005 - 2006
Total Income	42,504.38	29,502.69
Profit before Interest, Depreciation, & Tax	13,029.18	8,939.04
Less : Interest	1,438.19	976.80
Less : Depreciation	511.09	146.85
Profit before Tax	11,079.89	7,815.39
Less : Tax	3,762.03	2,708.65
Profit after Tax	7,317.86	5,106.74
Surplus brought forward	6,728.80	2,774.12
Amount available for appropriation	14,046.66	7,880.86
APPROPRIATIONS		
Transfer to General Reserve	731.79	510.67
Dividend including Dividend Tax	789.72	641.39
Surplus carried forward	12,525.15	6,728.80
Total Appropriations	14,046.66	7,880.86

2. Capital

During the year under review the Authorised Capital remained unchanged at Rs. 4,000 lakhs consisting of 4,00,00,000 Equity Shares of Rs. 10/- each and Issued, Subscribed and Paid Up Capital also remained unchanged at Rs. 2,250 lakhs.

3. Dividend

Your Directors are pleased to recommend the Dividend out of the available surplus, at the rate of 30% on Paid Up Equity Share Capital of Rs. 2,250 lakhs i.e. @ Rs. 3/- per share on 2,25,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 675 lakhs (Excluding Dividend Tax)

4. Operating Results and Profits

During the year under review, your Company has successfully delivered 4 (four) vessels. Your Company has posted turnover of Rs. 36,010.66 lakhs, an increase of about 38.47% as compared to Rs. 26,005.37 lakhs in the previous financial year. Your Company has achieved profit after tax of Rs. 7,317.86 lakhs as against Rs. 5,106.74 lakhs in the previous year, an upsurge of 43.30%.

Company's quality, competitive prices and timely delivery of vessels has resulted in procurement of repeat orders from the satisfied customers and enlargement of its customer base including well known buyer from France Bourbon Supply Investissements. In this financial year your Company has booked highest number of orders in its history and the order book position is worth Rs. 3,13,546.56 lakhs which includes orders from customers like The Great Offshore Limited (formerly the Great Eastern Shipping Company Limited), Reliance Industries Limited, Bourbon Supply Investissements, Nor Lines AS, Sea Cargo AS, M. K. Shipping Company Limited, Clipper Group (Management) Limited, Up Offshore (Bahamas) Limited and other well known and established companies all over the Globe.

5. Finance

As at the end of financial year, your company has working capital facilities of Rs. 1,80,000 lakhs (both fund based of Rs. 10,000 lakhs as well as non-fund based of Rs. 1,70,000 lakhs) by way of consortium finance where State Bank of India is the lead bank.

6. Wind Power Project

Your Company has put up a Wind Farm, consisting of 14 Wind Energy Generators with a total capacity of 15 MW and a total investment of Rs. 8,677.70 lakhs at Village Brhamanvel, Taluka Sakri, District Dhule, in Maharashtra. The project has been successfully commissioned and generated revenue of Rs. 553.68 lakhs during the year under report.

7. Subsidiary

Pinky Shipyards Private Limited became a subsidiary of your Company with effect from 27th October, 2005, consequently in compliance of provisions of Section 212 of the Companies Act, 1956, the Annual Accounts, Directors' Report, Auditors' Report and a statement showing interest of the Holding Company in Subsidiary under section 212(3) of the Companies Act, 1956 are annexed to this Annual Report.

8. Directors

In accordance with the provision of the Companies Act, 1956 and Company's Article of Association, Mr. J. M. Gandhi, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Directors' Report (Contd.)

2. Capital

During the year under review the Authorised Capital remained unchanged at Rs. 4,000 lakhs consisting of 4,00,00,000 Equity Shares of Rs. 10/- each and Issued, Subscribed and Paid Up Capital also remained unchanged at Rs. 2,250 lakhs.

3. Dividend

Your Directors are pleased to recommend the Dividend out of the available surplus, at the rate of 30% on Paid Up Equity Share Capital of Rs. 2,250 lakhs i.e. @ Rs. 3/- per share on 2,25,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 675 lakhs (Excluding Dividend Tax)

4. Operating Results and Profits

During the year under review, your Company has successfully delivered 4 (four) vessels. Your Company has posted turnover of Rs. 36,010.66 lakhs, an increase of about 38.47% as compared to Rs. 26,005.37 lakhs in the previous financial year. Your Company has achieved profit after tax of Rs. 7,317.86 lakhs as against Rs. 5,106.74 lakhs in the previous year, an upsurge of 43.30%.

Company's quality, competitive prices and timely delivery of vessels has resulted in procurement of repeat orders from the satisfied customers and enlargement of its customer base including well known buyer from France Bourbon Supply Investissements. In this financial year your Company has booked highest number of orders in its history and the order book position is worth Rs. 3,13,546.56 lakhs which includes orders from customers like The Great Offshore Limited (formerly the Great Eastern Shipping Company Limited), Reliance Industries Limited, Bourbon Supply Investissements, Nor Lines AS, Sea Cargo AS, M. K. Shipping Company Limited, Clipper Group (Management) Limited, Up Offshore (Bahamas) Limited and other well known and established companies all over the Globe.

5. Finance

As at the end of financial year, your company has working capital facilities of Rs. 1,80,000 lakhs (both fund based of Rs. 10,000 lakhs as well as non-fund based of Rs. 1,70,000 lakhs) by way of consortium finance where State Bank of India is the lead bank.

6. Wind Power Project

Your Company has put up a Wind Farm, consisting of 14 Wind Energy Generators with a total capacity of 15 MW and a total investment of Rs. 8,677.70 lakhs at Village Brhamanvel, Taluka Sakri, District Dhule, in Maharashtra. The project has been successfully commissioned and generated revenue of Rs. 553.68 lakhs during the year under report.

7. Subsidiary

Pinky Shipyard Private Limited became a subsidiary of your Company with effect from 27th October, 2005, consequently in compliance of provisions of Section 212 of the Companies Act, 1956, the Annual Accounts, Directors' Report, Auditors' Report and a statement showing interest of the Holding Company in Subsidiary under section 212(3) of the Companies Act, 1956 are annexed to this Annual Report.

8. Directors

In accordance with the provision of the Companies Act, 1956 and Company's Article of Association, Mr. J. M. Gandhi, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

9. Corporate Governance & Management and Discussion Analysis

The Corporate Governance and Management Discussion and Analysis Report forms an integral part of this Report and are set out as separate Annexures to this Report. The Certificate of the Auditors of the Company certifying compliance with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with Stock Exchanges is annexed with the report on Corporate Governance.

10. Human Resources

Your company continues to focus on development of Human Resources. Employees are your company's most valuable resource. Your company has been able to create a favourable work environment that encourages innovation and meritocracy. Business goals are communicated down the line regularly so that our people have complete understanding of the Company's strategic direction and can identify with it. Important employee goals are linked with the organisational objectives. Developing, motivating, rewarding and retaining talent at all levels is a business priority and a key responsibility of company's senior management. Delegation, empowerment, learning from failures that emanate from calculated risks is being institutionalised as well. Your management has met with considerable success in creating a work place environment that encourages people to constantly learn and grow. As a result of this human resources focus, your Company boasts of a highly motivated and committed workforce. The Board would like to place on record its sincere appreciation of the unstinted support it continues to receive from all its workforce.

11. Research and Development

Your Company continues to focus on Research and Development and has taken several initiatives in this direction. Research and Development of new services, designs, framework, processes and methodologies continue to be of importance at your company. This allows your company to enhance quality, productivity and customer satisfaction through continuous innovation.

The Joint Industry Project "SAFE TUG" initiated by MARIN, Netherlands, continues its work. The benefits of this project will become tangible only after a couple of years.

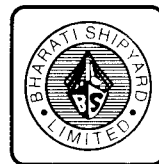
12. Auditors

M/s Bhuta Shah & Co., Chartered Accountants, Mumbai and M/s Shantilal Mehta & Co., Chartered Accountants, Mumbai, were appointed as Joint Auditors at the 29th Annual General Meeting to hold office from conclusion of the said meeting till the next Annual General Meeting. The Company has received the necessary certificate from the Joint Auditors respectively pursuant to Section 224 (1-B) of the Companies Act, 1956 regarding their eligibility for re-appointment. Accordingly, approval of members to the appointments M/s Bhuta Shah & Co., Chartered Accountants, Mumbai and M/s Shantilal Mehta & Co., Chartered Accountants, Mumbai, as Joint Auditors of the

For and on behalf of the Board

Place : Mumbai
Date : 2nd July, 2007

P. C. Kapoor
[Chairman & Managing Director]



Annexure 'A'

Particulars of the Employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of the Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2007.

A. EMPLOYED THROUGH OUT THE FINANCIAL YEAR UNDER REVIEW AND WERE IN RECEIPT OF REMUNERATION AGGREGATING TO RS. 24 LAKHS PER ANNUM OR MORE

Sr.No	Name	Designation	Remuneration (in Rupees)	Qualification	Age (in years)	Date of Employment	Experience - (in years)	Last Employment
-- N.A. --								

B. EMPLOYED FOR PART OF THE YEAR AND WERE IN RECEIPT OF REMUNERATION AGGREGATING TO NOT LESS THAN RS. 2 LAKHS PER MONTH.

Sr.No	Name	Designation	Remuneration (in Rupees)	Qualification	Age (in years)	Date of Employment	Experience (in years)	Last Employment
1	Dr. J. Subbiah	CEO	25,49,524	B.E.(Mech.)	64	25.05.06	43	Lucas - TVS

Note: Remuneration as above includes, Salary, Company's Contribution to Provident Fund and Family Pension Fund, L.T.A., Reimbursement of Medical Expenses, Personal Accident Insurance and Gratuity etc.

C. FOREIGN EXCHANGE SPENT AND EARNED:

(Rs. in Lakhs)

Particulars	FY 2006-07	FY 2005-06
a. Value of Direct Import calculated on CIF Basis		
i Stores, Spare parts and Colour Chemicals	688.89	253.96
ii Raw Materials	19,246.53	18,845.45
iii Capital Goods	-	-
b. Earnings in Foreign Exchange on account of export of Goods:	5,777.64	-
c. Expenditure in Foreign Currency:		
i Travelling Expenses	160.15	48.12
ii. Commission and Brokerage	740.19	31.88
iii. Design and Consultancy	250.31	306.00
iv. Advertisement and Exhibition expenses	27.25	11.48
v. Inspection / Testing charges / Service	65.67	10.68
vi. Membership and Subscription	46.34	24.05

Annexure 'B' - Corporate Governance Report

1. Company's philosophy on Corporate Governance:

The Company is committed to maximise the value of its stakeholders by adopting the principles of good Corporate Governance in line with the provisions of law and in particular those stipulated in the Listing Agreement with the Stock Exchanges. It encourages wide participation from all stakeholders. Its objective and that of its management and employees is to operate in a way so as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy in general..

2. Board of Directors :

(i) Composition of Board of Directors

The Board of Directors of the company comprised of four Directors. Out of these two directors are Managing Directors and two directors are Independent Non-Executive Directors.

The Chairman and Managing Director is a whole time Executive. The other Managing Director is also a whole time Executive.

The Listing requirement of half of the Board of Directors as independent directors is met by the Company in view of two Directors out of total of four Directors, are Independent Directors.

The Non-Executive Independent Directors are Professionals having decades of experience in the field of Finance, Accounts, and Banking.

As required under the listing agreement, "Management Discussion and Analysis Report" forms part of this Annual Report. The Board Members are presented agenda papers along with notes for the Meeting.

(ii) Board Procedure

During the year under report the Board met 5 times on the following dates 29-04-06, 30-06-06, 29-07-06, 20-10-06 and 29-01-07.

The members of the Board have been provided with the requisite information mentioned in the listing agreement well before the Board meetings and the same were dealt with appropriately.

All the directors who are on various committees are within the permissible limits of the listing agreement. The directors have intimated from time to time about their membership in the various committees in other companies.

The composition of Board of Directors, number of Board Meetings held and attended by the Directors, number of Chairmanship/membership in other Board Committees are given in following table:

Name of Director	Status Executive / Non - Executive	No. of Board Meetings Held	No. of Board Meeting Attended	Attendance of last AGM	No. of Directorship in other Companies	No. of Chairmanship/ Membership in other Board Committees	
						Chairman	Member
P.C. Kapoor	EXE	5	5	Yes	1	-	1
Vijay Kumar	EXE	5	4	Yes	-	-	-
J. M. Gandhi	NED	5	4	Yes	8	-	3
B.L. Patwardhan	NED	5	5	Yes	-	-	-



Annexure 'B' - Corporate Governance Report (Contd.)

(iii) Details of remuneration, sitting fees, etc. paid to Directors are given in following table

Name of Director	Status	Remuneration paid to Directors					
		Salary Rs.	Other Perquisite Rs.	Contribution to PF Rs.	Provision for Gratuity Rs.	Total Rs.	Sitting Fees Rs.
P.C. Kapoor	NI	18,00,000	-	2,16,000	1,15,778	21,31,778	-
Vijay Kumar	NI	18,00,000	-	2,16,000	1,15,778	21,31,778	-
J. M. Gandhi	IN	-	-	-	-	-	45,000
B.L. Patwardhan	IN	-	-	-	-	-	45,000

3. Audit Committee :

- (i) The Audit Committee of the Company met five times a year in the following pattern. One meeting held before finalization of annual accounts and one every three months.
During the financial year ended 31st March, 2007 the Audit Committee met on the following dates:
22-04-06, 30-06-06, 29-07-06, 20-10-06 and 29-01-07
- (ii) The Audit Committee of the Board Comprises of two non-executive, independent Directors and one executive director. The committee met 5 times during the year and attendance of the members at these meeting was as follows:

Name of the Audit Committee Member	Status	No. of Meetings Attended / Held
P. C. Kapoor	Executive	4/5
J. M. Gandhi	Non Executive	5/5
B. L. Patwardhan	Non Executive	5/5

The Statutory Auditors, are invitees to the Audit committee Meetings. The Company Secretary is acting as a Secretary of the committee.

- (iii) The role and terms of reference of the Audit Committee covers the matters specified for Audit Committees under Clause 49 of Listing Agreement.

4. Remuneration Committee

The powers of Remuneration Committee are exercised by the Board.

5. Share Transfer Committee:

Powers have been delegated to the Managing Directors to approve the share transfers.

Annexure 'B' - Corporate Governance Report (Contd.)

6. Shareholders Information:

Details of Director seeking re-appointment at the ensuing Annual General Meeting scheduled to be held on 30th August, 2007 are given hereunder:

Particulars	Mr. J. M. Gandhi
Date of re-appointment :	12.07.04
Expertise in Specific Functional Area :	Finance and Banking
List of Other Directorship held :	Mutual Industries Ltd. Weizmann Intel Ltd. Weizmann Ltd. Weizmann Homes Ltd. Weizmann Corporate Services Ltd. Cavalet India Ltd. Gandhi Sons Pvt. Ltd. Suil-Baroti Hydroprojects Pvt. Ltd.

7. Share Transfer and Shareholders / Investors Grievance Committee:

- (i) As stated herein above the powers to approve share transfers have been exercised by the Managing Directors. The Managing Directors and Company Secretary in co-ordination with the Registrars, are attending to all the grievances of investors.
- (ii) Mr. U.A. Patel, Chief General Manager & Company Secretary is the Compliance Officer. There were no Complaints / queries pending reply.

8. General Body Meetings :

- (i) The details of Annual General Meetings held in last three years are as follows:-

AGM	Day	Date	Time	Venue
27th	Monday	12-07-2004	12.00 noon	19, Bombay Mutual Building, 3rd Floor, Sir P. M. Road, Mumbai - 400 001.
28th	Friday	23-09-2005	3.00 p.m.	Ashoka Hall, Arcadia, N.C.P.A. Marg, Nariman Point, Mumbai - 400 021.
29th	Tuesday	29-08-2006	11.00 a.m.	-- Do --

- (ii) Whether special resolutions passed? Yes
- (iii) Whether special resolutions were put through postal ballot last year? No.
- (iv) Are special resolutions proposed to be put through postal ballot this year? No.

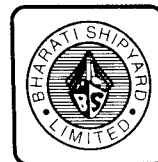
9. Disclosures:

Disclosure regarding materially significant related party transactions this year?

No transactions of material nature have been entered into by the Company with its promoters, Directors or the management or relatives, etc. that may have potential conflict with the interest of the Company.

Disclosure of non-compliance by the Company:

No penalties have been imposed on the Company by Stock Exchanges or SEBI for any matter related to capital markets during the last three years.



Annexure 'B' - Corporate Governance Report (Contd.)

10. Means of Communication :

- (i) Half-yearly report sent to each household of shareholders : No.
- (ii) Quarterly results : Which are published in the all India editions of news papers published in English and Marathi.
- (iii) Any Web site, where displayed : www.bharatishipyards.com
- (iv) Whether it also displays official news releases and presentations made to Institutional investors / analysts : Yes
- (v) Whether Management Discussion & Analysis is a part of annual report: Yes

11. General Shareholder Information :

- (i) Annual General Meeting to be held : Thursday, 30th August, 2007 at 11.00 a.m. at Maharashtra Chamber of Commerce's, Babasaheb Dahanukar Sabhagriha, at Orion House, Maharashtra Chamber of Commerce Path, Fort, Mumbai - 400001.
- (ii) Financial Calendar 2007-2008 :
 First Quarterly Unaudited Results : Before end of July-2007
 Second Quarterly Unaudited Results : Before end of October-2007
 Third Quarterly Unaudited Results : Before end of January-2008
 Fourth Quarterly Unaudited Results : Before end of April-2008
- Or**
- Audited Yearly Results for the Year Ended 31st March-2008 : Before end of June-2008
- (iii) Dates of Book Closure : 16th August, 2007 to 30th August, 2007
- (vi) Dividend Payment Date : After 30th August, 2007

Dividend on Equity Shares when sanctioned will be made payable on or after 30th August-2007, to those Shareholders whose names appear on the Company's Register of Members on 30th August-2007 and to whom dividend warrants will be posted. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the depositories for this purpose.

- (v) Listing on Stock Exchanges at : The Bombay Stock Exchange Ltd. (BSE), Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
 The National Stock Exchange of India Ltd. (NSE), Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

Note: Listing fees has been paid to the Stock Exchanges for the year 2006-2007.

- (vi) ISIN No. : INE 673G01013
- (vii) Stock Code / Symbol :
 NSE : BHARTISHIP
 BSE : 532609
- (viii) Market price Data

The monthly high and low quotations of shares traded at the National Stock Exchange of India Ltd. (NSE), Mumbai during the financial year, 2006-2007 are given below:

Month	High (Rs.)	Low (Rs.)
April	480.00	360.00
May	528.00	320.25
June	459.90	295.00
July	346.80	247.80
August	355.00	276.55
September	355.50	298.00
October	375.00	331.15
November	370.00	315.00
December	378.40	291.00
January	478.00	360.15
February	419.40	301.60
March	390.00	317.45

Annexure 'B' - Corporate Governance Report (Contd.)

(ix) Registrar and Transfer Agents:

The Company has engaged the Services of Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup(W), Mumbai - 400 078, a SEBI registered Company, as its Registrar and Share Transfer Agents for processing the transfers, sub-division, consolidation, Splitting of Securities, demat and remat. All requests for transfers, sub-division, consolidation, Splitting of Securities, demat and remat should be sent directly to Intime Spectrum Registry Limited.

The shareholders have the option to open their accounts with either NSDL or CDSL as the Company has entered into Agreements with both these Depositories.

(x) Share Transfer System:

The shares of the Company are traded in dematerialized form since inception and transfer of the same is regulated as per the procedures laid down under the Depositories Act, 1996.

(xi) Shareholding Pattern as on 31st March, 2007 is given below:

Sr. No.	Category	No. of shares held	Percentage of Shareholding
A	Promoters' holding		
1	Promoters		
	-Indian Promoters	99,99,200	44.44
	-Foreign Promoters	-	-
2	Persons acting in Concert	11,119	0.06
	Sub-Total	1,00,10,319	44.50
B	Non-Promoters Holding		
3	Institutional Investors		
a	Mutual Funds and UTI	49,78,194	22.13
b	Banks, Financial Institutions, Insurance Companies (Central / State Gov. Institutions/ Non-government Institutions)	15,22,392	6.76
C	FII's	38,05,734	16.91
	Sub-Total	1,03,06,320	45.80
4	Others		
a	Private Corporate Bodies	5,25,678	2.34
b	Indian Public	14,95,005	6.64
c	NRIs / OCBs	1,57,661	0.70
d	Any other (Clearing Members)	5,017	0.02
	Sub-Total	21,83,361	9.70
	Grand Total	22,500,000	100.00



Annexure 'B' - Corporate Governance Report (Contd.)

(xii) Distribution of Shareholding as on 31st March, 2007

Share holding		No of shareholders	% of the total holders	Share amount Rs.
1 To	5,000	9,920	94.16	89,95,580
5,001 To	10,000	308	2.92	24,73,180
10,001 To	20,000	128	1.22	18,99,400
20,001 To	30,000	58	0.55	14,93,230
30,001 To	40,000	20	0.19	7,20,510
40,001 To	50,000	16	0.15	7,43,700
50,001 To	1,00,000	22	0.21	16,74,150
100,001	And above	63	0.60	20,70,00,310
TOTAL		10,535	100.00	22,50,00,000

(xiii) Dematerialisation of Equity Shares

As on 31st March 2007, 2,24,98,198 equity shares of the representing 99.99% shares are held in dematerialised form and the balance 1,802 equity shares representing 0.01 % shares are in physical form.

(xiv) Out standing GDRs/ADRs/Warrants or any other Convertible instruments

Foreign Currency Convertible Bonds (FCCB) : 100 Million US \$

Tranche I - Zero Coupon Convertible Bonds US \$ 15 million with Green Shoe Option of additional US \$ 5 million Issued on 12th December, 2005 (Rs. 91.70 crores at issue)

The Bondholder have an option to convert FCCB into Ordinary shares at an initial conversion price of Rs. 421.94 per share at a fixed exchange rate of conversion of Rs. 45.85 (=US \$1), from 22nd January, 2006 to 3rd December, 2008.

Tranche II - Zero Coupon Convertible Bonds US \$ 70 million with Green Shoe Option of additional US \$ 10 million Issued on 12th December, 2005 (Rs. 366.80 crores at issue)

The Bondholder have an option to convert FCCB into Ordinary shares at an initial conversion price of Rs. 497.89 per share at a fixed exchange rate of conversion of Rs. 45.85 (=US \$1), from 22nd January, 2006 to 3rd December, 2010.

1,000 FCCBs are outstanding till March 31, 2007. If all the outstanding FCCBs would be converted into equity share, the total share capital would go up by 9,540,384 new equity shares.

(xv) Plants : (Manufacturing Units):

- Bhoir Sand Compound, Ghodbunder, Dist : Thane.
- Mirya Bunder, Ratnagiri, Dist : Ratnagiri.
- Mangalore, Dist : Dakshina Kannada.
- Timberpond, Howrah, Kolkata

(xvi) Address for Correspondence :

a. For correspondence relating to shares

: Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup (W),
Mumbai - 4000 78.

b. For other matters:(At the Registered Office of the Company)

: 302, Wakefield House, 3rd Floor,
Sprott Road, Ballard Estate,
Mumbai - 400 037.

Annexure 'B' - Corporate Governance Report (Contd.)

(xiii) Dematerialisation of Equity Shares

As on 31st March 2007, 2,24,98,198 equity shares of the representing 99.99% shares are held in dematerialised form and the balance 1,802 equity shares representing 0.01 % shares are in physical form.

(xiv) Out standing GDRs/ADRs/Warrants or any other Convertible instruments

Foreign Currency Convertible Bonds (FCCB) : 100 Million US \$

Tranche I - Zero Coupon Convertible Bonds US \$ 15 million with Green Shoe Option of additional US \$ 5 million Issued on 12th December, 2005 (Rs. 91.70 crores at issue)

The Bondholder have an option to convert FCCB into Ordinary shares at an initial conversion price of Rs. 421.94 per share at a fixed exchange rate of conversion of Rs. 45.85 (=US \$1), from 22nd January, 2006 to 3rd December, 2008.

Tranche II - Zero Coupon Convertible Bonds US \$ 70 million with Green Shoe Option of additional US \$ 10 million Issued on 12th December, 2005 (Rs. 366.80 crores at issue)

The Bondholder have an option to convert FCCB into Ordinary shares at an initial conversion price of Rs. 497.89 per share at a fixed exchange rate of conversion of Rs. 45.85 (=US \$1), from 22nd January, 2006 to 3rd December, 2010.

1,000 FCCBs are outstanding till March 31, 2007. If all the outstanding FCCBs would be converted into equity share, the total share capital would go up by 9,540,384 new equity shares.



Annexure "C" - Management Discussion and Analysis

1. Industry Structure, Development and Outlook

(i) Introduction:

Transportation Infrastructures consists of roads, railways, airports and seaports. These are the arteries for the free flow of people, goods and information. Of the above the most economical mode of transport is the marine/sea transport. Although relatively slow, modern sea transport is a highly effective method of transporting large quantities of non-perishable goods. Transport by water is significantly less costly than transport by air for trans-continental shipping. A significant portion of the world trade (i.e. almost 75% - 80%) is carried out by sea transport. The key element for sea transport are the ships/vessels. Today, shipbuilding companies can build variety of multifaceted vessels.

The world shipping fleet can be divided into four broad carrier classes:

- a. **Tankers:** Also known as liquid bulk carriers, these vessels transport such cargo as crude oil, petroleum products and chemicals. Included within this class are Oil Tankers, Chemical Tankers, LPG Tankers (vessels which transport liquefied petroleum gas or "LPG") and LNG Tankers (vessels which transport liquefied natural gas or "LNG").
- b. **Dry Bulk Carriers:** Dry bulk carriers are the second largest fleet category and are used to transport such raw materials as iron ore, cement, lime stone, sugar and grains.
- c. **Container Vessels and Cargo Vessels:** These vessels transport freight shipped in containers and carry all non-bulk dry cargo. This class includes Reefers (refrigerated ships which transport fruit, vegetables and meat), Ro-Ros (roll-on/roll off vessels transporting vehicles), Passenger Ferries, Cruise Ships, Live Stock Carriers, Barges and normal Container Ships freighting everything from major appliances to individual household possessions.
- d. **Off-shore Supply and Utility Ships:** These ships are used primarily for oil exploration activities and for transportation of stores, materials, equipment and personnel to/from and between off-shore installations.

(ii) Industry Evolution:

Earlier, Ship-building was dominated by Europe and North America in the 19th and early 20th centuries. In the '60s Japan's cheap labour skills enabled it to become the top ship-builder. Soon afterwards South Korea, Taiwan and Singapore emerged as major builders. However, all these have now become high wage countries. So, shipbuilding is shifting to China and India as they have the requisite skills and relatively lower labour costs to make the best and economical ships.

Shipbuilding is a labour-intensive industry and with today's spiraling labour costs, European shipyards are finding it extremely difficult to compete in the global market and shipbuilding is shifting to countries like India and China.

(iii) The Indian Shipbuilding Industry:

The Indian shipbuilding industry is small by global standards, as Indian shipbuilders occupy less than 1.0% of the global shipbuilding industry. Overall, there are 28 large, medium and small shipyards in India, many of them combining shipbuilding and ship-repair services. The structure of the Indian shipbuilding industry can be divided into three distinct segments:

- a. **Public sector shipyards:** The public sector shipyards primarily build merchant class ships and include Hindustan Shipyard Limited, Cochin Shipyard Limited, Hoogly Dock & Port Engineers Limited and Central Inland Water Transportation Limited. India's major shipyards are public sector shipyards.
- b. **Defense shipyards:** There are three naval shipyards under the purview of India's Ministry of Defense which include Mazgaon Dock Limited, Goa Shipyard Limited, and Garden Reach Shipbuilders & Engineers.
- c. **Private shipyards:** India has three mid-sized private shipyards which are Bharati Shipyard Limited, ABG Shipyard Limited and Chowgule & Company Ltd. In addition, there are a number of smaller shipyards which build smaller barges, tugs, patrol ships and fishing ships.

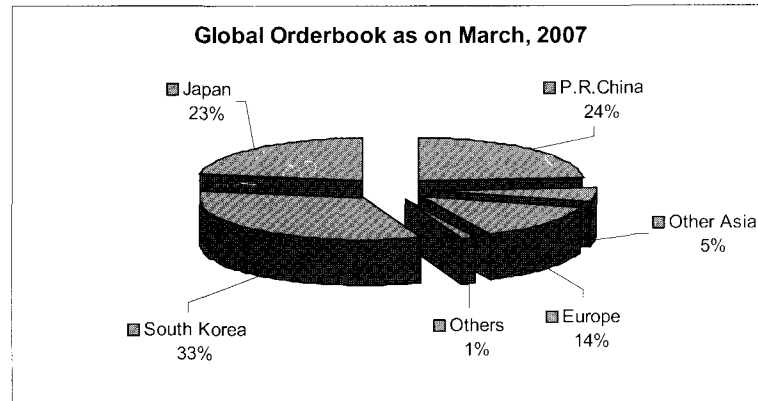
(iv) Characteristics and Development of the Indian Fleet:

From 1989 to 2000, the average rate of growth in the Indian fleet in terms of number of ships has been slightly under 1.0% and in terms of tonnage is around 0.5%. These figures are well below the average rate of growth of the total world fleet, which grows on average at the rate of 2.0-3.0% per annum. However, it is expected that the Indian fleet will experience higher levels of growth in the future in tandem with the growth in domestic and international trade. While India is well served by a large fleet of small service crafts including tugs, fishing boats, dredgers, it is poorly served by cargo carrying fleet when compared to the extent of the country's trade. Because India's cargo carrying fleet has not grown significantly, merchant marines are losing ground in the carriage of Indian goods. Of the fleet of Indian-owned cargo vessels operating in the area around Mumbai, only 11.0% are Indian-made. In the short-sea sector (15,000 to 25,000 DWT) and for vessels below 10,000 DWT, only 6.7% of the ships are Indian made.

Annexure "C" - Management Discussion and Analysis (Contd.)

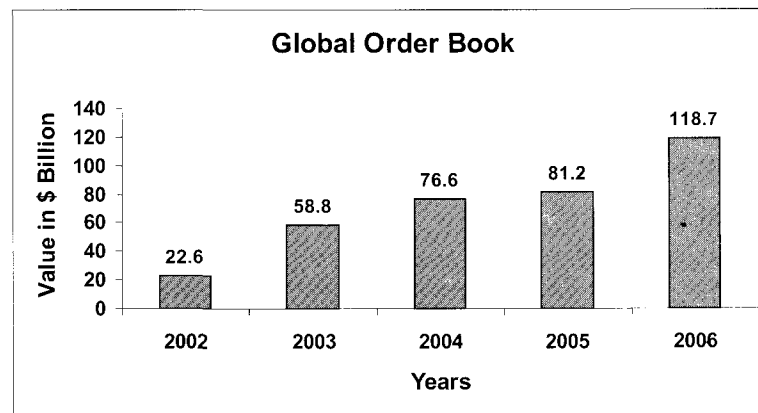
2. Opportunities

The Global shipbuilding industry is dominated by Japanese, Chinese and Korean Shipyards. Together, they account for nearly 78% of the total shipbuilding orders. The Global Ship building industry is at a historic high after the rally in 1960-70's. The price of most vessels have increased by over 100% in past few years reflecting the strong spot rates and stronger long term demand outlook prevailing in the sector.



(i) Ship Demand Trends:

The following chart provides information regarding the increase in the global order book position in Asia for the periods indicated:



The above growth in demand for new ships is expected to continue in the future. In addition to the growth in international trade, the demand for ships worldwide is influenced by the following three main factors:

(ii) Regulations of the International Maritime Organization:

The International Maritime Organisation ("IMO") has issued new regulations, including, for example, MARPOL (Marine Pollution) Regulation No: 13, requiring the curtailing of operations of older, single hull tankers and requiring that all single hull tankers be replaced with double hull tankers by 2015.

(iii) Scrapping of older vessels and aging fleet:

Aging vessels typically require substantial repairs and maintenance to conform to industry standards, including repairs made in connection with periodic surveys by classification societies and drydockings. Ships generally have a normal life span of 25 to 30 years. As of January 1, 2003, 19% of the world fleet by DWT was more than 21 years old, and 28% of the world fleet was 12 to 21 years old, most of which will be due for replacement in 5 to 10 years from now. At any point in time, the level of scrapping is affected by such factors as current and expected charter rate conditions, scrap prices, the age profile of fleets, the levels of second-hand values in relation to scrap values, as well as operating, repair and survey costs and the impact of regulations. It is expected that the scrapping of older ships will result in an increase in demand for bulk carriers.



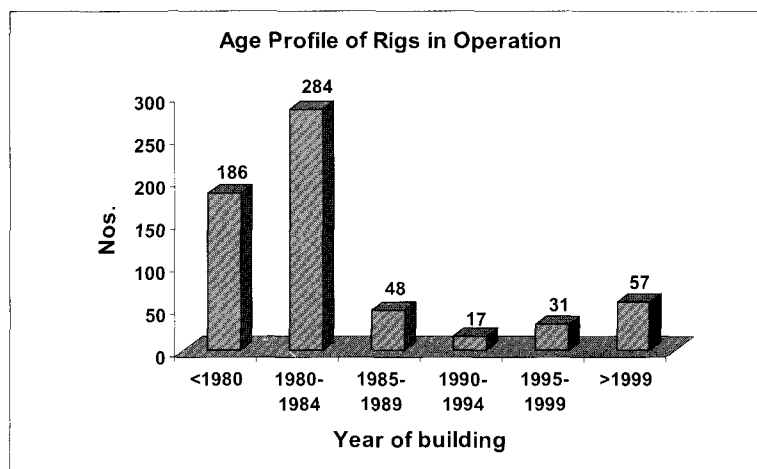
Annexure "C" - Management Discussion and Analysis (Contd.)

(iv) Containerisation of cargo :

There is an increasing demand for cargo ships due to containerisation of cargo, especially in the general cargo ships segment. It is expected that this segment will grow by 11.0%.

(v) RIGS:

Another, important and interesting segment of shipbuilding is RIG construction. Rigs are the most multifaceted vessels to be manufactured. The age profile of RIGS in operation has been illustrated below:



(vi) The Indian Advantage:

India is well placed to supply skilled labour that can compete with the best in the world. The labour cost per worker in India is estimated at \$1,192 per worker per year, against \$10,743 and \$21,317 per worker per year in leading shipbuilding countries like South Korea and Singapore. Apart from skilled welders and fitters, India has world-class naval engineers and architects. These, along with top-class management, can make India a global power in shipbuilding. Further there is an advantage of introduction of tonnage tax for shipping companies which had stagnated at about 7 billion tonne and has subsequently dipped to about 6 billion tonne, has already shot past the 8 billion tonne level. Existing shipping companies have gone in for new vessel acquisition while new players have entered the market. With growth prospects in the ports and shipping sector, it is quite natural that there will be increasing demand for more ships and port vessels, thus, giving a fillip to the shipbuilding industry in India. Also, with more and more ships visiting Indian ports, there will be considerable demand for ship repairs at various ports.

(vii) The Company's strategy:

Bharati Shipyard's growth strategy focuses on capitalizing its capabilities, competencies, knowledge and qualifications. The company's strategy is to

- Establish as a leading Ship Builder, both domestically and internationally.
- Enter into latest segments by building heavy, large sized multifaceted vessels while continuing with building of medium sized vessels.
- Make use of the best modern practices to achieve good productivity and throughput.
- To construct vessels, which are complex in nature with the help of sophisticated equipments, acquired from Swan Hunter Shipyard, UK.
- To strengthen its position in Rig construction and develop an altogether new business segment.
- Establish Bharati as unique, reliable and economical service provider for high-end technical repairs of vessels in India.

3. Risks and Concerns

(i) Operational Risks:

Our company has a record of timely delivery and execution as per schedule. We are expanding our existing facilities and adding up more facilities to execute more and manufacture complex and advanced vessels. Orders for new facilities have already been taken; hence any delay in expansion of facilities would lead to delays in delivery. In order to safeguard this we need to sternly finish the expansion on time.

(ii) Substantial fall in Oil Prices:

Offshore segment is one of the very important segment of your company. Demand for Offshore Vessels and Rigs are affected by E & P budgets of oil companies. The E & P budgets are in turn determined by the expected long term fuel prices. A sustained and continuous decline in oil prices would weaken demand for offshore vessels as well as Rigs. Your company has built its facilities to

Annexure "C" - Management Discussion and Analysis (Contd.)

cater to multiple segments i.e. it manufactures multifaceted vessels and it does not completely rely on one segment; therefore a fall in one segment would be compensated by the income from other segments.

(iii) Rise in Input Prices:

The major inputs in shipbuilding are machineries, steel and labour. If the prices of these inputs rise sharply then it can have a serious impact on shipbuilding industry. Your company enters into back to back contracts with suppliers of machineries for most of its requirements and stores sufficient steel in its inventory. Labour price escalation is also factored while negotiating price of the vessels. However, any unexpected and abnormal increase in these inputs cost may adversely affect the company's financial performance.

(vi) Foreign Exchange Risk:

Fluctuation in the value of Rupee against other currencies could adversely affect revenues from exports, costs of imported raw materials and consequently profitability. Substantial portion of your company's order book and thus revenues comprise of export revenues. However, substantial portion of your Company's costs are also in foreign currencies thereby mitigating the exchange risk to some extent. However, any significant change in the above position may affect your Company's financial performance.

4. Internal Control System

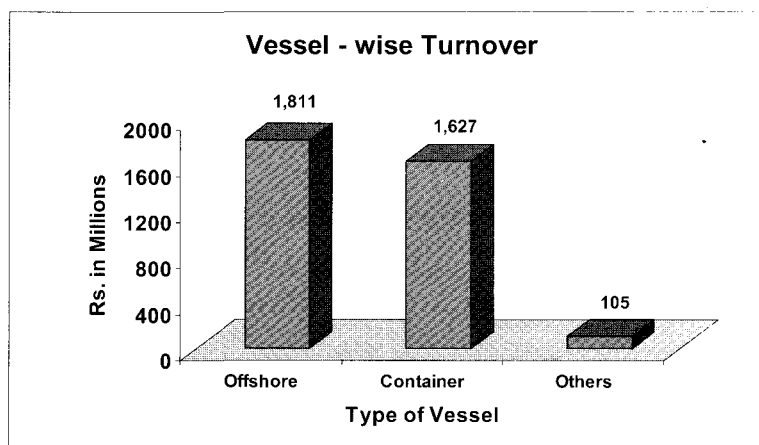
The company has in place adequate internal control commensurate with its size and nature of operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

5. Financial Overview

(i) Turnover:

During the year under report, sales increased by Rs. 1,000.53 mn. which is 38.47% higher than the previous year. The increase is mainly due to utilization of the expanded capacity of our Ratnagiri and Ghodbunder Yard. During the year, the Goa yard owned by our subsidiary Pinky Shipyard Ltd. has also become fully operational and the same has also contributed to the increase in turnover.

The composition of turnover by vessel types is as under:



(ii) Subsidy:

During the year the company has booked subsidy of Rs. 617.50 mn. as compared to previous year where it was only Rs. 332.16 mn. The company books subsidy when the vessels are nearing to completion i.e. when the vessel is more than 70% complete. The increase in subsidy is consequent to various vessels nearing the completion stage.

(iii) Expenditure:

a. Raw Material Consumed:

The Raw Material consumed increased from Rs. 1,497.43 mn. to Rs. 2,041.82 mn. representing an increase of 36.36%. The same is due to a 38.47% increase in turnover. The Raw Material cost constituted 57.58% and 56.70% for the years 2005-06 and 2006-07 respectively. Thus Raw Material cost as a percentage of sales have reduced. The said reduction is on account of change in the types of vessels under construction during the year.



Annexure "C" - Management Discussion and Analysis (Contd.)

b. Manufacturing and Other Expenses:

The Manufacturing and Other expenses have increased from Rs. 306.02 mn. to Rs. 480.97 mn. This is consequent to the increase in turnover. The manufacturing and other expenses mainly consists of Design & Consultancy Fees, Repairs & Maintenance, Equipment Hire Charges, Travelling Expenses, etc.

c. Employee Cost:

Employee Cost has increased from Rs. 252.92 mn. to Rs. 424.73 mn. This increase is mainly due to increase in turnover and rising labour costs. Further, during the year the company has undertaken manufacture of Container vessels wherein the labour cost as a percentage of total cost is higher as compared to Offshore vessels.

d. Bank & Finance Charges:

Bank & Finance Charges have increased from Rs. 97.68 mn. to Rs. 143.82 mn. In percentage terms, these charges have marginally increased from 3.76% to 3.99%. The Bank and Finance Charges comprise of interest on Working Capital Facilities, Bank Guarantee Charges and L/C Charges. Internationally, Bank Guarantees are issued by the shipbuilders to customers against advance payments and performance guarantees. Accordingly, the company also issues Bank Guarantees for various purposes and incurs L/C charges for import of various materials. These charges therefore, increase in proportion to the turnover.

e. Depreciation:

Depreciation has increased from Rs. 14.69 mn. to Rs. 51.11 mn. The increase in depreciation is mainly due to the purchase / erection of Plant & Machinery and Windmills in the year under report. These additions were carried out in order to expand the yard for the future growth of the company and enable the company to accomplish higher execution. The machineries and equipments purchased have contributed in achieving higher turnover.

(iv) Profits:

The Net profit after tax has increased by Rs. 221.11 mn. which is higher by 43.30%, as compared to previous year. The increase in Net Profit is consequent to increase in turnover achieved due to expansions made at Ratnagiri and Ghodbunder Yards.

(v) EBIDTA:

The EBIDTA (excluding subsidy) is Rs. 685.43 mn. which is 22.02% higher than previous year (Rs. 561.75 mn). EBIDTA as a percentage of turnover stands at 19.03%.

(vi) Sundry Debtors:

Debtors have increased from Rs. 687.73 mn to Rs. 1,375.11 mn. This increase is mainly due to increase in subsidy receivable. The total cumulative subsidy receivable as at year end amounts to Rs. 1,082.68 mn., which is almost 79% of Sundry Debtors. The company is in the process of carrying out necessary procedures and formalities for recovering the aforesaid outstanding subsidy.

(vii) Inventory:

The company had inventories of Rs. 2,524.10 mn. as on 31st March, 2007 (Rs. 1,993.02 mn. as on 31st March, 2006). The increase in inventory is mainly due to the increase in stock of steel. To avoid variations in the prices of steel, the company maintains reasonable inventory of steel.

(viii) Loans & Advances:

Loans & advances have increased from Rs. 532.39 mn. to Rs. 1,656.30 mn. This increase is mainly due to the advance tax paid for the F.Y. 2006-07, advance given to subsidiary for sub contract and advances given to suppliers for the year under report.

(ix) Current Liabilities:

Current Liabilities have increased from Rs. 1,297.34 mn. to Rs. 3,176.71 mn. This rise is mainly due to increase in advances received from customers.

(x) Provision for Gratuity:

In compliance with the revised Accounting Standard 15, the company has made Provision for Gratuity during the year under report. For the purpose of making provision, the company has carried out the actuarial valuation of its Gratuity liability. Further, in compliance with the Accounting Standard, the liability pertaining to earlier years (net of deferred tax assets) has been adjusted against the opening balance of revenue reserve and the liability pertaining to the year under report has been charged to the profit and loss account. Accordingly, an amount of Rs. 10.36 mn. has been adjusted against revenue reserves and an amount of Rs. 1.82 mn. has been charged to profit and loss account.

Auditors' Certificate

**To The Members of
Bharati Shipyard Limited**

We have examined the compliance of conditions of Corporate Governance by Bharati Shipyard Limited for the year ended on 31st March 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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:-

- i. We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
- ii. We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Company and noted by the Board of Directors / Share Transfer Committee and Shareholders / Investors Grievance Committee.
- iii. 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.

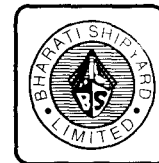
For **M/s. Bhuta Shah & Co.**
Chartered Accountants

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

For **M/s. Shantilal Mehta & Co.**
Chartered Accountants

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

Place : Mumbai
Date : 2nd July, 2007



Auditors' Report

To The Members of
Bharati Shipyard Limited

1. We have audited the attached Balance Sheet of Bharati Shipyard Limited ("the Company") as at March 31, 2007, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we 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 account 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 and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v. on the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
 - vi. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 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 **M/s. Bhuta Shah & Co.**
Chartered Accountants

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

For **M/s. Shantilal Mehta & Co.**
Chartered Accountants

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

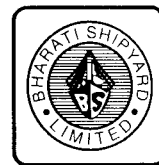
Place : Mumbai
Date : 2nd July, 2007

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 (b) As explained to us, physical verification of a major portion of fixed assets as at March 31, 2007 was conducted by the Management during the year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.
 (c) No substantial part of fixed assets has been disposed off during the year which will affect the going concern principle.
- (ii) (a) Physical verification of inventories has been conducted at reasonable intervals by the management.
 (b) In our opinion the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 (c) In our opinion, the Company is maintaining proper records of inventory and during the course of our audit no material discrepancies were noticed on physical verification of inventories.
- (iii) (a) The Company has granted advance to Pinky Shipyard Private Ltd. covered in the register maintained under Section 301 of the Companies Act, 1956. The year end balance of advance granted to the above company was Rs. 1,247.22 lakhs.
 (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which the loan has been granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
 (c) The Company has not taken loans from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and therefore, the provisions of this of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) In our opinion there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any major weakness in the internal controls.
- (v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered into the register required to be maintained under section 301 of the Companies Act, 1956 have been so entered.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public during the year.
- (vii) In our opinion, the company has an adequate Internal Audit System commensurate with its size and nature of its business
- (viii) Maintenance of Cost records under section 209 (1) (d) of the Companies Act 1956 has not been prescribed by the Central Government in respect of the Company's business.
- (ix) (a) The Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material Statutory dues applicable to it. There are no arrears as at 31st March 2007 for a period of more than six months from the date they become payable.
 (b) According to the information and explanation given to us, the dues in respect of sales tax, income tax, custom duty, excise duty, cess that have not been deposited with the appropriate authorities on account of dispute and the forum where the disputes are pending are given below.

Nature of the Statute	Nature of the dues	Amount (in lakhs)	Forum where dispute is pending
Income Tax Act	Income Tax	24.76	Income Tax Appellate Tribunal
Income Tax Act	Income Tax	18.03	Income Tax Appellate Tribunal

**Annexure to the Auditors' Report (Contd.)**

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current or in the immediately preceding financial year.
- (xi) According to the information and explanation given to us, the company has not defaulted in repayment of dues to the banks.
- (xii) According to the information and explanation given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (xiv) According to the information and explanation given to us, the company is not dealing or trading in shares, securities and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
- (xv) According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanation given to us and on the overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investments. No long term funds have been used to finance short term assets except working capital.
- (xviii) The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company has not issued any secured debentures during the year.
- (xx) As informed to us, during the period covered by our audit report the company has not raised any money by public issues.
- (xxi) Based upon the audit procedures performed and information and explanation given to us, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For **M/s. Bhuta Shah & Co.**
Chartered Accountants

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

For **M/s. Shantilal Mehta & Co.**
Chartered Accountants

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

Place : Mumbai
Date : 2nd July, 2007

Balance Sheet as at 31st March 2007

(Rs. in Lakhs)

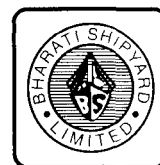
Particulars	Schedule	As at 31 st Mar-07	As at 31 st Mar-06
SOURCES OF FUNDS			
SHAREHOLDERS' FUND :			
(a) Share Capital	A	2,250.00	2,250.00
(b) Reserves and Surplus	B	22,229.11	15,866.57
		24,479.11	18,116.57
LOAN FUNDS :			
(a) Secured Loans	C	8,133.10	9,312.58
(b) Unsecured Loans	D	47,363.16	45,382.51
		55,496.26	54,695.09
DEFERRED TAX LIABILITY (NET)	E	2,873.57	1,529.02
TOTAL		82,848.94	74,340.68
APPLICATION OF FUNDS			
FIXED ASSETS :			
(a) Gross Block	F	15,852.77	8,488.98
(b) Less : Depreciation		1,861.19	1,288.04
(c) Net Block		13,991.58	7,200.94
(d) Capital work-in-progress		9,745.05	2,974.39
INVESTMENTS	G	344.68	245.28
CURRENT ASSETS, LOANS AND ADVANCES :			
(a) Inventories	H	25,240.96	19,930.18
(b) Sundry Debtors	I	13,751.06	6,877.25
(c) Cash and Bank Balances	J	40,137.25	47,134.29
(d) Loans and Advances	K	16,562.99	5,323.93
		95,692.26	79,265.65
LESS : CURRENT LIABILITIES AND PROVISIONS :			
(a) Current Liabilities	L	31,767.12	12,973.43
(b) Provisions	M	5,548.93	2,861.42
		37,316.05	15,834.85
NET CURRENT ASSETS		58,376.21	63,430.80
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	N	391.42	489.27
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	U		
TOTAL		82,848.94	74,340.68

As per our Report Attached

For **M/s. Bhuta Shah & Co.**
Chartered AccountantsFor **M/s. Shantilal Mehta & Co.**
Chartered Accountants

For and on behalf of the Board

CA. Shailesh Bhuta
[Partner]
Membership No. 33958**CA. Shantila: Mehta**
[Proprietor]
Membership No. 14187**P. C. Kapoor**
[Managing Director]**Vijay Kumar**
[Managing Director]Place : Mumbai
Date : 2nd July, 2007**U. A. Patel**
[Chief General Manager & Company Secretary]


Profit and Loss Account for the Year Ended 31st March 2007

(Rs. in Lakhs)

Particulars	Schedule	Year Ended 31 st Mar-07	Year Ended 31 st Mar-06
INCOME :			
Turnover	O	36,010.66	26,005.37
Subsidy		6,174.91	3,321.55
Other Income	P	318.81	175.77
Total Income		42,504.38	29,502.69
EXPENDITURE :			
Raw Material Consumed	Q	20,418.17	14,974.28
Manufacturing and Other Expenses	R	4,809.72	3,060.17
Employee Cost	S	4,247.32	2,529.20
Bank and Finance Charges (Net)	T	1,438.19	976.80
Depreciation	F	511.09	146.85
Total Expenditure		31,424.49	21,687.30
PROFIT BEFORE TAXATION		11,079.89	7,815.39
Provision for Taxation			
- Current Tax		2,326.29	1,183.70
- Deferred Tax		1,397.09	1,446.96
- Fringe Benefit Tax		38.65	24.62
Short Provision for Tax		-	53.37
PROFIT AFTER TAXATION		7,317.86	5,106.74
Surplus brought forward		6,728.80	2,774.12
Amount Available For Appropriation		14,046.66	7,880.86
APPROPRIATIONS :			
Transfer to General Reserve		731.79	510.67
Proposed Final Dividend		675.00	562.50
Dividend Tax thereon		114.72	78.89
Surplus carried forward		12,525.15	6,728.80
TOTAL		14,046.66	7,880.86
EARNINGS PER SHARE			
Equity shares of face value of Rs. 10/- each			
Basic (in Rs.)		32.52	22.70
Diluted (in Rs.)		22.84	15.94
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	U		

As per our Report Attached

 For M/s. Bhuta Shah & Co.
Chartered Accountants

 For M/s. Shantilal Mehta & Co.
Chartered Accountants

For and on behalf of the Board

 CA. Shailesh Bhuta
[Partner]
Membership No. 33958

 CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

 P. C. Kapoor Vijay Kumar
[Managing Director] [Managing Director]

 Place : Mumbai
Date : 2nd July, 2007

 U. A. Patel
[Chief General Manager & Company Secretary]

Schedules to the Balance Sheet as at 31st March, 2007

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'A' : SHARE CAPITAL :		
Authorised Capital 4,00,00,000 (Previous Year 4,00,00,000) Equity Shares of Rs.10/- each	4,000.00	4,000.00
Issued, Subscribed and Paid up Capital 2,25,00,000 (Previous Year 2,25,00,000) equity shares of Rs.10/- each fully paid up including 67,011 equity shares allotted to directors of Company for consideration other than cash and 49,11,000 equity shares allotted as fully paid up bonus shares by capitalisation of retained profit.	2,250.00	2,250.00
Total	2,250.00	2,250.00
SCHEDULE 'B' : RESERVES & SURPLUS :		
(a) Securities Premium Account As per last Balance Sheet	7,000.00	7,000.00
(b) Revaluation Reserve As per last Balance Sheet Less: Withdrawn for Depreciation for the year	701.11 62.06 639.05	763.17 62.06 701.11
(c) General Reserve As per last Balance Sheet Less: Provision for gratuity net of deferred tax assets Add: Transferred from Profit & Loss Account	1,436.67 103.55 731.79 2,064.91	925.99 - 510.67 1,436.67
(d) Profit and Loss Account	12,525.15	6,728.79
Total	22,229.11	15,866.57
Note: Premium on issue of equity shares represents premium of Rs. 56/- per share on issue of 1,25,00,000 equity shares under an Initial Public Offer.		
SCHEDULE 'C' : SECURED LOANS :		
Loans and advances from banks		
Cash / Export Credit facilities		
Cash / Export Packing Credit Account with State Bank of India	3,440.96	4,797.37
Cash Credit Account with State Bank of Hyderabad	122.13	620.68
Cash / Export Packing Credit Account with Andhra Bank	535.04	878.40
Cash Credit Account with State Bank of Travancore	1,982.19	557.21
	6,080.32	6,853.67
(All the above loans from SBI, State Bank of Hyderabad, Andhra Bank and State Bank of Travancore have been secured by way of hypothecation of Raw Material Stock and Stock-in-Process and Mortgage of Land, Building, Plant & Machinery)		
Term Loans		
Term Loan - I from State Bank of India (Ratnagiri Expansion) (Secured by way of Mortgage of Plant & Machinery relating to Expansion Project)	368.00	460.00
Term Loan - II from State Bank of India (Windmill) (Secured by way of Mortgage of Fixed Assets of Wind Power Project)	1,684.78 2,052.78	1,996.26 2,456.26
Other Loans		
Car Loan from ICICI Bank (Secured against Cars financed)	-	2.65
Total	8,133.10	9,312.58
SCHEDULE 'D' : UNSECURED LOANS :		
Foreign Currency Convertible Bonds	47,363.16	45,382.51
Total	47,363.16	45,382.51
SCHEDULE 'E' : DEFERRED TAX LIABILITY (NET) :		
(a) Deferred Tax Liabilities On account of Timing difference of depreciation	2,932.42	1,529.02
(b) Deferred Tax Assets On account of Gratuity liability On account of Diminution in value of investment	58.65 0.20	- -
Total	2,873.57	1,529.02

Schedules to the Balance Sheet as at 31st March, 2007 (Contd.)

SCHEDULE 'F' : FIXED ASSETS :

(Rs. in Lakhs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at 1 st Apr-06	Additions	Deductions	As at 31 st Mar-07	As at 1 st Apr-06	Deductions	For the year	Charged to Revaluation Reserve	As at 31 st Mar-07	As at 31 st Mar-07	As at 31 st Mar-06
Land	114.52	30.60	-	145.11	-	-	-	-	-	145.11	114.52
Building	199.69	68.65	-	268.35	81.99	-	2.55	4.36	88.89	179.45	117.71
Plant & Machinery	2,358.31	3,783.42	-	6,141.73	1,000.22	-	105.02	57.70	1,162.95	4,978.79	1,358.09
Furniture and Fittings	34.41	138.74	-	173.15	8.03	-	5.41	-	13.44	159.71	26.38
Vehicles	120.19	125.74	-	245.92	69.77	-	8.75	-	78.52	167.40	50.42
Computers	81.44	62.45	-	143.89	34.31	-	10.60	-	44.92	98.97	47.12
Wind Mill	5,548.40	3,129.30	-	8,677.70	87.37	-	376.10	-	4 63.47	8,214.23	5,461.02
Office Equipments	32.03	24.89	-	56.92	6.34	-	2.66	-	9.00	47.92	25.68
Total	8,488.99	7,363.79	-	15,852.77	1,288.04	-	511.09	62.06	1,861.19	13,991.58	7,200.94
Previous year	2,365.75	6,123.23	-	8,488.99	1,079.13	-	146.85	62.06	1,288.04	7,200.94	1,286.61

Capital Work-in-progress as on 31-03-2007 is Rs. 9,745.05 Lakhs(Previous year Rs. 2,974.39 Lakhs)



Schedules to the Balance Sheet as at 31st March, 2007 (Contd.)

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'G' : INVESTMENTS :		
Long Term (At Cost)		
Non - Trade Investment		
Quoted Fully Paid Up		
150 (Previous Year 150) Equity Shares of Rs. 10/- each of ICICI Bank Ltd. (Market Value as on 31-3-2007 was Rs. 853.35/- per share totalling to Rs. 1.28 Lakhs)	- 0.12	0.12
Investment in Subsidiary Company		
Unquoted Fully Paid Up		
1,53,000 (Previous Year 1,53,000) Equity Shares of Rs. 100/- each of Pinky Shipyard Private Limited	145.16	145.16
Current (At Cost or Fair value whichever is lower)		
Non - Trade Investment		
Unquoted Fully Paid Up		
10,00,000 (Previous Year 10,00,000) Units of Rs. 10/- each of S.B.I. Blue Chip Fund -Growth (NAV as on 31-3-2007 was Rs. 10.90/- per unit totalling to Rs. 109.00 Lakhs)	100.00	100.00
10,00,000 (Previous Year Nil) Units of Rs. 10/- each of S.B.I. One India Fund -Growth (NAV as on 31-3-2007 was Rs. 9.94/- per unit totalling to Rs. 99.40 Lakhs)	99.40	-
Total	344.68	245.28
SCHEDULE 'H' : INVENTORIES :		
Raw Materials	21,778.81	13,484.15
Semi Finished Goods	3,462.15	6,446.03
Total	25,240.96	19,930.18
SCHEDULE 'I' : SUNDRY DEBTORS :		
(Unsecured Considered Good)		
Outstanding for more than six months	7,760.45	2,833.80
Others	5,990.61	4,043.44
Total	13,751.06	6,877.25
SCHEDULE 'J' : CASH & BANK BALANCES :		
(a) Cash on hand	52.11	20.38
(b) Bank Balances		
(i) with Scheduled Banks #		
(1) In current accounts	33.23	6.37
(2) In deposit accounts	4,843.49	2,327.26
(3) In EEFC accounts	5,018.95	0.44
# Includes unpaid dividend and share application monies accounts		
(ii) with Foreign Banks *		
(1) In current accounts		
State Bank of India, Nassau	1,946.89	-
Citibank, New York	1,622.51	5,121.40
(2) In deposit accounts		
State Bank of India, Nassau	16,244.43	32,424.71
State Bank of India, Hong Kong	6,842.39	7,233.73
ICICI Bank, UK	3,533.25	-
* Unutilised proceeds from FCCB issue		
Total	40,137.25	47,134.29


Schedules to the Balance Sheet as at 31st March, 2007 (Contd.)

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'K' : LOANS & ADVANCES :		
Advances for value to be received in Cash/Kind	10,583.04	2,333.16
Balances with Income Tax, Sales Tax, Port Trust etc.	5,421.78	2,596.30
Trade Deposits	558.17	394.47
Total	16,562.99	5,323.93
SCHEDULE 'L' : CURRENT LIABILITIES :		
Sundry Creditors - Others ^	4,559.23	2,748.76
Sundry Creditors - Small scale industrial undertakings@	481.76	-
Investor Education and Protection Fund #		
- Unpaid Dividend	2.24	1.90
- Unpaid Share Application Money	9.70	11.75
Advances received against orders	26,572.30	10,085.34
Other Current Liabilities	141.89	125.68
Total	31,767.12	12,973.43
Note:		
<p>@ Small scale industrial undertaking to whom amount are due have been determined based on the information available with company and are given below. The dues are within the period of agreed terms.</p> <p>Apidor Abrasive Products Pvt. Ltd, Aquarius Fiberglas, Asian Ancillary Corporation, Corporated Consultancy and Engineers Pvt. Ltd., Eskay Industries, Goa Paints and Sillied Products Pvt. Ltd., Marine Electricals, Oil Gear Toweler Poly - Hydron Pvt. Ltd., Orione Hydraulics Pvt. Ltd., Pipes & Cables India, Supremex Equipments, Timblo Drydocks Pvt. Ltd., Universal Engineering Co.</p> <p>^ The Company has not received the required information from the Suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. Hence disclosures, if any, relating to amounts unpaid as at the end together with interest paid / payable as required under the said Act have not been made.</p> <p># There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.</p>		
SCHEDULE 'M' : PROVISIONS :		
Provision for Income Tax	4,521.70	2,195.41
Provision for Fringe Benefit Tax	63.27	24.62
Provision for Gratuity	174.24	-
Dividend Payable	675.00	562.50
Dividend Tax Payable	114.72	78.89
Total	5,548.93	2,861.42
SCHEDULE 'N' : MISCELLANEOUS EXPENDITURE :		
Share Issue Expenses	489.27	489.27
Less: Written off to Profit & Loss account	97.85	-
Total	391.42	489.27

Schedules to the Profit and Loss Account for the Year Ended at 31st March, 2007

(Rs. in Lakhs)

Particulars	Year Ended 31 st Mar-07	Year Ended 31 st Mar-06
SCHEDULE 'O' : TURNOVER :		
Ship Manufacturing & Repairs	16,568.18	16,741.61
Increase in WIP	18,888.80	9,219.11
Wind Mill Income	553.68	44.65
Total	36,010.66	26,005.37
SCHEDULE 'P' : OTHER INCOME :		
Scrap Sale	178.77	11.40
Oil Left Over	9.84	13.59
Foreign Currency Variation	-	38.64
Dividend Income	0.01	14.09
Interest on Sales Tax Refund	-	3.41
Sales Tax Refund	125.59	92.54
Miscellaneous Income	4.60	2.10
Total	318.81	175.77
SCHEDULE 'Q' : RAW MATERIAL CONSUMED :		
Opening Stock	13,484.15	3,383.08
Add : Purchases	28,712.83	25,075.35
	42,196.98	28,458.43
Less : Closing Stock	21,778.81	13,484.15
Total	20,418.17	14,974.28


Schedules to the Profit and Loss Account for the Year Ended at 31st March, 2007 (Contd.)

(Rs. in Lakhs)

Particulars	Year Ended 31 st Mar-07	Year Ended 31 st Mar-06
SCHEDULE 'R' : MANUFACTURING & OTHER EXPENSES :		
Auditors' Remuneration	22.01	27.65
Advertisement Expenses	41.16	29.16
Bonded Warehouse Charges	7.35	19.16
Car Hire Charges	99.64	36.67
Clearing & Forwarding	374.80	270.03
Commission and Brokerage	149.33	230.72
Conveyance	39.35	27.89
Courier Charges	14.50	12.60
Design & Consultancy	699.81	435.58
Diminution in value of investment	0.60	-
Directors' sitting fees	0.90	0.23
Donation	34.31	14.83
Electricity Charges	168.31	128.84
Equipment Hire Charges	654.45	340.53
Exhibition	28.11	7.83
Foreign Exchange Variation	13.61	-
Hotel & Guest House Expenses	3.55	2.16
Interest on late payment of TDS / TCS / FBT	4.58	-
Inspection / Testing Charges / Service	277.01	218.83
Insurance Charges	185.69	97.69
Keyman Insurance	80.00	80.00
Launching & Delivery Expenses	233.51	188.56
Legal and Professional Expenses	35.07	40.40
Membership and Subscription	74.87	27.48
Miscellaneous Expenses	62.16	15.31
Photo Charges	2.91	3.54
Port Dues	73.00	11.29
Postage & Telegram	1.75	1.61
Preliminary Expenses written off	97.85	-
Printing & Stationery	81.15	25.04
Rent, rates and taxes	366.86	154.35
Repairs & Maintenance	54.59	54.91
Sales Tax	9.58	5.40
Service Charges	57.35	29.38
Service tax	17.42	6.05
Telephone & Telex Charges	79.24	40.22
Transport Charges	220.86	241.08
Travelling Expenses	442.46	235.15
Total	4,809.72	3,060.17

Schedules to the Profit and Loss Account for the Year Ended at 31st March, 2007 (Contd.)

(Rs. in Lakhs)

Particulars	Year Ended 31 st Mar-07	Year Ended 31 st Mar-06
SCHEDULE 'S' : EMPLOYEE COST :		
Salaries, Wages, Stipend and Bonus	803.93	442.08
Labour Charges	3,255.09	1,931.08
Contribution to Provident Fund, ESIC, Gratuity	110.80	65.91
Staff Welfare	41.50	42.00
Remuneration of Directors	36.00	48.13
Total	4,247.32	2,529.20
SCHEDULE 'T' : BANK & FINANCE CHARGES (NET) :		
Bank Guarantee Commission	633.87	616.10
Interest on Term Loans	243.13	107.18
Interest on Working Capital Loans	718.00	365.63
Interest on Others	0.72	0.30
Other Financial Charges	169.90	258.87
	1,765.62	1,348.08
Less: Interest Received / Receivable on Bank Deposits	239.34	211.02
Interest Received / Receivable on Others	88.09	160.26
	327.43	371.27
Total	1,438.19	976.80



Schedule 'U' : Significant Accounting Policies and Notes to the Accounts

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation

The financial statements are prepared under the historical cost convention and as per the requirements of the Companies Act, 1956.

2. Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates are provision for income taxes and accrued income.

3. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.

4. Revaluation Reserve

The Company has revalued Building, Plant and Machinery and Shed in 1994 - 95 and aggregate addition resulting there from amounting to Rs. 1,443.10 Lakhs has been credited to the revaluation reserve account. The Revaluation Reserve is based upon technical report of approved valuers.

5. Depreciation

- i. Depreciation on Fixed Assets has been provided on straight – line method at the rates and in the manner prescribed in schedule XIV of the Companies Act, 1956.
- ii. Depreciation on revaluation has been charged to revaluation reserve.
- iii. Depreciation on additions /deletions is calculated on pro-rata from /to the date of such additions / deletions.
- iv. Fixed assets under construction are shown as capital work-in-progress and are not depreciated.

6. Impairment

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

7. Investments

Long-term investments are stated at cost less provision for other than temporary diminution in value. Current investments comprising mutual funds are stated at the lower of cost and fair value, determined on a portfolio basis.

8. Inventories

- i. Raw materials are valued at cost or market price whichever is lower.
- ii. Stock in process is valued at amount of work done duly certified by Chartered Engineer.

9. Retirement benefits

Contributions to Provident and Superannuation Funds are recognised as expense when incurred. Contribution payable by the Company to the LIC is charged to revenue on the basis of actuarial valuation towards demand worked out by LIC and the Company has adjusted the transitional liability against the opening balance of revenue reserve and surplus as per revised AS-15 (2005) issued by ICAI.

10. Revenue recognition

- i. Revenue is recognised in accounts in accordance with 'AS-7 Accounting for Construction Contracts' issued by ICAI on percentage completion basis.
- ii. Revenue on work in process is recognised as per certified value of work done.
- iii. Export turnover include exchange rate difference arising on realization.
- iv. Dividend income on investment is accounted for in the year in which the right to receive the payment is established.
- v. Interest income is recognized on the time proportion basis.

Schedule 'U' : Significant Accounting Policies and Notes to the Accounts (Contd.)**11. Government Subsidy**

Government Grants are recognised in the profit & loss account in accordance with the related scheme and in the period in which these are accrued.

12. Borrowing costs

Borrowing Costs attributable to the acquisition and construction of the Qualifying Assets, which takes substantial period of time to get ready for its intended use, are capitalized as part of the cost of respective assets up to the date when such asset is ready for its intended use. Other Borrowing costs are charged to the Profit and Loss account.

13. Miscellaneous expenditure

Preliminary expenses are written off over a period of 5 years, commencing from the year of commencement of commercial operations.

14. Provision for Taxation**(i) Current Tax**

Provision for Current Tax has been made in accordance with the Income Tax prevailing for the relevant assessment years.

(ii) Deferred Tax

The deferred tax during the year for timing difference is accounted using tax rates that have been enacted, the net difference arising thereon is debited to Profit & Loss Account.

(iii) Fringe Benefit Tax

Provision for Fringe Benefit Tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

15. Foreign currency transactions

Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Premium or discount on forward exchange contracts are amortised and recognised in the profit and loss account over the period of the contract.. Forward exchange contracts outstanding at the balance sheet date are stated at fair values and any gains or losses are recognised in the profit and loss account..

II. NOTES TO THE ACCOUNTS**1. Auditors' Remuneration**

(Rs. in Lakhs)

Particulars	FY 2006 - 2007	FY 2005 - 2006
Fees as Auditors	2.81	2.50
Tax Audit	0.56	0.50
Taxation Matters	2.68	2.50
Consultancy Charges	15.96	22.15
Total	22.01	27.65

2. Provision and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

(Rs. in Lakhs)

Particulars	Amount
Claims made against company not acknowledged as debts.	53.60
Tax / Duties that may arise in respect of which appeals are pending.	42.79
Total	96.39


Schedule 'U' : Significant Accounting Policies and Notes to the Accounts (Contd.)
3. Details of stock and turnover of major class of goods and services

Particulars	Sales		Closing Stock	
	Quantity (In Nos.)	Amount (Rs. in Lakhs)	Quantity (In Nos.)	Amount (Rs. in Lakhs)
80 Tons Bollard Pull Anchor Handling Tug cum Supply Vessel	2	10,773.73	Nil	Nil
Anchor Handling Towing Supply Vessel	1	3,013.51	Nil	Nil
Dredger	1	2,764.13	Nil	Nil
Total	4	16,551.37	Nil	Nil

4. CIF Value of Imports

(Rs. in Lakhs)

Particulars	Amount
Raw Materials (Steel)	6,836.27
Components and Spare Parts	13,099.15
Total	19,935.42

5. Ratio of value of indigenous and imported value of raw materials (steel) and components and spare parts consumed

Particulars	Amount (Rs. in Lakhs)	%
Raw Materials (Steel)		
(a) Imported	4,827.63	24 %
(b) Indigenous	1,962.47	10 %
Components and Spares Parts		
(a) Imported	9,690.44	47 %
(b) Indigenous	3,937.63	19 %
Total	20,418.17	100 %

6. Licensed & Installed Capacity

Not Applicable

7. FOB Value of Exports

Rs. 5,777.64 Lakhs

Schedule 'U' : Significant Accounting Policies and Notes to the Accounts (Contd.)**8. Expenditure in Foreign Currency**

(Rs. in Lakhs)

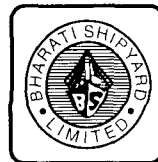
Particulars	Amount
Travelling expenses	160.15
Commission and Brokerage	740.19
Design and Consultancy	250.31
Advertisement and Exhibition expenses	27.25
Inspection / Testing charges / Service	65.67
Membership and Subscription	46.34
Total	1,293.80

9. Related Party Disclosure

The Company has entered into the following related party transactions. Such parties and transactions have been identified as per Accounting Standard 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India.

i. List of related parties and relationships, where control exists

Particulars of Relation	Name of the party
Subsidiary	1. Pinky Shipyard Pvt. Ltd.
Key Managerial Personnel and their relatives	1. Mr. P. C. Kapoor – Managing Director 2. Mrs. Madhu Kapoor (Wife) 3. Mrs. Radhika Mehra (Daughter) 4. Mr. Vijay Kumar – Managing Director 5. Mrs. Ashraf Geeta Kumar (Wife) 6. Ms. Sukriti Gayatri Kumar (Daughter)


Schedule 'U' : Significant Accounting Policies and Notes to the Accounts (Contd.)
ii. Transactions with Related Parties

(Rs. in Lakhs)

Particulars	Subsidiary Company	Key Managerial Personnel	Relatives of Key Managerial Personnel	Total
Opening Balances				
Receivable	686.40	7.17	2.50	696.07
Payable	-	-	0.52	0.52
Transactions				
Remuneration	-	42.64	-	42.64
Rent	-	7.20	3.60	10.80
Dividend paid	-	179.72	0.03	179.75
Labour Charges	167.57	-	-	167.57
Advances Given / Repaid	728.39	-	0.52	728.91
Receivables recovered	-	7.17	-	7.17
Outstanding Balances				
Loans and Advances	1,247.22	-	2.50	1,249.72
Receivables				

10. Earning Per Share

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earning per share, the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential equity shares from the exercise of options on unissued share capital and on conversion of FCC Bonds.

The calculation of earnings per share (basic and diluted) are based on the earnings and number of shares as computed below.

Sr. No.	Particulars	Unit	FY 2006 - 2007	FY 2005 - 2006
(a)	Profit after tax	Rs. in Lakhs	7,317.86	5,106.74
(b)	The weighted average number of Ordinary Shares for Basic EPS	Nos.	22,500,000	22,500,000
(c)	The nominal value per Ordinary Share	Rupees	10.00	10.00
(d)	Earnings Per Share (Basic)	Rupees	32.52	22.70
(e)	The weighted average number of Ordinary Shares for Diluted EPS			
	For Basic earnings per share	Nos	22,500,000	22,500,000
	Add: Conversion of FCC Bonds	Nos	9,540,384	9,540,384
	For Diluted earnings per share	Nos	32,040,384	32,040,384
(f)	Earnings Per Share (Diluted)	Rupees	22.84	15.94

Schedule 'U' : Significant Accounting Policies and Notes to the Accounts (Contd.)**11. Details of Investment bought and sold during the year**

Name of Fund	Face Value (in Rs.)	Nos. of Units Invested	Amount (Rs. in Lakhs)
SBI One India Fund – Growth	10	10,00,000	100.00

12. Balance of Sundry Debtors, Creditors, Loans and Advances and Personal Accounts are subject to confirmation.

13. In the opinion of the Directors, current assets and loans and advances have the value at which they are stated in the Balance Sheet if realized in the ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.

14. Directors' Remuneration

(Rs. in Lakhs)

Particulars	FY 2006 - 2007	FY 2005 - 2006
Managing Directors		
Salaries	42.64	48.13
Non – Whole time directors		
Sitting Fees	0.90	0.23

15. Managerial Remuneration

Computation of Net Profit in accordance with Section 198 and 309 (5) of the Companies Act, 1956.

(Rs. in Lakhs)

Particulars	FY 2006 - 2007	FY 2005 - 2006
Remuneration to Directors	42.64	48.13
Profit before other adjustments and Tax as per Profit and Loss Account	11,079.89	7,815.39
Add:		
Remuneration to Directors	42.64	48.13
Depreciation as per books	511.09	146.85
Diminution in value of investment	00.60	-
Sub - total	11,634.22	8,010.37
Less:		
Depreciation as per books of Accounts	511.09	146.85
Total	11,123.13	7,863.52
Entitlement of Maximum Remuneration	1,112.31	786.35


Schedule 'U' : Significant Accounting Policies and Notes to the Accounts (Contd.)
16. Segment Reporting
A. Primary Segments (Business Segments)

(Rs. in Lakhs)

Particulars	Segments		Total
	Ship Manufacturing	Windmill	
REVENUE			
Turnover	41,631.89	553.68	42,185.57
Other Income	318.81	-	318.81
Total	41,950.70	553.68	42,504.37
RESULT			
Segment Results Before Depreciation, Interest and Tax	12,509.26	519.91	13,029.17
Less: Interest (Net)	1,191.32	246.87	1,438.19
Less: Depreciation	134.99	376.10	511.09
Profit / (Loss) before Tax	11,182.94	(103.06)	11,079.89
Less: Tax Expenses			3,762.03
Net Profit / (Loss) after Tax			7,317.86
OTHER INFORMATION			
Segment Assets	111,527.73	8,637.25	120,164.98
Segment Liabilities	86,805.35	8,877.20	95,685.88

B. Secondary Segments (Geographical Segments)

(Rs. in Lakhs)

Particulars	Segments		Total
	Domestic	Overseas	
REVENUE			
Ship Manufacturing	10,013.20	31,618.69	41,631.89
Windmill	553.68	-	553.68

Note : Interest Expenses wherever identifiable, with specific segment are allocated over the said segment.

Schedule 'U' : Significant Accounting Policies and Notes to the Accounts (Contd.)**17. Issue of Foreign Currency Convertible Bonds (FCCB)**

The Company issued the FCCB, which are convertible into Ordinary Shares. The particulars, terms of issue and status of conversion as at March 31, 2007 is given below :

Issue	Tranche - I (due 2008)	Tranche - II (due 2010)
Issued on	12th December, 2005	12th December, 2005
Issue Amount (in INR at the time of the issue)	US \$20 million (Rs. 9,170.00 Lakhs)	US \$80 million (Rs. 36,680.00 Lakhs)
Face Value	US \$ 100,000	US \$ 100,000
Conversion Price per share at fixed exchange rate	Rs. 421.94 US \$1 = Rs. 45.85	Rs. 497.89 US \$1 = Rs. 45.85
Exercise Period	after 22nd January, 2006 and up to 3rd December, 2008	after 22nd January, 2006 and up to 3rd December, 2010
Early redemption at the option of the Company subject to certain conditions	on or after 13th March, 2007	on or after 13th March, 2007
Redeemable on	13th December, 2008	13th December, 2010
Redemption percentage of the Principal Amount	119.86%	142.80%
Amount Converted	Nil	Nil
Aggregate conversion into Shares	Nil	Nil
Bonds Outstanding	200	800
Aggregate amount of shares that could be issued on conversion of outstanding bonds	2,173,295	7,367,089

18. The figures for the previous year have been arranged/rearranged/regrouped wherever considered necessary.

Signature to Notes & Schedules 'A' to 'U'

For **M/s. Bhuta Shah & Co.**
Chartered Accountants

For **M/s. Shantilal Mehta & Co.**
Chartered Accountants

For and on behalf of the Board

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

P. C. Kapoor **Vijay Kumar**
[Managing Director] [Managing Director]

Place : Mumbai
Date : 2nd July, 2007

U. A. Patel
[Chief General Manager & Company Secretary]


Cash Flow Statement for the Year Ended 31st March, 2007

(Rs. in Lakhs)

Sr. No.	Particulars	Year Ended 31 st Mar - 07		Year Ended 31 st Mar - 06	
A.	Cash flow from operating activities				
	Net profit before tax	11,079.89		7,815.39	
	Adjustments for :				
	Depreciation for the year	511.09		146.85	
	Preliminary Expenses Written off	97.85		-	
	Diminution in value of investments	0.60		-	
	Foreign exchange Loss/ (Gain)	13.61		(38.64)	
	Interest expenses	1,438.19		976.80	
	Dividend income	(0.01)		(14.09)	
	Operating profit before working capital changes	13,141.22		8,886.31	
	Increase in trade receivables	(6,873.81)		(4,441.84)	
	Increase in inventories	(5,310.78)		(11,871.54)	
	Increase in trade payables & Others	18,850.52		9,481.45	
	Cash generated from Operations	19,807.13		2,054.39	
	Direct Taxes paid	(38.65)		(479.80)	
	Net Cash From Operating Activities		19,768.48		1,574.59
B.	Cash flow from investing activities				
	Purchase of fixed assets	(14,134.45)		(8,427.97)	
	Increase in deposits and advances	(11,239.06)		(2,784.27)	
	Dividend received	0.01		14.09	
	Net Cash From Investing Activities		(25,373.50)		(11,198.15)
C.	Cash flow from financing activities				
	Premium on / Proceeds from issue of Foreign Currency Convertible Bonds (FCCB)	1,980.65		45,382.51	
	(Increase) /Decrease in Investments	(100.00)		405.88	
	Miscellaneous Expenditure	-		52.64	
	(Repayment) / Proceeds from long term borrowings	(1,179.48)		7,017.48	
	Interest paid	(1,438.19)		(976.80)	
	Dividend paid	(641.39)		(641.39)	
	Net Cash From Financing Activities		(1,378.41)		51,240.32
	Net (Decrease) / increase in Cash & Cash Equivalents (A+B+C)		(6,983.43)		41,616.75
	Cash and Cash Equivalents at the beginning of the year		47,134.29		5,478.90
			40,150.86		47,095.65
	Effect of exchange rate changes		(13.61)		38.64
	Cash and Cash Equivalents at the end of the year		40,137.25		47,134.29

Notes:

- Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 issued by Institute of Chartered Accountants of India.
- Previous year figures have been regrouped, rearranged wherever considered necessary.

As per our Report Attached

For **M/s. Bhuta Shah & Co.**
Chartered Accountants

For **M/s. Shantilal Mehta & Co.**
Chartered Accountants

For and on behalf of the Board

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

P. C. Kapoor **Vijay Kumar**
[Managing Director] [Managing Director]

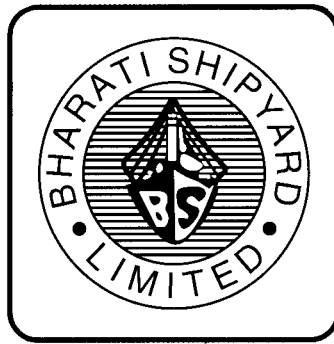
Place : Mumbai
Date : 2nd July, 2007

U. A. Patel
[Chief General Manager & Company Secretary]

Balance Sheet Abstract and Company's General Business Profile

(Rs. in Lakhs)

1	Registration Details	
	Registration Number	19092
	State Code	11
	Balance Sheet Date	31-03-2007
2	Capital Raised During the Year	
	Public issue	Nil
	Right issue	Nil
	Bonus issue	Nil
	Private placement	Nil
3	Position of Mobilisation and Deployment of Funds	
	Total Liabilities	82,848.94
	Total Assets	82,848.94
	Source of Funds	
	Paid up Capital	2,250.00
	Reserves and Surplus	22,229.11
	Secured Loans	8,133.10
	Unsecured Loans	47,363.16
	Deferred Tax Liability (Net)	2,873.57
	Application of Funds	
	Net Fixed Assets	23,736.62
	Investments	344.68
	Net Current Assets	58,376.21
	Miscellaneous Expenditure	391.42
4	Performance of Company	
	Turnover (Total Income)	42,504.38
	Total Expenditure	31,424.49
	Profit / (Loss) Before Tax	11,079.89
	Profit / (Loss) After Tax	7,317.86
	Earning Per Share :	
	Basic (in Rs.)	32.52
	Diluted (in Rs.)	22.84
	Dividend Rate	30%



BHARATI SHIPYARD LIMITED

**CONSOLIDATED
FINANCIAL STATEMENTS**

**For the Year Ended
31st March, 2007**

This page has been left blank intentionally



Consolidated Auditors' Report

To The Members of
Bharati Shipyard Limited

1. We have examined the attached Consolidated Balance Sheet of Bharati Shipyard Limited ("the Company"), and its subsidiary Pinky Shipyard Private Limited (the Company and its subsidiary constitute 'the Group') as at March 31, 2007, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the Management on the basis of separate financial statements and other financial information. Our responsibility is to express an opinion on these Consolidated financial statements based on our audit.
2. We conducted our audit in accordance with 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 the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Financial statements of our subsidiary have been audited by other auditor, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.
4. Further to our comments:
 - i. We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirement of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountant of India and on the basis of the separate audited financial statement of the Company and its subsidiary included in the Consolidated Financial Statements.
 - ii. Based on our audit and on consideration of reports of other auditor on separate financial statements and on the other financial information of the components, and to the best of our information and explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2007;
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **M/s. Bhuta Shah & Co.**
Chartered Accountants

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

For **M/s. Shantilal Mehta & Co.**
Chartered Accountants

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

Place : Mumbai
Date : 2nd July, 2007

Consolidated Balance Sheet as at 31st March, 2007

(Rs. in Lakhs)

Particulars	Schedule	As at 31 st Mar-07	As at 31 st Mar-06
SOURCES OF FUNDS			
SHAREHOLDERS' FUND :			
(a) Share Capital	A	2,250.00	2,250.00
(b) Reserves and Surplus	B	22,227.79	15,862.75
		24,477.79	18,112.75
MINORITY INTEREST		108.97	106.55
LOAN FUNDS :			
(a) Secured Loans	C	8,133.09	9,312.58
(b) Unsecured Loans	D	47,420.16	45,439.51
		55,553.25	54,752.09
DEFERRED TAX LIABILITY (NET)	E	2,873.50	1,529.02
TOTAL		83,013.51	74,500.41
APPLICATION OF FUNDS			
FIXED ASSETS :			
(a) Gross Block	F	16,689.22	9,268.64
(b) Less : Depreciation		1,861.60	1,288.24
(c) Net Block		14,827.62	7,980.40
(d) Capital work-in-progress		9,746.66	2,974.39
GOODWILL ON CONSOLIDATION		30.43	30.43
INVESTMENTS	G	199.62	100.22
CURRENT ASSETS, LOANS AND ADVANCES :			
(a) Inventories	H	25,463.36	20,006.43
(b) Sundry Debtors	I	13,751.77	6,877.53
(c) Cash and Bank Balances	J	40,163.43	47,215.11
(d) Loans and Advances	K	15,820.15	4,731.33
		95,198.72	78,830.40
LESS : CURRENT LIABILITIES AND PROVISIONS :			
(a) Current Liabilities	L	31,831.60	13,043.30
(b) Provisions	M	5,549.38	2,861.42
		37,380.97	15,904.72
NET CURRENT ASSETS		57,817.75	62,925.69
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	N	391.42	489.28
BASIS OF CONSOLIDATION, SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS			
TOTAL	U	83,013.51	74,500.41

As per our Report Attached

For **M/s. Bhuta Shah & Co.**
Chartered AccountantsFor **M/s. Shantilal Mehta & Co.**
Chartered Accountants

For and on behalf of the Board

CA. Shailesh Bhuta
[Partner]
Membership No. 33958**CA. Shantilal Mehta**
[Proprietor]
Membership No. 14187**P. C. Kapoor**
[Managing Director]**Vijay Kumar**
[Managing Director]Place : Mumbai
Date : 2nd July, 2007**U. A. Patel**
[Chief General Manager & Company Secretary]


Consolidated Profit and Loss Account for the Year Ended 31st March, 2007

(Rs. in Lakhs)

Particulars	Schedule	Year Ended 31 st Mar-07	Year Ended 31 st Mar-06
INCOME :			
Turnover	O	36,101.97	26,081.62
Subsidy		6,174.91	3,321.55
Other Income	P	321.47	176.13
Total Income		42,598.35	29,579.30
EXPENDITURE :			
Raw Material Consumed	Q	20,418.17	14,974.28
Manufacturing and Other Expenses	R	4,820.34	3,063.83
Employee Cost	S	4,325.11	2,609.09
Bank and Finance Charges (Net)	T	1,438.23	977.18
Depreciation	F	511.29	147.05
Total Expenditure		31,513.15	21,771.43
PROFIT BEFORE TAXATION		11,085.20	7,807.89
Provision for Taxation			
- Current Tax		2,326.73	1,183.70
- Deferred Tax		1,397.02	1,446.96
- Fringe Benefit Tax		38.65	24.62
Short Provision for Tax		-	53.37
PROFIT AFTER TAXATION		7,322.79	5,099.23
Surplus brought forward		6,724.96	2,774.12
Share of minority interest		(2.42)	3.68
Amount Available For Appropriation		14,045.33	7,877.04
APPROPRIATIONS :			
Transfer to General Reserve		731.79	510.67
Proposed Final Dividend		675.00	562.50
Dividend Tax thereon		114.72	78.89
Surplus carried forward		12,523.83	6,724.96
TOTAL		14,045.33	7,877.04
EARNINGS PER SHARE			
Equity shares of face value of Rs. 10/- each			
Basic (in Rs.)		32.55	22.66
Diluted (in Rs.)		22.85	15.92
BASIS OF CONSOLIDATION, SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	U		

As per our Report Attached

For **M/s. Bhuta Shah & Co.**
Chartered AccountantsFor **M/s. Shantilal Mehta & Co.**
Chartered Accountants

For and on behalf of the Board

CA. Shailesh Bhuta
[Partner]
Membership No. 33958**CA. Shantilal Mehta**
[Proprietor]
Membership No. 14187**P. C. Kapoor** **Vijay Kumar**
[Managing Director] [Managing Director]Place : Mumbai
Date : 2nd July, 2007**U. A. Patil**
[Chief General Manager & Company Secretary]

Schedules to the Consolidated Balance Sheet as at 31st March, 2007

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'A' : SHARE CAPITAL :		
Authorised Capital		
4,00,00,000 (Previous Year 4,00,00,000) Equity Shares of Rs.10/- each	4,000.00	4,000.00
Issued, Subscribed and Paid up Capital		
2,25,00,000 (Previous Year 2,25,00,000) equity shares of Rs.10/- each fully paid up including 67,011 equity shares allotted to directors of Company for consideration other than cash and 49,11,000 equity shares allotted as fully paid up bonus shares by capitalisation of retained profit.	2,250.00	2,250.00
Total	2,250.00	2,250.00
SCHEDULE 'B' : RESERVES & SURPLUS :		
(a) Securities Premium Account		
As per last Balance Sheet	7,000.00	7,000.00
(b) Revaluation Reserve		
As per last Balance Sheet	701.11	763.17
Less: Withdrawn for Depreciation for the year	62.06	62.06
	639.05	701.11
(c) General Reserve		
As per last Balance Sheet	1,436.67	925.99
Less: Provision for gratuity net of deferred tax assets	103.55	-
Add: Transferred from Profit & Loss Account	731.79	510.67
	2,064.91	1,436.67
(d) Profit and Loss Account		
	12,523.83	6,724.96
Total	22,227.79	15,862.75
Note:		
Premium on issue of equity shares represents premium of Rs.56/- per share on issue of 1,25,00,000 equity shares under an Initial Public Offer.		


Schedules to the Consolidated Balance Sheet as at 31st March, 2007 (Contd.)

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'C' : SECURED LOANS :		
Loans and advances from banks		
Cash / Export Credit facilities	-	
Cash / Export Packing Credit Account with State Bank of India	3,440.96	4,797.37
Cash Credit Account with State Bank of Hyderabad	122.13	620.68
Cash / Export Packing Credit Account with Andhra Bank	535.04	878.40
Cash Credit Account with State Bank of Travancore	1,982.19	557.21
	6,080.31	6,853.67
(All the above loans from SBI, State Bank of Hyderabad, Andhra Bank and State Bank of Travancore have been secured by way of hypothecation of Raw Material Stock and Stock-in-Process and Mortgage of Land, Building, Plant & Machinery)		
Term Loans		
Term Loan - I (Ratnagiri Expansion)	368.00	460.00
(Secured by way of Mortgage of Plant & Machinery relating to Expansion Project)		
Term Loan - II (Windmill)	1,684.78	1,996.26
(Secured by way of Mortgage of Fixed Assets of Wind Power Project)	2,052.78	2,456.26
Other Loans		
Car Loan from ICICI Bank	-	2.65
(Secured against Cars financed)		
Total	8,133.09	9,312.58
SCHEDULE 'D' : UNSECURED LOANS :		
Foreign Currency Convertible Bonds	47,363.16	45,382.51
Loan from Directors	57.00	57.00
Total	47,420.16	45,439.51
SCHEDULE 'E' : DEFERRED TAX LIABILITY (NET) :		
(a) Deferred Tax Liabilities		
On account of Timing difference of depreciation	2,932.42	1,529.02
(b) Deferred Tax Assets		
On account of Gratuity liability	58.65	-
On account of Diminution in value of investment	0.20	-
On account of carried forward losses of Past Years	0.07	-
Total	2,873.50	1,529.02

Schedules to the Consolidated Balance Sheet as at 31st March, 2007 (Contd.)

SCHEDULE 'F' : FIXED ASSETS :

(Rs. in Lakhs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at 1 st Apr-06	Additions	Deductions	As at 31 st Mar-07	As at 1 st Apr-06	Deductions	For the year	Charged to Revaluation Reserve	As at 31 st Mar-07	As at 31 st Mar-07	As at 31 st Mar-06
Land	8 89.98	87.39	-	977.37	-	-	-	-	-	977.37	889.98
Building	201.61	68.65	-	270.27	82.05	-	2.61	4.36	89.02	181.24	119.56
Plant & Machinery	2,358.66	3,783.42	-	6,142.08	1,000.24	-	105.04	57.70	1,162.98	4,979.10	1,358.43
Furniture and Fittings	3 6.34	138.74	-	175.08	8.15	-	5.53	-	13.69	161.39	2 8.18
Vehicles	120.19	125.74	-	245.92	69.77	-	8.75	-	78.52	167.40 5	0.42
Computers	81.44	62.45	-	143.89	34.31	-	10.60	-	44.92	98.97	47.12
Wind Mill	5,548.40	3,129.30	-	8,677.70	87.37	-	376.10	-	463.47	8,214.23	5,461.02
Office Equipments	32.03	24.89	-	56.92	6.34	-	2.66	-	9.00	47.92	25.68
Total	9,268.64	7,420.58	-	16,689.22	1,288.24	-	511.29	62.06	1,861.60	14,827.62	7,980.40
Previous Year	2,506.92	6,761.72	-	9,268.64	1,079.13	-	147.05	62.06	1,288.24	7,980.40	1,286.61

Capital Work- in- progress as on 31-03-2007 is Rs. 9,746.66 Lakhs (Previous Year Rs. 2,974.39 Lakhs)

Schedules to the Consolidated Balance Sheet as at 31st March, 2007 (Contd.)

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'G' : INVESTMENTS :		
Long Term (At Cost)		
Non - Trade Investment		
Quoted Fully Paid Up		
150 (Previous Year 150) Equity Shares of Rs. 10/- each of ICICI Bank Ltd. (Market Value as on 31-3-2007 was Rs. 853.35/- per share totalling to Rs. 1.28 Lakhs)	0.12	0.12
Unquoted Fully Paid Up		
200 (Previous Year 200) Equity Shares of Rs. 50/- each of Goa Urban Co-op Bank Limited	0.10	0.10
Current (At Cost or Fair value whichever is lower)		
Non - Trade Investment		
Unquoted Fully Paid Up		
10,00,000 (Previous Year 10,00,000) Units of Rs. 10/- each of S.B.I. Blue Chip Fund -Growth (NAV as on 31-3-2007 was Rs. 10.90/- per unit totalling to Rs.109.00 Lakhs)	100.00	100.00
10,00,000 (Previous Year Nil) Units of Rs. 10/- each of S.B.I. One India Fund -Growth (NAV as on 31-3-2007 was Rs. 9.94/- per unit totalling to Rs. 99.40 Lakhs)	99.40	-
Total	199.62	100.22
SCHEDULE 'H' : INVENTORIES :		
Raw Materials	21,778.81	13,484.15
Semi Finished Goods	3,684.55	6,522.28
Total	25,463.36	20,006.43
SCHEDULE 'I' : SUNDRY DEBTORS :		
(Unsecured Considered Good)		
Outstanding for more than six months	7,760.74	2,833.80
Others	5,991.04	4,043.73
Total	13,751.77	6,877.53
SCHEDULE 'J' : CASH & BANK BALANCES :		
(a) Cash on hand	76.83	30.10
(b) Bank Balances		
(i) with Scheduled Banks #		
(1) In current accounts	34.71	77.47
(2) In deposit accounts	4,843.49	2,327.26
(3) In EEFC accounts	5,018.95	0.44
# Includes unpaid dividend and share application monies accounts		
(ii) with Foreign Banks *		
(1) In current accounts		
State Bank of India, Nassau	1,946.89	-
Citibank, New York	1,622.51	5,121.40
(2) In deposit accounts		
State Bank of India, Nassau	16,244.43	32,424.71
State Bank of India, Hong Kong	6,842.39	7,233.73
ICICI Bank, UK	3,533.25	-
* Unutilised proceeds from FCCB issue		
Total	40,163.43	47,215.11

Schedules to the Consolidated Balance Sheet as at 31st March, 2007 (Contd.)

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'K' : LOANS & ADVANCES :		
Advances for value to be received in Cash/Kind	9,797.81	1,719.26
Balances with Income Tax, Sales Tax, Port Trust etc.	5,452.25	2,610.25
Term Deposits with SBI IFC Branch	6.50	6.50
Trade Deposits	563.59	395.32
Total	15,820.15	4,731.33
SCHEDULE 'L' : CURRENT LIABILITIES :		
Sundry Creditors - Others [^]	4,588.33	2,812.35
Sundry Creditors - Small scale industrial undertakings@	481.76	-
Investor Education and Protection Fund #		
- Unpaid Dividend	2.24	-
- Unpaid Share Application Money	9.70	-
Advances received against orders	26,572.30	10,085.34
Other Current Liabilities	177.26	145.61
Total	31,831.60	13,043.30
Note:		
@ Small scale industrial undertaking to whom amount are due have been determined based on the information available with company and are given below. The dues are within the period of agreed terms. Apidor Abrasive Products Pvt. Ltd, Aquarius Fiberglass, Asian Ancillary Corporation, Corporated Consultancy and Engineers Pvt. Ltd., Eskay Industries, Goa Paints and Allied Products Pvt. Ltd., Marine Electricals, Oil Gear Toweler Poly - Hydron Pvt. Ltd., Orione Hydraulics Pvt. Ltd., Pipes & Cables India, Supremex Equipments, Timblo Drydocks Pvt. Ltd., Universal Engineering Co. [^] The Company has not received the required information from the Suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. Hence disclosures, if any, relating to amounts unpaid as at the end together with interest paid / payable as required under the said Act have not been made. # There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.		
SCHEDULE 'M' : PROVISIONS :		
Provision for Income Tax	4,521.70	2,195.41
Provision for Fringe Benefit Tax	63.27	24.62
Provision for Gratuity	174.24	-
Dividend Payable	675.00	562.50
Dividend Tax Payable	114.72	78.89
Total	5,548.93	2,861.42
SCHEDULE 'N' : MISCELLANEOUS EXPENDITURE :		
Share Issue Expenses	489.27	489.27
Less: Written off to Profit & Loss account	97.85	-
Total	391.42	489.27


Schedules to the Consolidated Profit and Loss Account for the Year Ended at 31st March, 2007

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'O' : TURNOVER :		
Ship Manufacturing & Repairs	16,659.49	16,741.61
Increase in WIP	18,888.80	9,295.36
Wind Mill Income	553.68	44.65
Total	36,101.97	26,081.62
SCHEDULE 'P' : OTHER INCOME :		
Scrap Sale	178.77	11.40
Oil Left Over	9.84	13.59
Foreign Currency Variation	-	38.64
Dividend Income	0.01	14.09
Interest on Sales Tax Refund	-	3.41
Sales Tax Refund	125.59	92.54
Miscellaneous Income	7.26	2.47
Total	321.47	176.13
SCHEDULE 'Q' : RAW MATERIAL CONSUMED :		
Opening Stock	13,484.15	3,383.08
Add : Purchases	28,712.83	25,075.35
	42,196.98	28,458.43
Less : Closing Stock	21,778.81	13,484.15
Total	20,418.17	14,974.28

Schedules to the Consolidated Profit and Loss Account for the Year Ended at 31st March, 2007 (Contd.)

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'R' : MANUFACTURING & OTHER EXPENSES :		
Auditors' Remuneration	22.35	27.99
Advertisement Expenses	43.52	29.16
Bonded Warehouse Charges	7.35	19.16
Car Hire Charges	99.64	36.67
Clearing & Forwarding	374.80	270.03
Commission and Brokerage	149.33	230.72
Conveyance	39.35	27.89
Courier Charges	14.50	12.60
Design & Consultancy	700.38	435.58
Diminution in value of investment	0.60	-
Directors' sitting fees	0.90	0.23
Donation	35.05	15.48
Electricity Charges	171.70	129.92
Equipment Hire Charges	654.58	340.53
Exhibition	28.11	7.83
Foreign Exchange Variation	13.61	-
Hotel & Guest House Expenses	3.55	2.16
Interest on late payment of TDS / TCS / FBT	5.11	
Inspection / Testing Charges / Service	277.01	218.83
Insurance Charges	185.69	97.69
Keyman Insurance	80.00	80.00
Launching & Delivery Expenses	233.51	188.56
Legal and Professional Expenses	35.07	41.48
Membership and Subscription	74.87	27.48
Miscellaneous Expenses	63.45	15.30
Photo Charges	2.91	3.54
Port Dues	73.00	11.29
Postage & Telegram	1.75	1.61
Preliminary Expenses written off	97.85	-
Printing & Stationery	81.15	25.06
Registration Charges	-	0.49
Rent, rates and taxes	368.15	154.35
Repairs & Maintenance	54.59	54.91
Sales Tax	9.58	5.40
Service Charges	57.35	29.38
Service tax	17.42	6.05
Telephone & Telex Charges	79.24	40.22
Transport Charges	220.86	241.08
Travelling Expenses	442.46	235.15
Total	4,820.34	3,063.83



Schedules to the Consolidated Profit and Loss Account for the Year Ended at 31st March, 2007 (Contd.)

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'S' : EMPLOYEE COST :		
Salaries, Wages, Stipend and Bonus	814.78	445.71
Labour Charges	3,322.03	2,007.34
Contribution to Provident Fund, ESIC, Gratuity	110.80	65.91
Staff Welfare	41.50	42.00
Remuneration of Directors	36.00	48.13
Total	4,325.11	2,609.09
SCHEDULE 'T' : BANK & FINANCE CHARGES (NET) :		
Bank Guarantee Commission	633.87	616.10
Interest on Term Loans	243.13	107.18
Interest on Working Capital Loans	718.00	365.63
Interest on Others	0.72	0.30
Other Financial Charges	169.93	259.25
	1,765.66	1,348.46
Less: Interest Received / Receivable on Bank Deposits	239.34	211.02
Interest Received / Receivable on Others	88.09	160.26
	327.43	371.27
Total	1,438.23	977.18

Schedule 'U' : Basis of Consolidation, Significant Accounting Policies and Notes to Accounts

I. BASIS OF CONSOLIDATION

The consolidated financial statement relate to Bharati Shipyard Limited (the Company), its subsidiary Pinky Shipyard Private Limited. The Company and its subsidiary constitute the Group.

1. Basis of Accounting:

- i. The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2007.
- ii. The financial statements of the Group have been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountant of India, and other generally accepted accounting principles.

2. Principles of consolidation:

The consolidated financial statement has been prepared on the following basis:

- i. The financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transaction and unrealised profits or losses have been fully eliminated.
- ii. The excess of cost to the Company of its investment in the subsidiary company over its share of equity of the subsidiary company, at the dates on which the investments in the subsidiary company are made, is recognised as 'goodwill' being an asset in the Consolidated Financial Statements.
- iii. Minority interest in the net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to the company's shareholders.
- iv. Minority interest in the net assets of consolidated subsidiary consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary company.

3. The following subsidiary company is considered in the consolidated financial statements:

Name of the Subsidiary Company	Country of Incorporation	% of Holding
Pinky Shipyard Private Limited	India	51

II. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue recognition

- i. Revenue on work in process is recognized as per certified value of work done.
- ii. Export turnover include exchange rate difference arising on realization.
- iii. Dividend income on investment is accounted for in the year in which the right to receive the payment is established.

2. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.

3. Revaluation Reserve

The Company has revalued Building, Plant and Machinery and Shed in 1994 - 95 and aggregate addition resulting there from amounting to Rs. 1,443.10 Lakhs has been credited to the revaluation reserve account. The Revaluation Reserve is based upon technical report of approved valuers.

4. Depreciation

- i. Depreciation on Fixed Assets has been provided on straight – line method at the rates and in the manner prescribed in schedule XIV of the Company Act, 1956.
- ii. Depreciation on revaluation has been charged to revaluation reserve.

5. Goodwill

The excess of cost to the Parent Company of its investment in the subsidiary over its share of equity, on the acquisition date is recognised in the financial statements as Goodwill.



Schedule 'U' : Basis of Consolidation, Significant Accounting Policies and Notes to Accounts (Contd.)

6. Impairment

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

7. Investments

Long-term investments are stated at cost less provision for other than temporary diminution in value. Current investments comprising mutual funds are stated at the lower of cost and fair value, determined on a portfolio basis.

8. Inventories

- i. Raw materials are valued at cost or market price whichever is lower.
- ii. Stock in process is valued at amount of work done duly certified by Chartered Engineer.

9. Retirement benefits

Contributions to Provident and Superannuation Funds are recognised as expense when incurred. Contribution payable by the Company to the LIC is charged to revenue on the basis of actuarial valuation towards demand worked out by LIC and the Company has adjusted the transitional liability against the opening balance of revenue reserve and surplus as per revised AS-15 (2005) issued by ICAI.

10. Foreign currency transactions

Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Premium or discount on forward exchange contracts are amortised and recognised in the profit and loss account over the period of the contract. Forward exchange contracts outstanding at the balance sheet date are stated at fair values and any gains or losses are recognised in the profit and loss account.

11. Provision for Taxation

- (i) Current Tax
Provision for Current Tax has been made in accordance with the Income Tax prevailing for the relevant assessment years.
- (ii) Deferred Tax
The deferred tax during the year for timing difference is accounted using tax rates that have been enacted, the net difference arising thereon is debited to Profit & Loss Account.
- (iii) Fringe Benefit Tax
Provision for Fringe Benefit Tax has been made in accordance with the Income Tax Laws prevailing for the relevant assessment years.

III. NOTES TO ACCOUNTS

1. Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

(Rs. in Lakhs)

Particulars	Amount
Claims made against company not acknowledged as debts.	53.60
Tax / Duties that may arise in respect of which appeals are pending.	42.79
Total	96.39

Schedule 'U' : Basis of Consolidation, Significant Accounting Policies and Notes to Accounts (Contd.)**2. Related Party Disclosure**

The Company has entered into the following related party transactions. Such parties and transactions have been identified as per Accounting Standard - 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India.

i. List of related parties and relationships, where control exists

Particulars of Relation	Name of the party
Key Managerial Personnel and their relatives	1. Mr. P. C. Kapoor – Managing Director 2. Mrs. Madhu Kapoor (Wife) 3. Mrs. Radhika Mehra (Daughter) 4. Mr. Vijay Kumar – Managing Director 5. Mrs. Ashraf Geeta Kumar (Wife) 6. Ms. Sukriti Gayatri Kumar (Daughter)

ii. Transactions with Related Parties

(Rs. in Lakhs)

Particulars	Key Managerial Personnel	Relatives of Key Managerial Personnel	Total
Opening Balances			
Receivable	7.17	2.50	9.67
Payable	-	0.52	0.52
Transactions			
Remuneration	42.64	-	42.64
Rent	7.20	3.60	10.80
Dividend Paid	179.72	0.03	179.75
Advances Received / Repaid	7.17	0.52	7.69
Outstanding Balances			
Loans and Advances Receivables	-	2.50	2.50

3. Earning Per Share

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earning per share, the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential equity shares from the exercise of options on unissued share capital and on conversion of FCCB.

The calculation of earnings per share (basic and diluted) is based on the earnings and number of shares as computed below.


Schedule 'U' : Basis of Consolidation, Significant Accounting Policies and Notes to Accounts (Contd.)

Sr. No.	Particulars	Unit	FY 2006 - 2007	FY 2005 - 2006
(a)	Profit after tax	Rs. in Lakhs	7,322.79	5,099.23
(b)	The weighted average number of Ordinary Shares for Basic EPS	Nos.	22,500,000	22,500,000
(c)	The nominal value per Ordinary Share	Rupees	10.00	10.00
(d)	Earnings Per Share (Basic)	Rupees	32.55	22.66
(e)	The weighted average number of Ordinary Shares for Diluted EPS			
	For Basic earnings per share	Nos.	22,500,000	22,500,000
	Add: Conversion of FCC Bonds	Nos.	9,540,384	9,540,384
	For Diluted earnings per share	Nos.	32,040,384	32,040,384
(f)	Earnings Per Share (Diluted)	Rupees	22.85	15.92

4. Segment Reporting
A. Primary Segments (Business Segments)

(Rs. in Lakhs)

Particulars	Segments		Total
	Ship Manufacturing	Windmill	
REVENUE			
Turnover	41,723.20	553.68	42,276.88
Other Income	321.47	-	321.47
Total	42,044.67	553.68	42,598.35
RESULT			
Segment Results Before Depreciation, Interest and Tax	12,514.81	519.91	13,034.72
Less: Depreciation	135.19	376.10	511.29
Less: Interest (Net)	1,191.36	246.87	1,438.23
Profit / (Loss) before Tax	11,188.26	(103.06)	11,085.20
Less: Tax Expenses			3,762.41
Net Profit / (Loss) after Tax			7,322.79
OTHER INFORMATION			
Segment Assets	1,11,757.23	8,637.25	1,20,394.49
Segment Liabilities	87,036.27	8,877.20	95,916.69

Schedule 'U' : Basis of Consolidation, Significant Accounting Policies and Notes to Accounts (Contd.)**B. Secondary Segments (Geographical Segments)**

(Rs. in Lakhs)

Particulars	Segments		Total
	Domestic	Overseas	
REVENUE			
Ship Manufacturing	10,104.51	31 618.69	41,723.20
Windmill	553.68	-	553.68

Note : Interest Expenses wherever allocable to specific segment are allocated to the said segment.

- Balance of Sundry Debtors, Creditors, Loans and Advances and Personal Accounts are subject to confirmation.
- In the opinion of the Directors, current assets and loans and advances have the value at which they are stated in the Balance Sheet if realized in the ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.

Signature to Notes & Schedules 'A' to 'U'

For **M/s. Bhuta Shah & Co.**
Chartered Accountants

For **M/s. Shantilal Mehta & Co.**
Chartered Accountants

For and on behalf of the Board

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

P. C. Kapoor **Vijay Kumar**
[Managing Director] [Managing Director]

Place : Mumbai
Date : 2nd July, 2007

U. A. Patel
[Chief General Manager & Company Secretary]


Consolidated Cash Flow Statement for the Year Ended 31st March, 2007

(Rs. in Lakhs)

Sr. No.	Particulars	Year Ended 31 st Mar-07		Year Ended 31 st Mar-06	
A.	Cash flow from operating activities				
	Net profit before tax	11,085.20		7,807.89	
	Adjustments for :				
	Depreciation for the year	511.29		147.05	
	Preliminary Expenses Written off	97.85			
	Diminution in value of investments	0.60			
	Foreign exchange Loss / (Gain)	13.61		(38.64)	
	Interest expenses	1,438.32		977.18	
	Dividend income	(0.01)		(14.09)	
	Operating profit before working capital changes	13,146.77		8,879.40	
	Increase in trade receivables	(6,874.24)		(4,442.12)	
	Increase in inventories	(5,456.93)		(11,947.79)	
	Increase in trade payables & Others	18,993.44		9,483.96	
	Cash generated from Operations	19,809.03		1,973.45	
	Direct Taxes paid	(38.65)		(479.80)	
	Net Cash From Operating Activities		19,770.38		1,493.65
B.	Cash flow from investing activities				
	Purchase of fixed assets	(14,192.86)		(9,064.07)	
	Increase in deposits and advances	(11,088.83)		(2,188.21)	
	Dividend received	0.01		14.09	
	Net Cash From Investing Activities		(25,281.67)		(11,238.20)
C.	Cash flow from financing activities				
	Premium on / Proceeds from issue of Foreign Currency Convertible Bonds (FCCB)	1,980.65		45,439.51	
	(Increase) / Decrease in Investments	(100.00)		547.00	
	Miscellaneous Expenditure	-		52.64	
	(Repayment) / Proceeds from long term borrowings	(1,179.49)		7,008.13	
	Interest paid	(1,438.32)		(977.18)	
	Dividend paid	(789.72)		(641.39)	
	Net Cash From Financing Activities		(1,526.87)		51,428.70
	Net increase in Cash & Cash Equivalents (A+B+C)		(7,038.07)		41,684.15
	Cash and Cash Equivalents at the beginning of the year		47,215.11		5,492.32
			40,177.04		47,176.47
	Effect of exchange rate changes		(13.61)		38.64
	Cash and Cash Equivalents at the end of the year		40,163.43		47,215.11

Notes:

- Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 issued by Institute of Chartered Accountants of India.
- Previous year figures have been regrouped, rearranged wherever considered necessary.

As per our Report Attached

For **M/s. Bhuta Shah & Co.**
Chartered AccountantsFor **M/s. Shantilal Mehta & Co.**
Chartered Accountants

For and on behalf of the Board

CA. Shailesh Bhuta
[Partner]
Membership No. 33958**CA. Shantilal Mehta**
[Proprietor]
Membership No. 14187**P. C. Kapoor** **Vijay Kumar**
[Managing Director] [Managing Director]Place : Mumbai
Date : 2nd July, 2007**U. A. Patel**
[Chief General Manager & Company Secretary]

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Company

(Rs. in Lakhs)

Name of the Subsidiary	Financial year of the Subsidiary ended on	Shares of the Subsidiary held by the Company directly or through its Subsidiary Company on March 31, 2007		Net aggregate amount of profit / (loss) of the Subsidiary for the financial year of the Subsidiary so far as they concern members of the Company		Net aggregate amount of profits / (losses) for previous financial years of the Subsidiary since it become a Subsidiary so far as they concern members of the Company	
		Number and face value	Extent of Holding (%)	Dealt with in the accounts of the Company for the year ended 31st March, 2007	Not Dealt with in the accounts of the Company for the year ended 31st March, 2007	Dealt with in the accounts of the Company for the year ended 31st March, 2007	Not Dealt with in the accounts of the Company for the year ended 31st March, 2007
Pinky Shipyard Private Limited	March 31, 2007	1,53,000 ordinary shares Rs.100 each fully paid	51.00	NIL	2.52	NIL	(3.83)

Subsidiary

Pinky Shipyard Private Limited

BOARD OF DIRECTORS

P. C. Kapoor	:	Director
Vijay Kumar	:	Director
E.O. Mendes	:	Director
Madan Nevrekar	:	Director

Auditor	:	M/s. S. G. Hegde and Co.
----------------	---	--------------------------

Bankers	:	ICICI Bank Limited State Bank of India Bank of Baroda Central Bank of India Citizen Co-op Bank Limited
----------------	---	--

Registered Office	:	Zorinto, Sancoale, Goa - 403 710.
--------------------------	---	--------------------------------------

Corporate Office	:	2 nd Floor, Pareira Chamber, Fr. Joseph Vaz Road, Vasco - Da - Gama, Goa - 403 802.
-------------------------	---	---



Directors' Report

The Members of

Pinky Shipyard Private Limited

Your Directors have pleasure in presenting the Annual Report and the audited financial statements of the company for the year ended March 31, 2007.

1. **Financial Results**

The working of your Company for the year under review resulted in Profit after tax of Rs. 4.94 Lakhs as against loss of Rs. 7.51 Lakhs in the previous year ended 31st March, 2006. The accumulated loss of Rs. 77.72 Lakhs was carried forward to the Balance Sheet after adjusting current year profit.

2. **Capital**

During the year under review the Authorised Capital remained unchanged at Rs. 300.00 Lakhs consisting of 3,00,000 Equity Shares of Rs. 100/- each and the Issue, Subscribed and Paid Up Capital remained unchanged at Rs. 300.00 Lakhs.

3. **Operations**

During the year under review, the Company has booked turnover of Rs. 91.31 Lakhs and achieved profit after tax of Rs. 4.94 Lakhs as compared to Loss of Rs. 7.51 Lakhs in the previous year.

4. **Directors**

Mr. P.C. Kapoor, director of the company retires by rotation and being eligible offers himself for re-appointment.

5. **Fixed Deposits**

The company has not accepted any fixed deposits by way of invitation to the public and has complied with all the provisions of section 58A of The Companies Act, 1956.

6. **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

Particulars regarding conservation of Energy, Technology Absorption etc. as required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not disclosed as the same are not applicable to the Company.

Foreign Exchange Earnings & Outgo: No expenditure and earning in foreign currency have been incurred.

7. **Particulars of Employees**

Particulars regarding Employees as required by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 are not given as no employees were in receipt of the remuneration prescribed.

8. **Directors' Responsibility Statement**

Pursuant to Section 217(2AA) of the Companies Act, 1956, in relation to financial statements for the year 2006-07, the Board of Directors reports that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) Accounting policies have been selected and applied consistently and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company as at the end of the financial year and of the profit of the Company for the year ended March 31, 2007;
- (iii) Proper and sufficient care have 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 fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis.

10. **Auditors**

S.G. Hegde and Co., Chartered Accountants are eligible for re-appointment as auditors of the Company.

11. **Acknowledgement**

Your Directors place on record their sincere appreciation for the continued support from shareholders, customers, suppliers, banks and financial institutes and other business associates. A particular vote of thanks to all employees of your Company, without whose contribution, your Company could not have achieved the year's performance.

For and on behalf of the Board

P. C. Kapoor
[Chairman and Director]

Place : Vasco Da Gama, Goa
Date : 28th June, 2007

Auditors' Report

**To The Members of
Pinky Shipyards Private Limited**

We have audited the attached Balance-sheet of M/s Pinky Shipyards Private Limited, as at 31st March, 2007 and also the annexed Profit and Loss Account and Cash Flow Statement for the year ended on that date. These financial Statements are 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting Principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- (1) Report as required under the Companies (Auditor's Report) Order, 2003, issued by the Company Law Board in terms of section 227(4A) of the companies Act, 1956, we annexe hereto the statement on the matters specified in the said order.
- (2) Profit & Loss Account, Balance Sheet and Cash Flow Statement dealt with are in agreement with Mandatory Accounting Standards as per Section 211(3A) of Companies Act, 1956.
- (3)
 - (a) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books of the company.
 - (c) The Balance- Sheet, Profit & Loss Account and Cash Flow Statement dealt with by the report are in agreement with the books of account of the company.
 - (d) On the basis of written submission received from the Directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- (4) In our opinion, and to the best of our information and according to the explanations given to us the accounts read with notes on accounts annexed, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view,
 - (a) In the case of Balance-sheet, of the state of affairs of the company as at 31st March, 2007 and,
 - (b) In the case of Profit and Loss Account, of the Loss for the year ended on that date.
 - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **M/s. S. G. Hegde & Co.**
Chartered Accountants

CA. S. G. Hegde
[Proprietor]
Membership No. 100-32329

Place : Vasco - Da - Gama, Goa
Date : 28th June, 2007

Annexure to the Auditors' Report

(Referred to in paragraph 1 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, physical verification of a major portion of fixed assets as at March 31, 2007 was conducted by the Management during the year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such physical verification.
- (c) No substantial part of fixed assets has been disposed off during the year which will affect the going concern principle.
- (ii) (a) Physical verification of inventories has been conducted at reasonable intervals by the management.
- (b) In our opinion the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory and during the course of our audit no material discrepancies were noticed on physical verification of inventories.
- (iii) (a) The Company has taken loans and advances received from, Companies, Firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The year end balance of loans taken from two parties was Rs. 57 lacs and advance received from one company was Rs. 1,247.22 lakhs.
- (b) In our opinion and according to the information and explanations given to us, other terms and conditions on which the loan has been granted and advances received from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- (c) The Company has not given loans to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and therefore, the provisions of this of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) In our opinion there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any major weakness in the internal controls.
- (v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered into the register required to be maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) The Company has undertaken job work of the holding company for value exceeding Rs. 5 lakhs. But as comparative quotations are not available, we are unable to comment whether the transaction is made at price which is reasonable having regard to the prevailing market price at the relevant time or not.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public during the year.
- (vii) In our opinion, the company has an adequate Internal Audit System commensurate with its size and nature of its business
- (viii) Maintenance of Cost records under section 209 (1) (d) of the Companies Act 1956 has not been prescribed by the Central Government in respect of the Company's business.
- (ix) (a) The Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material Statutory dues applicable to it. There are no arrears as at 31st March 2007 for a period of more than six months from the date they become payable.
- (b) According to the information and explanation given to us and based on our verification of records, there was no disputed amount in case of VAT, sales tax, income tax, wealth tax, custom duty, excise duty, any cess etc. as at 31st March, 2007.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current or in the immediately preceding financial year.
- (xi) According to the information and explanation given to us, the company has not defaulted in repayment of dues to the banks.

Annexure to the Auditors' Report (Contd.)

- (xii) According to the information and explanation given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (xiv) According to the information and explanation given to us, the company is not dealing or trading in shares, securities and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
- (xv) According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us the company has not raised any term loan.
- (xvii) According to the information and explanation given to us and on the overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investments. No long term funds have been used to finance short term assets except working capital.
- (xviii) The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company has not issued any secured debentures during the year.
- (xx) As informed to us, during the period covered by our audit report the company has not raised any money by public issues.
- (xxi) Based upon the audit procedures performed and information and explanation given to us, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For **M/s. S. G. Hegde & Co.**
Chartered Accountants

CA. S. G. Hegde
[Proprietor]
Membership No. 100-32329

Place : Vasco - Da - Gama, Goa
Date : 28th June, 2007

Balance Sheet as at 31st March 2007

(Rs. in Lakhs)

Particulars	Schedule	As at 31 st Mar-07	As at 31 st Mar-06
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS :			
(a) Share Capital	A	300.00	300.00
(b) Reserves and Surplus	B	0.09	0.09
		300.09	300.09
LOAN FUNDS :			
(a) Unsecured Loans	C	57.00	57.00
TOTAL		357.09	357.09
APPLICATION OF FUNDS			
FIXED ASSETS :			
(a) Gross Block	D	836.45	779.66
(b) Less : Depreciation		0.41	0.20
(c) Net Block		836.05	779.46
(d) Capital work-in-progress		1.61	-
INVESTMENTS	E	0.10	0.10
DEFERRED TAX ASSET		0.07	-
CURRENT ASSETS, LOANS AND ADVANCES :			
(a) Inventories	F	222.39	76.25
(b) Debtors	G	0.72	0.29
(c) Cash and Bank Balances	H	26.19	80.82
(d) Loans and Advances	I	504.40	93.80
		753.70	251.15
LESS : CURRENT LIABILITIES AND PROVISIONS :			
(a) Current Liabilities	J	1,311.69	756.27
(b) Provisions	K	0.45	-
		1,312.14	756.27
NET CURRENT ASSETS		(558.44)	(505.12)
PROFIT AND LOSS ACCOUNT		77.72	82.65
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS			
	Q		
TOTAL		357.09	357.09

As per our Report Attached

For M/s. S. G. Hegde & Co.
Chartered AccountantsCA. S. G. Hegde
[Proprietor]
Membership No. 100-32329Place : Vasco - Da - Gama, Goa
Date : 28th June, 2007

For and on behalf of the Board

P. C. Kapoor
[Director]Vijay Kumar
[Director]

Profit and Loss Account for the Year Ended 31st March 2007

(Rs. in Lakhs)

Particulars	Schedule	Year Ended 31 st Mar-07	Year Ended 31 st Mar-06
INCOME :			
Turnover	L	91.31	76.25
Other income	M	2.66	0.37
Total Income		93.97	76.62
EXPENDITURE :			
Administrative Expenses	N	10.63	3.66
Employee Cost	O	77.79	79.88
Finance Charges	P	0.03	0.38
Depreciation	D	0.20	0.20
Total Expenditure		88.66	84.13
PROFIT BEFORE TAXATION		5.31	(7.51)
Provision for Taxation			
- Current Tax		0.45	-
- Deferred Tax		(0.07)	-
PROFIT AFTER TAXATION		4.94	(7.51)
Deficit brought forward		(82.65)	(75.15)
Amount Available For Appropriation		(77.72)	(82.65)
APPROPRIATIONS :			
Transfer to General Reserve		-	-
Deficit carried forward		(77.72)	(82.65)
TOTAL		(77.72)	(82.65)
EARNINGS PER SHARE			
Equity shares of face value of Rs. 100/- each			
Basic and Diluted (in Rs.)		1.65	-
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	Q		

As per our Report Attached

For M/s. S. G. Hegde & Co.
Chartered AccountantsCA. S. G. Hegde
[Proprietor]
Memebership No. 100-32329Place : Vasco - Da - Gama, Goa
Date : 28th June, 2007

For and on behalf of the Board

P. C. Kapoor
[Director]Vijay Kumar
[Director]

Schedules to the Balance Sheet as at 31st March, 2007

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'A' : SHARE CAPITAL :		
Authorised Capital		
3,00,000 (Previous Year 3,00,000) Equity Shares of Rs.100/- each	300.00	300.00
Issued, Subscribed and Paid up Capital		
3,00,000 (Previous Year 3,00,000) equity shares of Rs.100/- each fully paid up including 1,47,000 shares allotted to directors of the Company	300.00	300.00
Total	300.00	300.00
SCHEDULE 'B' : RESERVES & SURPLUS :		
Revaluation Reserve	0.09	0.09
Total	0.09	0.09
SCHEDULE 'C' : UNSECURED LOANS :		
Loan from Directors	57.00	57.00
Total	57.00	57.00

Schedules to the Balance Sheet as at 31st March, 2007 (Contd.)

SCHEDULE 'D' : FIXED ASSETS :

(Rs. in Lakhs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	As at 1 st Apr-06	Additions	Deductions	As at 31 st Mar-07	As at 1 st Apr-07	Deductions	For the year	Charged to Revaluation Reserve	As at 31 st Mar-07	As at 31 st Mar-07	As at 31 st Mar-06
Land	775.46	56.79	-	832.25	-	-	-	-	-	832.25	775.46
Building	1.92	-	-	1.92	0.06	-	0.06	-	0.13	1.79	1.86
Plant & Machinery	0.35	-	-	0.35	0.02	-	0.02	-	0.03	0.32	0.33
Furniture and Fittings	1.93	-	-	1.93	0.12	-	0.12	-	0.24	1.69	1.81
Total	779.66	56.79	-	836.45	0.20	-	0.20	-	0.41	836.05	779.46
Previous Year	141.18	638.49	-	779.66	-	-	0.20	-	0.20	779.46	141.18

Capital work-in-progress as on 31-03-2007 is Rs. 1.61 Lakhs (Previous Year Rs. Nil)

Schedules to the Balance Sheet as at 31st March, 2007 (Contd.)

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'E' : INVESTMENTS :		
Long Term (At Cost)		
Non Trade		
Unquoted Fully Paid Up		
200 (Previous Year 200) Equity Shares of Rs. 50/- each of Goa Urban Co-op Bank Ltd.	0.10	0.10
Total	0.10	0.10
SCHEDULE 'F' : INVENTORIES :		
Raw Materials	-	-
Semi Finished Goods	222.39	76.25
Total	222.39	76.25
SCHEDULE 'G' : SUNDRY DEBTORS :		
(Unsecured Considered Good)		
Outstanding for more than six months	0.29	-
Others	0.43	0.29
Total	0.72	0.29
SCHEDULE 'H' : CASH & BANK BALANCES :		
(a) Cash on hand	24.72	9.72
(b) Bank Balances		
(i) with Scheduled Banks		
(1) In current accounts	1.48	71.10
(2) In deposit accounts	-	-
Total	26.19	80.82
SCHEDULE 'I' : LOANS & ADVANCES :		
Advances for value to be received in Cash/Kind	462.00	72.50
Balances with Income Tax	30.47	13.95
Term Deposits with SBI IFC Branch	6.50	6.50
Trade Deposits	5.43	0.85
Total	504.40	93.80
SCHEDULE 'J' : CURRENT LIABILITIES :		
Sundry Creditors	29.10	49.94
Other Current Liabilities	35.37	19.93
Advances received against orders from customers	1,247.22	686.40
Total	1,311.69	756.27
SCHEDULE 'K' : PROVISIONS:		
Provisions for Income Tax	0.45	-
Total	0.45	-

Schedules to the Profit and Loss Account for the Year Ended 31st March, 2007

(Rs. in Lakhs)

Particulars	As at 31 st Mar-07	As at 31 st Mar-06
SCHEDULE 'L' : TURNOVER :		
Ship Manufacturing	91.31	-
Increase in WIP	-	76.25
Total	91.31	76.25
SCHEDULE 'M' : OTHER INCOME :		
Interest on SBI Term Deposit	0.56	0.37
Miscellaneous Income	2.11	-
Total	2.66	0.37
SCHEDULE 'N' : ADMINISTRATIVE EXPENSES :		
Advertisement expenses	2.36	-
Audit Fees	0.34	0.34
Design & Consultancy	0.57	-
Donation	0.74	0.65
Electricity Charges	3.39	1.07
Equipment Hire Charges	0.13	-
Interest on late payment of TDS / TCS / FBT	0.52	-
Lease Rent to MPT	1.29	-
Legal and Professional Expenses	-	1.08
Miscellaneous Expenses	1.29	0.01
Printing & Stationery	-	0.02
Registration Charges for VAT	-	0.49
Total	10.63	3.66
SCHEDULE 'O' : EMPLOYEE COST :		
Salaries, Wages, Stipend and Bonus	10.85	3.63
Labour Charges	66.94	76.25
Total	77.79	79.88
SCHEDULE 'P' : FINANCE CHARGES :		
Bank Charges	0.03	0.38
Total	0.03	0.38

Schedule 'Q' : Significant Accounting Policies and Notes to the Accounts

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation

The financial statements are prepared under the historical cost convention and as per the requirements of the Companies Act, 1956.

2. Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period.

3. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.

4. Revaluation Reserve

The Company has revalued land in 2000 - 2001 and net addition after deduction of loss arising from assets scrapped amounting to Rs. 0.09 Lakhs has been credited to the revaluation reserve account.

5. Depreciation

- i. Depreciation on Fixed Assets has been provided on straight line method at the rates and in the manner prescribed in schedule XIV of the Companies Act, 1956.
- ii. Depreciation on additions /deletions is calculated on pro-rata from /to the date of such additions / deletions.
- iii. Fixed assets under construction are shown as capital work-in-progress and are not depreciated.

6. Impairment

At the balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

7. Investments

Long-term investments are stated at cost less provision for other than temporary diminution in value.

8. Inventories

Work in process is valued at cost of work done.

9. Retirement benefits

Contributions to Provident and Superannuation Funds are recognised as expense when incurred. No provision has been made for gratuity.

10. Revenue recognition

Revenue is recognised in accounts in accordance with 'AS-7 Accounting for Construction Contracts' issued by ICAI on percentage completion basis.

11. Borrowing costs

Borrowing Costs attributable to the acquisition and construction of the Qualifying Assets, which takes substantial period of time to get ready for its intended use, are capitalized as part of the cost of respective assets up to the date when such asset is ready for its intended use. Other Borrowing costs are charged to the Profit and Loss account.

12. Provision for Taxation

(i) Current Tax

Provision for Current Tax has been made in accordance with the Income Tax prevailing for the relevant assessment years.

(ii) Deferred Tax

The deferred tax during the year for timing difference is accounted using tax rates that have been enacted, the net difference arising thereon is debited/(credited) to Profit & Loss Account.

Schedule 'Q' : Significant Accounting Policies and Notes to the Accounts (Contd.)**II. NOTES TO THE ACCOUNTS****1. Auditors' Remuneration**

(Rs. in Lakhs)

Particulars	FY 2006 - 2007	FY 2005 - 2006
Fees as Auditors	0.24	0.14
Tax Audit	0.10	Nil
Total	0.34	0.14

2. Provision and Contingent Liabilities

There are no contingent liabilities as at the balance sheet date.

3. Details of stock and turnover of major class of goods and services

The company is not carrying any inventory of raw material. Work in process is valued at cost of work done.

4. Expenditure in Foreign Currency

During the year under consideration no expenditure in foreign currency has been incurred.

5. Related Party Disclosure

The Company has entered into the following related party transactions. Such parties and transactions have been identified as per Accounting Standard 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India.

i. Related parties and relationships

Particulars of Relation	Name of the Party
Holding company	1. Bharati Shipyard Limited
Key Managerial Personnel and their relatives	1. Mr. P. C. Kapoor - Director 2. Mrs. Madhu Kapoor - (Wife) 3. Mrs. Radhika Mehra - (Daughter) 4. Mr. Vijay Kumar - Director 5. Mrs. Ashraf Geeta Kumar - (Wife) 6. Ms. Sukriti Gayatri Kumar - (Daughter) 7. Mr. E .O. Mendes - Director 8. Mr. Madan Nevrekar - Director

ii. Transactions with Related Parties

(Rs. in Lakhs)

Particulars	Holding Company	Key Managerial Personnel	Total
Opening balances			
Loans and Advances Payable	686.40	57.00	743.40
Transactions			
Labour Charges (Income)	167.07	-	167.07
Professional Fees Paid	-	0.36	0.36
Advances Received	728.39	-	728.39
Outstanding balances as on 31.03.07			
Loans and Advances Payables	1,247.22	57.00	1,304.22

Schedule 'Q' : Significant Accounting Policies and Notes to the Accounts (Contd.)

6. Balance of Sundry Debtors, Creditors, Loans and Advances and Personal Accounts are subject to confirmation.
7. In the opinion of the Directors, current assets and loans and advances have the value at which they are stated in the Balance Sheet if realized in the ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
8. **Segment Information**
The Company is primarily engaged in a single business segment of design and construction of seagoing, coastal, harbour and inland vessels.

Signature to notes & Schedules 'A' to 'Q'

For **M/s. S. G. Hegde & Co.**
Chartered Accountants

CA. S. G. Hegde
[Proprietor]
Membership No. 100-32329

Place : Vasco - Da - Gama, Goa
Date : 28th June, 2007

For and on behalf of the Board

P. C. Kapoor
[Director]

Vijay Kumar
[Director]

Cash Flow Statement for the Year Ended 31st March, 2007

(Rs. in Lakhs)

Sr. No.	Particulars	Year Ended 31 st Mar - 07		Year Ended 31 st Mar - 06	
A.	Cash flow from operating activities				
	Net profit before tax	5.31		(7.51)	
	Adjustments for :				
	Depreciation for the year	0.20		0.20	
	Interest expenses	0.13		0.38	
	Interest income	(0.56)		(0.37)	
	Operating profit before working capital changes	5.00		(7.29)	
	Increase in trade receivables	(0.43)		(0.29)	
	Increase in inventories	(146.14)		(76.25)	
	Increase in trade payables & Others	555.43		688.92	
	Cash generated from Operations	413.85		605.09	
	Direct Taxes paid	-		-	
	Net Cash From Operating Activities		413.85		605.09
B.	Cash flow from investing activities				
	Purchase of fixed assets	(58.40)		(636.11)	
	Increase in deposits and advances	(410.60)		(83.84)	
	Interest received	0.56		0.37	
	Net Cash From Investing Activities		(468.44)		(719.58)
C.	Cash flow from financing activities				
	Proceeds from issue of share capital	-		141.12	
	Proceeds from long term borrowings	-		47.65	
	Interest paid	(0.03)		(0.38)	
	Net Cash From Financing Activities		(0.03)		188.39
	Net increase in Cash & Cash Equivalents (A+B+C)		(54.62)		73.90
	Cash and Cash Equivalents at the beginning of the year		80.82		6.92
			26.19		80.82
	Effect of exchange rate changes		-		-
	Cash and Cash Equivalents at the end of the year		26.19		80.82

Notes:

- Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 issued by Institute of Chartered Accountants of India.
- Previous year figures have been regrouped, rearranged wherever considered necessary.

As per our Report Attached

For **M/s. S. G. Hegde & Co.**
Chartered Accountants**CA. S. G. Hegde**
[Proprietor]
Membership No. 100-32329

For and on behalf of the Board

P. C. Kapoor
[Director]**Vijay Kumar**
[Director]Place : Vasco - Da - Gama, Goa
Date : 28th June, 2007

Balance Sheet Abstract and Company's General Business Profile

(Rs. in Lakhs)

1	Registration Details	
	Registration Number	001139
	State Code	24
	Balance Sheet Date	31-03-2007
2	Capital Raised During the Year	
	Public issue	Nil
	Right issue	Nil
	Bonus issue	Nil
	Private placement	Nil
3	Position of Mobilisation and Deployment of Funds	
	Total Liabilities	357.09
	Total Assets	357.09
	Source of Funds	
	Paid up Capital	300.00
	Reserves and Surplus	0.09
	Secured Loans	-
	Unsecured Loans	57.00
	Deferred Tax Liability	-
	Application of Funds	
	Net Fixed Assets	837.66
	Investments	0.10
	Net Current Assets	(558.44)
	Miscellaneous Expenditure	-
	Accumulated Losses	77.72
4	Performance of Company	
	Turnover (Total Income)	93.97
	Total Expenditure	88.66
	Profit / (Loss) Before Tax	5.31
	Profit / (Loss) After Tax	4.94
	Earning Per Share	1.65
	Dividend Rate	-

BHARATI SHIPYARD LIMITED

Regd. Off. : 302, Wakefield House, Sprott Road, Ballard Estate, Mumbai-400 038.

ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint shareholders may obtain additional slip at the venue of the meeting

DP ID :

Master Folio No. :

Client ID:

NAME AND ADDRESS OF THE SHAREHOLDER

.....
.....
.....

No. of Share(s) held:

I hereby record of my presence at the **30th ANNUAL GENERAL MEETING** of the Company held on Thursday 30th August, 2007 at 11.00 a.m. Maharashtra Chamber of Commerce's, Babasaheb Dahanukar Sabhagriha, Oricon House, Maharashtra Chamber of Commerce Path, Fort, Mumbai 400 001

Signature of the shareholder or proxy _____

BHARATI SHIPYARD LIMITED

Regd. Off. : 302, Wakefield House, Sprott Road, Ballard Estate, Mumbai-400 038.

PROXY FORM

DP ID :

Master Folio No. :

Client ID:

I/We
.....being a Member/Members of Bharati Shipyard Limited hereby
appoint.....

.....or falling him
.....of.....or falling him
.....of.....as my/our proxy to vote for me /us and on my/our
behalf at the 30th ANNUAL GENERAL MEETING to be held on Thursday, 30th August, 2007 at 11.00 a.m. at
Maharashtra Chamber of Commerce's, Babasaheb Dahanukar Sabhagriha, Oricon House, Maharashtra
Chamber of Commerce Path, Fort, Mumbai 400 001 or at any adjournment thereof.

Signed this.....day of.....2007.

Affix
Re.1/-
revenue
stamp

Signature of Member

Note:

1. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office at the Company not less than 48 hrs before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.
2. Members holding shares under more than one folio may use photocopy of this Proxy Form for other folios. The Company shall provide additional forms on request.



An Overview

Bharati Shipyard has embraced new technologies and is surging ahead with élan. Excelling in key business areas, pioneering large-scale initiatives, it has grown manifold within a short span of a few years.

The capability for construction of better vessels and the urge to excel, has seen Bharati building vessels ranging from highly maneuverable and power packed ocean going Vessels, Containers and Cargo Vessels, Tankers, Special Purpose Carriers, Offshore Supply Vessels, Multipurpose Support Vessels, Anchor Handling Tugs cum Supply Vessels, Platform Supply Vessels to the technological marvel of Self Elevating Jack-Up Drill Rig. Over a period of time, Bharati has emerged as a quality shipbuilder capable of building highly complex vessels requiring multiple engineering skills.

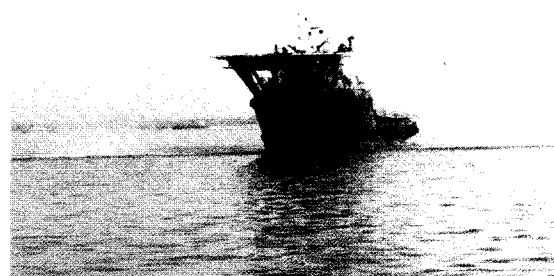


The above capability is complemented by the state-of-the-art shipbuilding infrastructure at Bharati's various shipyards. Bharati boasts of having multi-location presence with yards at Ghodbunder, Ratnagiri, Goa and Kolkata and a Greenfield expansion at Mangalore as well. Bharati has thus come a long way from having two small facilities in Ghodbunder and Ratnagiri to its present expanded capacity as enumerated above. With the expansion, the shipbuilding capability of Bharati has also increased from a meagre 9,000 DWT to 15,000 DWT at Ratnagiri and proposed to be 60,000 DWT at Mangalore facility.

The substitution of labour-oriented shipbuilding techniques with the use of more automated and sophisticated machinery has contributed to the making of better quality vessels. The use of modern techniques of shipbuilding coupled with state-of-the-art machinery and automation, has helped Bharati Shipyard achieve the accolades of its customers.

Over a period of time, with the enhancement of infrastructure and shipbuilding capability, Bharati's client profile has also changed to the quality conscious European customers. Today, Bharati has orders from all over the globe, including Norway, Germany, France, Denmark, Netherlands, South America besides the two Indian Multinationals namely - Great Eastern Shipping Co. Ltd. and Reliance Industries Ltd.

The paradigm shift has been achieved by Bharati due to its continuous urge to excel in quality. Today, Bharati takes pride in delivering vessels that are no less in quality and performance compared to those manufactured by some of the Korean yards. The insistence on quality standards led Bharati Shipyard to set up its own Design centre to become the first private sector yard in India to have in-house design capabilities.



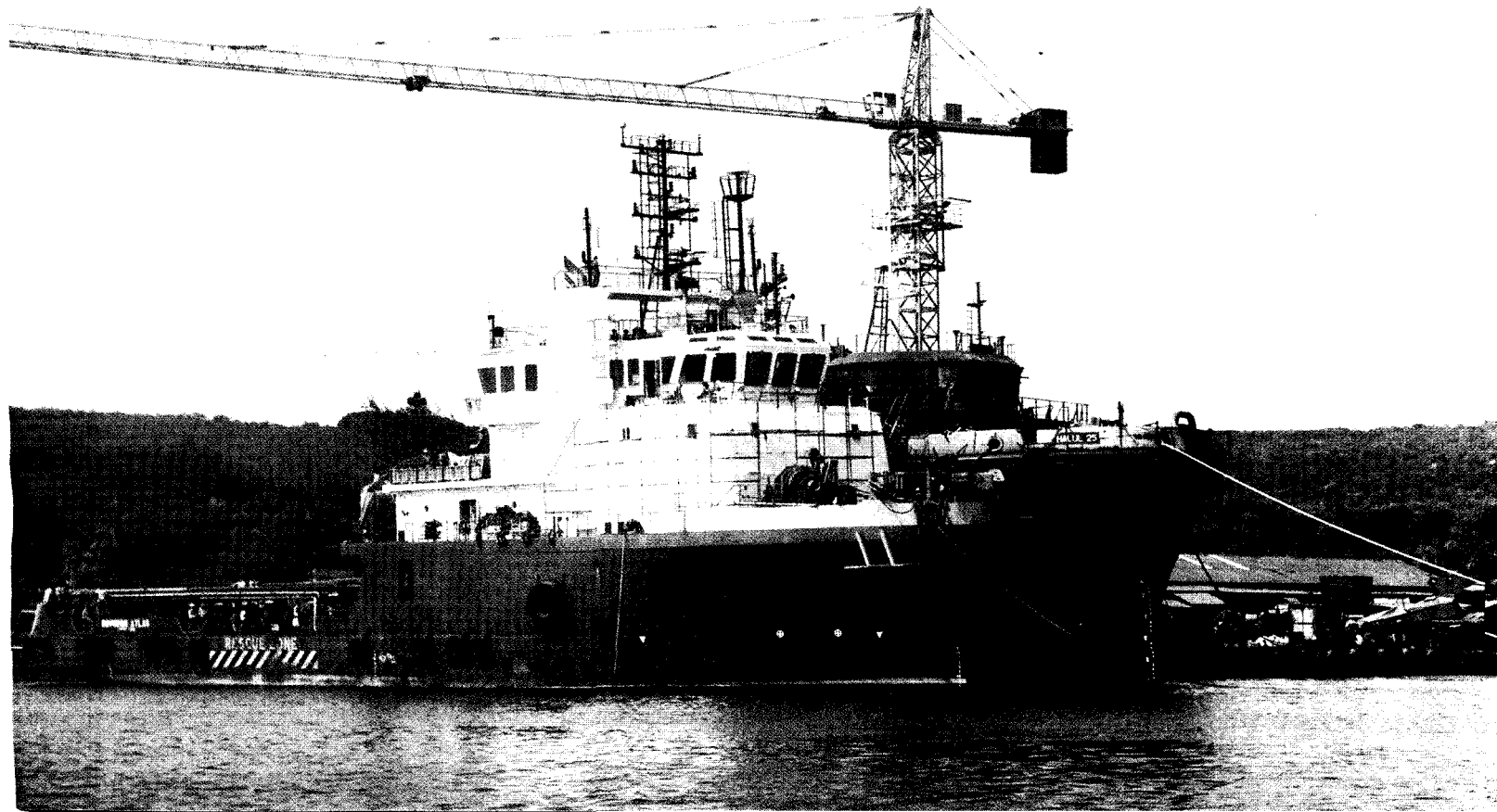
Enhancing the expertise. Engineering the future

State-of-the-art Infrastructure

Bharati Shipyard has strengthened its expertise across various domains. Providing multi-dimensional technology solutions, it has taken Indian shipbuilding to a new level. Increasingly getting synonymous with sophisticated shipbuilding, Bharati Shipyard has firmly established India's credentials in the global arena. Operating from four fully-functional shipyards, at Ratnagiri, Ghodbunder, Goa and Kolkatta, and a Greenfield yard at Mangalore, Bharati Shipyard is all ready to take on the future in the shipbuilding industry.

Ratnagiri

Ratnagiri yard is located 350 kms. south of Mumbai along the west coast of India on the Mumbai-Goa route. Established in the year 1973, the yard has undergone expansion in various phases and its production capacity has been increased by three times over last 2 years. The yard is spread across 16 acres of land and can build various types of vessels including Container Vessels, Cargo Ships, Tankers, OSVs, AHTs, MSVs, PSVs, etc. The yard is equipped with Slipway which can accommodate vessels up to 120 m. long, jetty having 6 m. draft, 250 tons Bollard Pull Testing facility, various cranes with 125 tons capacity, hydraulic pipe bending machines, hydraulic frame benders, etc. Presently, a ship lift system is being installed which can accommodate vessels up to 125 m. length and 24 m. width. The yard is capable of building vessels up to 15,000 DWT, and is certified under International Ship & Port Facility Security (ISPS) and Occupational Health & Safety Assessment Series (OHSAS).







Bharati Shipyard Limited

Registered Office

302, Wakefield House, 3rd Floor, Sprott Road, Ballard Estate, Mumbai 400 038, India.

Tel.: +91 22 3028 9200 Email : info@bharatishipyard.com

Website : www.bharatishipyard.com

SHIPYARDS

Ratnagiri • Ghodbunder • Goa • Kolkatta • Mangalore

Designed by MTPA
Printed by MTPA