

Expanding horizons
Empowering the future

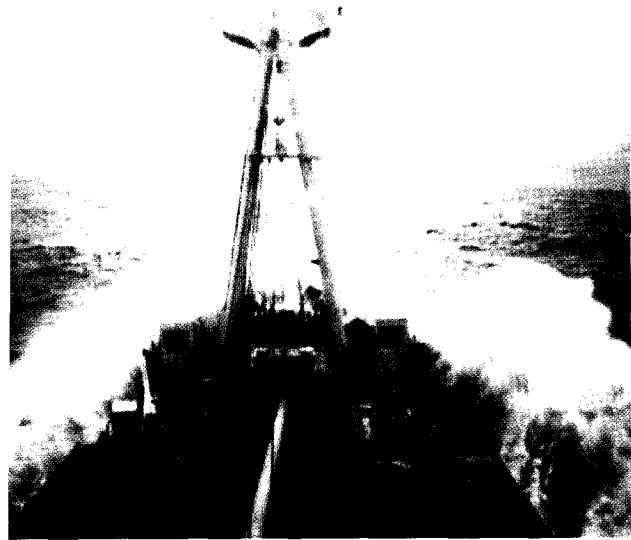


2007-

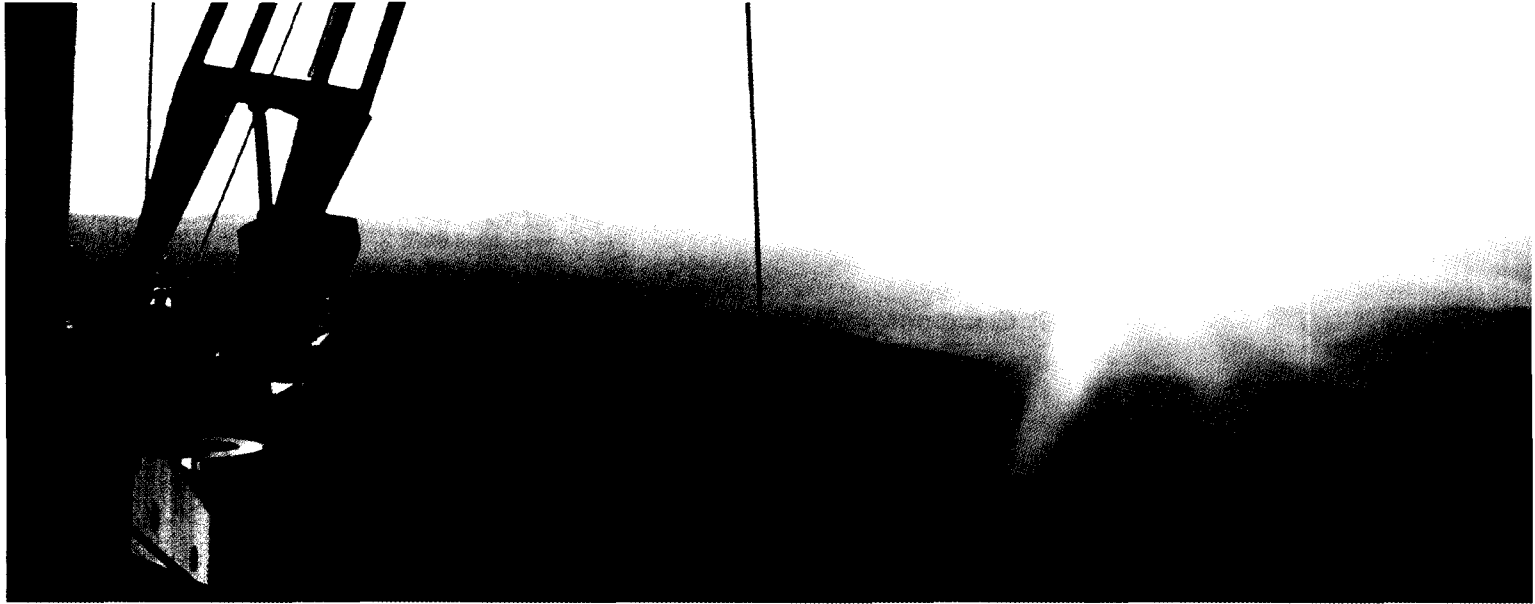
31st Annual



Bharati Shipyard Limited



To go beyond the ordinary
and spread the wings
of Indian ship building
across seven seas
by building futuristic ships
and hi-tech rigs



Man cannot discover new oceans unless he has courage to lose sight of the shore. Very few have the vision to look beyond the ordinary and do something different to move ahead... and thus grow in leaps and bounds. It is this conviction that expands one's horizon and creates history for generations to come. It instigates new attempts to progress and transfers a strait-jacketed world in to a voyager, explorer and imagineer.

Growth means change. And change involves risk, stepping from the known to the unknown. Without continual growth, words like improvement, achievement and success have no meaning. It is the greatest urge which inspires to sail against the tide, move ahead and go beyond the ordinary.

Never to be part of a dry dock, the team with skill and expertise at Bharati Shipyard has covered thousands of successful nautical miles. The inspirational vanguard of Indian ship building is set to empower the future, with its new vision and vigor.

Go beyond the expected, experience the sail of tomorrow, welcome aboard Bharati Shipyard.

Managing Directors' Statement

Mr. P. C. Kapoor
Managing Director



Mr. Vijay Kumar
Managing Director

Dear Shareholders,

It has been a year of executing and achieving our ambitious plans. During the year, your company has achieved substantial progress in enhancing its capacity and capabilities. Your company executed two of its most valued projects viz. dismantling, shipment and erection of Swan Hunter machinery and construction of Jack-Up Drill Rig during the year. With both these, your company has taken a giant leap towards its transformation in becoming pioneers for advanced shipbuilding technology in India.

During the year, the Greenfield expansion at Dabhol commenced operations. The yard will be spread over 300 acres of land and will have capacity to build vessels upto 1,00,000 DWT. A part of the machinery acquired from Swan Hunter Shipyard is being erected at the Dabhol yard and simultaneously construction of the Jack-Up Drill Rig is also being progressed in the same yard.

The year has been full of evolution, expansion and advancement, taking your company to an altogether new horizon. Your company has experienced growth in different spheres. The turnover of the company has increased to Rs. 705.11 crores from Rs. 425.04 crores, representing a growth of 65.89%. Consequently, Profit after Tax has increased by 46.82%, to Rs. 107.45 crores from Rs. 73.18 crores. During the year, the elite client list was complimented by the addition of Shipping Corporation of India, a Mini Ratna of the Government of India and Opielok Bereederungs, Germany. The order book remained strong at Rs. 4870 crores as compared to Rs. 3900 crores last year.

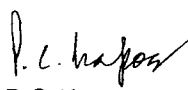
Your Company also entered into a joint venture to set up a Mega Shipyard on the East Coast of India. The proposed Mega Shipyard will have capex of approx. Rs. 1600 to Rs. 2000 crores and will have capacity to build vessels upto 2,50,000 DWT. The said Greenfield expansion is planned to capitalize on the technology and create synergies to build large vessels and take the Company to a different horizon. The Company also proposes to commence operations at the Greenfield yard at Mangalore soon by installing part of the Swan Hunter machinery at the said yard. The expansion is with a view to take advantage of the current boom in the shipbuilding industry by creating more shipbuilding infrastructure.

With the above plans and the will and determination to execute the same in an orderly manner, your Company intends to further its objective of achieving the No.1 position in shipbuilding technology and engineering in India. The years ahead will witness the magnificent blend of expansions, execution and achievements to enhance value for the stakeholders including our valued customers, employees and shareholders.

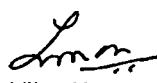
In closing, the year 2008 was an incredible year. But we believe the potential is still to be unlocked and the best is yet to come. We take this opportunity to thank our investors, customers, employees and the community at large and look forward to earning your confidence, esteem and trade as we continue to strive for better and better to enhance value for you.

Thanking You,

Yours sincerely,

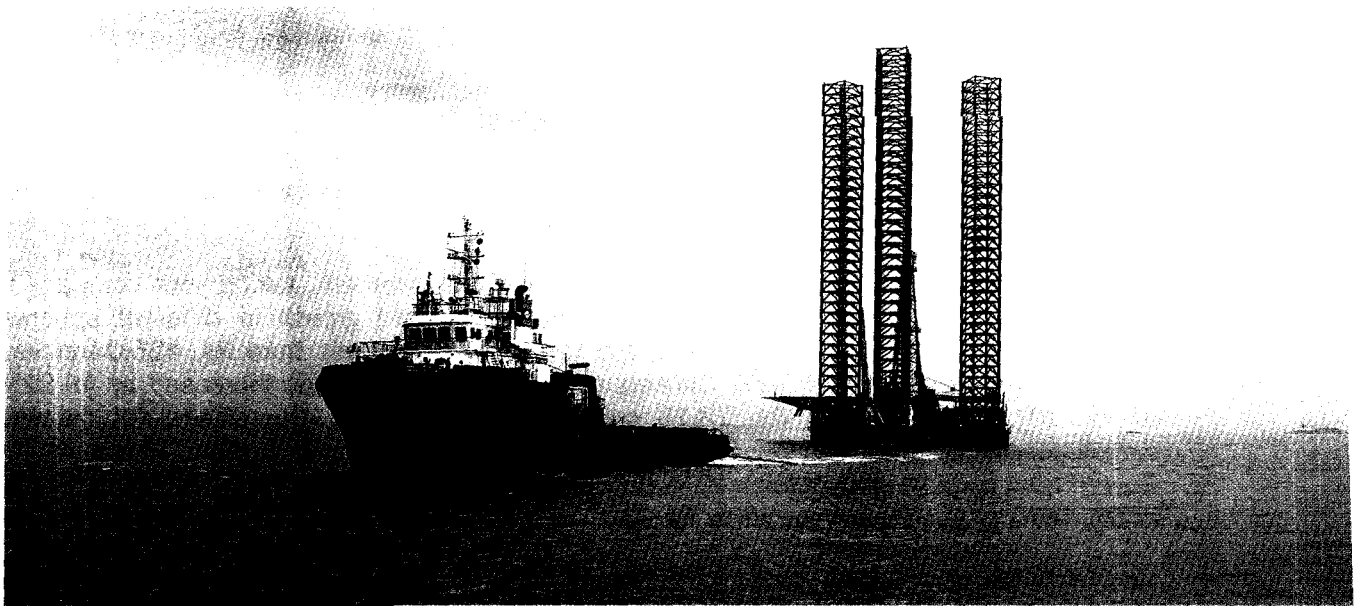


P. C. Kapoor



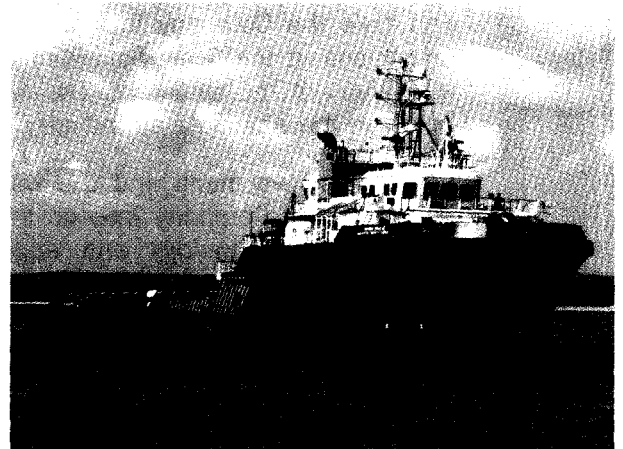
Vijay Kumar

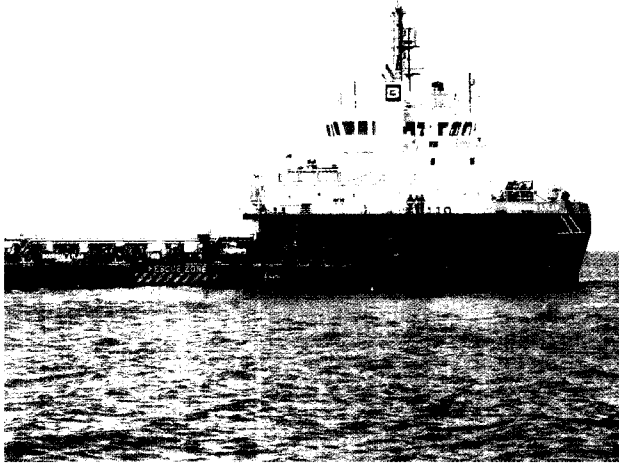
What started as a stream,
now an Ocean



The voyage at Bharati Shipyard began in 1973 with a small shipbuilding facility at Ratnagiri. It started building small barges and fishing vessels and trawlers. But the vision of its two promoters was not to confine to small vessel building but it was a humble beginning of their dreams to become one of the leading private sector shipyards in India. Since then, there has been no looking back.

Over the years, Bharati has expanded the capacity, capability and product range of its vessels manifold. The Ratnagiri Shipyard, started as a small drop in the ocean has grown several times during the last 30 years, is today one of the most advanced Shipyards of the Company. The yard is now building sophisticated vessels required for the offshore industry including OSVs, MSVs, PSVs, AHTSs, etc.





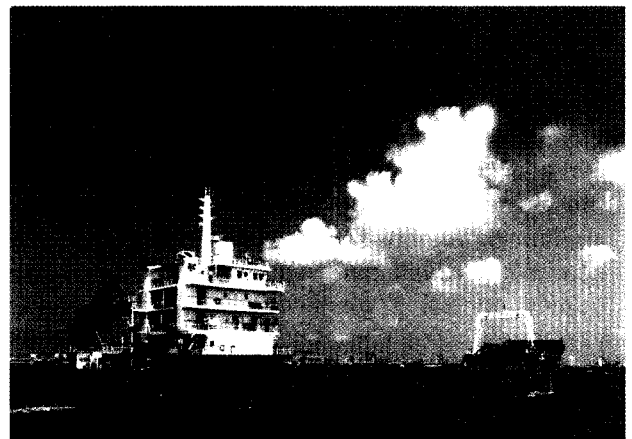
The quality, size and the level of sophistication of the vessels built by Bharati has also grown manifold. Now it is building one of the most sophisticated and technologically advanced Jack-up Drill Rigs. Apart from this, Bharati is also building vessels required for the offshore industry which are technically far superior and perform under stringent conditions. Today, Bharati is building Offshore Supply Vessels (OSVs), Anchor Handling Tugs cum Supply Vessels (AHTS), Platform Supply Vessels (PSVs), Multi-purpose Support Vessels (MSVs), Ice Classed Vessels, etc.

Thus, what had started as a small stream way back in 1973 has today truly become an ocean encompassing many such small and large streams in its ambit.

Bharati's Ghodbunder yard supports the operations of Ratnagiri yard acting as a feeder yard. Besides, the Company has shipbuilding yards at Goa and Kolkatta engaged in shipbuilding and ship repairs.

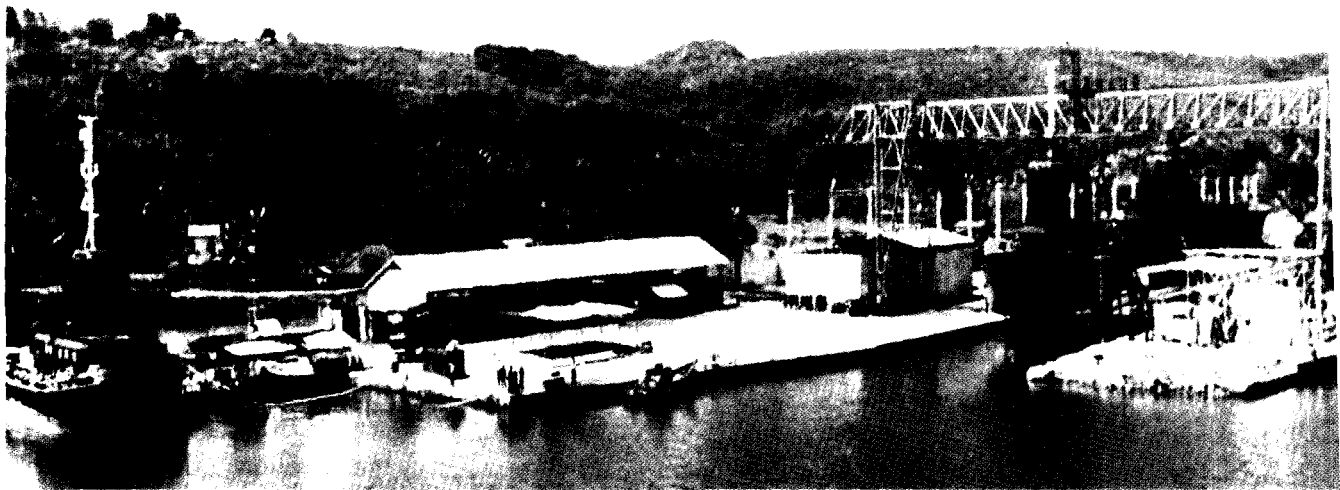
The Company has also undertaken Greenfield expansions at Dabhol and Mangalore which are going to be one of the most technologically advanced yards of our country. Both the yards will be capable of building larger vessels upto Aframax and Handymax size respectively. The Dabhol yard is also capable of building Jack-up Drill Rigs.

Thus, over the years, what started as a small yard at Ratnagiri has now grown into a classy technologically advanced yard at Ratnagiri, Ghodbunder, Goa, Kolkatta and the two Greenfield expansions for large vessels at Dabhol and Mangalore.



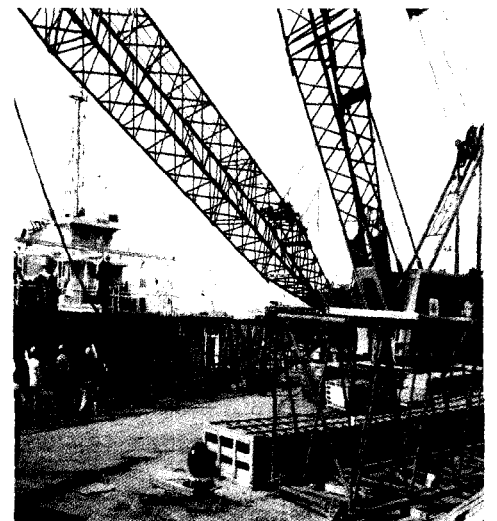
State-of-the-art

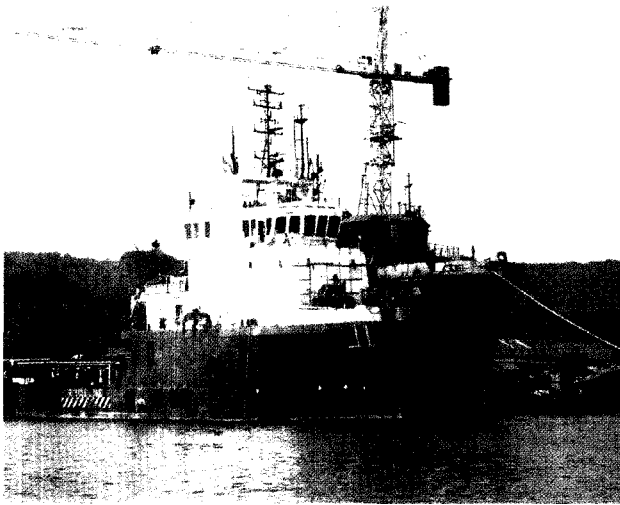
infrastructure facilities



RATNAGIRI

Situated at 300 kms. south of Mumbai, the 25 acres stretch of Ratnagiri yard is one of the oldest of the Company. The modernization and expansion of the yard has been carried out in the recent past and the yard is located in a sheltered lagoon slightly away from the open sea. With a well planned system of production, quality control / planning and fabrication, the yard guarantees complete quality assurance and control procedures. The yard comprises highly skilled workforce with its own in-house training facility. Presently, the Company is installing a ship-lift facility having 16,000 tonnes lifting capacity at the yard. It is also equipped with various other modern machineries and equipments like automatic welding machines, automatic blasting / painting machines, CNC Plasma cutting machines, Hydraulic pipe bending machines, etc. The yard is also International Ship & Port Facility Security (ISPS) certified.





GHODBUNDER

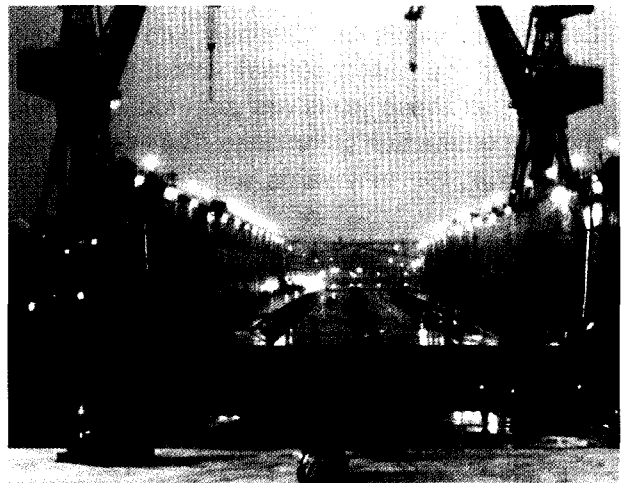
The Ghodbunder yard located near Mumbai and spread over 12 acres of land has established quality assurance & control procedures geared for steel fabrication, pre-outfitting and major piping work. Equipped with 4 slipways suitable for building hulls upto 125m. length, the yard acts as a feeder yard to Ratnagiri yard. It has highly developed and modern equipments including mobile cranes, CNC plasma cutting machine, panel line fabrication, automatic & semi automatic welding machines, etc.

KOLKATA

The Kolkata yard, spread over 7 acres of land and located on the east coast of India, has capacity of building vessels upto 125m. in length and 22m. in width. The expansion of the yard is underway with dry dock under construction and 2 Gantry cranes of 40 tonnes each over dry docks are under installation. It has CNC Steel Cutting/ Preparation Machine, automatic & semi automatic welding, mobile cranes and other equipments.

GOA

The Goa yard spread over 2.5 acres of land is owned by Pinky Shipyard Ltd., subsidiary of the Company. One adjacent yard has been acquired on lease and the facilities of the Goa yard have been expanded during the last year. It is a self-sufficient yard having facilities for building vessels upto 5,000 DWT and upto 140m. in length. It is equipped with side slipping facility, CNC Plasma steel Cutting & Preparation Machines, automatic blasting & painting machines, Panel line fabrication, profile bending machine, rollers for plate straightening, etc.



Building the

infrastructure horizon



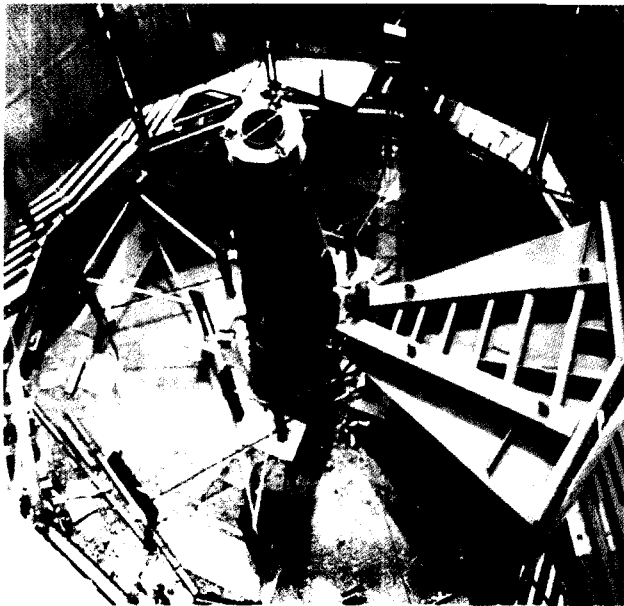
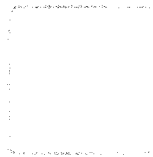
Bharati has come a long way due to its futuristic vision and plans to further expand the capacity and size of the existing yards. The Company has purchased various machines from Swan Hunter Shipyard Ltd, UK for building advanced and futuristic ships.

Bharati is in the process of setting up two Greenfield yards at Dabhol and Mangalore designed by international consultants. The facilities at these yards are planned considering modern production techniques. The infrastructure planned at the new yards are illustrated by the following:

DABHOL

The Company is undertaking a Greenfield project at Dabhol spread over 300 acres of land on the banks of river Vashishti wherein most modern infrastructural facilities for shipbuilding are being created. The Shipyard is designed by First Marine





- ✦ Other automatic machineries like Twin Head Burny CNC Profile cutting machines, Hydraulic Guillotine cutting machines, HGG CNC Pipe profiling machiners, CNC Robot operated Profiling machines, etc.
- ✦ Two cranes with 180T lifting capacity capturing the entire erection area.
- ✦ Wenzlaff Panel Line system and conveyor assembly for fabricating large panels.
- ✦ A large fabrication hall where blocks of 450 tonnes can be assembled.

Needless to say that the Dabhol yard will be one of the most suitable and well equipped yard for building futuristic ships of complex and technologically advanced nature.

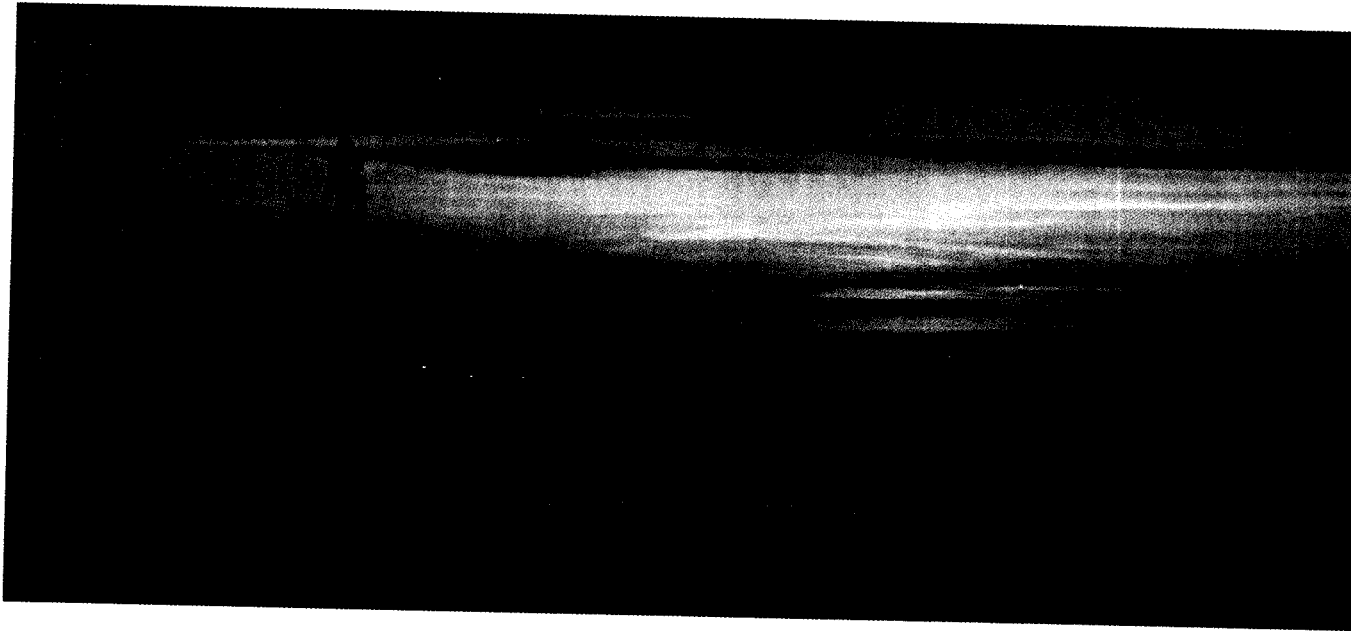
International of UK. The yard will have capacity to build among other vessels, Jack-up Drill Rigs, Offshore Structures & ships upto 100,000 DWT. The yard will be a self-sufficient yard with facilities for shipbuilding and most modern machineries and equipments some of which are:

- ✦ Floating Dock: One of the largest Floating Docks in India of about 155m. x 40m. having 16,000 tonnes lifting capacity.
- ✦ 2000 Tonnes Hugh Smith Hydraulic Roll Press Machine used for bending and rolling the steel plates.
- ✦ 1200 Tonnes Hugh Smith Hydraulic Bulkhead Flange Press Machine with cranes installed for handling the material.
- ✦ CNC Plasma Messer Griesheim 4 head and Esab Hancommander 6 head Profile Cutting Machines for precision cutting of steel plates.

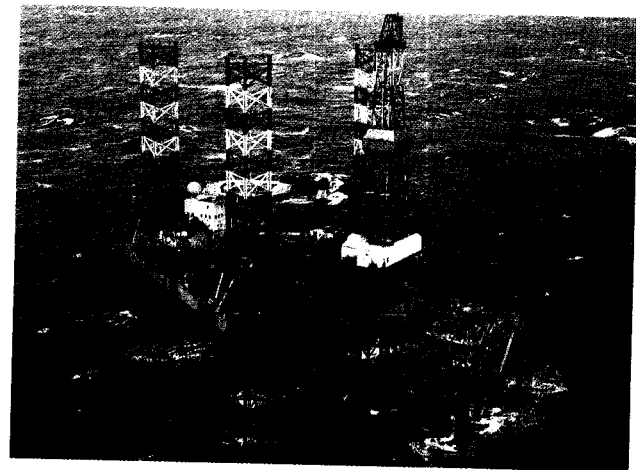


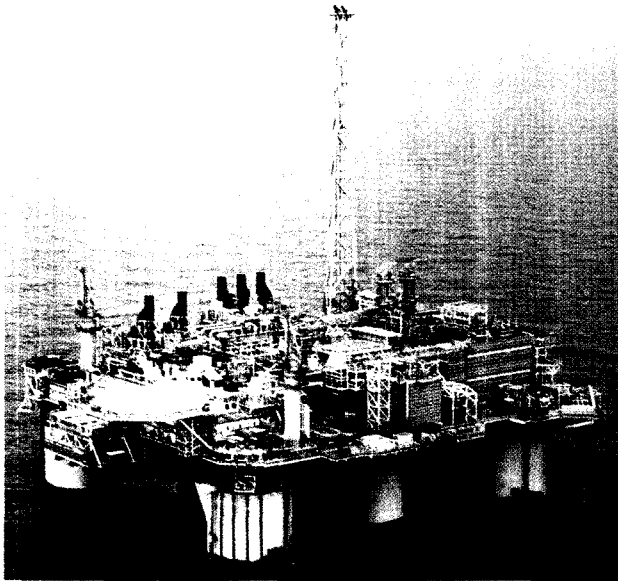
Pioneered in building oil rigs

Charting a new course



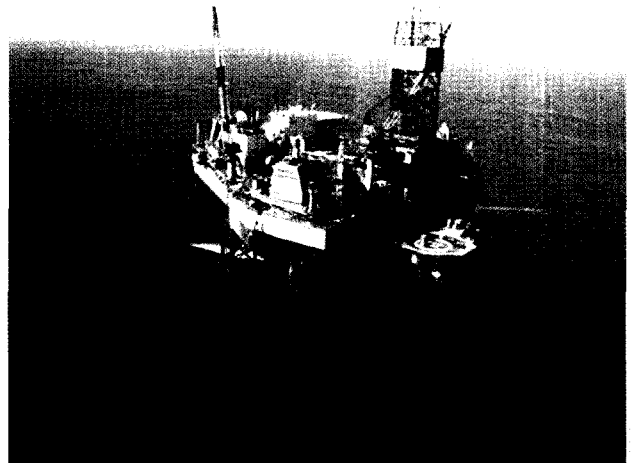
With the growing world economy, the availability of oil is a strategic and economic necessity. There is recent development in oil and gas industry leading to an increasing demand of offshore oil exploration and production in the future. The increase in the demand for offshore oil exploration has led to a surge in world wide demand for rigs. In particular there is an increased demand to manufacture new rigs and also replace the old rigs that support the latest exploratory technology. Taking into account the current rig fleet and those under construction, there is expected to be sustained buoyant demand for rigs in the next ten years.





Coupled with strong manufacturing and replacement demand for rigs, going ahead with its foray in oil rigs, Bharati will be in a strong position to take advantage of the growth in this sector. It is building a Self Elevating Jack-Up Drill rig, which is a first of its kind by any private sector Indian company. The rig is being built at its Dabhol facility. Building of a Jack-Up Drill rig is a remarkable milestone for Bharati.

The construction of drill rigs was restricted to a handful of countries like Singapore, USA and Europe. This was the case only until Bharati entered the foray of building oil rigs. Construction of rigs requires different type of technology as well as different type of infrastructure. Rig manufacturing involves various critical activities which requires engineering expertise, designing skilled sets, technology and skilled manpower back up. Bharati is in the process of setting up dedicated facilities for this activity. Bharati is well positioned to capture this opportunity for building the rigs and develop itself as manufacturing hub of rigs.



Empowering new age technology Setting standards globally



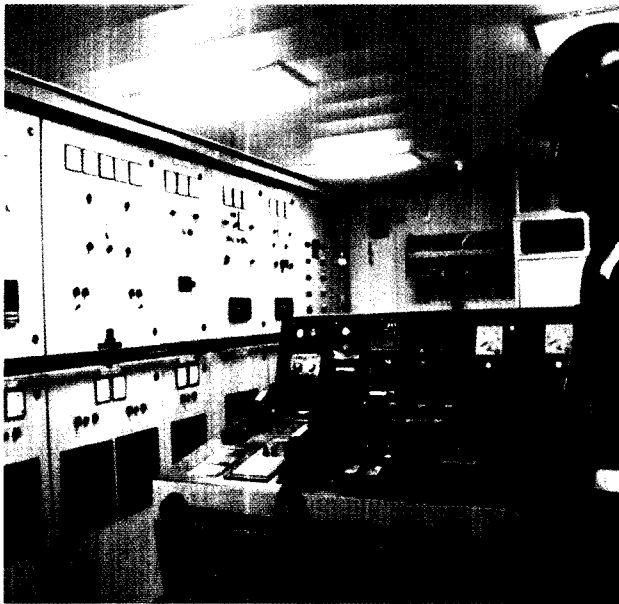
Bharati feels proud to be one of the most technologically advanced shipbuilding companies in India. The vessels built by the Company are highly sophisticated and have the right mix of quality, reliability and performance. The Company's earnest desire to meet the global standards and remain ahead in technology is evidenced by the following firsts by the Company:

- ▲ Only shipyard in India to start construction of a Self Propelled Cantilevered Jack-Up Drill Rig of this type. There are very few manufacturers of Rigs worldwide and our Company is one of them. We are the 1st Indian private sector shipbuilder to foray into Rig building.
- ▲ First shipyard in this region to have built an Anchor Handling Tug cum supply vessel of over 120T Bollard Pull.

- ▲ Only shipyard in this region to have constructed ships for RELIANCE (India's No.1 private company) and Great Offshore Ltd. (India's No.1 private shipping company)
- ▲ Only shipyard in this region using an Engine Room model to lay equipments in engine room.

The Company's strength in delivering technologically advanced and sophisticated vessels is further evidenced by the following orders received by the Company which require high level of design and production technology, reliability, quality and performance under more stringent conditions.

- ▲ Order for construction of a Multipurpose Offshore Support Vessel from Great Offshore Ltd. The vessel has a diesel electric propulsion system with 5 generators of a total power of 10,500 KW (14,000HP). It has all the equipment to support ROV /



Diving / Sub sea operations. It also has dynamic positioning system and integrated power management system with full redundancy for DP2 operation. The vessel is equipped with a very sophisticated electro hydraulic knuckle boom crane which is active heave compensated and is suitable for depths up to 3000m and lifting capacity up to 150T.

- ▲ Order for 2 nos. 150 Tonnes Bollard Pull Anchor Handling Tug cum Offshore Supply Vessel from Norwegian Offshore Shipping I. Ltd. The normal AHTSV are in the range of 80 T to 120 T capacity. The order by the customer for a higher capacity of 150T to be utilized for deep sea operations evidences the confidence of the customers in Bharati's capability to build advanced vessels.
- ▲ Order for 2 nos. Latest generation Large Platform Supply Vessels by Man Ferrostaal AG

of Germany. These vessels are 105 m in length and are fitted with 2 sets of Voith Cycloidal Propeller Units at the stern powered by electrical prime mover for diesel Electric Propulsion. The vessels will have free running speeds of 17 Knots. The above vessels contain rare combination of a Large PSV with a higher speed. This is the first time that such a latest generation PSVs with Voith Cycloidal Propeller Units is being made in Asia. As on date, there are only 3 such vessels in operation worldwide.

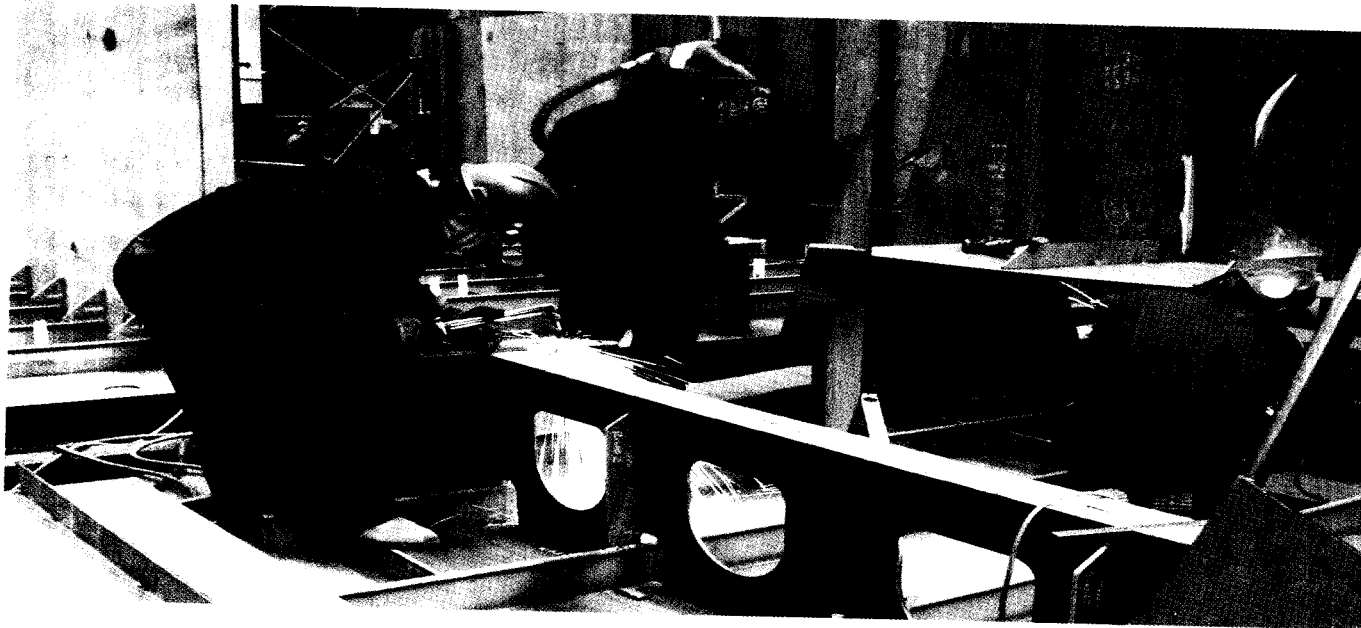
- ▲ Order for 2 nos. UT 755LN Platform Supply Vessels from Opielok Bereederungs GMBH & Co., Germany. These vessels will be built by using the world renowned designs of Rolls Royce which help reduce fuel consumption. This design is the most modern offshore design prevalent in the market. These vessels will be operating in the North Sea under harsh environment and are capable of multi-functional duties.

The above orders for advanced and complex vessels speak about the confidence customers have in Bharati's design and building capabilities.



Engineering innovation

Creating out of box designs

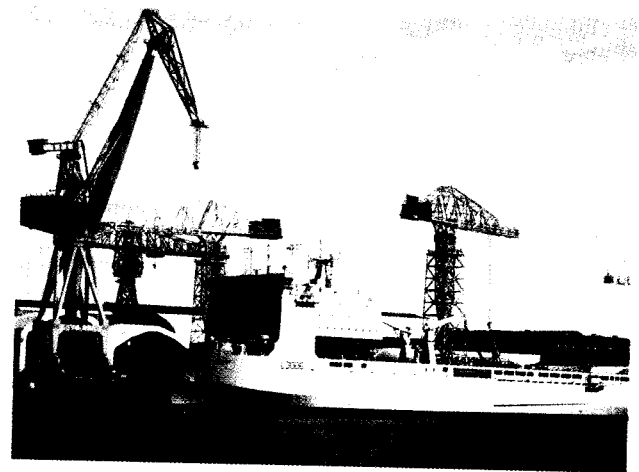


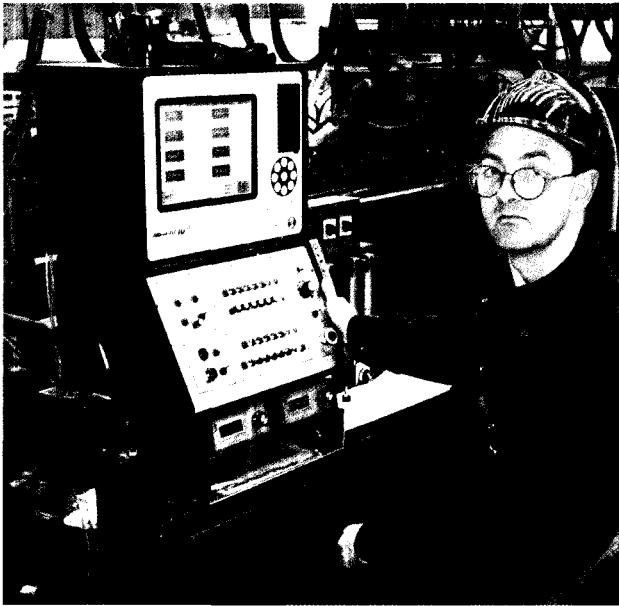
Innovation, quality and performance are the three inextricably entangled ingredients of success at Bharati. Innovation is the way of life for everything we do at Bharati. We promote innovation in all aspects of our business and through all stages of shipbuilding right from design to planning to production. Our vision to look beyond the ordinary has encouraged us to strive hard to bring out the best in us.

To achieve innovative designs we have upgraded our technology, time and again on the following fronts:

Basic Designs: Bharati has improved the basic design capabilities with the 'Autoship Software'. The Company has also recruited large number of quality naval architects, mechanical, marine and electrical engineers and held training sessions on the new software procured.

Detailed Design: Bharati has upgraded its detailed design capabilities with the use of the 'CATIA' and 'PROE' softwares. It has also started carrying out production design on these new





softwares, for bulk carriers and offshore vessels under construction. This brings immense advantage to Bharati in the pre outfitting of vessels at a much earlier stage and understanding maintenance issues of equipment at an early stage of designs. Besides, it reduces cycle time of the vessels being built and at the same time improves working standards and safety for crew on board.

Improved IT Infrastructure: Any well developed design comes with improved infrastructure with respect to IT and communications. Bharati has improved capacity of its IT Infrastructure to meet the growing requirements of the organization. Bharati's 3-D modeling capabilities have grown stronger thus improving designs from the point of maintenance, working on board. The system enables required design information in 3D modeling by pre-simulation of the model. This helps in speedier and more efficient creation, transfer and evaluation of design iterations at early stage resulting into increased reliability and

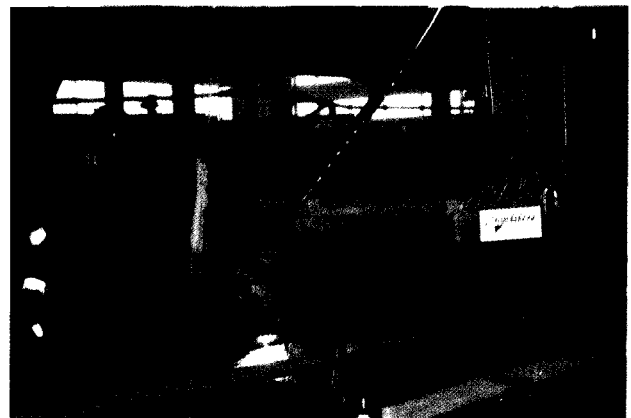
quality of the vessels. It ensures effective, reliable management of modifications during the design process. It also helps in integrating various disciplines of engineering at an early stage and supports synchronized design activities.

It is always our endeavour to be innovative to maximize our clients returns. The technological innovation at Bharati helps in making direct contribution to clients returns by way of:

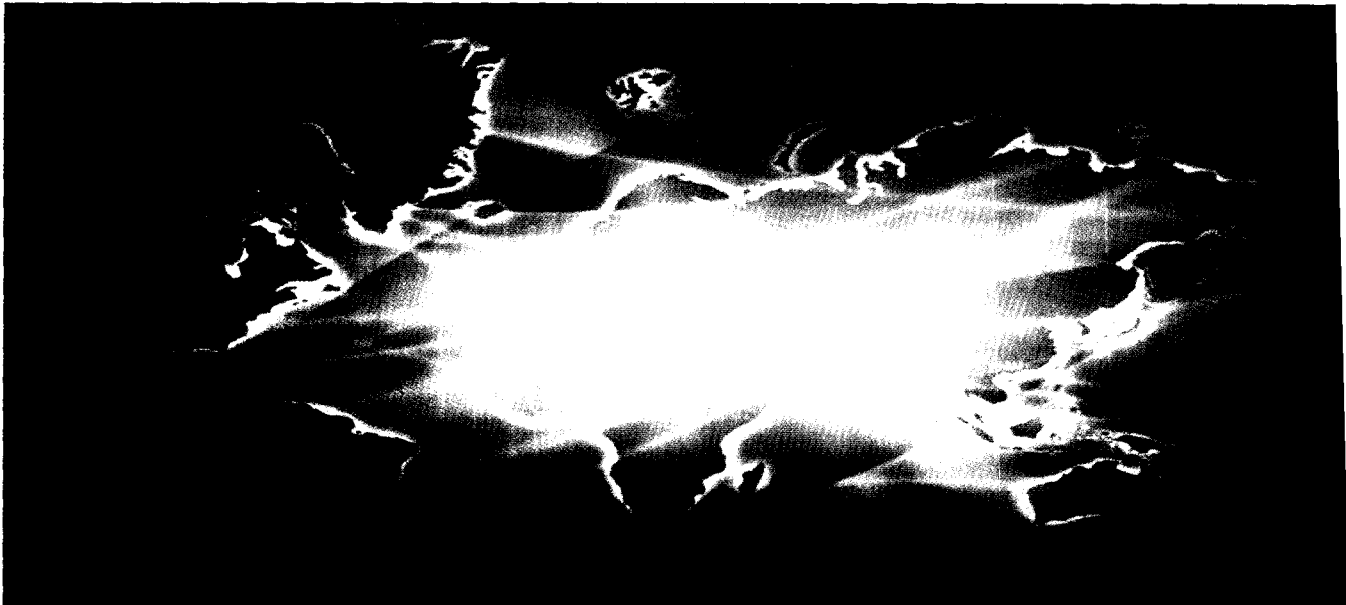
- a. Reduction in fuel oil costs.
- b. Reduction in crew/manning costs.
- c. Building ships designed to cater for higher freight cargoes.
- d. Building ships designed to be more environment friendly.

As a part of our engineering innovations, the above aspects have been implemented in the following way:

Bharati has progressively developed ships with diesel electric installations in comparison to the traditional diesel mechanical installation. This has helped in generating optimum power with higher efficiencies over the range of operation of the ship and thus improved fuel efficiencies. Bharati has also developed clean designs, mitigating risks of oil spills. Diesel electric and gas based installations have also led to very low Nox and Sox emissions, thereby decreasing the owners environment risks.



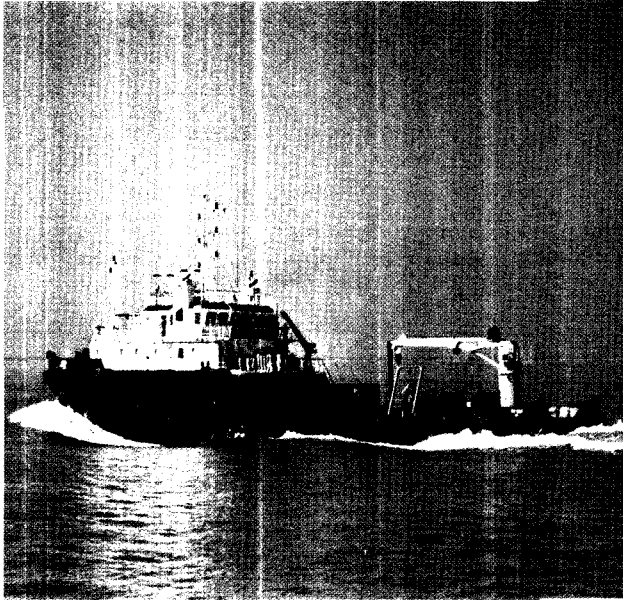
Growing **global** Clientele Building **relationships**



Over the years, the clientele profile of Bharati has expanded geographically across the globe. Bharati's order book has, over a period, improved qualitatively in terms of the client's profile as well as the type of ships built.

In the early years Bharati was building Tugs, Trawlers, Dredgers and Coastal Vessels for various Indian Shipping Companies and Major Ports. After establishing itself in India, Bharati began its never ending voyage across the globe. In the early 90's, Bharati bagged its first overseas order from Cyprus for 3 sophisticated Highly Maneuverable Cycloidal Propulsion Tug Boats under American Bureau of Shipping Classification Survey. It was a modest yet a very firm beginning of building a firm order book from discerning clients of repute all over the globe. In the early half of the next decade, Bharati built and delivered various kinds of sophisticated well engineered ships serving the Oil Industries in the Gulf. It became a household name in the Gulf Oil Exploration Industries.



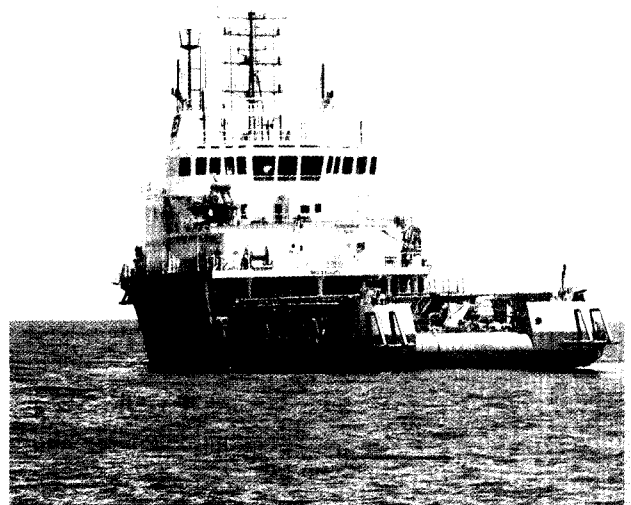


Similarly, over the years, Bharati has continuously advanced in building more and more sophisticated and technologically advanced vessels. The quality and variety of vessels built by Bharati has continuously improved over the years. Today Bharati builds vessels that have unparalleled quality and are capable of meeting the stringent quality requirements of European customers. The vessels built by Bharati perform under difficult and harsh environment conditions and are used by Customers as support vessels for deep sea exploration activities. The thrust to build more and more advanced vessels has never diminished at Bharati.

After becoming an eminent name in the gulf countries, Bharati then sailed towards Europe and other parts of the globe. Due to its well engineered ships of unsurpassed quality and affordable prices, Bharati has bagged many orders in European countries.

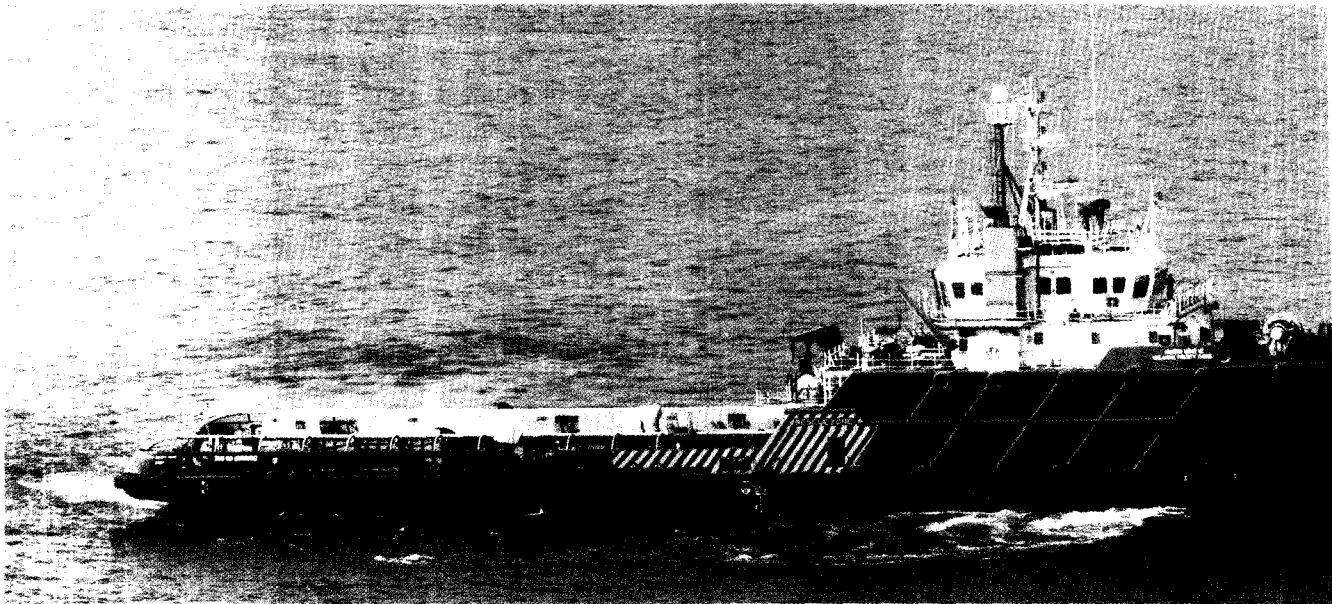
The orders now flow from Germany, France, Holland, Denmark, Norway and Argentina and across the globe. With 80% of Bharati's product going to Middle East in the year 2001-2005, the order book for Bharati in 2006-2008 comprises 85% of export orders from West Europe.

As a result, today, Bharati's clientele has spread over Middle East to Europe and to South America. Bharati's order book as on day consists of well established and growing clients all across the world. The clientele of Bharati includes companies that are emerging as major players and expanding in the shipping industry. With these growing names as its clients, Bharati's journey towards enduring growth and unmatched success has become more realistic.

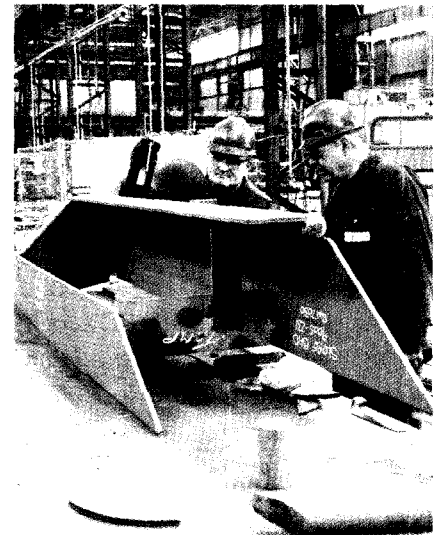


Overflowing Orders

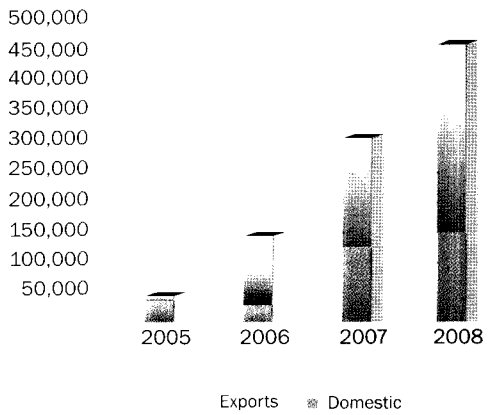
Promising future



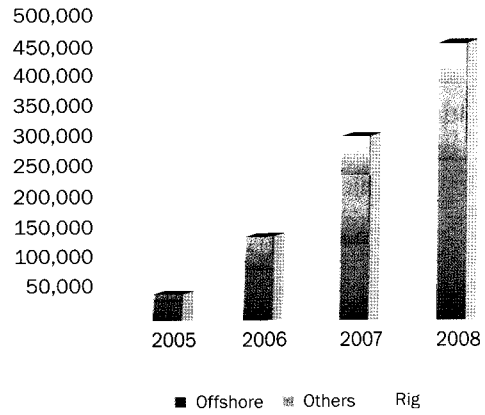
It has been our constant endeavour to ensure smooth flow of work for the existing and new facilities. It has always been our pursuit to obtain orders and optimise capacities in advance. Such advance order booking also ensures that the future is secured and the stakeholders interests are protected. The order book of Bharati has grown manifold over last several years. Further, the quality of orders and customers have also improved significantly. The following analysis of our order book throws insight into the radiant future of the Company.



Growth of order book in absolute numbers



Growth of order book in terms of vessel - type

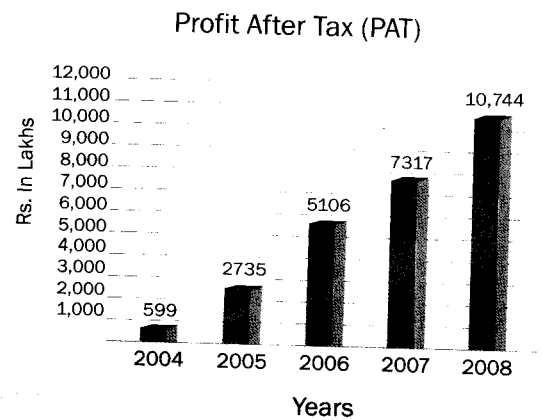
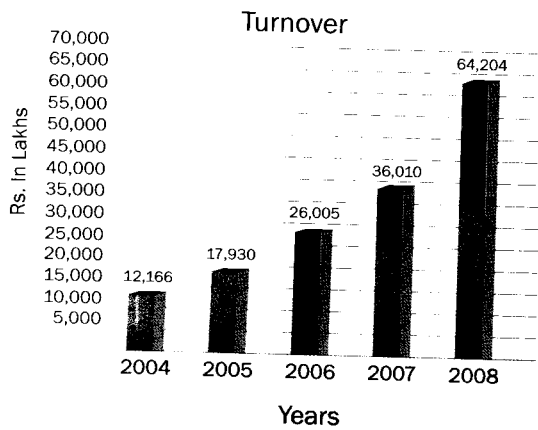
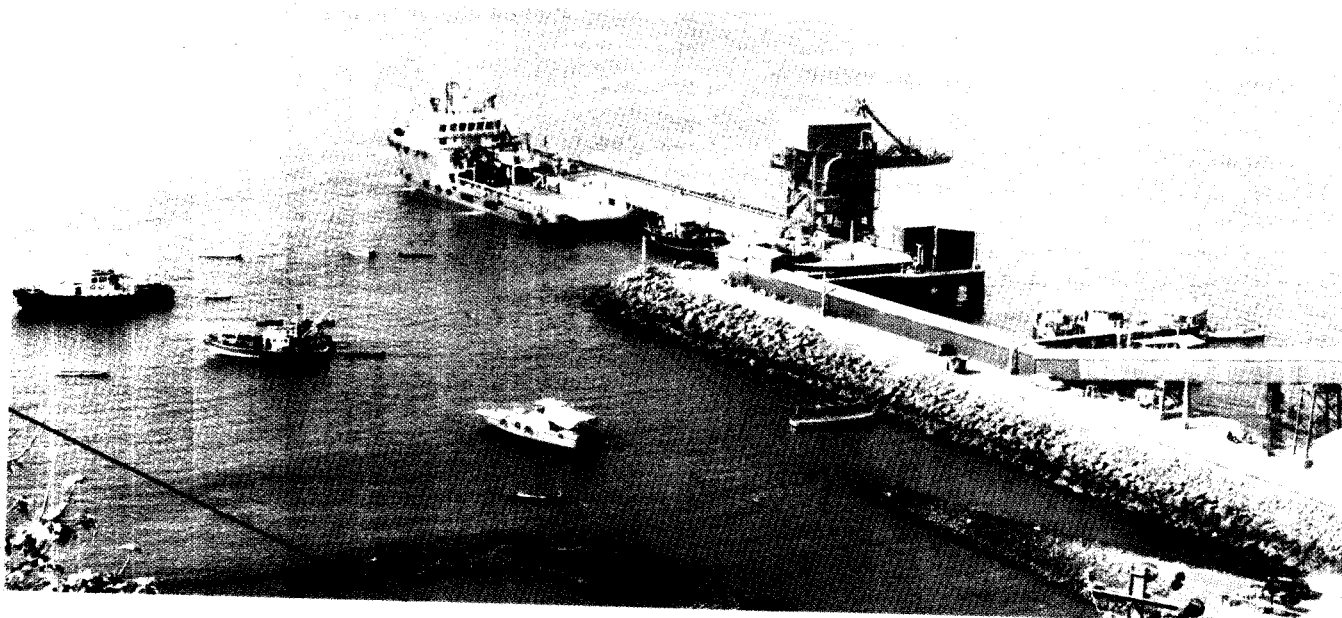


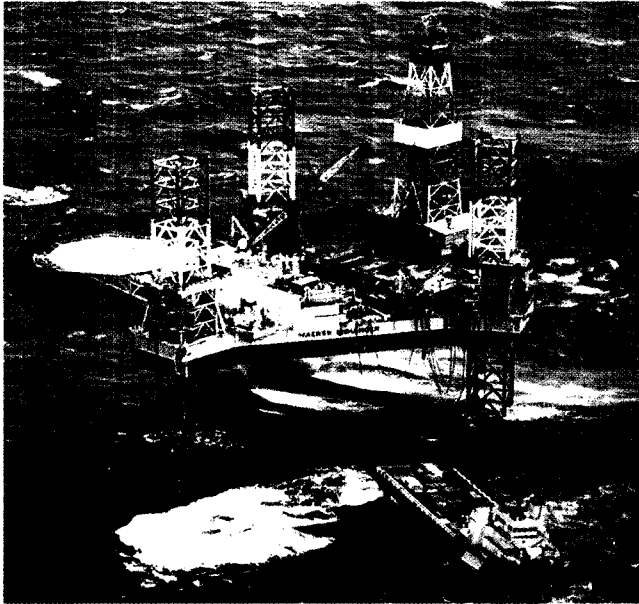
Order Book in terms of geographical break up of customers



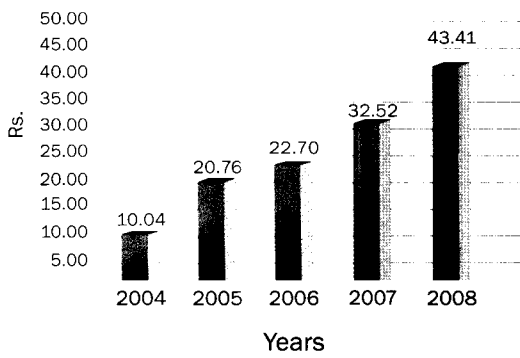
Consistent performance

Increased bottomline

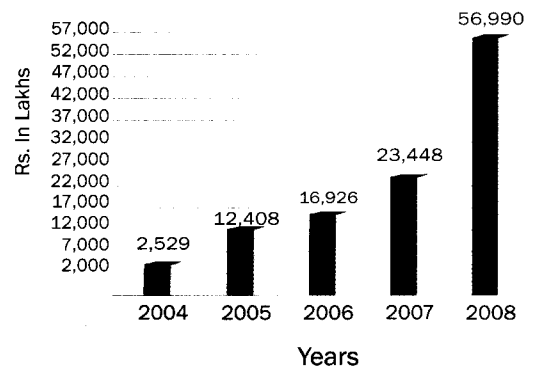




EPS



Networth





Bharati Shipyard Limited

**31st Annual Report
2007-2008**

Board of Directors

P. C. Kapoor
Managing Director

Vijay Kumar
Managing Director

B. L. Patwardhan
Nominee Director - SBI

V.P. Kamath
Director (w.e.f.: 28.01.2008)

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 Shipyards Limited

Contents

Notice	2-7
Directors' Report	8-10
– Annexure – 'A'	11
– Annexure – 'B' Corporate Governance Report	12-19
– Annexure – 'C' Management Discussion and Analysis	20-28
Auditors Certificate on Corporate Governance	29
Auditors' Report	30
Annexure to the Auditors' Report	31-33
Balance Sheet	33
Profit and Loss Account	34
Schedules to the Balance Sheet and Profit and Loss Account	35-42
Significant Accounting Policies and Notes to the Accounts	43-52
Cash Flow Statement	53
Balance Sheet Abstract and Company's General Business Profile	54
Auditors' Report on Consolidated Financial Statements	56
Consolidated Balance Sheet	57
Consolidated Profit and Loss Account	58
Schedules to the Consolidated Balance Sheet and Profit and Loss Account	59-67
Basis of Consolidation, Significant Accounting Policies and Notes to Accounts	68-73
Consolidated Cash Flow Statement	74
Statement pursuant to Section 212 of the Companies Act, 1956	75
Subsidiary (Pinky Shipyard Private Limited)	76-90
Attendance Slip and Proxy Form	92

Bharati Shipyard Limited

NOTICE is hereby given that the THIRTY FIRST Annual General Meeting of the members of BHARATI SHIPYARD LIMITED will be held at the auditorium of "The Synthetic & Art Silk Mills Research Association, Sasmira, Sasmira Marg, Worli, Mumbai-400030" on Monday, the September 29th, 2008 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008 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. P.C.Kapoor who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint M/s Bhuta Shah & Company, Chartered Accountants as Joint 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 remunerations.

SPECIAL BUSINESS:

To consider and if thought fit to pass with or without modification(s) the following resolutions:

As an Ordinary Resolution:

5. "RESOLVED THAT pursuant to provisions of section 257 and all other applicable provisions, if any of the Companies Act, 1956, Mr.V.P.Kamath be and is hereby appointed as a Director of the Company, liable to retire by rotation."

As an Ordinary Resolution:

6. "RESOLVED THAT M/s DPH & Co., Chartered Accountants, be and are hereby appointed as Joint Auditors of the Company to hold the office in place of retiring Joint Auditor M/s Shantilal Mehta & Co., Chartered Accountants from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting on such remuneration as may be mutually decided by and between the Audit Committee/Board of Directors and the above said auditor."

As a Special Resolution:

7. "RESOLVED THAT in partial modification of the earlier resolution passed by the members of the Company at their Annual General Meeting held on 30th August, 2007 and pursuant to the provisions of Sections 198, 269, 309, 310, 311, 349, 350 and all other applicable provisions, if any, of the Companies Act, 1956, read with applicable conditions prescribed under 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, 2008 and calculated as per provisions of sections 198, 269, 309, 310, 311, 349 and 350 and all other applicable provisions, if any, of the Companies Act, 1956 as shown in the Explanatory Statement annexed to this notice for the Item No. 7 and the said increase be and is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter, vary and modify the remuneration 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 notwithstanding anything hereinabove 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. 7 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.

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 documents and writings as may be necessary to give effect to this resolution."

As a Special Resolution:

8. "RESOLVED THAT in partial modification of the earlier resolution passed by the members of the Company at their Annual General Meeting held on 30th August, 2007 and pursuant to the provisions of Sections 198, 269, 309, 310, 311, 349, 350 and all other applicable provisions, if any, of the Companies Act, 1956, read with applicable conditions prescribed under 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, 2008 and calculated as per provisions of sections 198, 269, 309, 310, 311, 349 and 350 and all other applicable provisions, if any, of the Companies Act, 1956 as shown in the Explanatory Statement annexed to this notice for the Item No. 8 and the said increase be and is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter, vary and modify the remuneration 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 notwithstanding anything hereinabove 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. 8 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.

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 documents and writings as may be necessary to give effect to this resolution."

By Order of the Board of Directors

FOR BHARATI SHIPYARD LIMITED

CS. U.A. PATEL

(Chief General Manager & Company Secretary)

Registered Office :

606, 6th Floor, Raheja Chambers,
Nariman Point, Mumbai-400 021

Date : 30th June, 2008

Place : Mumbai

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 September 19th, 2008 to September 29th, 2008 (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 September 29th, 2008
4. Dividend if declared will be made payable at the Registered Office of the Company within 30 days from the date of declaration of dividend i.e. September 29th, 2008 to those shareholders whose names stand on the Company's Register of members on September 29th, 2008.
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 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 as listed out at S.No.5 to S.No.8 of this notice is annexed hereto.

Bharati Shipyard Limited

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

Resolution at item No.5

Mr.V. P. Kamath was appointed as an Additional Director by the Board at its meeting held on 28th January, 2008 with immediate effect in accordance with Section 260 of the Companies Act, 1956, to hold office till the conclusion of Annual General Meeting scheduled to be held on September 29th, 2008. A notice has been received pursuant to Section 257 of the Companies Act, 1956, together with the necessary deposit of Rs. 500/- proposing Mr.V.P.Kamath as a director of the Company. Mr. V.P.Kamath would be a non-executive director of the Company.

Mr. V.P.Kamath, aged 74, is B.Com (Advanced Accounts and Auditing), University of Bombay, CAIIB with a vast experience in Banking, Leasing, Financial Services & Project Financing. Besides this he has also experience in planning and implementation of ventures in the areas of Housing Finance, Mutual Funds, Forex, Money Changing, etc. He was a member of various Institutional Committees of All India Financial Institutions. He is also a member of Audit Committee.

The Board recommends the resolution for your approval. Except Mr.V. P. Kamath no other director is concerned or interested in it.

Resolution at item No.6

Pursuant to Section 225 read with Section 190 of the Companies Act, 1956, it is proposed to appoint M/s. DPH & Co., Chartered Accountants, in respect of whom a special notice has been received, proposing their name for appointment as Joint Auditors, in place of retiring Joint Auditor M/s. Shantilal Mehta & Co., Chartered Accountants (who have expressed their desire not to be appointed as Joint Auditors) , to hold office as such from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Audit Committee / Board to fix their remuneration.

The Directors commend the Resolution for the approval of the members.

None of the Directors of the Company is concerned or interested in the said resolution.

Resolutions at item Nos. 7 & 8

Mr. P. C. Kapoor & Mr. Vijay Kumar were appointed as Managing Directors pursuant to the resolutions 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 perquisites as contained therein.

Further remuneration to Managing Directors was revised with effect from 1st April 2007 with the approval of the Shareholders at the Annual General Meeting held on 30.08.2007.

The Company registered commendable growth and progress both in terms of turnover and profitability due to able leadership of Mr.P.C.Kapoor and Mr.Vijay Kumar. The Board is of the opinion that their efforts need to be compensated adequately and hence felt it necessary to increase their remuneration as detailed in the explanatory statements of these items of the notice.

In view of the above, it is necessary to give adequate compensation to Managing Directors by way of increase in their remuneration appropriately as proposed.

The Explanatory Statement accompanying this notice may also be regarded as an abstract of the terms of remuneration of Mr.P.C.Kapoor and Mr.Vijay Kumar (Managing Directors) u/s 302 of the Companies Act, 1956.

INFORMATION REQUIRED TO BE DISCLOSED PURSUANT TO PARA (C)(IV) OF SCHEDULE XIII TO THE COMPANIES ACT, 1956.

I. GENERAL INFORMATION:

- 1. Nature of Industry:** The Company is in shipbuilding industry. The shipbuilding activities are carried from its various shipyards.
- 2. Date of Commencement of commercial operations:** The Company is in this business since 1976.
- 3. In case of new companies, expected date of commencement of activities as per the project approved by financial institutions appearing in the prospectus:** Not Applicable

4. Financial Performance:

(Rs. in Lakhs)

Financial Parameters	2004 - 05	2005 - 06	2006 - 07	2007 - 08
Gross Income	19,297.80	29,502.69	42,504.38	70,511.34
Net Profit (PAT)	2,735.76	5,106.74	7,317.86	10,744.71
Total Amount of Dividend	562.50	562.50	675.00	827.08
Dividend Declared (%)	25	25	30	30

5. **Export performance and net foreign exchange collaborations:** Rs.6,647.23 Lakhs (As on 31-03-08).

6. **Foreign investment or collaborators, if any:** Not applicable

II. INFORMATION ABOUT THE APPOINTEES:**1. Background Details:****P.C. Kapoor, Managing Director:**

Mr. P.C. Kapoor, aged 63, residing at Pallonji Mansion C.H.S.L., 'D' Block, Ground Floor, Pallonji Mansion, Cuffe Parade, Mumbai-400005, is a qualified Bachelor of Naval Architect from IIT Kharagpur with a vast experience in Ship Construction, Ship Design and its management. He was associated with Mazgaon Dock Ltd. for five & half years. Later on he jointly promoted Bharati Shipyard Ltd. in 1976 with an overall charge of development and operation of the Company. He is a member of Confederation of Indian Industry, Engineering Export Promotion Council, All India Management Association, Indian Economic Development and Research Association and an active committee member of Institute of Naval Architects, India.

Vijay Kumar, Managing Director:

Mr. Vijay Kumar, aged 63, residing at 410/411, Mittal Park, Ruia Park, J.R. Mahatre Road, Juhu, Mumbai-400049, is a qualified Bachelor of Naval Architect from IIT Kharagpur with a vast experience in Ship Construction, Ship Design and its management. He was associated with Mazgaon Dock Ltd for seven years. Later on he jointly promoted Bharati Shipyard Ltd. in 1976 with an overall charge of design and marketing the Products of the Company. He has been a member of IRS Technical committee and IRS committee of management. He is currently the secretary of Shipyard Association of India and a convener of DGT D for Shipbuilding and Ship repair Group.

2. Past remuneration:

The details of remuneration received by Mr. P.C. Kapoor and Mr. Vijay Kumar during last three years are as under

(Rs. in Lakhs)

Remuneration	2005-06	2006-07	2007-08
Salaries	36.00	36.00	105.60
Commission	-	-	106.47
Contribution to Provident Fund & Other Funds	12.13	6.64	12.67
Total	48.13	42.64	224.74

3. Recognition or awards: NOT APPLICABLE

4. **Job profile and their suitability:** Both the Managing Directors are controlling the affairs of the Company since its inception. They were appointed as Managing Director in the year 2004. The Company has made remarkable progress during their tenure and is poised for further growth.

They are well versed with the business, philosophy, systems and procedures of the Company and Shipbuilding industry.

5. **Remuneration proposed:** The details of proposed remuneration are given in the Explanatory Statement.

6. **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:** Taking into consideration the experience, expertise, skill, long association with the Company and responsibilities shouldered, the remuneration package offered commensurate with the remuneration paid to the managerial position in the companies of similar size and business.

Bharati Shipyard Limited

7. **Pecuniary relationship directly or indirectly with the Company, or relationship with managerial personnel, if any:** Besides the remuneration proposed, the Managing Directors do not have any other pecuniary relationship with the Company.

III. OTHER INFORMATION:

1. **Reason of loss or inadequate profits:** At present the profits of the Company are adequate to meet the remuneration being offered to the Managing Directors.
2. **Steps taken or proposed to be taken for improvement:** The Company is doing well and is expected to do better under the control of both the Managing Directors.
3. **Expected increase in productivity and profits in measurable terms:** The Company is expanding and modernizing its existing facilities. Similarly it is creating new facilities too, which will add to its turn over and profitability in the years to come as has been historically achieved in the past few years.

IV. DISCLOSURES:

I. Remuneration Package of Managing Directors.

The details of proposed increase in remuneration to Mr. P. C. Kapoor – Managing Director and Mr. Vijay Kumar – Managing Director are as follows:

Salary – increased from 1st April, 2008 from Rs.4,40,000/- p.m. to Rs.6,25,000/- p.m. or such sums as may be determined by the Board from time to time within the limits prescribed under the Companies Act, 1956.

Commission – increase from ½ % of the profits of the Company to 0.15% of the turn over of the Company.

There are no changes (except consequential changes) in perquisites under Categories A, B and C which continue to be as follows:

Category A:

Medical Expenditure - Expenses incurred for self and his family, subject to a maximum of one month's salary in a year or three months' salary in a block of three years.

Leave Travel Assistance - One Month's salary for self and his family, every year in accordance with the rules of the Company.

Personal Accident Insurance - For an amount, the annual premium of which does not exceed Rs.4,000/-

Category B:

Company's Contribution towards Provident Fund - In accordance with the rules of Company and subject to a ceiling of 12% of Salary.

Company's Contribution towards Pension / Superannuation Fund - As per the rules of the Company, but so, however, that it shall together with the Company's contribution to provident fund to be limited to such amount 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.

Gratuity - Shall not exceed half a month's salary for each completed year of service.

Encashment of Leave - Encashment of Leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

Category C:

Leave - The Managing Director shall be entitled to the leave as per the applicable rules of the Company.

Company's Car with Driver - The Managing Director shall be entitled to use a Company's Car with the Driver on the business of the Company.

Telephone expenses - Free telephone at residence.

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 and all other applicable provisions of the Companies Act, 1956, read with the Schedule XIII to said Act or any statutory modifications or re-enactment thereof for the time being in force or otherwise as may be permissible by law.

2. Other Disclosures:

All elements of remuneration packages of all the Directors, and details of fixed component and performance linked incentives along with performance criteria; service contracts, severance fees; stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable are given in the Board of Directors' Report under heading "Corporate Governance" attached to the Annual Report.

The members are requested to consider and approve the increased remuneration of Managing Directors, as proposed.

Except Mr.P.C.Kapoor & Mr.Vijay Kumar (Managing Directors), none of the Directors is concerned or interested in the said resolutions.

By Order of the Board of Directors
FOR BHARATI SHIPYARD LIMITED

CS. U.A. PATEL
(Chief General Manager & Company Secretary)

Registered Office :
606, 6th Floor, Raheja Chambers,
Nariman Point, Mumbai-400 021

Date : 30th June, 2008
Place : Mumbai

Bharati Shipyard Limited

TO THE MEMBERS OF BHARATI SHIPYARD LIMITED

Your Directors have pleasure in presenting the 31st Annual Report, together with the Audited Financial Statements of the Company for the year ended March 31, 2008.

I. FINANCIAL RESULTS:

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

(Rs. in Lakhs)

PARTICULARS	Financial Year	
	2007 - 08	2006 - 07
Total Income	70,511.34	42,504.38
Profit before Interest, Depreciation & Tax	19,172.02	13,029.18
Less : Interest	2,159.62	1,438.19
Less : Depreciation	813.72	511.09
Profit before Tax	16,198.67	11,079.89
Less : Tax	5,453.96	3,762.03
Profit after Tax	10,744.71	7,317.86
Surplus brought forward	12,525.15	6,728.80
Amount available for appropriation	23,269.86	14,046.66
APPROPRIATIONS		
Transfer to General Reserve	1,074.47	731.79
Dividend including Dividend Tax	967.64	789.72
Surplus carried forward	21,227.75	12,525.15
Total Appropriations	23,269.86	14,046.66

2. CAPITAL:

During the year under review the Authorised Share Capital remained unchanged at Rs. 40.00 Crores consisting of 4,00,00,000 Equity Shares of Rs. 10/- each. The Company has allotted total 50,69,300 Equity Shares of Face Value of Rs. 10/- each, upon conversion of Foreign Currency Convertible Bonds (FCCBs). As a result as on 31st March, 2008, paid up Share Capital of the Company increased to Rs. 27,56,93,000/- (Previous Year Rs. 22,50,00,000/-) consisting of 2,75,69,300 Equity shares of Rs. 10/- each.

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. 27.57 Crores i.e. @ Rs. 3/- per share on 2,75,69,300 Equity Shares of Rs. 10/- each aggregating to Rs. 967.64 Lakhs including 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. 64,204.68 Lakhs, an increase of about 78.29% as compared to Rs. 36,010.66 Lakhs in the previous financial year. Your Company has achieved profit after tax of Rs. 10,744.71 Lakhs as against Rs. 7,317.86 Lakhs in the previous year, an upsurge of 46.83%.

5. FINANCE:

As at the end of financial year, your Company has working capital facilities of Rs 3,10,000 Lacs (both fund based of Rs. 20,000 Lakhs as well as non-fund based of Rs. 2,90,000 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, Maharashtra. The project has been successfully commissioned and generated revenue of Rs. 823.61 Lakhs during the year under report.

7. SEZ PROJECTS:

Company's upcoming yard at Mangalore (Karnataka) is located in SEZ being promoted by ONGC. The Company is contemplating to establish one more SEZ at Usgaon, District Ratnagiri, Maharashtra.

8. EOU STATUS:

Company's yards at Ratnagiri and Goa have been accorded status of Export Oriented Units by Office of Development Commissioner – SEEPZ. This status will help the Company in controlling the cost and longer bonding period for storage of imported raw material. Similarly the Company will be saving excise duty on local purchase of material used for building export vessels.

9. SUBSIDIARY:

Pinky Shipyard Private Limited has become 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.

10. DIRECTORS:

Mr. J.M. Gandhi, Director expired on 14-11-2007 and Mr. V.P. Kamath has joined the Board as an Independent Director. Mr. V.P. Kamath seeks appointment under section 257 of the Companies Act, 1956, as he holds the office only up to the date of this Annual General Meeting. The Company has received a notice under section 257 of the Companies Act, 1956, proposing his name for the directorship, along with a deposit of Rs. 500/- The notice of this AGM contains an item at Sr. No. 5 for this purpose.

In accordance with the provision of the Companies Act, 1956, Mr. P.C. Kapoor, Managing Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

11. FORGING JOINT VENTURES AND ALLIANCES:

The Company signed a Joint Venture Agreement with M/s. Apeejay Shipping Limited, for setting up a large modern shipbuilding yard along the Eastern Coast of the country. Apeejay Shipping Limited is a Apeejay – Surendra Group Company, having a sizeable presence in the shipping business.

12. CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND 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.

13. HUMAN RESOURCES:

We recognise the value of people as our most valuable asset and believe that our Company's employees are central to our sustainable success. 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.

14. 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

Bharati Shipyard Limited

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 MARINE, Netherlands, continues its work. The benefits of this project will become tangible only after a couple of years.

15. AUDITORS:

M/s Bhuta Shah & Co., Chartered Accountants, Mumbai, were appointed as Joint Auditors at the 30th Annual General Meeting to hold office from conclusion of the said Meeting till conclusion of the next Annual General Meeting. The Company has received the necessary certificate from the Joint Auditors pursuant to Section 224 (1-B) of the Companies Act, 1956, regarding their eligibility for re-appointment. Accordingly, approval of members to the appointment of M/s Bhuta Shah & Co., Chartered Accountants, Mumbai as Joint Auditors of the Company is being sought at the ensuing Annual General Meeting.

The Board has received a special notice under section 225 read with section 190 of the Companies Act, 1956, proposing the name of M/s DPH & Co., Chartered Accountants, to be appointed as Joint Auditors in place of M/s Shantilal Mehta & Co. Chartered Accountants.

16. FIXED DEPOSITS:

The Company has not accepted any fixed deposits by way of invitation to the public.

17. 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: The Information on foreign exchange earnings and outgo are disclosed in Annexure -A.

18. 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 disclosed as per Annexure-A, hereunder.

19. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, in relation to financial statements for the year 2007-08, the Board of Directors reports that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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, 2008;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis.

20. 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 note of thanks to all employees of your Company, without whose contribution, your Company could not have achieved the year's performance.

Date : 30th June, 2008

Place : Mumbai

For and on behalf of the Board of Directors

Vijay Kumar

[Chairman & Managing Director]

Particulars of the Employees pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of the Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2008.

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.	Name	Designation	Remuneration (in Rupees)	Qualification	Age (in years)	Date of Employment	Experience (in years)	Last Employment
I	Dr.J. Subbiah	CEO	30,00,000	B.E.(Mech.),Ph.D	65	25.05.06	44	Lucas - TVS

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

Sr.	Name	Designation	Remuneration (in Rupees)	Qualification	Age (in years)	Date of Employment	Experience (in years)	Last Employment
.....NA.....								

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	Current Year	Previous Year
	2007 - 08	2006 - 07
a. Value of Direct Import calculated on CIF Basis:		
i. Components, Spare parts and Colour Chemicals	26,259.01	13,099.15
ii. Raw Materials	10,939.68	6,836.27
iii. Capital Goods	11,135.85	7,307.98
b. Earnings in Foreign Exchange on account of export of Goods:	6,647.23	5,777.64
c. Expenditure in Foreign Currency:		
i. Commission and Brokerage	204.49	740.19
ii. Design and Consultancy	806.48	250.31
iii. Freight Charges	416.88	14.88
iv. Traveling Expenses	226.67	160.15
v. Others	413.01	234.28

2007 -

31st Annual

Bharati Shipyard Limited

Corporate Governance Report

1. Company's Philosophy on Corporate Governance

The Company is committed to maximize 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 Agreements 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

a. 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, being Independent Directors.

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

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 Meetings.

b. Board Procedure:

During the year under report the Board met 6 times on the following dates:

30-04-07, 02-07-07, 30-07-07, 09-10-07, 30-10-07 and 28-01-08

The members of the Board have been provided with the requisite information as 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 the 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	Executive	6	5	Yes	2	1	-
Vijay Kumar	Executive	6	3	Yes	1	-	-
@ J. M. Gandhi	Non-Executive	6	5	Yes	-	-	-
B. L. Patwardhan	Non-Executive	6	6	Yes	-	-	-
#V. P. Kamath	Non-Executive	6	1	NA	11	-	3

* Excludes Directorships in private companies

@ Expired on 14-11-2007

Joined the Board on 28-01-2008

c. Details of Remuneration, Sitting Fees, etc. paid to Directors are given in the following Table:

Name of Director	Status	Remuneration to Directors					
		Salary Rs.	Commission Rs.	Other Perquisites Rs.	Contribution to PF Rs.	Total Rs.	Sitting Fees Rs.
P.C. Kapoor	Non-Independent	5,280,000	5,323,214	-	633,600	11,236,814	-
Vijay Kumar	Non-Independent	5,280,000	5,323,214	-	633,600	11,236,814	-
B. L. Patwardhan	Independent	-	-	-	-	-	55,000
V.P. Kamath	Independent	-	-	-	-	-	10,000
J.M.Gandhi	Independent	-	-	-	-	-	45,000

3. **Audit Committee:**

- a. The Audit Committee of the Company meets five times in a year. During the financial year ended 31st March, 2008 the Audit Committee met on the following dates:

30-04-07, 02-07-07, 30-07-07, 30-10-07 and 28-01-08

- b. 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 meetings was as follows:

Name of the Audit Committee Member	Status	No. of Meetings Held	No. of Meetings Attended
P.C. Kapoor	Executive	5	4
J. M. Gandhi (Expired on 14-11-2007)	Non-Executive	5	4
B. L. Patwardhan	Non-Executive	5	5
V. P. Kamath (Joined the Board on 28-01-2008)	Non-Executive	5	1

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

- c. 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 and Shareholders Grievance Committee:**

- a. Powers have been delegated to the Managing Directors to approve the share transfers. The Managing Directors and Company Secretary in co-ordination with the Registrar are attending to all the grievances of investors.
- b. Mr. U.A. Patel, Chief General Manager & Company Secretary is the Compliance Officer. There were no Complaints / queries pending reply.

Bharati Shipyard Limited

6. General Body Meetings:

a. Details of Annual General Meetings (AGMs) held in last three years are as follows:

AGM	Day	Date	Time	Venue
28th	Friday	23.09.06	03.00 p.m.	Ashoka Hall, Arcadia, N.C.P.A. Marg, Nariman Point, Mumbai - 400 021
29th	Tuesday	29.08.06	11.00 a.m.	Ashoka Hall, Arcadia, N.C.P.A. Marg, Nariman Point, Mumbai - 400 021
30th	Thursday	30.08.07	11.00 a.m.	Babasaheb Dahanukar Sabhagraha, Fort, Mumbai-400 001

b. Special Resolutions passed in the last three AGMs:

The Company has not passed any Special Resolution in the previous three AGMs.

c. Postal Ballot:

No resolution has been passed by the Company in the last year through postal ballot. As on date the Company does not have any proposal to pass any special resolution by way of postal ballot.

7. Disclosures:

a. Disclosure regarding materially significant related party transactions during the 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.

b. Disclosure of non-compliance by the Company:

The Company has complied with all the requirements of the Listing Agreements with the Stock Exchanges as well as regulations and guidelines of SEBI. No penalties have been imposed on the Company by Stock Exchanges, SEBI and any other Statutory Authority on matters related to capital markets during the last three years.

c. Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee:

The company has not adopted Whistle Blower Policy. However, the Company has not denied access to any personnel to approach the Management on any issues.

d. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause:

The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement of the Stock Exchanges.

8. Means of Communication:

- | | | |
|---|---|--|
| a. Half-yearly report sent to each household of shareholders | : | No. |
| b. Quarterly Results | : | These are published in all India editions of news papers in English and Marathi. |
| c. Any Web site, where displayed | : | www.bharatishipyards.com |
| d. Whether it also displays official news releases and presentations made to Institutional Investors/Analysts | : | Yes |
| e. Whether Management Discussion and Analysis is a part of annual report | : | Yes |

9. General Shareholder Information

a. Annual General Meeting

To be held on : Monday, 29th September, 2008.
 At : Auditorium of The Synthetic & Art Silk Mills Research Association, Sasmira, Sasmira Marg, Worli, Mumbai - 400030

b. Details of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting are given hereunder:

Name of Directors and nature of their Expertise in functional areas	Directorships / Committee Memberships in other Companies
<p>Mr.P.C.Kapoor Mr. P. C. Kapoor, aged 63, is a qualified Bachelor of Naval Architect from IIT Kharagpur with a vast experience in Ship Construction, Ship Design and its management. He promoted Bharati Shipyard Ltd in 1976 with an overall charge of development and operation of the Company. He is a member of Confederation of Indian Industry, Engineering Export Promotion Council, All India Management Association, Indian Economic Development and Research Association and an active committee member of Institute of Naval Architects, India.</p> <p>Date of re-appointment: 12th July, 2004</p>	<p>Directorships</p> <ol style="list-style-type: none"> 1. Pinky Shipyard Pvt. Ltd. 2. Bharati Shipping & Dredging Co. Pvt. Ltd. 3. Bharati Marine Construction & Engg. Pvt. Ltd. 4. Mangaldeep Consultancy Pvt. Ltd. 5. Swati Silk Mills Pvt. Ltd. 6. Usha Silk Mills Pvt. Ltd. 7. Vayuraj Energy Pvt. Ltd. 8. Vayutatva Energy Projects Pvt. Ltd. 9. Mutual Industries Ltd. 10. Bengal Shipyard Ltd. <p>Committee Chairmanship</p> <ol style="list-style-type: none"> 1. Mutual Industries Ltd.
<p>Mr V.P. Kamath Mr. V. P. Kamath, aged 74, B.Com (Advanced Accounts and Auditing), University of Bombay, CAIIB with a vast experience in Banking, Leasing, Financial Services & Project Financing. Besides this he has also experience in planning and implementation of ventures in the areas of Housing Finance, Mutual Funds, Forex, Money Changing, etc. He was a member of various Institutional Committees of All India Financial Institution.</p> <p>Date of appointment: 28th January, 2008</p>	<p>Directorships</p> <ol style="list-style-type: none"> 1. Baledh Energy Projects Ltd. 2. Batot Hydro Power Ltd. 3. Greenweizz Projects Ltd. 4. Joiner Hydro Power Projects Ltd. 5. Karma Energy Ltd. 6. Tapi Energy Projects Ltd. 7. Weizmann Capital Ltd. 8. Weizmann Financial Resources (Cochin) Ltd. 9. Weizmann Forex Ltd. 10. Weizmann Ltd. 11. Windia Infrastructure Finance Ltd. 12. Ramkrishna Iron Works Pvt. Ltd. <p>Committee Membership</p> <ol style="list-style-type: none"> 1. Weizmann Ltd. 2. Tapi Energy Projects Ltd. 3. Windia Infrastructure Finance Ltd.

c. Financial Calendar 2008-2009

First Quarterly Unaudited Results : Before end of July-2008
 Second Quarterly Unaudited Results : Before end of October-2008
 Third Quarterly Unaudited Results : Before end of January -2009
 Fourth Quarterly Unaudited Results : Before end of April-2009

2007 -

31st Annual

Bharati Shipyard Limited

Or

Audited Yearly Results for the Year
Ended 31st March, 2009

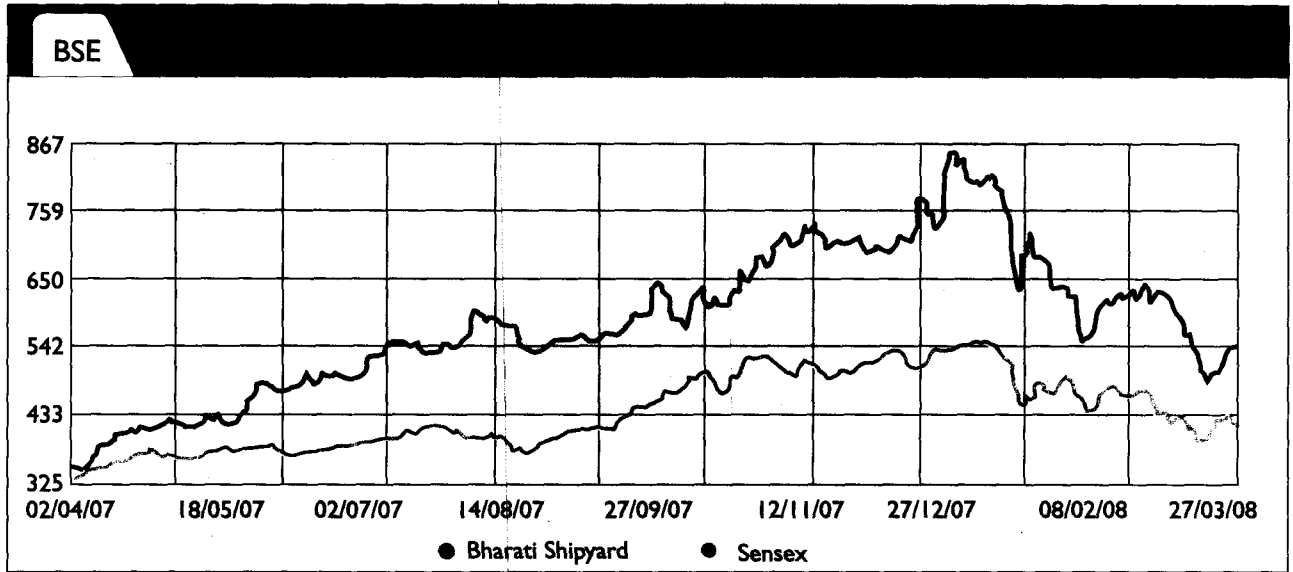
- : Before end of June-2009
- d. **Dates of Book Closure** : September 19th 2008 to
September 29th 2008
- e. **Dividend Payment Date** : Within 30 days from the date of
declaration of dividend i.e.
September 29th 2008

Dividend on Equity Shares when sanctioned will be made payable on or after September 29th 2008 to those Shareholders whose names stand on the Company's Register of Members on September 29th, 2008 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.

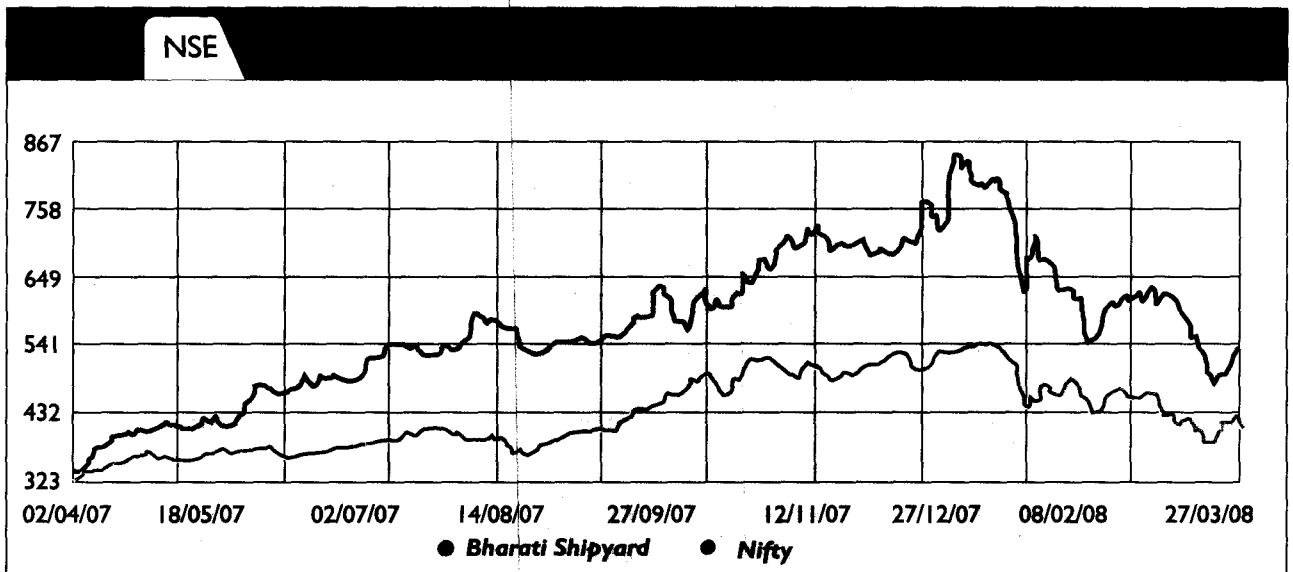
- f. **Listing on Stock Exchanges at** : The Bombay Stock Exchange Ltd.
(**BSE**), Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.
National Stock Exchange of India
Ltd. (**NSE**), Exchange Plaza,
Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051.
- g. **ISIN No.** : INE 673G01013
- h. **Stock Code / Symbol**
NSE : BHARTISHIP **BSE** : 532609
- i. **Market Price Data**

The monthly high and low quotations and volume of shares traded at the **NSE /BSE** during the financial year, 2007-2008 are given below:

MONTH & YEAR	NSE			BSE		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
APR – 07	426.40	325.00	8,94,413	426.40	327.05	4,74,990
MAY – 07	485.00	404.00	6,95,437	499.45	379.00	5,68,808
JUN – 07	517.95	447.15	6,72,028	524.90	452.00	3,34,243
JUL – 07	572.00	485.00	8,08,123	573.00	487.00	4,58,927
AUG – 07	618.00	516.00	8,13,171	615.00	502.85	6,21,004
SEP – 07	610.00	540.00	3,94,065	612.00	540.10	3,03,913
OCT – 07	687.00	550.60	12,24,979	689.95	536.30	5,20,272
NOV – 07	760.00	645.10	7,36,553	759.00	641.00	5,89,122
DEC – 07	861.00	660.00	12,94,330	853.95	683.00	8,53,888
JAN – 08	865.00	570.05	16,67,581	865.00	572.20	8,86,988
FEB – 08	658.95	528.25	11,22,863	670.00	517.95	5,26,579
MAR – 08	640.00	455.15	4,61,668	647.00	458.00	3,40,124



Historic Graph 01-04-2007 to 31-03-2008



Historic Graph 01-04-2007 to 31-03-2008

j. Registrar and Share 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, Registrar as its 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.

k. 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.

Bharati Shipyard Limited

I. Share Holding Pattern as on 31st March, 2008 is given below:

	Category	No. of shares held	Percentage of Shareholding
A	Promoters' holding		
1	Promoters Indian Promoters Foreign Promoters	99,99,200 -	36.27 -
2	Persons acting in Concert	11,019	0.04
	Sub-Total - (i)	1,00,10,219	36.31

B	Non-Promoters Holding		
3	Institutional Investors		
a	Mutual Funds and UTI	94,41,615	34.25
b	Banks, Financial Institutions, Insurance Companies (Central/State Gov. Institutions/Non-government Institutions)	9,81,336	3.56
c	Foreign Institutional Investors	30,20,430	10.95
	Sub-Total - (ii)	1,34,43,381	48.76

4	Others		
a	Private Corporate Bodies	8,69,420	3.15
b	Indian Public	17,38,302	6.31
c	NRIs / OCBs	2,36,422	0.86
d	Foreign Corporate Bodies	12,32,148	4.47
e	Any other (Clearing Members, Trusts)	39,408	0.14
	Sub-Total - (iii)	41,15,700	14.93
	Grand Total (i + ii + iii)	2,75,69,300	100.00

m. Distribution of Share Holding as on 31st March, 2008 is given below:

Nominal Value of Share Holding		No. of Shareholders	% of the total Shareholders	Share Amount Rs.
1	To 5000	13,668	94.32	1,02,49,030
5001	To 10000	367	2.53	28,98,670
10001	To 20000	191	1.32	27,58,990
20001	To 30000	76	0.52	18,95,820
30001	To 40000	21	0.15	7,48,080
40001	To 50000	19	0.13	8,71,020
50001	To 100000	42	0.29	30,64,510
100001	And above	107	0.74	25,32,06,880
TOTAL		14,491	100.00	27,56,93,000

n. Dematerialization of Equity Shares:

As on 31st March 2008, 2,75,67,698 equity shares representing 99.99% shares are held in dematerialized form and the balance 1,602 equity shares representing 0.01 % shares are in physical form.

o. Outstanding 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 Bondholders 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 Bondholders 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.

During the year 517 bonds aggregating to US \$ 51.70 million (186 Bonds from Tranche – I and 331 from Tranche – II respectively) have been converted into 50,69,300 Equity Shares of Rs. 10/- each. As on March 31, 2008, 483 FCCBs aggregating to US \$ 48.30 million are outstanding. If all these outstanding FCCBs would be converted into equity share, the total share capital would go up by 44,71,084 new equity shares.

p. Plants (Manufacturing Units):

- Bhoir Sand Compound, Ghodbunder, Dist: Thane.
- Mirya Bunder, Dist: Ratnagiri.
- Usgaon, Dist: Ratnagiri.
- Zorinto Sanchole, Goa.
- Kudroli Bengare, Tal.: Mangalore Dist: Dakshina Kannada.
- Timberpond, Howrah, Kolkatta.

q. Address for Correspondence:

For correspondence related to shares	:	Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078
For other matters	:	606, 6 th Floor, Raheja Chambers, Nariman Point, Mumbai – 400 021

10. Compliance of non-mandatory requirements as set out in Annexure 3 to Clause 49 of the Listing Agreement:

- a. Chairman of the Board:**
The Chairman is an Executive Chairman hence not applicable.
- b. Remuneration Committee:**
The powers of Remuneration Committee are exercised by the Board.
- c. Shareholders' rights:**
The quarterly results are published in the news papers.
- d. Audit Qualification:**
During the year under review, there was no audit qualification in Company's financial statements.
- e. Postal Ballot:**
The Company has not passed any resolution by Postal Ballot.

Compliance Certificate:

The Auditors' Certificate on Corporate Governance is attached herewith.

Bharati Shipyard Limited

Management Discussions and Analysis

I. Industry Structure, Development and Outlook

i. Introduction:

Over the last few decades, world trade has expanded significantly. The most recent estimates indicate that all regions have witnessed substantial real growth in trade in the past years. For sustaining this economic prosperity, efficient goods movement system is very critical. Increasing industrialization and liberalization of national economies have further fuelled free trade and a growing demand for consumer products. Therefore, the movement of goods is also a very essential part of the development of the regional economies.

Roads, Railways, Airways and Waterways consist of the transport infrastructure. As against the other modes of transport, the comparatively inexpensive, almost limitless characteristics of sea transport and the greater overall dimensions of transported freight, makes sea transport a truly global pathway. Advances in technology have also made shipping an increasingly efficient and swift method of transportation. As a matter of fact, the international shipping industry is responsible for about 90% of the world trade and the transportation of goods by sea is forecasted to increase substantially by 2015 as a result of increased international trade and globalization. Without shipping, international trade, the bulk transport of raw materials, affordable food and manufactured goods would not be possible. It is difficult to quantify the value of volume of world sea trade in monetary terms, as figures for trade estimates are traditionally in terms of tones or tonne-miles and are, therefore, not comparable with monetary based statistics for the value of the world economy. However, the United Nations Conference of Trade and Development (UNCTAD), estimates that merchant ships contribute about US\$380 billion in freight rates within the global economy equivalent of five per cent of total world trade.

Therefore, Seaborne trade continues to expand, bringing benefits for consumers across the world through low and decreasing freight costs. Thanks to the growing efficiency of shipping as a mode of transport and increased economic liberalization, the prospects for the industry's further growth continues to be strong.

With the growing sea trade there is an obvious increase in the elements for sea transport i.e. the vessels. Today, there is enormous demand for the variety of multifaceted vessels of various sizes. The Global Shipbuilding Industry in the midst of the greatest shipbuilding boom. A huge surge in seaborne trade, together with the necessity to replace an ageing merchant fleet, has created unprecedented demand for shipbuilding.

Traditionally, product portfolio of the shipbuilding industry is divided into broadly four carrier categories:

- a. **Dry Bulk Carriers :** Also known as Bulkers, these are merchant ships specially designed to transport bulk cargo such as coal, iron ore, cement, grains, lime stone, etc. Since the first specialized bulk carrier built in 1852, there has been tremendous increase in the demand for these vessels, causing them to grow in size and sophistication. Today's bulkers are specially designed to maximize capacity, safety, efficiency, and to be able to withstand the rigors of their work. The bulkers make up to 40% of the world's fleet. Iron ore and coal make up 70% of the dry bulk shipping. Growth in steel production has led to unprecedented growth in demand for these commodities in emerging markets. Demand for Bulkers is expected to grow on account of increase in global trade and replacement demand due to scrapping of old vessels.
- b. **Tankers :** These vessels are designed to transport liquid in bulk. Therefore, they are also called as Tankship or Liquid Bulk Carriers. The tanker had its beginnings in the oil industry, as oil companies sought cheaper ways to transport their refinery product to their customers. The Oil Tanker was born. Today most liquids are cheaper to transport in bulk and dedicated terminals exist for each product. There are special types of tankers such as chemical tankers, oil tankers, etc. But even within this generic type, each tanker is specially designed to carry a particular type of liquid cargo, not just crude oil. Other liquid cargoes would include petroleum products and chemicals. Two recent hybrid designs of tanker carry Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG), both of which need to be kept under pressure and at low temperature to maintain the cargo in a liquefied state. A further hybrid is the Floating Production, Storage and Offloading unit (FPSO), which is usually a large tanker specifically designed for the oil industry, working offshore where an onshore facility to process and store offshore oil is deemed impractical. IMO (International Maritime Organisation) guidelines to phase out single hull tankers by 2010 would result in huge replacement demand out of the current fleet.
- c. **Container Vessels and Cargo Vessels :** These vessels transport freight shipped in containers and carry all non-bulk dry cargo.
This class includes:

Cargo Ships : A cargo ship also known as freighter is a type of vessel that carries cargo, goods, and materials. Thousands of cargo carriers ply the world's seas and oceans each year; they handle the bulk of international trade. Cargo ships are usually specially designed for the task and come in all sizes. With some exceptions, generally cargo vessels have a life expectancy of 25 to 30 years before being scrapped. Cargo vessel is one of the most important types of vessels in this category.

Container vessels : Containers are ocean going ships which are specifically designed to handle shipping containers. These types of vessels are basically cargo ships that carry their entire load in truck-size containers, in a technique called containerization. Container ships form a common means of commercial inter-modal freight transport. Today, approximately 90% of non-bulk cargo worldwide is transported by container, and modern container ships can carry up to 15,000 twenty-foot equivalent units (TEU). As a class, container ships now rival crude oil tankers and bulk carriers as the largest commercial vessels on the ocean.

Reefers : A reefer ship is typically used to transfer perishable commodities which require temperature controlled transportation, mostly fruits, meat, fish, vegetables, dairy products and other foodstuffs.

Ro-Ro's : The Ro-Ro, or more fully the Roll On - Roll Off vessel, comes in a number of shapes and sizes, but generally in two types; the passenger Ro-Ro and the Cargo Ro-Ro. Passenger Ro-Ro's have become common sights wherever people want to travel over water with their vehicles. It is probably the only type of cargo vessel that most people have travelled on.

Cruise ships : A cruise ship or cruise liner is a passenger ship used for pleasure voyages, where the voyage itself and the ship's amenities are part of the experience.

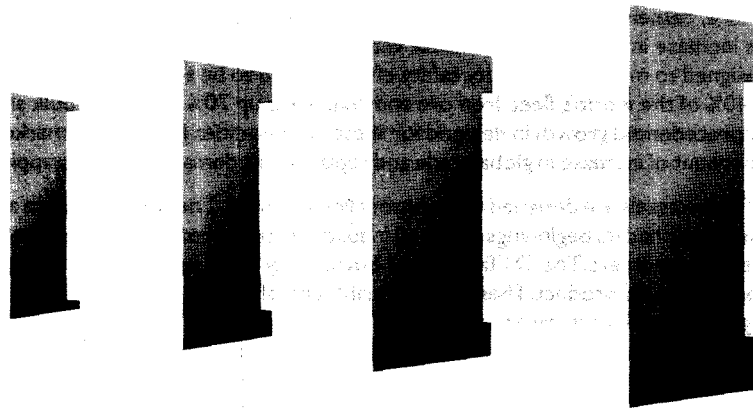
Apart from these there are various other types of vessels like Passenger Ferries, Live Stock Carriers, Barges and normal Container ships.

d. **Off-shore Supply and Utility Ships :** Offshore Supply Vessels, or OSVs, deliver drilling supplies such as liquid mud, dry bulk cement, fuel, drinking water, drill pipe, casing and a variety of other supplies to drilling rigs and platform. This includes a variety of vessels like OSVs, Platform Supply vessels (PSVs), Multi purpose support vessels (MSVs), Anchor Handling Tug cum Supply Vessels (AHTSs), etc.

ii. **Industry Evolution :**

The Indian Shipbuilding Industry has benefited from the current shipbuilding boom as most of the orders have flown into India as against the so far lead shipbuilders. The Indian Shipbuilding Industry has achieved a robust growth due to its labour arbitrage giving it a competitive edge over others and availability of technically qualified manpower. Over the past decade, India has emerged as an increasingly important player in the global shipbuilding industry. The tidal shift in shipbuilding activities, earlier from Europe to Asia, now from lead shipbuilding nations to India, has opened up huge opportunities for Indian yards to capitalize its capabilities.

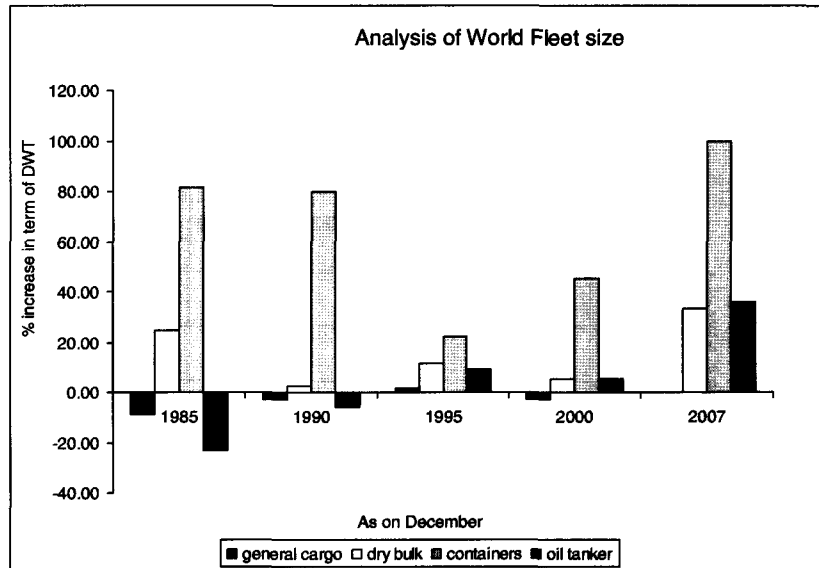
The Current Shift towards Asia from Europe can be illustrated as follows:



Strong world economic growth has also increased the momentum of world merchandise trade. The idea of containerizing products for shipping was conceived in the twentieth century, when shipping companies realized that shipping products in giant containers was more efficient and reliable mode of transport. The widespread acceptance of containerization is evident from the growth trend in this regard. Global trade has bolstered container traffic worldwide. Robust growth in world containerization has driven the number of container fleet worldwide to increase in the last couple of years. Global containerization is growing at over 9.2% per annum and is expected to grow over 10% per annum in the next five years based on the promising world economic growth. Asia region has emerged as a major hub with around 48.1% share of world container traffic. Burgeoning trade growth in China and India has played a pivotal role in Asia's dominance of container trade in the world.

Bharati Shipyard Limited

The global container TEU fleet grew by a substantial 11.4% in the year to mid- 2007, which was well up on the 6% returned for the preceding year (to mid- 2006) and even surpassed the 10.8% added one year earlier (to mid-2005). World Container Census 2008 returned a total of 24,779,724 TEU owned or leased worldwide at mid-2007, comprising 23,697,934 TEU of maritime build and 1,081,790 TEU of regional or domestic container types.



iii. **The Indian Shipbuilding Industry:**

With global shipping industry pitching for an unprecedented demand for new shipbuilding, a window of opportunity which was not available earlier, has been created for the Indian shipbuilding industry. India needs to gear up for a fast paced investment cycle to make its mark in global shipbuilding. Currently, India's shipbuilding capacity consists of 28 yards, eight in the public sector and 20 in the private sector. India's current share of world shipbuilding market is about 1%. Indian shipyards have benefited from the current shipbuilding boom as most of the orders have flown into India due to its large coastline, low cost labor and availability of technically qualified manpower. Though India has not yet become a significant player in the global shipbuilding business, it has gained a strong foothold in the niche offshore segment. A comparison of productivity shows that while China may be well ahead of India in total ship building, its productivity is almost the same as India and this is one area that India can take a lead on the strength of its IT industry and setting up new modern shipyards.

The Indian shipbuilding industry, according to one estimate, is slated to grow at the rate of 30%. The shipbuilding industry is estimated to garner share about 2.2% with an annual turnover of Rs. 18,000 crores (\$ 2.5 Billion) by 2012. It is expected that by the time the shipbuilding industry matures by 2017 it would have attained more than 7.5% of global order book and will have a turnover of Rs 40,500 crs (9 billion \$). In response to the global opportunity, the shipbuilders in India have planned major investments in the industry including the development of ancillary industries in the coming years.

iv. **Characteristics and development of the Indian Fleet:**

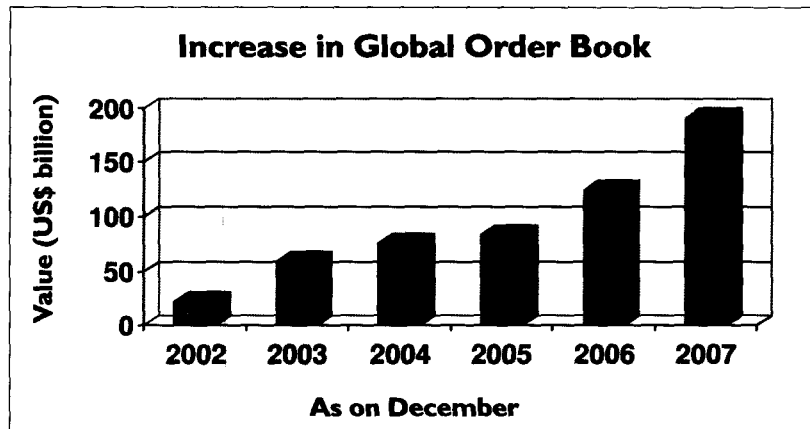
The overall Indian Fleet size consists of 780 ships. The average age of the current Indian Fleet is of about 16.5 years. More than 40% of the Indian Fleet has over 20 years of age. Further, most of the ships of Indian fleet are single hull which needs scrapping by the year 2010. 48% of the fleet requires to be scrapped in five years. The total Investment in the in the Indian fleet is expected to rise to US\$ 4 billion by 2009. In most of the countries, growth of shipbuilding is in line with the growth of GDP. Whereas, in India, growth in the shipbuilding industry is negligible as compared to the 8% growth in GDP. However, irrespective of the above, the performance of the Indian shipyards has increased tremendously.

II. Opportunities:

World economic growth has recovered exceptionally post the technology bubble burst, thus having a spillover effect on world trade. Accordingly, there is tremendous increase in the world trade. The global shipbuilding market is dominated by countries like Japan, China and Korea. Global shipbuilding investment has reached an all time high, having surged from US\$30 billion in 2002 to US\$135 billion in 2006.

i. Ship Demand:

The world economic development has led to a growth in world trade resulting into increasing demand for new vessels. Similarly, ageing of the old vessels has generated replacement demand for new vessels.



ii. Regulations of the International Maritime Organisation:

MARPOL (Marine Pollution Regulation) contains requirements to prevent pollution that may be caused both accidentally and in the course of routine operations. MARPOL concerns the prevention of pollution from oil, bulk chemicals, dangerous goods, sewage, garbage and atmospheric pollution, and includes provisions such as those which require certain oil tankers to have double hulls. Accordingly, the regulation of IMO has mandated replacement of the single hull tankers with double hull tankers by 2015. Similarly, there are separate regulations with regards to the age of the vessels and such other factors which will lead to creation of replacement demands.

iii. Growth in the world trade:

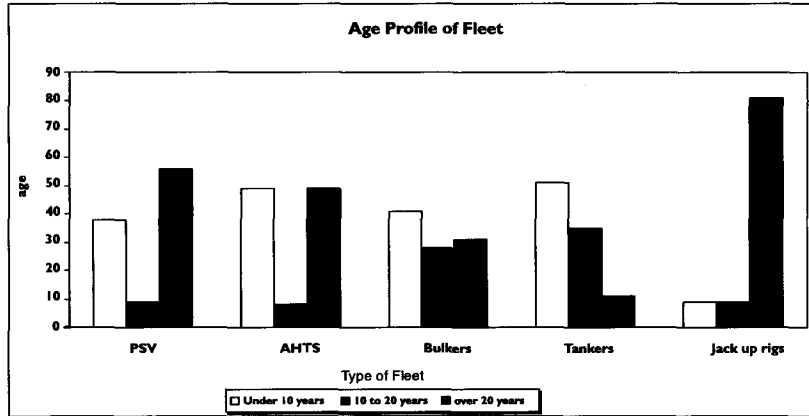
On an average, in the past four years, world-trade has grown at 1.7 times of the world GDP growth. The aforesaid resurgence in world-trade has led to increased demand for new build. Demand for new-builds has been further fueled by emergence of specialized categories like LNG carriers. Further, there is an increased demand for cargo ships due to containerization of cargo.

iv. Increase in replacement demand:

The last shipbuilding boom was witnessed during 1970's-1980. The down cycle post 1980's saw years of under investment by vessel owners resulting in high age profile of existing fleet. Replacement demand is largely driven by age profile of the fleet. As a thumb rule, most of the vessels have a useful life of increase in the Global Order Book twenty-five years and can be used upto thirty years with the help of refurbishment. Replacement demand keeps trickling in as the existing vessels approach the end of their useful life. Higher steel prices also determine the extent of replacement demand as they lead to increase in scrap value of the vessels and thus encourage scrapping. The scrapping of vessels that were added during the previous boom has led to an up tick in replacement demand. Several other factors like rising insurance cost for old vessels, higher steel prices and the International Maritime Organization's (IMO) regulation mandating conversion of all oil tankers to double hull by 2010 has given a further push to replacement demand. Single hull tankers constitute 15.8% of the total vessels Bunching of this replacement demand with

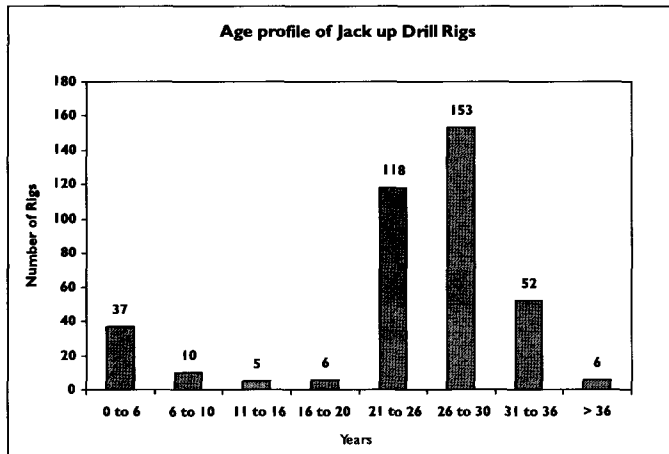
Bharati Shipyard Limited

heightened demand for new-build resulted in squeeze on shipbuilding capacity and thus resulting in upswing in shipbuilding. Most of the categories witnessed bottoming of new-build vessel prices in 2002 and a steady rise in prices thereafter.



v. Rig manufacturing – new opportunity:

Globally due to high oil prices, E&P activity has attracted huge investments in recent times and demand for new rigs has remained strong. Almost all rigs operating across the world are operating at full capacity. The estimated life of a jack up rig is about 25-30 years and it is estimated that out of 421 jack up rigs around 110 (26%) rigs are due for replacement during the period of 2007-2010 in a phased manner. Supply for oil is expected to remain tight with global oil reserves declining despite increased E&P activities. The global E&P reports suggest that the oil and gas companies would increase spending by about 10%, a positive indicator for the rig sector. The prices of new and second hand rigs have also shot up substantially during last five years mainly due to higher crude oil prices and shortage of rig in the world market.



Indian Advantage:

i. Movement in the order flow to India:

Indian shipbuilding Industry has the biggest opportunity to grab higher share of the international shipbuilding market and capture the space that has been vacated by the closure of yards in European and other developed regions. The leading shipbuilders have expanded capacities to build larger vessels thereby creating a supply gap for medium size

vessels. This in turn has resulted into movement of order flow to India for such vessels and other specialized vessels where India has already created a niche for itself.

ii. Leveraging labor cost advantage:

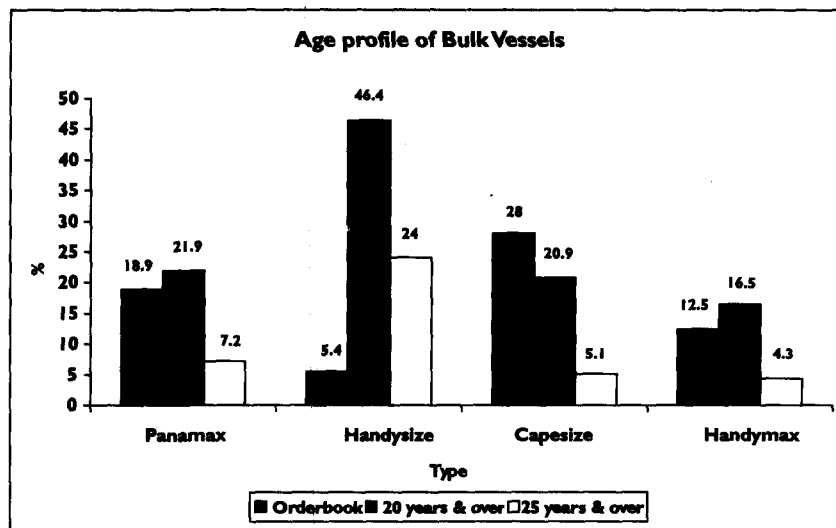
In the recent past, there is a tremendous swift underlining relocation of manufacturing ships to low-cost countries. Thus, more recently countries like China, India and Vietnam with their low cost labor advantage have started gaining market share. The labour cost per worker in India is comparatively lower than leading shipbuilding countries like South Korea and Singapore. In India, labor cost per worker per year of USD 1,192 is very low, when compared with US\$ 10,743 and US\$ 21,317 in South Korea and Singapore respectively. Apart from skilled welders and fitters, India has world-class naval engineers and architects. These, along with top-class management, are expected to be the growth drivers of Indian Shipbuilding Industry.

iii. India set to gain a larger market share in Offshore Segment:

As the proven, oil and gas reserves are likely to meet the global energy requirements only till 2030, there is increased exploration and production (E&P) activity, particularly in the offshore segment. This is expected to drive the demand for OSVs. Further, the demand for vessels that support offshore exploration activity would remain strong as oil prices are also expected to remain high. Indian shipbuilders already have a good market share in vessels that support offshore activity (OSV, PSV and AHTS). Also, Indian shipyards are expanding into higher value offshore structures like jack up rigs. Thus, India can leverage on its specialization into this segment and create opportunities for growth.

iv. Huge Scope in mid sized vessels:

The large shipbuilding countries are moving their focus out of the mid sized vessels as it turns out to be uneconomical. Hence, orders for these vessels are expected to flow to countries like India and Vietnam. A Handymax or Supramax manufactured in India would cost 15% to 20% less as compared to those build in Korean or Japanese shipyards, because of high fixed-cost overheads. Thus India scores over other established shipbuilding nations owing to its labor arbitrage.



v. Benchmarking it to international standards:

The Indian shipbuilders are focusing on benchmarking their processes to meet the international standards and to improve the efficiency, delivery time, price and quality, which in turn will enhance the competitiveness of the Indian shipbuilding sector.

Bharati Shipyard Limited

vi. The Company Strategy:

Bharati Shipyard has leveraged on its industry experience, expert knowledge, capabilities, qualifications and cost advantage to achieve a paramount position in its field and continues to strive for the same.

Bharati Shipyard's strategy is:

- a. Establish as a leading ship Builder, both domestically and internationally.
- b. To construct vessels of complex nature with the sophisticated equipments of Swan Hunter shipyard, UK.
- c. To upgrade to technology level 3.5 - 4.0 at the green field yards.
- d. To build technologically advanced vessels including semi- submersible Rigs, FPSO, Offshore Structures, Chemical Carriers, Gas Tankers, etc.
- e. To position Bharati at the peak in Rig construction and develop a new business segment.
- f. To set up a mega shipyard on the East Coast to build large vessels up to 2,50,000 DWT.
- g. To promote development of ancillary industries at the green field yards.
- h. To take active interest for the development of supply chain in the country and achieve high level of indigenization.

III. Risks and Concerns:

- i. **Operational Risks:** The Company credits itself for timely delivery however, the future orders are more on the support of expansion and capex activities undertaken by the company and delays thereto may lead to operational inefficiency. The company is closely monitoring its expansion activities and the acquisition of Swan Hunter machinery has helped the company to maintain the progress of its expansion plans as scheduled.
- ii. **Subsidy Support:** Subsidy of 30% on order value was provided for all export orders and domestic orders which had vessel size of more than 80 meters in length subject to certain conditions. The present subsidy scheme has ended in August 2007 and is in for a review. The government is considering the extension of the subsidy for a further period. The non renewal of subsidy may affect the margins for new orders and indirectly impact future capex plans.
- iii. **Rise in Input Prices:** The Indian shipbuilders are at a disadvantage to their competitors when it comes to the prices of the inputs. Over the past years, it is observed that the price of the input, especially steel, has gone up. Steel accounts for a major cost of building a ship. Your company follows the practice of storing sufficient steel in inventory to negate the immediate impact of the rise in steel prices. Further, in respect of other major inputs, the company enters into back to back contracts with the suppliers to avoid cost escalations. However, if the prices escalate further, this increase in input costs may affect the industry in general, and company in particular.
- iv. **Foreign Exchange Risk:** The Company has been an export oriented company since long and substantial percentage of its revenues are from exports. The contracts entered into by the Company with its Customers are also in foreign currencies and thus fluctuations in exchange rates may affect the results of operations of the Company. Similarly, significant costs and expenses of the Company are in foreign currency and fluctuations in exchange rates may affect the same as well. However, the mix of revenues and expenses both in foreign currencies provide a natural hedge to the Company to the extent the same are proportionate. In the event if the proportion of foreign revenues or foreign expenses vary significantly, the results of operations may be affected in case of adverse exchange rate fluctuations.
- v. **Development of ancillary industries:** The shipbuilding sector in China and South Korea has received government fiscal and policy support, enabling them to develop scale as well as a cluster of ancillaries. These advantages of scale are not available to Indian shipbuilding industry, which imports most of its input materials and is therefore unable to leverage advantages offered by bulk purchases and Just in Time supplies. As a result there are significant cost disadvantages on account of import dependence.

IV. Internal Control System:

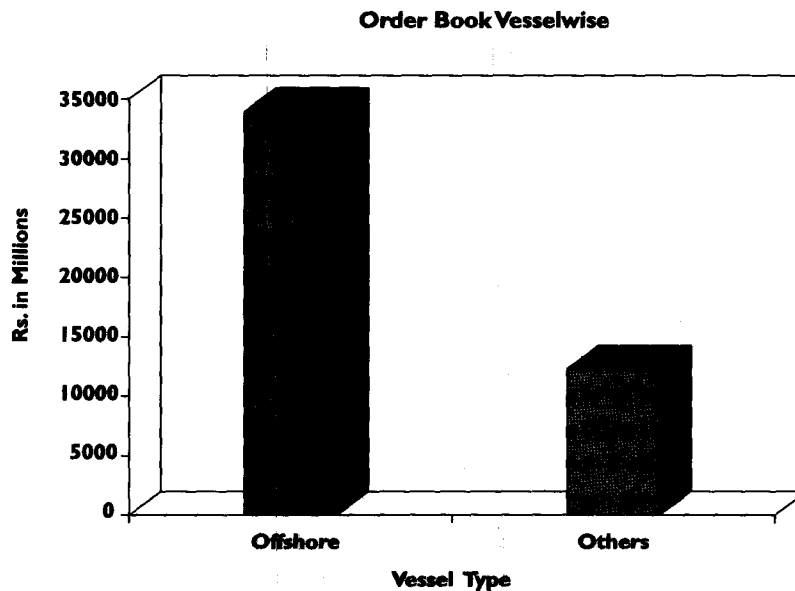
The company has designed its internal control system specially and specifically to guarantee reasonable assurance so as to provide reliable financial and operational information. The Internal Control System ensures the safeguarding of the assets from unauthorized use or losses, applicable statutes, corporate policies, and also ensuring that the transactions are executed with proper authorization. The company takes special care to place adequate internal control procedures commensurate with its nature of operations and size.

V. Financial Overview

(i) Turnover:

During the year, the sales has increased by Rs. 2819.40mn which is 78.29% higher than the previous year. The Greenfield expansion at Dabhol has become operational in the year under consideration which in turn has majorly contributed to the increase in turnover. Also, there is utilization of the expanded capacity at the other yards of the company leading to the increase in turnover.

The composition of turnover by vessel types is as under:



(ii) Subsidy:

During the year under report, the company has booked subsidy of Rs. 597.09mn. The company has a policy of booking subsidy when the vessels are nearing to 70% stage of completion. The company has been following the said policy consistently and subsidy is booked accordingly.

(iii) Expenditure:

a) Raw Materials Consumed:

The raw materials consumed has increased from Rs. 3616.37mn. to 2041.81 mn. mainly on account of increase in turnover. The raw material costs represented 56.33% of turnover for the year under consideration as compared to 56.70% last year. The raw material cost as a percentage of turnover has remained similar with a marginal improvement resulting into lower percentage cost as compared to last year.

b) Manufacturing and Other Expenses:

The Manufacturing and Other Expenses have increased from Rs. 480.97mn. to Rs. 792.05mn. consequent to the increase in turnover. The manufacturing and other expenses represented 12.34% of turnover for the year under consideration as compared to 13.36% last year. These costs have reduced as a percentage of turnover due to better utilization of resources because of increased turnover.

c) Employee Cost:

Employee Cost has increased from Rs. 424.73mn to Rs. 725.50mn. as result of increase in turnover. The employee cost represented 11.30% of turnover for the year under consideration as compared to 11.79% last year. These costs have marginally reduced as a percentage of turnover due to better capacity utilization and higher turnover.

d) Bank & Finance Charges:

The Bank & Finance Charges stood at Rs. 215.96mn. as compared to Rs. 143.82mn. last year. The Bank and Finance Charges comprise of interest on Working Capital Facilities, Bank Guarantee Charges and L/C Charges.

Bharati Shipyard Limited

Internationally, Bank guarantees are issued by the shipbuilders to customers against advance payments and performance guarantees. During the year, the company has taken substantial new orders and the order book has also increased resulting into an increase in Bank Guarantee charges. Similarly, the increase in turnover has led to higher value of imports resulting into increase in L/C Charges. The company has a policy to source the raw material well in advance to avoid cost overruns on account of increase in raw material prices. This has resulted into increase in the stock and consequent higher utilization of working capital facilities leading to increase in bank interest.

e) Depreciation:

Depreciation has increased from Rs. 51.11 mn last year to Rs. 81.37 mn for the year under consideration. The increase in depreciation is mainly due to the purchase / erection of Plant & Machinery and depreciation on windmills installed in the previous year. The Company started production at its Greenfield yard at Dabhol and the higher depreciation is on account of the use of new plant and machinery at the said yard.

(iv) Profits:

The Net Profit after tax for the year is Rs. 1,074.47 mn., representing an increase of 46.83% or Rs. 342.68 mn. over the profit after tax of Rs. 731.79 mn. for the last year. The increase in Net Profit is consequent to the increase in turnover achieved due to Greenfield expansion in Dhabol and better utilization of available resources resulting into reduction in cost.

(v) EBIDTA:

The EBIDTA (excluding subsidy) is Rs. 1,320.10 mn compared to Rs. 685.43 mn last year. The EBIDTA as a percentage of turnover stands at 20.56% as compared to 19.03% for the previous year. The EBIDTA margin has improved on account of reduction in manufacturing and other expenses and other costs.

(vi) Sundry Debtors:

Debtors have increased from Rs. 1375.10 mn. to Rs. 1865.09 mn. The increase is mainly due to receivables of subsidy from the Government.

(vii) Inventory:

The company had inventories including WIP of Rs. 6003.13 mn. as on 31st March 2008 as compared to Rs. 2524.09 mn last year. The increase is mainly due to increase in stock of raw material including steel and higher WIP. The company has a policy to maintain sufficient inventory of raw material including steel to avoid cost escalations on account of increase in prices.

(viii) Loans and Advances:

Loans and Advances have increased from Rs. 1656.29 mn. to Rs. 2991.12 mn. This increase is mainly due to advances given to suppliers and tax payments.

(ix) Current Liabilities:

Current Liabilities have increased from Rs. 3176.71 mn. to Rs. 6030.86 mn. This rise is mainly due to increase in advances received from customers. During the year, the company has received new orders for which advance payments have been received upon signing of contracts. The same has resulted to an increase in the current liabilities.

CAUTIONARY STATEMENT

Statements in the Management Discussions and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

Audit Certificate

TO THE MEMBERS OF
BHARATI SHIPYARD LIMITED

We have examined the compliance of conditions of Corporate Governance by Bharati Shipyards Limited, for the year ended 31st March 2008, 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

Mumbai : 30th June, 2008

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

CA. Shantilal Mehta
Proprietor
Membership No. 14187

Bharati Shipyard Limited

1. We have audited the attached Balance Sheet of **BHARATI SHIPYARD LIMITED** ("the Company") as at March 31, 2008, 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, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 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, 2008;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

CA. Shailesh Bhuta
Partner
Membership No. 33958

Mumbai : 30th June, 2008

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

CA. Shantilal Mehta
Proprietor
Membership No. 14187

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

- (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, 2008 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.
- (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.
- (a) 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 the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (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 loans 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 the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

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.

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.

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.

vi. In our opinion, the company has an adequate Internal Audit System commensurate with its size and nature of its business

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.

- (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 2008 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.

Name of the Statute	Nature of the dues	Amount (in Lakhs)	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	24.76	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	18.03	Income Tax Appellate Tribunal

Bharati Shipyard Limited

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.

According to the information and explanation given to us, the Company has not defaulted in repayment of dues to the banks.

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.

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.

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.

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.

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.

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.

The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

The Company has not issued any secured debentures during the year.

As informed to us, during the period covered by our audit report the Company has not raised any money by public issues.

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

Mumbai : 30th June, 2008

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

CA. Shantilal Mehta
Proprietor
Membership No. 14187

Balance Sheet as at 31st March, 2008

(Rs. in Lakhs)

Particulars	Schedule	As at	As at
		March 31, 2008	March 31, 2007
SOURCES OF FUNDS :			
SHAREHOLDERS' FUND :			
(a) Share Capital	A	2,756.93	2,250.00
(b) Reserves and Surplus	B	55,104.22	22,229.11
		57,861.15	24,479.11
LOAN FUNDS :			
(a) Secured Loans	C	20,389.67	8,133.10
(b) Unsecured Loans	D	22,718.54	47,363.16
		43,108.21	55,496.26
DEFERRED TAX LIABILITY (NET) :	E	3,033.28	2,873.57
TOTAL		104,002.64	82,848.94
APPLICATION OF FUNDS :			
FIXED ASSETS :			
(a) Gross Block	F	18,973.38	15,852.77
(b) Less : Depreciation		2,736.98	1,861.19
(c) Net Block		16,236.40	13,991.58
(d) Capital Work-in-Progress		26,231.35	9,745.05
INVESTMENTS :	G	466.88	344.68
CURRENT ASSETS, LOANS AND ADVANCES :			
(a) Inventories	H	60,031.34	25,240.96
(b) Sundry Debtors	I	18,650.97	13,751.06
(c) Cash and Bank Balances	J	22,617.75	40,137.25
(d) Loans and Advances	K	29,911.21	16,562.99
		131,211.27	95,692.26
LESS : CURRENT LIABILITIES AND PROVISIONS :			
(a) Current Liabilities	L	60,308.65	31,767.12
(b) Provisions	M	10,128.17	5,548.93
		70,436.82	37,316.05
NET CURRENT ASSETS :		60,774.45	58,376.21
MISCELLANEOUS EXPENDITURE : (To the extent not written off or adjusted)	N	293.56	391.42
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	U		
TOTAL		104,002.64	82,848.94

31st Annual 2007 -

As per our report attached
For M/s. Bhuta Shah & Co.
Chartered Accountants

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

Mumbai : 30th June, 2008

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

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

For and on behalf of Board of Directors

P.C. Kapoor
[Managing Director]

Vijay Kumar
[Managing Director]

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

Bharati Shipyard Limited

(Rs. in Lakhs)

Particulars	Schedule	Year Ended	Year Ended
		March 31, 2008	March 31, 2007
Turnover	O	64,204.68	36,010.66
Subsidy		5,970.98	6,174.91
Other Income	P	335.68	318.81
Total Income		70,511.34	42,504.38
Raw Material Consumed	Q	36,163.73	20,418.17
Manufacturing and Other Expenses	R	7,920.54	4,809.72
Employee Cost	S	7,255.06	4,247.32
Finance Charges (Net)	T	2,159.62	1,438.19
Depreciation	F	813.72	511.09
Total Expenditure		54,312.67	31,424.49
PROFIT BEFORE TAXATION		16,198.67	11,079.89
Provision for Taxation			
- Current Tax		5,346.09	2,326.29
- Deferred Tax		159.71	1,397.09
- Fringe Benefit Tax		46.45	38.65
Prior Period Tax Adjustments		(98.29)	-
PROFIT AFTER TAXATION		10,744.71	7,317.86
Surplus brought forward		12,525.15	6,728.80
Amount Available For Appropriation		23,269.86	14,046.66
APPROPRIATIONS :			
Transfer to General Reserve		1,074.47	731.79
Proposed Dividend		827.08	675.00
Dividend Tax thereon		140.56	114.72
Surplus carried forward		21,227.75	12,525.15
TOTAL		23,269.86	14,046.66
EARNINGS PER SHARE			
Equity shares of face value of Rs. 10/- each			
Basic (in Rs.)		43.41	32.52
Diluted (in Rs.)		36.77	22.84
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 Board of Directors

CA. Shailesh Bhuta
 [Partner]
 Membership No. 33958

CA. Shantilal Mehta
 [Proprietor]
 Membership No. 14187

P.C. Kapoor
 [Managing Director]

Vijay Kumar
 [Managing Director]

Mumbai : 30th June, 2008

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

Schedules to the Balance Sheet as at 31st March, 2008

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
SCHEDULE 'A' : SHARE CAPITAL :		
Authorised Capital		
4,00,00,000 Equity Shares of Rs.10/- each	4,000.00	4,000.00
Issued, Subscribed and Paid up Capital		
2,75,69,300 (Previous Year 2,25,00,000) equity shares of Rs. 10 each fully 2,756.93	2,756.93	2,250.00
2,250.00 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. 50,69,300 equity shares issued upon conversion of total 517 Foreign Currency Convertible Bonds(FCCB) of denomination of US \$ 0.1mn each		
Total	2,756.93	2,250.00
SCHEDULE 'B' : RESERVES & SURPLUS :		
(a) Securities Premium Account		
As per last Balance Sheet	7,000.00	7,000.00
Add: Premium on Conversion of FCCB	23,196.71	-
	30,196.71	7,000.00
(b) Revaluation Reserve		
As per last Balance Sheet	639.05	701.11
Less: Withdrawn for Depreciation for the year	62.06	62.06
	576.99	639.05
(c) General Reserve		
As per last Balance Sheet	2,064.91	1,436.67
Less: Withdrawn for Dividend to FCCB holders	36.61	-
Less: Provision for gratuity net of deferred tax assets	-	103.55
Add: Transferred from Profit & Loss Account	1,074.47	731.79
	3,102.77	2,064.91
(d) Profit and Loss Account	21,227.75	12,525.15
Total	55,104.22	22,229.11
SCHEDULE 'C' : SECURED LOANS :		
Loans and advances from banks		
Cash / Export Credit facilities		
Cash / Export Packing Credit Account with State Bank of India	12,683.42	3,440.96
Cash Credit Account with State Bank of Hyderabad	1,508.72	122.13
Cash / Export Packing Credit Account with Andhra Bank	655.33	535.04
Cash Credit Account with State Bank of Travancore	3,937.54	1,982.19
	18,785.01	6,080.31
(All the above loans from SBI, State Bank of Hyderabad, Andhra Bank and State Bank of Travancore have been secured by way of hypothecation charge on entire Current Assets consisting Raw Materials, Stock-in-Process, Finished Goods & Subsidy Receivable; Equitable Mortgage of Fixed Assets of the Company as per consortium agreement.)		
Term Loan - I (Ratnagiri Expansion)	276.00	368.00
(Secured by way of Mortgage of Plant & Machinery relating to Expansion Project)		
Term Loan - II (Windmill)	1,328.67	1,684.78
(Secured by way of Mortgage of Fixed Assets of Wind Power Project at Brahmanvel Dist. Dhule)		
Total	20,389.67	8,133.10
SCHEDULE 'D' : UNSECURED LOANS :		
Foreign Currency Convertible Bonds	22,718.54	47,363.16
Total	22,718.54	47,363.16
SCHEDULE 'E' : DEFERRED TAX LIABILITY (NET) :		
(a) Deferred Tax Liabilities		
On account of Timing difference of depreciation	3,092.27	2,932.42
(b) Deferred Tax Assets		
On account of Gratuity liability	(58.85)	(58.65)
On account of Diminution in value of investment	(0.14)	(0.20)
Total	3,033.28	2,873.57

2007 -

31st Annual

(Rs. in Lakhs)

	GROSS BLOCK					DEPRECIATION					NET BLOCK		
	%	As at 01-Apr-07	Additions	Dedu- ctions	As at 31-Mar-08	As at 01-Apr-07	Dedu- ctions	for the C.Y.	Charged to Reval. Res.	As at 31-Mar-08	As at 31-Mar-08	As at 31-Mar-07	
Land	-	145.11	483.85	-	628.96	-	-	-	-	-	628.96	145.11	
Building	3.34	268.35	167.93	-	436.28	88.89	-	5.62	4.36	98.87	337.41	179.45	
Plant & Machinery	4.75	6,141.73	1,696.55	-	7,838.29	1,162.95	-	268.78	57.70	1,489.43	6,348.86	4,978.79	
Dredger	10.0	-	184.13	-	184.13	-	-	9.21	-	9.21	174.92	-	
Furniture and Fittings	6.33	173.15	294.98	-	468.14	13.44	-	17.63	-	31.07	437.06	159.71	
Vehicles	9.5	245.92	114.12	-	360.04	78.52	-	23.79	-	102.30	257.74	167.40	
Computers	16.2	143.89	65.98	-	209.86	44.92	-	24.92	-	69.83	140.03	98.97	
Wind Mill	5.28	8,677.70	-	-	8,677.70	463.47	-	458.18	-	921.65	7,756.04	8,214.23	
Office Equipments	6.33	56.92	113.07	-	169.99	9.00	-	5.61	-	14.61	155.39	47.92	
Total		15,852.77	3,120.61	-	18,973.38	1,861.19	-	813.72	62.06	2,736.98	16,236.40	13,991.58	
Previous Year		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	

Capital Work in process as on 31-03-2008 is Rs. 26,231.35 Lakhs (Previous Year Rs. 9,745.05 Lakhs)

Note: Land, Building, Plant & Machinery and Shed were revalued during the financial year 1994 - 95.

Schedules to the Balance Sheet as at 31st March, 2008 (Contd.)

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
SCHEDULE 'G' : INVESTMENTS :		
(a) Long Term (At Cost)		
Non Trade Investments		
(i) Fully Paid Up Ordinary / Equity Shares (Quoted)		
150 Shares of ICICI Bank Ltd. (Market Value as on 31-3-2008 was Rs. 598.05/- per share totalling to Rs.0.90 Lakhs)	0.12	0.12
(ii) Investment in Subsidiary Company		
Fully Paid Up Ordinary / Equity Shares (Unquoted)		
1,53,000 (Previous Year 1,53,000) Equity Shares of Rs. 100/- each of Pinky Shipyards Private Limited	145.16	145.16
(iii) Investment in Joint Venture		
Fully Paid Up Ordinary / Equity Shares (Unquoted)		
2,25,048 (Previous Year Nil) Equity Shares of Rs. 10/- each of Bengal Shipyards Limited	22.50	-
(b) Current (At Cost or Fair value whichever is lower)		
Non - Trade Investment		
(i) Investment in Mutual Fund (Unquoted)		
20,00,000 (Previous Year Nil) Units of Rs. 10/- each of S.B.I.- Infrastructure Fund - Growth		200.00-
(NAV as on 31-3-2008 was Rs. 10.73/- per unit totalling to Rs.107.30 Lakhs)		
10,00,000 (Previous Year 10,00,000) Units of Rs. 10/- each of S.B.I. One India Fund - Growth	99.00	99.40
(NAV as on 31-3-2008 was Rs. 9.90/- per unit totalling to Rs.99.00 Lakhs)		
Nil (Previous Year 10,00,000) Units of Rs. 10/- each of S.B.I. Blue Chip Fund - Growth	-	100.00
(ii) Investment in Government Securities (Unquoted)		
National Saving Certificate - Sixth Issue	0.10	-
Total	466.88	344.68
SCHEDULE 'H' : INVENTORIES :		
Raw Materials	34,013.29	21,778.81
Semi Finished Goods	26,018.05	3,462.15
Total	60,031.34	25,240.96
SCHEDULE 'I' : SUNDRY DEBTORS :		
(Unsecured Considered Good)		
Outstanding for more than six months	14,144.83	7,760.45
Others	4,506.14	5,990.61
Total	18,650.97	13,751.06

2007 -

31st Annual

Bharati Shipyard Limited

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
(a) Cash on hand	75.93	52.11
(b) Bank Balances		
(i) with Scheduled Banks #		
(1) In current accounts	106.86	33.23
(2) In deposit accounts	6,184.77	4,843.49
(3) In EEFC accounts	29.92	5,018.95
# Includes unpaid dividend and share application monies accounts		
(ii) with Foreign Banks *		
(1) In current accounts		
Checking Account (SBI, Nassau)	355.03	1,946.89
Current Account (Citibank, New York)	1,493.11	1,622.51
Checking Account (ICICI, UK)	9.13	-
(2) In deposit accounts		
Fixed Deposit (SBI, Hong Kong)	5,795.21	6,842.39
Fixed Deposit (SBI, Nassau)	5,998.50	16,244.43
Fixed Deposit (ICICI, UK)	2,569.29	3,533.25
* Unutilised proceeds from FCCB issue		
Total	22,617.75	40,137.25
Advances for value to be received in Cash/Kind	20,522.09	10,583.04
Balances with Income Tax, Sales Tax, Port Trust etc.	8,695.03	5,421.78
Trade Deposits	694.09	558.17
Total	29,911.21	16,562.99
Sundry Creditors ^	4,494.03	4,559.23
Sundry Creditors - Small scale industrial undertakings@	571.34	481.76
Investor Education and Protection Fund #		
- Unpaid Dividend	3.11	2.24
- Unpaid Share Application Money	9.70	9.70
Advances received against orders	54,572.52	26,572.30
Other Current Liabilities	657.95	141.89
Total	60,308.65	31,767.12

Schedules to the Balance Sheet as at 31st March, 2008 (Contd.)

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
<p>Note:</p> <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. B. E. Pumps Pvt Ltd, Bock India Pvt Ltd, Corporation, Fast Tech Industries, GMMCO Ltd, Goa Paints and Allied Products Pvt Ltd, Industrial Manufacturers, Mahavir Mangal Hydro Pneumatics, Mangaldeep Enterprise, Marine Electricals, MEC Shot Blasting & Equipments Pvt Ltd, R R Fabricators, Shipshape Engineering Works & V R Coatings.</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	8,856.07	4,521.70
Provision for Fringe Benefit Tax	109.72	63.27
Provision for Gratuity	194.74	174.24
Dividend Payable	827.08	675.00
Dividend Tax Payable	140.56	114.72
Total	10,128.17	5,548.93
SCHEDULE 'N' : MISCELLANEOUS EXPENDITURE :		
Share Issue Expenses	391.41	489.27
Less: Written off to Profit & Loss account	97.85	97.85
Total	293.56	391.42

2007 -

31st Annual

Bharati Shipyard Limited

(Rs. in Lakhs)

Particulars	Year Ended	Year Ended
	March 31, 2008	March 31, 2007
Ship Manufacturing & Repairs (Incl. TDS for FY. 07-08 Rs.22.69 lakhs , for FY. 06-07 Rs.13.21 Lakhs)	13,804.50	16,568.18
Increase in WIP	49,576.58	18,888.80
Wind Mill Power	823.60	553.68
Total	64,204.68	36,010.66
Scrap Sale	310.39	178.77
Oil Left Over	-	9.84
Dividend from Investment	3.89	0.01
Gain on sale of Investment	21.40	-
Sales Tax Refund	-	125.59
Miscellaneous Income	-	4.60
Total	335.68	318.81
Opening Stock	21,778.81	13,484.15
Add : Purchases	48,398.21	28,712.83
	70,177.02	42,196.98
Less : Closing Stock	34,013.29	21,778.81
Total	36,163.73	20,418.17

Schedules to the Profit and Loss Account for the Year Ended 31st March, 2008

(Rs. in Lakhs)

Particulars	Year Ended	Year Ended
	March 31, 2008	March 31, 2007
SCHEDULE 'R' : MANUFACTURING & OTHER EXPENSES :		
Auditors' Remuneration	32.72	22.01
Advertisement Expenses	70.78	41.16
Bonded Warehouse Charges	-	7.35
Car Hire Charges	139.84	99.64
Clearing & Forwarding	1,038.54	374.80
Commission and Brokerage	374.66	149.33
Conveyance	21.29	39.35
Courier Charges	22.53	14.50
Design & Consultancy	1,002.21	699.81
Diminution in value of investment	0.40	0.60
Director's Sitting Fees	1.10	0.90
Donation / Gifts	48.06	34.31
Electricity Charges	239.17	168.31
Equipment Hire Charges	792.86	654.45
Exhibition Expenses	24.06	28.11
Foreign Exchange Variation	160.53	13.61
Hotel & Guest House Expenses	2.42	3.55
Interest on late payment of TDS / TCS / FBT/Professional Tax	0.16	4.58
Inspection / Testing Charges / Service	241.29	277.01
Insurance Charges	170.36	185.69
Keyman Insurance	80.00	80.00
Launching & Delivery Expenses	531.02	233.51
Lease Rent towards Land	458.50	243.23
Legal and Professional Expenses	51.59	35.07
Membership and Subscription	15.05	74.87
Office & Miscellaneous Expenses	109.35	62.16
Photo Charges	6.50	2.91
Port Dues	81.55	73.00
Postage & Telegram	3.29	1.75
Preliminary Expenses written off	97.85	97.85
Printing & Stationery	89.14	81.15
Rent, Rates and Taxes	261.38	123.63
Repairs & Maintenance	85.11	54.59
Sales Tax	-	9.58
Service Charges	91.94	57.35
Service tax	21.99	17.42
Telephone & Telex Charges	114.59	79.24
Transport Charges	973.63	220.86
Travelling Expenses	465.11	442.46
Total	7,920.54	4,809.72

2007 .

31st Annual

Bharati Shipyard Limited

(Rs. in Lakhs)

Particulars	Year Ended	Year Ended
	March 31, 2008	March 31, 2007
Salaries, Wages, Stipend and Bonus	1,494.04	803.93
Labour Charges	5,243.32	3,255.09
Contribution to Provident Fund, ESIC, Gratuity	189.26	110.80
Staff Welfare	116.38	41.50
Remuneration of Directors	212.06	36.00
Total	7,255.06	4,247.32
Bank Guarantee Commission	1,204.15	633.87
Interest on Term Loans	100.34	243.13
Interest on Working Capital Loans	765.34	718.00
Interest on Other	2.79	0.72
Other Finance Charges	447.84	169.90
	2,520.46	1,765.62
Less: Interest Received / Receivable on Bank Deposits	283.45	239.34
Interest Received / Receivable on Others	77.39	88.09
(Incl TDS for FY 07-08 Rs.95.80 Lakhs , for FY 06-07 Rs.56.93 Lakhs)		
	360.84	327.43
Total	2,159.62	1,438.19

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

1. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation

The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the generally accepted accounting principles, on a going concern basis and in line with accounting standards issued by the Institute of Chartered Accountants of India, as applicable, and the provisions of 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 amount 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. Cost includes 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 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 revalued amount has been charged to Revaluation Reserve.
- iii. Depreciation on additions /deletions is calculated on pro-rata basis 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 of Assets

At each balance sheet date, the Company reviews the carrying amount 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. Cost is taken on FIFO basis.
- ii. Stock in process is valued at amount of work done duly certified by Chartered Engineer.

9. Retirement Benefits

- i. Contribution to Provident and Superannuation Funds are recognised as expense when incurred.
- ii. Contribution towards Gratuity payable by the Company is charged to revenue on the basis of actuarial valuation.
- iii. Leave Encashment benefit is treated as accrued, as and when claimed (encashed).

10. Revenue Recognition

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

Bharati Shipyard Limited

- 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.

11. Government Subsidy

Government Subsidy is recognised in the Profit & Loss account in accordance with the related scheme and in the period in which it is 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

Current Tax

Provision for current income-tax is made on the basis of estimated taxable income for the year, and where the income is assessed by the tax authorities on the basis of such assessed income.

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.

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.

16. Provision and Contingent Liabilities

- i. 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.
- ii. 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.
- iii. Where there is a possible or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

17. Operating Leases

Lease of assets under which all the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with respective lease agreements.

18. Accounting for Interest in Joint Venture

- i. Income on investment in Jointly Controlled Entities is recognized when the right to receive the same is established.
- ii. Investment in such Joint Venture is carried at cost after providing for any permanent diminution in value.

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

II. NOTES TO THE ACCOUNTS

1. Auditors' Remuneration

(Rs. in Lakhs)

Particulars	F.Y. 2007- 2008	F.Y. 2006- 2007
Fees as Auditors	3.00	2.81
Tax Audit	0.56	0.56
Taxation Matters	5.75	2.68
Consultancy Charges	23.41	15.96
Total	32.72	22.01

2. Capital Work – in – progress

Expenses incurred towards on-going projects under various heads of capital assets including advances paid to suppliers are as under:

(Rs. in Lakhs)

Particulars	F.Y. 2007- 2008	F.Y. 2006- 2007
Land, Buildings and Site Development Expenses	7,129.72	3,212.61
Plant and Machinery	18,960.82	6,471.57
Consultant Fees	139.24	60.88
Other Fixed Assets	1.57	-
Total	26,231.35	9,745.06

3. Contingent Liabilities not provided in respect of

(Rs. in Lakhs)

Particulars	F.Y. 2007- 2008	F.Y. 2006- 2007
a) Claims made against company not acknowledged as debts.	53.60	53.60
b) Tax / Duties that may arise in respect of which appeals are pending.	42.79	42.79
c) Letter of Credit outstanding	13,654.50	-
Total	13,750.89	96.39

4. Details of stock and turnover of major class of goods & services

Particulars	Sales			
	F.Y. 2007 - 2008		F.Y. 2006 - 2007	
	Quantity (in Nos.)	Amount (Rs. in Lakhs)	Quantity (in Nos.)	Amount (Rs. in Lakhs)
Ocean Going Vessels	4	13,649.72	3	13,787.24
Dredger	-	-	1	2,764.13
Total	4	13,649.72	4	16,551.37

No stock of Finished Goods is held by the company.

Bharati Shipyard Limited

5. CIF Value of Imports

(Rs. in Lakhs)

Particulars	F.Y. 2007- 2008	F.Y. 2006- 2007
Raw Materials (Steel)	10,939.68	6,836.27
Components and Spare Parts	26,259.01	13,099.15
Capital Goods	11,135.85	7,307.98
Total	48,334.54	27,243.40

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

Particulars	F.Y. 2007 - 2008		F.Y. 2006 - 2007	
	Amount	%	Amount	%
Raw Materials (Steel)				
(i) Imported	5,392.50	15 %	4,827.63	24%
(ii) Indigenous	1,688.15	5%	1,962.47	10%
Components and Spares Parts				
(i) Imported	23,530.80	65%	9,690.44	47%
(ii) Indigenous	5,552.28	15%	3,937.63	19%
Total	36,163.73	100%	20,418.17	100 %

7. Expenditure in Foreign Currency

(Rs. in Lakhs)

Particulars	F.Y. 2007- 2008	F.Y. 2006- 2007
Commission and Brokerage	204.49	740.19
Design and Consultancy	806.48	250.31
Freight Charges	416.88	14.88
Travelling Expenses	226.67	160.15
Others	413.01	234.28
Total	2,067.53	1,399.81

8. FOB Value of Exports Rs. 6,647.23 Lakhs (Previous Year: Rs. 5,777.64 Lakhs)

9. Licensed & Installed Capacity

Not Applicable

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

10. 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.
Joint Venture	1. Bengal Shipyard Ltd.
Key Managerial Personnel and their relative	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 G. Kumar - Wife 6. Ms. Sukriti G. Kumar - Daughter
Enterprises owned or significantly influenced by Key Managerial Personnel or their relatives	1. Bharati Shipping & Dredging Co. Pvt. Ltd. 2. Mangaldeep Consultancy Pvt. Ltd.

ii. Transactions with Related Parties

(Rs. in Lakhs)

Particulars	Subsidiary Company	Enterprises Owned or Controlled by KMP & their relatives	Joint Venture	Key Management Personnel	Relatives of Key Management Personnel	Total
Opening balances						
Receivable	1,247.22	-	-	-	2.50	1,249.72
Transactions						
Investments	-	-	22.50	-	-	22.50
Remuneration	-	-	-	224.74	-	224.74
Directors' Sitting Fees	-	-	-	1.10	-	1.10
Rent	-	-	-	7.20	3.60	10.80
Capital Expenditure	-	621.54	-	-	-	621.54
Dividend Paid	-	84.31	-	215.67	0.26	300.24
Labour Charges	532.12	-	-	-	-	532.12
Advances Given	21.27	219.51	155.00	-	-	395.78
Advances Received	-	77.51	-	-	-	77.51
Outstanding balances as on 31.03.08						
Loans and Advances Receivables	1,268.49	142.00	155.00	-	2.50	1,567.99
Other Current Liabilities	-	-	-	-	1.01	1.01

No amounts written off or written back in the period in respect of debts due from or to related parties.

2007 -

31st Annual

Bharati Shipyard Limited

11. Earnings 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 numbers 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 calculations of earnings per share (basic and diluted) are based on the earnings and number of shares as computed below.

Sr.	Particulars	Units	F.Y. 2007 -2008	F.Y. 2007 - 2007
(a)	Profit after tax	Rs.Lakhs	10,744.72	7,317.86
(b)	The weighted average number of Ordinary Shares for Basic EPS	Nos.	24,749,118	22,500,000
(c)	The Nominal value per ordinary share	Rs.	10.00	10.00
	Earnings per share (Basic)	Rs.	43.41	32.52
(d)	The weighted average number of ordinary shares for Diluted EPS			
	For Basic Earnings per share	Nos.	24,749,118	22,500,000
	Add: Conversion of FCC Bonds	Nos.	4,471,084	9,540,384
	For Diluted Earnings per share	Nos.	29,220,202	32,040,384
	Earnings Per share (Diluted)	Rs.	36.77	22.84

12. Details of Investments in and Disposal / Redemption of Securities during the year.

Particulars	Face Value (in Rs.)	No.of Units Invested	Cost (Rs.in Lakhs)
Investment in			
SBI Infrastructure Fund – Growth	10	20,00,000	200.00
Principal - Income Fund - Growth	10	99,99,300	1,000.00
Reliance Liquidity Fund - Growth	10	50,00,000	500.00
National Saving Certificate - Sixth Scheme	1,000	10	0.10
			1,700.10
Disposal / Redemption of			
SBI Blue Chip Fund - Growth	10	10,00,000	100.00
Principal - Income Fund - Growth	10	99,99,300	1,000.00
Reliance Liquidity Fund - Growth	10	50,00,000	500.00
			1,600.00
Net Movement in Investment			100.10

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

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

14. 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.

15. Directors' Remuneration

(Rs. in Lakhs)

Particulars	F.Y. 2007- 2008	F.Y. 2006-2007
<i>Managing Directors</i>		
Salaries	105.60	38.32
Contribution to Provident Fund & Other Funds	12.67	4.32
Commission	106.47	-
Total Remuneration	224.74	42.64
<i>Non - Whole time directors</i>		
Sitting Fees	1.10	0.90

16. Managerial Remuneration

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

(Rs. in Lakhs)

Particulars	F.Y. 2007- 2008	F.Y. 2006-2007
Remuneration to Directors	224.74	42.64
Profit before other adjustments and Tax as per Profit and Loss Account	16,198.67	11,079.89
Add:		
Remuneration to Directors	224.74	42.64
Depreciation as per Books of Accounts	813.72	511.09
Diminution in value of Investment	0.40	0.60
Sub - Total	17,237.53	11,634.22
Less :		
Depreciation as per Books of Accounts	813.72	511.09
Total	16,423.81	11,123.13
Entitlement of Maximum Remuneration	1,642.38	1,112.31

2007 -

31st Annual

Bharati Shipyard Limited

17. Interests in Joint Venture

The Company's interest, as Venturer, in jointly controlled entities (Incorporated as Joint Venture) is

Name	Country of Incorporation	Percentage of Ownership as at 31st March, 2008	Percentage of Ownership as at 31st March, 2007
Bengal Shipyard Ltd.	India	45.01%	Nil

The Company's interest in this Joint Venture is reported as Long Term Investment and stated at cost. However, the Company's share of each Asset, Liability, Income & Expenses, etc. related to its interest in this Joint Venture is as follows:

(Rs. in Lakhs)

Particulars	As at
	March 31, 2008
Reserve & Surplus	0.42
Loan Funds	
Secured Loans	-
Unsecured Loans	-
Total	0.42
Fixed Assets Net Block	-
Investments	45.42
Current Assets, Loans & Advances	
Inventories	-
Debtors	-
Cash & Bank Balance	0.34
Loans & Advances	265.74
	266.08
Less: Current Liabilities & Provisions	
Current Liabilities	139.73
Net Current Assets	126.35
Miscellaneous Expenditure	6.15
Total	177.92
Income	
Turnover	-
Other Income	0.42
Total	0.42
Expenditure	
Total	-
Profit / (Loss) before Tax	0.42
Provision for Tax	-
Profit / (Loss) after Tax	0.42

* After elimination of Share Capital, Inter Company Transaction and adjustment of accounting policies aggregating to Rs. 177.50 Lakhs

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

18. Segment Reporting

i. Primary Segments (Business Segments)

(Rs. In Lakhs)

Segments → Particulars ↓	Ship Manufacturing	Windmill Power	Total
REVENUE			
Turnover	63,381.07	823.61	64,204.68
Subsidy	5,970.98	-	5,970.98
Other Income	335.68	-	335.68
Total	69,687.73	823.61	70,511.34
RESULT			
Segment Results Before			
Depreciation, Interest and Tax	18,406.42	765.59	19,172.01
Less: Interest (Net)	2,094.26	65.35	2,159.61
Less: Depreciation	355.54	458.18	813.72
Profit / (Loss) before Tax	15,956.61	242.07	16,198.67
Less: Tax Expenses			5,453.96
Net Profit / (Loss) after Tax			10,744.72
OTHER INFORMATION			
Segment Assets	165,856.77	8,289.15	174,145.92
Segment Liabilities	115,212.64	1,365.70	116,578.34

i. Secondary Segments (Geographical Segments)

(Rs. in Lakhs)

Segments → Particulars ↓	Domestic	Overseas	Total
REVENUE			
Ship Manufacturing	37,311.92	32,375.81	69,687.73
Windmill Power	823.61	-	823.61
Total	38,135.53	32,375.81	70,511.34

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

2007 -

31st Annual

Bharati Shipyard Limited

Notes to the Accounts (Contd.)

19. 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, 2008 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 upto 3rd December, 2008	after 22nd January, 2006 and upto 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	US \$ 18.60 million	US \$ 33.10 million
Aggregate conversion into shares	2,021,177	3,048,123
Bonds Outstanding as at March 31, 2008	14	469
Aggregate amount of shares that could be issued on conversion of outstanding bonds	152,118	4,318,966

20. 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

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

Mumbai : 30th June, 2008

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

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

For and on behalf of Board of Directors

P.C. Kapoor
[Managing Director]

Vijay Kumar
[Managing Director]

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

Cash Flow Statement for the Year Ended 31st March, 2008

(Rs. in Lakhs)

	Particulars	Year Ended	
		March 31, 2008	March 31, 2007
A.	Cash flow from operating activities		
	Net profit before tax	16,198.67	11,079.89
	Adjustments for :		
	Depreciation for the year	813.72	511.09
	Preliminary Expenses Written off	97.85	97.85
	Diminution in value of investments	0.40	0.60
	Foreign exchange Loss/ (Gain)	160.53	13.61
	Interest expenses	2,159.62	1,438.19
	Dividend/Gain from Investment	(25.29)	(0.01)
	Operating profit before working capital changes	19,405.50	13,141.22
	Increase in trade receivables	(4,899.92)	(6,873.81)
	Increase in inventories	(34,790.38)	(5,310.78)
	Increase in trade payables & Others	28,608.49	18,850.52
	Cash generated from Operations	8,323.69	19,807.13
	Direct Taxes paid	(3,378.23)	(2,623.71)
	Net Cash From Operating Activities		
		4,945.46	17,183.42
B.	Cash flow from investing activities		
	Purchase of fixed assets	(22,750.17)	(14,134.45)
	Increase in deposits and advances	(10,929.87)	(8,654.00)
	Investments in Joint Venture	(22.50)	-
	Investment in Others (Net)	(100.10)	(100.00)
	Dividend received	25.29	0.01
	Net Cash From Investing Activities		
		(33,777.35)	(22,888.44)
C.	Cash flow from financing activities		
	Premium on / Proceeds from issue of Foreign Currency Convertible Bonds (FCCB)	2,202.27	1,980.65
	(Repayment) / Proceeds from long term borrowings	12,256.57	(1,179.48)
	Interest paid	(2,159.62)	(1,438.19)
	Dividend paid	(826.33)	(641.39)
	Net Cash From Financing Activities		
		11,472.91	(1,278.41)
	Net(Decrease)/increase in Cash & Cash Equivalents (A+B+C)	(17,358.98)	(6,983.43)
	Cash and Cash Equivalents at the beginning of the year	40,137.25	47,134.29
		22,778.27	40,150.86
	Effect of exchange rate changes	(160.53)	(13.61)
	Cash and Cash Equivalents at the end of the year	22,617.74	40,137.25

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 Board of Directors

CA. Shailesh Bhuta
 [Partner]
 Membership No. 33958

CA. Shantilal Mehta
 [Proprietor]
 Membership No. 14187

P.C. Kapoor
 [Managing Director]

Vijay Kumar
 [Managing Director]

Mumbai : 30th June, 2008

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

Bharati Shipyard Limited

(Rs. in Lakhs)

Registration Number	1 9 0 9 2				
State Code	1 1				
Balance Sheet Date	3 1 0 3 0 8				
Public Issue	Nil	Right Issue	Nil		
Bonus Issue	Nil	Private Placement	Nil		
Total Liabilities	174,439.46				
Total Assets	174,439.46				
Sources of Funds		Application of Funds			
Paid up Capital	2,756.93	Net Fixed Assets	16,236.40		
Reserves and Surplus	55,104.22	Capital Work-in-Progress	26,231.35		
Secured Loans	20,389.67	Investments	466.88		
Unsecured Loans	22,718.54	Net Current Assets	60,774.45		
Deferred Tax Liability (Net)	3,033.28	Misc. Expenditure	293.56		
Turnover (Total Income)	70,511.34				
Total Expenditure	54,312.67				
Profit/(Loss) Before Tax	16,198.67				
Profit/(Loss) After Tax	10,744.71				
Earning Per Share:					
Basic (in Rs.)	43.41	Diluted (in Rs.)	36.77		
Dividend Rate	30%				

Share Capital of the Company has increased by Rs.506.93 Lakhs during the year consequent to conversion of 517 Foreign Currency Convertible Bonds (FCCB) of US \$ 0.1 mn each into 50,69,300 Ordinary Shares.



BHARATI SHIPYARD LIMITED

Consolidated Financial Statements

**For the Year Ended
31st March, 2008**

Bharati Shipyard Limited

1. We have examined the attached Consolidated Balance Sheet of **BHARATI SHIPYARD LIMITED** (“the Company”), its subsidiary **PINKY SHIPYARD PRIVATE LIMITED** and Joint Venture **BENGAL SHIPYARD LIMITED** (together referred to as “Group”) as at March 31, 2008, 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’, Accounting Standard 27 ‘Financial Reporting of Interest in Joint Ventures’ 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, 2008;
 - (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

Mumbai : 30th June, 2008

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

CA. Shantilal Mehta
Proprietor
Membership No. 14187

Consolidated Balance Sheet as at 31st March, 2008

(Rs. in Lakhs)

Particulars	Schedule	As at	As at
		March 31, 2008	March 31, 2007
SOURCES OF FUNDS :			
SHAREHOLDERS' FUND :			
(a) Share Capital	A	2,756.93	2,250.00
Share Application Money			
(b) Reserves and Surplus	B	55,122.84	22,227.79
		57,879.77	24,477.79
MINORITY INTEREST		127.72	108.97
LOAN FUNDS :			
(a) Secured Loans	C	20,389.67	8,133.09
(b) Unsecured Loans	D	22,775.56	47,420.16
		43,165.23	55,553.25
DEFERRED TAX LIABILITY :	E	3,041.91	2,873.50
		104,214.63	83,013.51
APPLICATION OF FUNDS :			
FIXED ASSETS :			
(a) Gross Block	F	19,833.32	16,689.22
(b) Less : Depreciation		2,738.56	1,861.60
(c) Net Block		17,094.76	14,827.62
(d) Capital work-in-progress		26,231.35	9,746.66
GOODWILL ON CONSOLIDATION		30.43	30.43
INVESTMENTS	G	344.74	199.62
CURRENT ASSETS, LOANS AND ADVANCES :			
(a) Inventories	H	60,160.15	25,463.36
(b) Sundry Debtors	I	18,650.97	13,751.77
(c) Cash and Bank Balances	J	22,697.84	40,170.67
(d) Loans and Advances	K	29,184.55	15,812.94
		130,693.51	95,198.74
LESS : CURRENT LIABILITIES AND PROVISIONS :			
(a) Current Liabilities	L	60,328.75	31,831.59
(b) Provisions	M	10,151.12	5,549.38
		70,479.87	37,380.97
NET CURRENT ASSETS		60,213.64	57,817.75
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	N	299.71	391.42
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	U		
TOTAL		104,214.63	83,013.51

31st Annual 2007

As per our report attached
For M/s. Bhuta Shah & Co.
Chartered Accountants

CA. Shailesh Bhuta
[Partner]
Membership No.33958

Mumbai : 30th June, 2008

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

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

For and on behalf of Board of Directors

P.C. Kapoor
[Managing Director]

Vijay Kumar
[Managing Director]

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

Bharati Shipyard Limited

(Rs. in Lakhs)

Particulars	Schedule	Year Ended	Year Ended
		March 31, 2008	March 31, 2007
Turnover	O	64,514.41	36,101.97
Subsidy		5,970.98	6,174.91
Other Income	P	336.09	321.47
Total Income		70,821.48	42,598.35
Raw Material Consumed	Q	36,163.73	20,418.17
Manufacturing and Other Expenses	R	7,917.40	4,820.34
Employee Cost	S	7,499.17	4,325.11
Finance Charges	T	2,157.71	1,438.23
Depreciation	F	814.91	511.29
Total Expenditure		54,552.92	31,513.15
PROFIT BEFORE TAXATION		16,268.57	11,085.20
Provision for Taxation			
- Current Tax		5,363.09	2,326.73
- Deferred Tax		168.41	1,397.02
- Fringe Benefit Tax		46.45	38.65
Prior Period Tax Adjustments		(92.79)	-
PROFIT AFTER TAXATION		10,783.41	7,322.79
Surplus brought forward		12,523.83	6,724.96
Share of minority interest		(18.76)	(2.42)
Amount Available For Appropriation		23,288.49	14,045.33
APPROPRIATIONS :			
Transfer to General Reserve		1,074.47	731.79
Proposed Final Dividend		827.08	675.00
Dividend Tax thereon		140.56	114.72
Surplus carried forward		21,246.37	12,523.83
TOTAL		23,288.49	14,045.33
EARNINGS PER SHARE			
Equity shares of face value of Rs. 10/- each			
Basic (in Rs.)		43.57	32.55
Diluted (in Rs.)		36.90	22.85
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 Board of Directors

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

P.C. Kapoor
[Managing Director]

Vijay Kumar
[Managing Director]

Mumbai : 30th June, 2008

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

Consolidated Balance Sheet as at 31st March, 2008

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
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 2,75,69,300 (Previous Year 2,25,00,000) equity shares of Rs.10 each fully paid up	2,756.93	2,250.00
Total	2,756.93	2,250.00
RESERVES & SURPLUS :		
(a) Securities Premium Account As per last Balance Sheet Add: Premium on Conversion of FCCB	7,000.00 23,196.71	7,000.00 -
	30,196.71	
(b) Revaluation Reserve As per last Balance Sheet 639.05 701.11 Less: Withdrawn for Depreciation for the year	639.05 62.06	701.11 62.06
	576.99	639.05
(c) General Reserve As per last Balance Sheet Less: Provision for Dividend to FCCB Holders Less: Provision for gratuity net of deferred tax assets Add: Transferred from Profit & Loss Account	2,064.91 36.61 - 1,074.47	1,436.67 - 103.55 731.79
	3,102.76	2,064.91
(d) Profit and Loss Account	21,246.37	12,523.83
Total	55,122.84	22,227.79
SECURED LOANS :		
Loans and advances from banks		
Cash / Export Credit facilities		
Cash / Export Packing Credit Account with State Bank of India	12,683.42	3,440.95
Cash Credit Account with State Bank of Hyderabad	1,508.72	122.13
Cash / Export Packing Credit Account with Andhra Bank	655.33	535.04
Cash Credit Account with State Bank of Travancore	3,937.54	1,982.19
	18,785.01	6,080.31
(All the above loans from SBI, State Bank of Hyderabad, Andhra Bank and State Bank of Travancore have been secured by way of hypothecation charge on entire Current Assets consisting Raw Materials, Stock-in-Process, Finished Goods & Subsidy Receivable; Equitable Mortgage Fixed Assets of the Company as per consortium agreement)		
Term Loans		
Term Loan - I (Ratnagiri Expansion)	276.00	368.00
(Secured by way of Mortgage of Plant & Machinery relating to Expansion Project)	-	
Term Loan - II (Windmill)	1,328.67	1,684.78
(Secured by way of Mortgage of Fixed Assets of Wind Power Project)	-	
	1,604.67	2,052.78
Total	20,389.67	8,133.09

31st Annual 2007 -

Bharati Shipyard Limited

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
Foreign Currency Convertible Bonds	22,718.56	47,363.16
Loan from Directors	57.00	57.00
Total	22,775.56	47,420.16
(a) Deferred Tax Liabilities		
On account of Timing difference of depreciation	3,094.74	2,932.42
On account of disallowance u/s 43B of I.T. Act	6.23	-
(b) Deferred Tax Assets		
On account of Gratuity liability	58.85	58.65
On account of Diminution in value of investment	0.14	0.20
On account of carried forward losses of Past Years	0.07	0.07
Total	3,041.91	2,873.50

Schedules to the Consolidated Balance Sheet as at 31st March, 2008 (Contd.)

(Rs. in Lakhs)

SCHEDULE 'F' : FIXED ASSETS :												
	GROSS BLOCK					DEPRECIATION				NET BLOCK		
	%	As at 01-Apr-07	Additions	Dedu- ctions	As at 31-Mar-08	As at 01-Apr-07	Dedu- ctions	for the C.Y.	Charged to Reval. Res.	As at 31-Mar-08	As at 31-Mar-08	As at 31-Mar-07
Land	-	977.37	489.78	23.65	1,443.50	-	-	-	-	-	1,443.50	977.37
Building	3.34	270.27	167.93	-	438.20	89.02	-	5.68	4.36	99.06	339.14	181.24
Plant & Machinery	4.75	6,142.08	1,737.75	-	7,879.84	1,162.98	-	269.78	57.70	1,490.46	6,389.38	4,979.10
Dredger	10.00	-	184.13	-	184.13	-	-	9.21	-	9.21	174.92	-
Furniture and Fittings	6.33	175.08	294.98	-	470.06	13.69	-	17.75	-	31.44	438.63	161.39
Vehicles	9.50	245.92	114.12	-	360.04	78.52	-	23.79	-	102.30	257.74	167.40
Computers	16.20	143.89	65.97	-	209.86	44.92	-	24.92	-	69.83	140.03	98.97
Wind Mill	5.28	8,677.70	-	-	8,677.70	463.47	-	458.18	-	921.65	7,756.04	8,214.23
Office Equipments	6.33	56.92	113.07	-	169.99	9.00	-	5.61	-	14.61	155.39	47.92
Total		16,689.22	3,167.75	23.65	19,833.32	1,861.60	-	814.91	62.06	2,738.56	17,094.76	14,827.62
Previous year		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
Capital Work- in- progress as on 31-03-2008 is Rs. 26,231.35 Lakhs(Previous Year Rs. 9,746.66 Lakhs)												

Bharati Shipyard Limited

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
(a) Long Term (At Cost)		
Non Trade Investments		
(i) Fully Paid Up Ordinary / Equity Shares (Quoted)		
150 (Previous Year 150) Equity Shares of Rs. 10/- each of ICICI Bank Ltd. (Market Value as on 31-3-2008 was Rs. 598.05 per share totalling to Rs. 0.90 Lakhs)	0.12	0.12
200 (Previous Year 200) Equity Shares of Rs. 50/- each of Goa Urban Co-op Bank Limited	0.10	0.10
(ii) Investment in Subsidiary Company		
Fully Paid Up Ordinary / Equity Shares (Unquoted)		
Share in 49,920 Equity Shares of Rs. 10/- each of Oceanic Shipyard Limited - JV investment	2.25	-
(b) Current (At Cost or Fair value whichever is lower)		
Non - Trade Investment		
(i) Investment in Mutual Fund (Unquoted)		
20,00,000 (Previous Year Nil) Units of Rs. 10/- each of S.B.I. - Infrastructure Fund - Growth (NAV as on 31-3-2008 was Rs. 10.73 per unit totalling to Rs. 107.30 Lakhs)	200.00	-
10,00,000 (Previous Year 10,00,000) Units of Rs. 10/- each of S.B.I. One India Fund - Growth (NAV as on 31-3-2008 was Rs. 9.90 per unit totalling to Rs. 99.00 Lakhs)	99.00	99.40
Nil (Previous Year 10,00,000) Units of Rs. 10/- each of S.B.I. Blue Chip Fund - Growth (NAV as on 31-3-2008 was Rs. 10.0315/- per unit totalling to Rs. 95.92 Lakhs)	-	100.00
Share in 956219 (previous year 10,00,000) HDFC cash arrangement Funds Saving Plus Plan Daily Dividend Reinvestment JV investment	43.17	-
(ii) Investment in Government Securities (Unquoted)		
National Saving Certificate - Sixth Issue	0.10	-
Total	344.74	199.62
Raw Materials	34,013.29	21,778.81
Semi Finished Goods	26,146.86	3,684.55
Total	60,160.15	25,463.36
(Unsecured Considered Good)		
Outstanding for more than six months	14,144.83	7,760.74
Others	4,506.14	5,991.03
Total	18,650.97	13,751.77

Statement of Financial Position as at 31st March, 2008 (Contd.)

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
CASH & BANK BALANCES :		
(a) Cash on hand	100.00	76.83
(b) Bank Balances		
(i) with Scheduled Banks #		
(1) In current accounts	155.08	34.71
(2) In deposit accounts	6,192.56	4,850.71
(3) In EEFC accounts	29.92	5,018.95
# Includes unpaid dividend and share application monies accounts		
(ii) with Foreign Banks *		
(1) In current accounts		
State Bank of India, Nassau	355.03	1,946.89
Citibank, New York	1,493.11	1,622.51
Checking Account (ICICI, UK)	9.13	-
(2) In deposit accounts		
Fixed Deposit (SBI, Hong Kong)	5,795.21	16,244.43
Fixed Deposit (SBI, Nassau)	5,998.50	6,842.39
Fixed Deposit (ICICI, UK)	2,569.29	3,533.25
* Unutilised proceeds from FCCB issue		
Total	22,697.84	40,170.67
LOANS & ADVANCES :		
Advances for value to be received in Cash/Kind	19,765.49	9,797.09
Balances with Income Tax, Sales Tax, Port Trust etc.	8,724.36	5,452.25
Trade Deposits	694.70	563.60
Total	29,184.55	15,812.94
CURRENT LIABILITIES :		
Sundry Creditors - Others [^]	4,515.10	4,588.33
Sundry Creditors - Small scale industrial undertakings [@]	571.34	481.76
Investor Education and Protection Fund #		
- Unpaid Dividend	3.11	2.24
- Unpaid Share Application Money	9.70	9.70
Advances received against orders	54,572.52	26,572.30
Other Current Liabilities	656.98	177.26
Total	60,328.75	31,831.59

[@] 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.

B. E. Pumps Pvt Ltd, Bock India Pvt Ltd, Corporation, Fast Tech Industries, GMMCO Ltd, Goa Paints and Allied Products Pvt Ltd, Industrial Manufacturers, Mahavir Mangal Hydro Pneumatics, Mangaldeep Enterprise, Marine Electricals, MEC Shot Blasting & Equipments Pvt Ltd, R R Fabricators, Shipshape Engineering Works & V R Coatings.

[^] 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.

2007 -

31st Annual

Bharati Shipyard Limited

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
Provision for Income Tax	8,879.02	4,522.15
Provision for Fringe Benefit Tax	109.72	63.27
Provision for Gratuity	194.74	174.24
Dividend Payable	827.08	675.00
Dividend Tax Payable	140.56	114.72
Total	10,151.12	5,549.38
Share Issue Expenses	391.42	489.27
Less: Written off to Profit & Loss account	97.85	97.85
Preliminary Expenses	1.58	-
Pre-Operative Expenses	4.56	-
Total	299.71	391.42

Statement of Income and Profit and Loss Account for the Year Ended 31st March, 2008

(Rs. in Lakhs)

	Year Ended March 31, 2008	Year Ended March 31, 2007
SCHEDULE 'O' : TURNOVER :		
Ship Manufacturing & Repairs (Incl TDS for FY 07-08 Rs.34.75 lakhs , for FY 06-07 Rs.17.01 lakhs)	14,114.23	16,659.49
Increase in WIP	49,576.57	18,888.80
Wind Mill Power	823.61	553.68
Total	64,514.41	36,101.97
SCHEDULE 'P' : OTHER INCOME :		
Scrap Sale	310.39	178.77
Oil Left Over	-	9.84
Dividend from Investment	4.31	0.01
Gain on sale of Investment	21.39	
Interest on Sales Tax Refund	-	-
Sales Tax Refund	-	125.59
Miscellaneous Income	-	7.26
Total	336.09	321.47
SCHEDULE 'Q' : RAW MATERIAL CONSUMED :		
Opening Stock	21,778.81	13,484.15
Add : Purchases	48,398.21	28,712.83
	70,177.02	42,196.98
Less : Closing Stock	34,013.29	21,778.81
Total	36,163.73	20,418.17

31st Annual 2007 -

Bharati Shipyard Limited

(Rs. in Lakhs)

Particulars	Year Ended	Year Ended
	March 31, 2008	March 31, 2007
Auditors' Remuneration	33.17	22.35
Advertisement Expenses	70.78	43.52
Bonded Warehouse Charges	-	7.35
Car Hire Charges	139.84	99.64
Clearing & Forwarding	1,038.54	374.80
Commission and Brokerage	374.66	149.33
Conveyance	21.29	39.35
Courier Charges	22.53	14.50
Design & Consultancy	1,006.01	700.38
Diminution in value of investment	0.40	0.60
Directors' sitting fees	1.10	0.90
Donation	48.06	35.05
Electricity Charges	248.83	171.70
Equipment Hire Charges	792.86	654.58
Exhibition	24.06	28.11
Foreign Exchange Variation	160.53	13.61
Hotel & Guest House Expenses	2.42	3.55
Interest on late payment of TDS / TCS / FBT	0.47	5.11
Inspection / Testing Charges / Service	241.29	277.01
Insurance Charges	170.36	185.69
Keyman Insurance	80.00	80.00
Launching & Delivery Expenses	531.01	233.51
Lease Rent towards Land	462.30	244.52
Legal and Professional Expenses	51.80	35.07
Membership and Subscription	15.05	74.87
Office & Miscellaneous Expenses	87.99	63.45
Photo Charges	6.50	2.91
Port Dues	81.55	73.00
Postage & Telegram	3.29	1.75
Preliminary Expenses written off	97.85	97.85
Printing & Stationery	89.14	81.15
Professional fees	-	-
Rent, rates and taxes	261.38	123.63
Repairs & Maintenance	85.11	54.59
Sales Tax	-	9.58
Service Charges	91.94	57.35
Service tax	21.99	17.42
Telephone & Telex Charges	114.58	79.24
Transport Charges	973.63	220.86
Travelling Expenses	465.11	442.46
Total	7,917.40	4,820.34

Schedules to the Consolidated Profit and Loss Account for the Year Ended 31st March, 2008

(Rs. in Lakhs)

Particulars	Year Ended	Year Ended
	March 31, 2008	March 31, 2007
SCHEDULE 'S' : EMPLOYEE COST :		
Salaries, Wages, Stipend & Bonus	1,539.78	814.78
Labour Charges	5,438.34	3,322.03
Contribution to Provident Fund, ESIC, Gratuity	192.61	110.80
Staff Welfare	116.38	41.50
Remuneration of Directors	212.06	36.00
Total	7,499.17	4,325.11
SCHEDULE 'T' : BANK & FINANCE CHARGES (NET):		
Bank Guarantee Commission	1,204.15	633.87
Interest on Term Loans	100.34	243.13
Interest on Working Capital Loans	765.34	718.00
Interest on Other	2.79	0.73
Other Financial Charges	447.86	169.93
	2,520.48	1,765.66
Less: Interest Received / Receivable on Bank Deposits	284.20	239.34
Interest Received / Receivable on Others	78.57	88.09
(Incl TDS for FY 07-08 Rs.95.96 Lakhs , for FY 06-07 Rs.57.05 Lakhs)		
	362.77	327.43
Total	2,157.71	1,438.23

2007 -

31st Annual

Bharati Shipyard Limited

I. BASIS OF CONSOLIDATION

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

1. Basis of Accounting

- i. The financial statements of the subsidiary company and Joint Venture, used in the consolidation, are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2008.
- ii. The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) – “Consolidated Financial Statements” and Accounting Standard 27 (AS 27) – “Financial Reporting of Interests in Joint Ventures”, notified by the Companies (Accounting Standard) Rules, 2006 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 and Joint Venture have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intragroup balances and intragroup transactions and unrealised profits or losses have been fully eliminated.
- ii. Interest in a jointly controlled entity is reported using proportionate consolidation.
- iii. 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.
- iv. Minority interest in the net profit of 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.
- v. Minority interest in the net assets of 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 and Joint Venture company are considered in the preparation of these consolidated financial statements:

Name of the Company	Nature	Country of Incorporation	% of Holding As on 31.03.08	% of Holding As on 31.03.07
i. Pinky Shipyard Pvt. Ltd.	Subsidiary	India	51.00	51.00
ii. Bengal Shipyard Ltd.	Joint Venture	India	45.01	-

II. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue Recognition

- i. Revenue is recognized in accounts in accordance with 'AS-7 Accounting for Construction Contracts' issued by the ICAI on percentage completion basis.
- ii. Revenue on work in process is recognized 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': Basis of Consolidation, Significant Accounting Policies and Notes to Accounts (Contd.)

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.
- iii. Depreciation on additions /deletions is calculated on pro-rata basis from /to the date of such additions / deletions.
- iv. Fixed assets under construction are shown as Capital Work-in-Progress and are not depreciated.

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.

6. Impairment of Assets

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. Cost is taken on FIFO Basis.
- ii. Stock in process is valued at amount of work done duly certified by Chartered Engineer.

9. Retirement benefits

- i. Contribution to Provident and Superannuation Funds are recognised as expense when incurred.
- ii. Contribution towards Gratuity payable by the Company is charged to revenue on the basis of actuarial valuation.
- iii. Leave Encashment benefit is treated as accrued, as and when claimed (encashed).

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

Current Tax

Provision for current income-tax is made on the basis of estimated taxable income for the year, and where the income is assessed by the tax authorities on the basis of such assessed income.

Bharati Shipyard Limited

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.

Fringe Benefit Tax

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

12. Miscellaneous Expenditure

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

13. Provision and Contingent Liabilities

- i. 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.
- ii. 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.
- iii. Where there is a possible or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

III. NOTES TO ACCOUNTS

1. Provisions and Contingent Liabilities

(Rs. in Lakhs)

Particulars	Amount
a) Claims made against company not acknowledged as debts.	53.60
b) Tax / Duties that may arise in respect of which appeals are pending.	42.79
c) Letter of Credit outstanding	13,654.50
Total	13,750.89

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
Subsidiary	1. Oceanic Shipyard 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)
Enterprises owned or significantly influenced by Key Managerial Personnel or their relatives	1. Bharati Shipping & Dredging Pvt. Ltd. 2. Mangaldeep Consultancy Pvt. Ltd.

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

ii. **Transactions with Related Parties**

(Rs. in Lakhs)

Particulars	Subsidiary Company	Enterprises Owned or Controlled by KMP & their relatives	Joint Venture	Key Management Personnel	Relatives of Key Management Personnel	Total
Opening balances						
Receivable	-	-	-	-	2.50	2.50
Payable	-	-	-	57.00	-	57.00
Transactions						
Investments	-	-	-	-	-	-
Remuneration	-	-	-	224.73	-	224.73
Directors' sitting fees	-	-	-	1.10	-	1.10
Rent	-	-	-	7.20	3.60	10.80
Capital Expenditure	-	621.54	-	-	-	621.54
Dividend paid	-	84.31	-	215.67	0.26	300.24
Labour Charges	-	-	-	-	-	-
Advances Given	245.93	219.51	-	-	-	465.44
Advances Received	-	77.51	-	-	-	77.51
Outstanding balances as on 31.03.08						
Loans and Advances Receivables	245.93	142.00	-	-	2.50	390.43
Unsecured Loan	-	-	-	57.00	-	57.00
Other Current Liabilities	-	-	-	-	1.01	1.01

No amounts written off or written back in the period in respect of debts due from or to related parties.

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 numbers 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.

Sr.	Particulars	Units	F.Y.	
			2007-2008	2006-2007
(a)	Profit after tax	Rs. In Lakhs	10,597.83	7,322.79
(b)	The weighted average number of Ordinary Shares for Basic EPS	Nos.	24,749,118	22,500,000
(c)	The nominal value per Ordinary Share	Rs.	10.00	10.00
(d)	Earnings Per Share (Basic)	Rs.	42.82	32.55
(e)	The weighted average number of Ordinary Shares for Diluted For Basic earnings per share	Nos.	24,749,118	22,500,000
	Add: Conversion of FCC Bonds	Nos.	4,471,084	9,540,384
	For Diluted earnings per share	Nos.	29,220,202	32,040,384
(f)	Earnings Per Share (Diluted)	Rs.	36.27	22.85

2007 -

31st Annual

Bharati Shipyard Limited

4. Segment Reporting

A. Primary Segments (Business Segments)

(Rs. in Lakhs)

Segments Particulars	Ship Manufacturing	Windmill	Total
REVENUE			
Turnover	69,661.78	823.61	70,485.39
Other Income	336.09	-	336.09
Total	69,997.87	823.61	70,821.48
RESULT			
Segment Results Before			
Depreciation, Interest and Tax	18,475.59	765.59	19,241.18
Less: Depreciation	356.73	458.18	814.91
Less: Interest (Net)	2,092.36	65.35	2,157.71
Profit / (Loss) before Tax	16,026.50	242.07	16,268.57
Less: Tax Expenses			5,485.16
Net Profit / (Loss) after Tax			10,783.41
OTHER INFORMATION			
Segment Assets	166,260.65	8,289.15	174,549.80
Segment Liabilities	115,604.04	1,365.70	116,969.74

B. Secondary Segments (Geographical Segments)

(Rs. in Lakhs)

Segments Particulars	Domestic	Overseas	Total
REVENUE			
Ship Manufacturing	37,622.06	32,375.81	69,997.87
Windmill	823.61	-	823.61
Total	38,445.67	32,375.81	70,821.48

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

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

5. Balance of Sundry Debtors, Creditors, Loans and Advances and Personal Accounts are subject to confirmation.
6. 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.
7. 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

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

Mumbai : 30th June, 2008

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

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

For and on behalf of Board of Directors

P.C. Kapoor
[Managing Director]

Vijay Kumar
[Managing Director]

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

2007 -

31st Annual

Bharati Shipyard Limited

	Year Ended		Year Ended	
	March 31, 2008		March 31, 2007	
Net profit before tax	16,268.57		11,085.20	
Adjustments for :				
Depreciation for the year	814.91		511.29	
Preliminary Expenses Written off	97.85		97.85	
Diminution in value of investments	0.40		0.60	
Foreign exchange Gain	160.53		13.61	
Interest expenses	2,157.71		1,438.23	
Dividend/Gain from Investment	(25.70)		(0.01)	
Operating profit before working capital changes	19,474.27		13,146.77	
Increase in trade receivables	(4,899.21)		(6,874.24)	
Increase in inventories	(34,696.79)		(5,456.93)	
Increase in trade payables & Others	28,564.11		18,993.43	
Cash generated from Operations	8,442.38		19,809.03	
Direct Taxes paid	(3,377.09)		(2,623.71)	
<i>Net Cash From Operating Activities</i>		5,065.29		17,185.31
Purchase of fixed assets	(22,772.03)		(14,192.86)	
Increase in deposits and advances	(10,954.40)		(8,496.55)	
Investment in Others (Net)	(145.52)		(100.00)	
Dividend/Gain from Investment	25.70		0.01	
Net Cash From Investing Activities		(33,846.25)		(22,789.39)
Premium on / Proceeds from issue of Foreign Currency Convertible Bonds (FCCB)	2,202.29		1,980.65	
(Repayment) / Proceeds from long term borrowings	12,256.58		(1,179.49)	
Miscellaneous Expenditure	(6.14)			
Interest paid	(2,157.71)		(1,438.23)	
Dividend paid	(826.33)		(789.72)	
Net Cash From Financing Activities		11,468.69		(1,426.78)
Net increase in Cash & Cash Equivalents (A+B+C)		(17,312.27)		(7,030.86)
Cash and Cash Equivalents at the beginning of the year		40,170.65		47,215.11
		22,858.38		40,184.25
Effect of exchange rate changes		(160.53)		(13.61)
Cash and Cash Equivalents at the end of the year		22,697.84		40,170.65

- 1 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.
- 2 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 Board of Directors

CA. Shailesh Bhuta
[Partner]
Membership No. 33958

CA. Shantilal Mehta
[Proprietor]
Membership No. 14187

P.C. Kapoor
[Managing Director]

Vijay Kumar
[Managing Director]

Mumbai : 30th June, 2008

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

31st Annual

2007 -

(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, 2008	Not Dealt with in the accounts of the Company for the year ended 31st March, 2008	Dealt with in the accounts of the Company for the year ended 31st March, 2008	Not Dealt with in the accounts of the Company for the year ended 31st March, 2008
Pinky Shipyard Private Limited	March 31, 2008	1,53,000 ordinary shares Rs.100 each fully paid	51.00	NIL	19.52	NIL	(1.31)

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
Andhra Bank

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

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

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 31st, 2008.

1. FINANCIAL RESULTS:

The working of your Company for the year under review resulted in Profit after tax of Rs. 43.78 Lakhs as against profit of Rs. 4.94 Lakhs in the previous year ended 31st March, 2007. The accumulated loss of Rs. 39.44 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. 309.73 Lakhs and achieved profit after tax of Rs. 43.78 Lakhs as compared to Profit of Rs. 4.94 Lakhs in the previous year.

4. DIRECTORS:

Mr. Vijay Kumar, 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.

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 2007-08, the Board of Directors reports that:

- अ In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ब 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, 2008;
- क 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;
- ख The annual accounts have been prepared on a going concern basis.

9. AUDITORS:

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

10. 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 of Directors

P.C. Kapoor

[Chairman and Director]

Mumbai: 30th June, 2008

The Members of

Pinky Shipyard Private Limited

We have audited the attached Balance-sheet of M/S PINKY SHIPYARD PRIVATE LTD. as at 31st March, 2008 and also the annexed Profit and Loss Account 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, 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008, 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, 2008, and,
 - (b) In the case of Profit and Loss Account, Profit or 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 S.G. HEGDE & COMPANY
CHARTERED ACCOUNTANTS

(S.G. HEGDE)

PROPRIETOR

MEMB. NO. 100-32329

Place : Vasco-Da -Gama, Goa

Date : 30th June, 2008

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

VASCO –DA- GAMA, GOA,

ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2008.

- (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, 2008 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.
- (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.
- (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. 1268.49 lacs.
- (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 the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

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.

- (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.

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.

In our opinion, the company has an adequate Internal Audit System commensurate with its size and nature of its business

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.

- (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 2008 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, 2008.

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.

According to the information and explanation given to us, the Company has not defaulted in repayment of dues to the Banks.

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.

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.

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.

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.

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.

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.

The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

The Company has not issued any secured debentures during the year.

As informed to us, during the period covered by our audit report the Company has not raised any money by public issues.

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 S.G. HEGDE & COMPANY
CHARTERED ACCOUNTANTS

(S.G. HEGDE)

PROPRIETOR

MEMB. NO. 100-32329

Place Vasco-Da -Gama, Goa

Date : 30th June, 2008

(Rs. in Lakhs)

Particulars	Schedule	As at	As at
		March 31, 2008	March 31, 2007
SHAREHOLDERS' FUND :			
(a) Share Capital	A	300.00	3 00.00
(b) Reserves and Surplus	B	0.09	0.09
		300.09	300.09
LOAN FUNDS :			
(a) Unsecured Loans	C	57.00	57.00
DEFERRED TAX LIABILITIES		8.63	-
		365.72	357.09
FIXED ASSETS :	D		
(a) Gross Block		859.94	836.45
(b) Less : Depreciation		1.59	0.41
(c) Net Block		858.35	836.04
(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	128.80	222.39
(b) Debtors	G	-	0.72
© Cash and Bank Balances	H	71.96	26.19
(d) Loans and Advances	I	593.87	504.40
		794.63	753.70
LESS : CURRENT LIABILITIES AND PROVISIONS :			
(a) Current Liabilities	J	1,303.86	1,311.69
(b) Provisions	K	22.95	0.45
		1,326.81	1,312.14
NET CURRENT ASSETS		(532.18)	(558.44)
PROFIT AND LOSS ACCOUNT		39.45	77.72
	Q	365.72	357.09

As per our Report attached
For **S.G.Hegde and Company**
Chartered Accountants

For and on behalf of the Board of Directors

CA. S.G.Hegde
[Proprietor]
Memb.No.-32329

P.C.Kapoor
[Director]

Madan Nevrekar
[Director]

Place : Vasco - Da - Gama, Goa
Date : 30th June, 2008

(Rs. in Lakhs)

Particulars	Schedule	As at	As at
		March 31, 2008	March 31, 2007
Turnover	L	309.73	91.31
Other income	M	23.28	2.66
Total Income		333.01	93.97
Administrative Expenses	N	18.23	10.63
Employee Cost	O	244.11	77.80
Finance Charges	P	0.02	0.03
Depreciation	D	1.18	0.20
Total Expenditure		263.54	88.66
PROFIT BEFORE TAXATION:		69.47	5.31
Provision for Taxation			
- Current Tax		17.00	0.45
- Deferred Tax		8.70	(0.07)
PROFIT AFTER TAXATION:		43.77	4.94
Provision for Income-tax of earlier years		(5.50)	-
Deficit brought forward		(77.72)	(82.65)
Amount Available For Appropriation		(39.45)	(77.72)
APPROPRIATIONS :			
Transfer to General Reserve		-	-
Deficit carried forward		(39.45)	(77.72)
TOTAL		(39.45)	(77.72)
EARNINGS PER SHARE:			
Equity Shares of face value of Rs. 100/- each			
Basic and Diluted (in Rs.)		14.59	1.65
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS	Q		

As per our Report attached
For **S.G.Hegde and Company**
Chartered Accountants

For and on behalf of the Board of Directors

CA. S.G.Hegde
[Proprietor]
Memb.No.-32329

P.C.Kapoor
[Director]

Madan Nevrekar
[Director]

Place : Vasco - Da - Gama, Goa
Date : 30th June, 2008

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
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
Revaluation Reserve	0.09	0.09
Total	0.09	0.09
Loan from Directors	57.00	57.00
Total	57.00	57.00

2007 -

Annual

(Rs. in Lakhs)

	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	%	As at 01-Apr-07	Additions	Dedu- ctions	As at 31-Mar-08	As at 01-Apr-07	Dedu- ctions	For the Year	Charged to Reval. Res.	As at 31-Mar-08	As at 31-Mar-08	As at 31-Mar-07
Land	-	832.25	5.94	23.65	814.54	-	-	-	-	-	814.54	832.25
Building	3.34	1.92	-	-	1.92	0.13	-	0.06	-	0.19	1.73	1.78
Plant & Machinery	4.75	0.35	41.20	-	41.55	0.03	-	1.00	-	1.03	40.52	0.32
Furniture and Fittings	6.33	1.93	-	-	1.93	0.24	-	0.12	-	0.37	1.56	1.69
Total		836.45	47.14	23.65	859.94	0.41	-	1.18	-	1.59	858.35	836.04
Previous year		779.66	56.79	-	836.45	0.20	-	0.20	-	0.41	836.04	779.46
Capital Work- in- progress as on 31-03-2008 is NIL (Previous Year Rs. 1.61 lakhs)												

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
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 Limited	0.10	0.10
Total	0.10	0.10
Raw Materials	-	-
Semi Finished Goods	128.80	222.39
Total	128.80	222.39
(Unsecured Considered Good)		
Outstanding for more than six months	-	0.29
Others	-	0.43
Total	-	0.72
CURRENT ASSETS		
(a) Cash on hand	24.03	24.71
(b) Bank Balances		
(i) with Scheduled Banks		
(1) In current accounts	47.93	1.48
(2) In deposit accounts	-	-
Total	71.96	26.19
Advances for value to be received in Cash/Kind	557.45	462.00
Balances with Income Tax	29.33	30.47
Term Deposits with SBI IFC Branch	6.50	6.50
Trade Deposits	0.59	5.43
Total	593.87	504.40
Sundry Creditors	21.07	29.10
Other Current Liabilities	14.30	35.37
Advances received against orders from customers	1,268.49	1,247.22
Total	1,303.86	1,311.69
Provisions for Income Tax	22.95	0.45
	22.95	0.45

(Rs. in Lakhs)

Particulars	As at	As at
	March 31, 2008	March 31, 2007
Ship Manufacturing	309.73	91.31
Increase in WIP	-	-
Total	309.73	91.31
Interest on SBI Term Deposit	0.74	0.56
Interest From Income Tax return	1.18	-
Miscellaneous Income	21.36	2.11
Total	23.28	2.66
Advertisement expenses	-	2.36
Audit Fees	0.45	0.34
Design & Consultancy	3.80	0.57
Donation	-	0.74
Electricity Charges	9.66	3.39
Equipment Hire Charges	-	0.13
Interest on late payment of TDS / TCS / FBT	0.32	0.52
Lease Rent to MPT	3.80	1.29
Legal and Professional Expenses	0.20	-
Miscellaneous Expenses	-	1.29
Total	18.23	10.63
Salaries, Wages, Stipend and Bonus	45.75	7.01
Labour Charges	195.01	66.94
Contribution to Provident Fund, ESIC, Gratuity	3.35	3.84
Total	244.11	77.79
Bank Charges	0.02	0.03
Total	0.02	0.03

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

Current Tax

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

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.

II. NOTES TO THE ACCOUNTS

I. Auditors' Remuneration

Particulars	(Rs.in Lakhs)	
	CurrentYear	PreviousYear
Fees as Auditors	0.35	0.24
Tax Audit	0.10	0.10
Total	0.45	0.34

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 & 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.

a. 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

b. Transactions with Related Parties

Particulars	Holding Company	Key Management Personnel	Total
Opening balances			
Loans and Advances Payable	1,247.22	57.00	1,304.22
Transactions			
Labour Charges (Income)	532.12	-	532.12
Professional Fees Paid	-	0.36	-
Advances Received	553.39	-	553.39
Outstanding Balances			
Loans and Advances Payables	1,268.49	57.00	1,325.49

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.

As per our Report attached
For **S.G.Hegde and Company**
Chartered Accountants

CA. S.G.Hegde
[Proprietor]

Place : Vasco - Da - Gama, Goa
Date : 30th June, 2008

For and on behalf of the Board of Directors

P.C.Kapoor
[Director]

Madan Nevrekar
[Director]

Annual 2007 -

(Rs. in Lakhs)

	Year Ended		Year Ended	
	March 31, 2008		March 31, 2007	
Net profit before tax	69.48		5.31	
Adjustments for :				
Depreciation for the year	1.18		0.20	
Interest expenses	0.02		0.03	
Interest income	(0.74)		(0.56)	
Operating profit before working capital changes	69.94		5.00	
Increase in trade receivables	0.72		(0.43)	
Increase in inventories	93.58		(146.14)	
Increase in trade payables & Others	(7.83)		555.43	
Cash generated from Operations	156.41		413.85	
Direct Taxes paid	-		-	
Net Cash From Operating Activities		156.41		413.85
Purchase of fixed assets	(45.53)		(58.40)	
Reversal of Fixed Asset	23.65			
Increase Decrease in deposits and advances	(89.49)		(410.60)	
Interest received	0.74		0.56	
Net Cash From Investing Activities		(110.63)		(468.44)
Proceeds from issue of share capital	-		-	
Repayment of long term borrowings	-		-	
Interest paid	(0.02)		(0.03)	
Net Cash From Financing Activities		(0.02)		(0.03)
Net increase in Cash & Cash Equivalents (A+B+C)		45.76		(54.62)
Cash and Cash Equivalents at the beginning of the year		26.19		80.82
		71.96		26.19
Effect of exchange rate changes		-		-
Cash and Cash Equivalents at the end of the year		71.96		26.19

- 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 **S.G.Hegde and Company**
Chartered Accountants

CA. S. G.Hegde
[Proprietor]

For and on behalf of the Board of Directors

P.C.Kapoor
[Director]

Madan Nevrekar
[Director]

Place :Vasco - Da - Gama, Goa
Date :30th June, 2008

Regd. Office: 606, 6th Floor, Raheja Chambers, Nariman Point, Mumbai-400021

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

DP ID :

Master Folio No. :

Client ID:

NAME AND ADDRESS OF THE SHAREHOLDER

No. of Share(s) held:

I hereby record my presence at the **31st ANNUAL GENERAL MEETING** of the Company held on Monday, **29th September, 2008** at **11.30 a.m.** at the auditorium of "The Synthetic & Art Silk Mills Research Association, Sasmira, Sasmira Marg, Worli, Mumbai-400030"

Signature of the shareholder or proxy _____

Regd. Office: 606, 6th Floor, Raheja Chambers, Nariman Point, Mumbai-400021

DP ID :

Master Folio No. :

Client ID:

I/We
.....being a Member/Members of Bharati Shipyards 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 **31st ANNUAL GENERAL MEETING** to be held on Monday, **29th September, 2008** at **11.30 a.m.**
at the auditorium of "The Synthetic & Art Silk Mills Research Association, Sasmira, Sasmira Marg, Worli,
Mumbai - 400030". or at any adjournment thereof.

Signed this.....day of.....2008.

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 of 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.





Bharati Shipyard Limited

Corporate Office

302, Wakefield House, 3rd Floor, Sprott Road,
Ballard Estate, Mumbai - 400 001, India.
Tel. : +91 22 3028 9200

Registered Office

606, 6th Floor, Raheja Chambers, Free Press Journal Road,
Nariman Point, Mumbai - 400 021
Tel.: +91 22 4085 1234

Email : info@bharatishipyard.com

www.bharatishipyard.com

SHIPYARDS : Dabhol • Ratnagiri • Ghodbunder • Goa • Kolkata • Mangalore