

27th
Annual Report 2006-07



**Premier
Explosives
limited**

Premier Explosives Limited

BOARD OF DIRECTORS	K.V. RAGHAVAN A.N. GUPTA T.V. CHOWDARY K. CHALIL Dr. (Mrs.) KAILASH GUPTA Dr. V.V. SUBBA REDDY ANIL KUMAR MEHTA Dr. HARIDWAR SINGH	- Chairman - Vice Chairman & Managing Director - Executive Director - Director (Marketing) - Director - Director - Director - Director
V.P. (FINANCE)	B. SOMASEKHARA RAO	
AUDITORS	M.R. DEVINENI & CO.	
BANKERS	UCO BANK STATE BANK OF INDIA IDBI BANK	
REGISTERED OFFICE	202, 203, Minerva Complex, S.D.Road, Secunderabad - 500 003.	
FACTORIES	DETONATORS DIVISION Peddakandukur - 508 286 District Nalgonda (A.P.) SPECIAL PRODUCTS DIVISION Peddakandukur - 508 286 District Nalgonda (A.P.) BULK EXPLOSIVES i) Chandrapur Division C-16, M.I.D.C Chandrapur (Maharashtra) ii) Manuguru Division Manuguru - 507 117 District Khammam (A.P.) iii) Singrauli Division Plot No. 42, Industrial Area Udyog Deep, Waidhan District : Sidhi (M.P.)	
REGISTRARS & SHARE TRANSFER AGENTS	Sathguru Management Consultants Private Limited Plot No. 15, Hindi Nagar, Punjagutta, Hyderabad - 500 034.	

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NOTICE OF 27th ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Seventh Annual General Meeting of **PREMIER EXPLOSIVES LIMITED** will be held at Federation of Andhra Pradesh Chambers of Commerce & Industry (FAPCCI), Surana Udyog Auditorium, 11-6-841, Post Box No.14, Red Hills, Hyderabad-500 004 on Friday, the 28th September, 2007 at 11:00 A.M. to transact the following business.

AS ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2007, the Profit and loss Account and Cash Flow Statement for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare dividend for the year 2006-07.
3. To appoint a Director in place of Sri K.V.Raghavan, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri Anilkumar Mehta who retires by rotation and being eligible offers himself for reappointment.
5. To consider and, if thought fit, to pass the following resolution with or without any modifications as an Ordinary Resolution:

"Resolved that M/s. M. R. Devineni & Co., Chartered Accountants be and are hereby appointed as auditors of the company till the conclusion of the next Annual General Meeting at the remuneration to be decided by the Board of Directors of the company."

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution with or without any modifications as a Special Resolution:

"RESOLVED THAT pursuant to the Provisions of Sections 198, 269, 309, 310, 311, 314 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereof and subject to the approval of Central Government, if any, as applicable, the consent of the Company be and is hereby accorded for revision in remuneration of Sri T.V.Chowdary, Director (Projects) for a period three years with effect from 01.07.2007 and change in designation as Executive Director on the terms and conditions set out in the Explanatory Statement attached to the notice convening this Annual General Meeting".

7. To consider and, if thought fit, to pass the following resolution with or without any modifications as a Special Resolution:

"RESOLVED THAT pursuant to the Provisions of Sections 198, 269, 309, 310, 311, 314 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereof and subject to the approval of Central Government, if any, as applicable, the consent of the Company be and is hereby accorded for revision in remuneration of Sri K.Chalil, Director (Marketing) for a period three years w.e.f. 01.07.2007 on the terms and conditions set out in the Explanatory Statement attached to the notice convening this Annual General Meeting".

By order of the Board
For **PREMIER EXPLOSIVES LIMITED**,

A.N.GUPTA

Vice Chairman & Managing Director

Place : Secunderabad

Date : 30.06.2007

Premier Explosives Limited

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and such a proxy need not be a member of the company. Proxies (in the annexed form) and Power of Attorneys, in order to be effective must be received at the registered office of the company not later than 11.00 a.m. on the 26th day of September, 2007.
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to special business is annexed hereto.
3. The Register of members and the Share transfer books of the company will remain closed from 17.09.2007 to 28.09.2007 (both days inclusive).
4. The Dividend, if declared, will be paid to the members entitled thereto, whose names appear in the Register of members of the Company as on 28.09.2007.
5. The shares of the company are presently listed in Stock Exchanges at Hyderabad and Mumbai and the Company has paid upto date listing fee to the above Stock Exchanges.
6. Members are advised to avail nomination facility as per the amended provisions of Companies Act, 1956, for which nomination forms are available with the Registrars to the company.
7. Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education & Protection Fund.

The shareholders who have not encashed the dividend warrant(s) so far for the Financial Year ended 31st March, 2001 or any subsequent dividend payment(s) are requested to make their claim to the Company Secretary, Premier Explosives Limited, 202 & 203, Minerva Complex, II floor, S. D. Road, Secunderabad - 500 003.

8. Members holding shares in physical form are requested to inform immediately the change, if any, in their address to the Registrars M/s. Sathguru Management Consultants Private Limited, Plot No.15, Hindinagar, Punjagutta, Hyderabad - 500034.
9. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.
10. Members are requested to utilise the Electronic clearing system (ECS) for receiving dividend and may accordingly advise their depository participants in case the shares are held in electronic form and the Registrar and share transfer agent in case the shares are held in physical form.
11. Brief Resumes of Directors retiring by rotation and seeking reappointment.
 - (i) **Sri K.V.Raghavan** is former Managing Director of Indian Explosives Limited. He was also Chairman and Managing Director of Engineers India Limited and President of EID Parry. He was awarded "Life time achievement Award" by "Visfotak" for his services to the explosives industry.
 - (ii) **Sri Anilkumar Mehta** is a practising Chartered Accountant. He has been in practice since 1973. He has rich experience in Auditing and other allied matters.

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ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Sri T.V.Chowdary, Director (Projects) has been redesignated as Executive Director at the Board Meeting held on 30.06.2007. He is a Chemical Technologist with over 25 years experience in production of chemical, explosives, detonators and mushrooms.

The Board also, at the above meeting approved revision in remuneration of Sri T.V.Chowdary w.e.f. 01.07.2007 on the following terms and conditions.

1. Salary:

Basic Rs. 70,000/- (Rupees seventy thousand only) per month with an annual increment of 10% to 20% rounded off to nearest Rs.100/- due on 1st April every year.

2. Commission:

In addition to the salary, commission not exceeding 0.5% of the Net Profit.

3. Perquisites

CATEGORY A:

The Company will provide him the following in accordance with the rules of the company.

1. Unfurnished accommodation or House Rent Allowance at the rate of 30% of the salary in lieu of unfurnished accommodation.
2. Gas, electricity, water and soft furnishing subject to maximum of 10% of the salary.
3. Medical reimbursement: Medical expenses incurred on self and family subject to a ceiling of one month's salary per year.
4. Leave travel concession for self and family once in a year as per the company rules.
5. Club fees: Membership fee in any one club not being admission and life membership fee.
6. Personal accident insurance.

CATEGORY B:

1. Company's contribution towards provident fund as per the rules and regulations prescribed under Employees Provident Fund and Miscellaneous Provision Act, 1952.
2. Gratuity not exceeding half month's salary for each completed year of service, subject to maximum limit prescribed under the Payment of Gratuity Act, 1972.
3. Leave encashment at the end of tenure as per rules of the Company.

CATEGORY C:

He will be eligible for use of company's car and a telephone at residence. The use of car on company's business and telephone at residence will not be considered as perquisites. He shall be billed by the company for personal long distance calls on his residential telephone and personal use of car.

4. Minimum Remuneration:

In the event of loss or inadequacy of profits in any financial year, the Executive Director shall be paid the above remuneration by way of salary and perquisites as minimum remuneration.

Your Directors recommend the resolution as set out above for your approval. None of the Directors of the Company except Sri T.V.Chowdary is concerned or interested in the said resolution.

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Item No. 7

Sri K.Chalil is a Mining Engineer with over 30 years experience in major mining and quarrying industries/explosive industries, especially in areas of explosives application and marketing. The remuneration of Sri K.Chalil, Director (Marketing) has been revised w.e.f. 01.07.2007 at the Board Meeting held on 30.06.2007 on the following terms and conditions.

1. Salary:

Basic Rs. 67,500/- (Rupees sixty seven thousand five hundred only) per month with an annual increment of 10% to 20% rounded off to nearest Rs.100/- due on 1st April every year.

2. Commission:

In addition to the salary, commission not exceeding 0.5% of the Net Profit.

3. Perquisites

CATEGORY A:

The Company will provide him the following in accordance with the rules of the company.

1. Unfurnished accommodation or House Rent Allowance at the rate of 30% of the salary in lieu of unfurnished accommodation.
2. Gas, electricity, water and soft furnishing subject to maximum of 10% of the salary.
3. Medical reimbursement: Medical expenses incurred on self and family subject to a ceiling of one month's salary per year.
4. Leave travel concession for self and family once in a year as per the company rules.
5. Club fees: Membership fee in any one club not being admission and life membership fee.
6. Personal accident insurance.

CATEGORY B:

1. Leave encashment at the end of tenure as per rules of the Company.

CATEGORY C:

He will be eligible for use of company's car and a telephone at residence. The use of car on company's business and telephone at residence will not be considered as perquisites. He shall be billed by the company for personal long distance calls on his residential telephone and personal use of car.

4. Minimum Remuneration:

In the event of loss or inadequacy of profits in any financial year, the Director (Marketing) shall be paid the above remuneration by way of salary and perquisites as minimum remuneration.

Your Directors recommend the resolution as set out above for your approval. None of the Directors of the Company except Sri K.Chalil is concerned or interested in the said resolution.

By order of the Board
For PREMIER EXPLOSIVES LIMITED

Place : Secunderabad

A.N.GUPTA

Date : 30.06.2007

Vice Chairman & Managing Director

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DIRECTORS' REPORT

To

The Members,

Your Directors are pleased to present the 27th annual report together with the audited accounts of the company for the year ended 31st March, 2007.

A brief summary of the results is given below:

FINANCIAL PERFORMANCE:

	(Rs. in millions)	
	2006-07	2005-2006
Sales & other income	695.65	713.82
Gross profit	106.86	85.10
Less: finance charges	34.06	23.57
Depreciation	19.19	15.75
Diminution in value of investments	3.35	-
Provision for doubtful advances	5.30	-
Profit before tax	44.96	45.78
Less: provision for taxation:	12.09	19.60
Provision for deferred tax	5.62	(5.73)
Provision for fringe benefits tax	1.00	1.20
	18.71	15.07
Profit after tax	26.25	30.71
Add: balance brought forward	58.83	44.00
Profit available for appropriation	85.08	74.71
Appropriations:		
Dividend	12.18	12.17
Dividend tax	2.07	1.71
Transfer to General Reserve	2.00	2.00
Balance carried forward	68.83	58.83

Your Company has recorded net revenue of 695.65 million for the year ended 31st March, 2007 compared to 713.82 million in the previous year lower by 2.55%. The Gross Profit, however was 106.86 million compared to 85.10 million, about 25.57% higher.

After providing 34.06 million as finance charges (previous year Rs. 23.57 million), depreciation of Rs. 19.19 million (previous year Rs. 15.75 million), diminution in investment of Rs. 3.35 million (previous year Rs. 1.64 million) and provision for doubtful advances of Rs. 5.30 million, profit before tax was Rs. 44.96 million (previous year Rs. 45.78 million).

Dividend

Your Directors are glad to recommend 15% dividend for the year ended 31st March, 2007 on the amount paid up.

OPERATIONS:

Explosives & Accessories

The turnover of explosives and accessories during the year was Rs. 456 million as against Rs. 456.86 million during the previous year.

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Mushroom Division

The turnover of Mushroom Division during the year was Rs. 200.02 million as against Rs. 187.77 million of previous year representing an increase of 6.52 %.

On completion of the financial year, this division was hived off during April, 2007 for consolidating business in high energy materials and growing Defence segments.

SERVICE CONTRACTS

SHAR, Sriharikota

You will be glad to know that the Company has signed a 10 years (renewable for another 10 years) prestigious contract with Satish Dhawan Space Centre, SHAR, Indian Space Research Organisation (ISRO). The contract is for operation and maintenance of Second Propellant Plant at an annual value of about Rs. 70 million with price escalation on annual basis. The total value of contract would be around Rs. 700 millions. The operations have commenced from 18th January, 2007.

S.P.D. EXPANSION

Special Product Division dedicated for defence sector for production of Solid Propellants was completed during the year and was commissioned on 16th September, 2006.

EXPORTS

Explosives division

Your company exported explosives and accessories valued at Rs. 60.11 million during the year compared to Rs. 20.53 million during the previous year.

Mushroom division

Your company exported mushrooms valued at Rs. 17.50 million during the year compared to Rs 31.81 million during the previous year.

JOINT VENTURES:

Your company has established two joint ventures abroad for manufacture of explosives and accessories. At one JV the production has commenced in April 2007. The second JV is expected to commence during July / August 2007. Both JVs are expected to make good contribution during the next financial year.

INVESTMENTS - PREMIER EXPLOCHEM LIMITED

An accident occurred at explosive manufacturing factory belonging to Premier Explochem Limited, which was operating the erstwhile Explosives Division, which was hived off by your Company during 2004-05. Your Company was allotted shares for the value of depreciated assets in the company on hive off. The carrying value of the investment has been duly adjusted.

FUTURE PROSPECTS

Your company has started production of various Pyrogen Igniters and Astra missile motors, for defence sector which were successfully flight tested.

Your company is also expecting good contribution from overseas joint ventures.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement with the stock exchanges, the company has implemented the code of corporate governance. The reports on corporate governance and management discussion

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and analysis together with auditor's certificate on the same are attached to this report.

DIRECTORS:

Mr. K.V.Raghavan and Mr. Anilkumar Mehta will retire by rotation and being eligible, offer themselves for reappointment.

Dr. S.V.Kannan has retired as Dy. Managing Director of the company on 28.02.2007. The board of directors record their appreciation for the valuable services rendered by him during his tenure.

AUDITORS:

M/s. M. R. Devineni & Company, Chartered Accountants, Hyderabad are retiring at ensuing Annual General Meeting and have confirmed their eligibility under Section 224 (1-B) of the Companies Act, 1956.

The Board recommends their reappointment for the following year.

AUDITOR'S REPORT:

In respect of observations made by the Auditors in their report pertaining to note No. 6 of Notes to Accounts vide Schedule 24, the note is self explanatory.

DEPOSITS:

Your directors report that there were no deposits at the end of the year which were due but not paid.

DUES TO FINANCIAL INSTITUTIONS

There were a few instances of minor delay in case of interest and principal repayments of term loan to financial institutions due to delay in collection from debtors. No interest and instalment payment is overdue for payment to financial institutions as on date.

STATUTORY INFORMATION:

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 is given in the annexure to this report.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, particulars of employees of the company are furnished in an annexure to this report.

AWARDS & HONOURS

Your directors are glad to inform that your Company has been awarded Appreciation Certificate by Andhra Pradesh Pollution Control Board in the category of Best Greenbelt Industries.

Your company has also received award of achieving highest rating in the ranking of India's Top 500 Manufacturing Small and Mid Sized companies during August, 2006

Naval Science & Technological Laboratory, D.R.D.O., Visakhapatnam, has presented Appreciation Award to your Company in recognition of its valuable contribution to them in the development of various specialized products.

Your company has also received Certificate of Appreciation by Rotary Club in appreciation of

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company's service and support for Drinking Water Project and organization of medical camps in remote villages around twin cities.

RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF COMPANIES ACT, 1956 :

Your Directors confirm that:

- i) the applicable accounting standards have been followed;
- ii) the accounting policies selected were applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2007 and of the Profit of the Company for the year ended on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

INDUSTRIAL RELATIONS:

Your Directors thank all employees for their cooperation and the contribution towards harmonious relationship and progress of the company.

ACKNOWLEDGEMENT:

Your directors place on record their appreciation of the continued support and cooperation from Export-Import Bank of India, Industrial Development Bank of India, State Bank of India, UCO Bank, Canbank Factors Limited and State Bank of Hyderabad.

FOR AND ON BEHALF OF
THE BOARD OF DIRECTORS.

Place : Secunderabad
Date : 30.06.2007

A.N.GUPTA
Vice Chairman & Managing Director

T.V.CHOWDARY
Executive Director

Premier Explosives Limited

ANNEXURE TO DIRECTORS' REPORT

Particulars 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.

A) Conservation of energy (Form 'A'):

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

Form A (See Rule 2)

Form for the disclosure of particulars with respect to conservation of energy:

(a) POWER AND FUEL CONSUMPTION

(All divisions except mushroom)

	For the period
	01.04.2006 to 31.03.2007
1. ELECTRICITY	
(A) Purchased units (million)	0.87
Total amount (Rs. in million)	4.21
Rate / unit (Rs.)	4.83
(B) Own generation	
(i) Through diesel generator units (million)	0.08
Litres of diesel oil (million)	0.04
Cost / unit (Rs.)	17.71
(ii) Through steam turbine/generator	N.A.
2. COAL (specify quality & where used)	Manuguru & Peddakandukuru
Quantity (tonnes)	4.33
Total cost (Rs. in millions)	0.95
Average rate (Rs. per kg.)	2.20
b) Technology absorption (Form 'B') :	
Research and Development (R & D)	
1. Specific areas in which R & D carried out by the company	: Development of specialised defence products
2. Benefits derived as a result of above R & D.	: Commercialising the indigenously developed products
3. Future plan of action	: To continuously improve existing products and develop cost effective processes

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(Rs. in millions)

4.	Expenditure on R & D :	
a)	Capital :	0.31
b)	Recurring :	1.16
c)	Total :	1.47
d)	Total R & D expenditure as a percentage of total turnover	0.22
5.	Technology absorption, adaptation and innovation:	
a)	Efforts : New products were developed.	
b)	Benefits : Successfully started commercial production of new products.	
c)	Particulars of imported technology in the last five years: -NIL	
C)	Foreign exchange earnings and outgo:	
1.	Foreign exchange earnings	
	FOB value of exports : Rs. 77.61 million	
2.	Foreign exchange outgo : Rs. 12.08 million	

ANNEXURE

Information as per Section 217 (2A) (b) (ii) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1957 and forming part of the Director's Report for the year ended 31st March, 2007.

A. EMPLOYED FOR THE FULL YEAR

Sl. No.	Name	Designation/ Nature of Duties	Gross Remuneration (Rupees)	Qualifications	Age (Years)	Total experience (years)	Date of commencement of employment	Last employment and designation
1.	Sri A.N. Gupta	Vice Chairman & Managing Director	2,795,757	M.Sc. (Mining)	62	40	14.02.1980	I.E.L. Limited, Area Sales Manager

B.EMPLOYED FOR PART OF THE YEAR

1	Dr.S.V.Kannan	Dy. Managing Director	2,553,687	M.Sc., Ph.D	63	40	14.02.1980	I.E.L. Limited, Sr. Research Officer
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Note : 1. Their employment is contractual

2. Dr. (Mrs.) Kailash Gupta, Director is wife of Mr. A.N. Gupta, Vice Chairman & Managing Director
3. Gross remuneration includes salary, commission, leave travel allowance, contribution to provident fund, medical expenses and rent free accommodation.
4. Dr. S.V.Kannan retired as Dy.Managing Director of the Company w.e.f. 28.02.2007.

Premier Explosives Limited

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on code of Corporate Governance:

Premier Explosives Limited believes that the code of corporate governance is a necessary discipline and a means of achieving and attaining the goals and objectives of the company and only proper governance implemented in the true spirit would lead to effectiveness and transparency in the functioning of a corporate. Your company has been practicing the principles of corporate governance over the years.

The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

2. Board of Directors

- i. The company has a non-executive Chairman and the number of independent Directors at 44.44% is more than one-third of the total number of directors. The number of Non-Executive Directors (NEDs) at 55.56% is more than 50% of the total number of directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.
- ii. None of the directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49, across all the companies in which he is a director. Necessary disclosures regarding committee positions in other Public Companies as at March 31, 2007 have been made by the Directors.
- iii. The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below.

Category	Name of the Directors
I. Executive Directors	
a) Promoters	Sri A. N. Gupta
b) Non-promoters	Sri K Chalil Sri T V Chowdary Sri B M Vijaya Kumar
II. Non - executive directors	Dr. (Mrs.) Kailash Gupta
III. Non - executive independent directors	Sri K. V. Raghavan - Chairman Dr. V. V. Subba Reddy Sri Anilkumar Mehta Dr. Haridwar Singh

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Name of the Director	Board Meetings		Attendance at Last AGM
	Held	Attended	
Sri K. V. Raghavan	8	6	Present
Sri A. N. Gupta	8	7	Present
Dr. S. V. Kannan *	7	6	Absent
Dr. (Mrs.) Kailash Gupta	8	8	Present
Dr. V. V. Subba Reddy	8	7	Present
Sri Anil Kumar Mehta	8	8	Present
Dr. Haridwar Singh	8	5	Present
Sri K Chalil	8	5	Absent
Sri T V Chowdary	8	7	Present
Sri B M Vijaya Kumar *	7	7	Present

- * Board Meetings held during the tenure of their directorship
 Sri B M Vijaya Kumar was appointed as Director of the Company w.e.f. 29.06.2006.
 Dr S V Kannan retired as Director w.e.f 28.02.2007.

Number of other Board of Directorships, Board Committees he is a Member or Chairperson of:

Name of the Director	Board of directors		Board Committees	
	Director	Chairman	Member	Chairman
Sri K. V. Raghavan	-	-	None	None
Sri A. N. Gupta	-	2	None	None
Dr. (Mrs.) Kailash Gupta	-	-	None	None
Dr. V. V. Subba Reddy	7	1	None	None
Sri Anilkumar Mehta	1	-	None	None
Dr. Haridwar Singh	2	-	None	None
Sri K Chalil	1	-	None	None
Sri T V Chowdary	-	-	None	None
Sri B M Vijaya Kumar	-	-	None	None

- v. EIGHT Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the meetings were held are given below :
 18.04.2006, 29.06.2006, 31.07.2006, 29.09.2006, 31.10.2006,
 31.01.2007, 20.02.2007 and 26.03.2007.
- vi. None of the Non-Executive Directors have any material pecuniary relationship or transactions with the company.

Reappointment of directors at the 27th AGM :

Sri K V Raghavan and Sri Anilkumar Mehta are liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

Sri K V Raghavan is former Managing Director of Indian Explosives Limited. He was also Chairman and Managing Director of Engineers India Limited and President of EID Parry. He

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was awarded "Lifetime Achievement Award" by "Visfotak" for his services to the explosives industry.

Sri Anilkumar Mehta is a Practising Chartered Accountant. He has been in practice since 1973. He has rich experience in auditing and other allied matters.

Code of Conduct :

The board has laid down code of conduct for all board members and senior managerial personnel of the Company. The code of conduct is available on the website of the Company at www.pelgel.com

All board members and senior managerial personnel have affirmed compliance with the code of conduct and a declaration to this effect signed by the Vice Chairman & Managing Director has been obtained.

3. Audit Committee

- a) The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchanges read with Section 292A of the Companies Act, 1956.
- b) The previous annual general meeting of the Company was held on 29th September 2006 and it was attended by Dr V V Subba Reddy, the Chairman of the Audit Committee.
- c) The Committee has all the powers, duties and obligations conferred upon and vested in it in terms of Section 292A of the Companies Act, 1956 as amended from time to time and also such additional powers, functions/ features, duties, obligations and discretions as is contained in Clause 49 of the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and as amended from time to time and / or any other powers, duties and obligations that may be given or assigned from time to time by the Board of Directors and the said Committee shall submit its report, recommendations etc., to the Board of Directors on all matters.
- d) The Audit Committee met FOUR times during the year on 29.06.2006, 31.07.2006, 31.10.2006 and 31.01.2007. The necessary quorum was present at all the meetings. The attendance of the members at these meetings vis-à-vis meetings held was as under:

Name	Category	No of Meetings during the year 2006-07	
		Held	Attended
Dr. V. V. Subba Reddy, Chairman	Non-executive, Independent director	4	3
Mr. Anilkumar Mehta	Non-executive, Independent director	4	4
Mr. K. V. Raghavan	Non-executive, Independent director	4	4

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4. Remuneration Committee

The members of the Remuneration Committee are:

- Sri K. V. Raghavan - Chairman & Non-executive Independent Director
- Dr. V. V. Subba Reddy - Non-executive Independent Director
- Sri Anilkumar Mehta - Non-executive Independent Director

The responsibility of the committee is to review and fix the remuneration package of the Managing / Whole-time directors based on performance and other criteria; to consider and approve service contracts, notice period, severance fee ; and to consider and approve stock option schemes, if any.

The Remuneration Committee met once on 29.06.2006 during the year to reappoint and fix remuneration to Dr S V Kannan as Deputy Managing Director for a period of 5 years with effect from 03.09.2006 and to appoint Sri B M Vijaya Kumar as Director (Finance) for a period of 3 years with effect from 29.06.2006. The necessary approval of Central Government is also received.

Details of remuneration to all the Directors :

a) Executive Directors :

Name of the Director	Salary	Benefits	Commission	Total
	Rs.	Rs.	Rs.	Rs.
Sri A. N. Gupta	1,320,000	852,934	622,823	2,795,757
Dr. S. V. Kannan	1,272,010	710,756	570,921	2,553,687
Sri K Chalil	720,720	85,549	311,412	1,117,681
Sri T V Chowdary	755,040	194,773	311,412	1,261,225
Sri B M Vijaya Kumar	468,000	109,200	233,559	810,759

b) Non-executive Directors:

Name of the Director	Sitting Fee		Total
	As a Director	As a committee member	
	Rs.	Rs.	Rs.
Sri K. V. Raghavan	30,000/-	12,500/-	42,500/-
Dr. (Mrs.) Kailash Gupta	36,000/-	-	36,000/-
Sri Anilkumar Mehta	36,000/-	12,500/-	48,500/-
Dr. V. V. Subba Reddy	-	-	-
Dr. Haridwar Singh	25,000/-	-	25,000/-

Premier Explosives Limited

5. Shareholders / Investors Grievance Committee

The members of the Share Transfer Committee are:

- Dr. V. V. Subba Reddy - Chairman
- Sri A. N. Gupta - Member
- Dr. S. V. Kannan * - Member

* Dr S V Kannan retired as Dy. Managing Director with effect from 28.02.2007.

Mr. B. M. Vijay Kumar, Director(Finance) & Company Secretary is the compliance officer.

The Board of Directors entrusted, inter alia, the following powers and responsibilities to the committee:

1. To approve and register transfer, transmission, issue of equity shares other than duplicate shares, to approve the demat / remat requests in connection with dematerialisation and/or rematerialisation of equity shares ;
2. To attend to Shareholder's grievances and redress the complaints of shareholders and attend to the complaints received from other authorities.

During the year under review, company received a total number of 15 shareholders complaints. All these complaints were redressed / replied to the satisfaction of the shareholders and no complaints were outstanding as on 31st March, 2007 :

Subsidiaries:

There are no subsidiaries to the Company.

CEO / CFO Certification:

The CEO / CFO of the company have certified to the board in relation to reviewing financial statements and other information as mentioned in para V of clause 49 of the listing agreement.

6. General Body Meetings

Location and time, where last three Annual General Meetings were held :

Year	Type of meeting	Venue	Date	Time
2003 - 2004	AGM	Federation of Andhra Pradesh Chamber of Commerce & Industry (FAPCCI), Surana Udyog Auditorium, 11-6-841, Post Box No. 14, Red Hills, Hyderabad - 500 004.	23.08.2004	11:00 A.M.
2004-2005	AGM	Federation of Andhra Pradesh Chamber of Commerce & Industry (FAPCCI), Surana Udyog Auditorium, 11-6-841, Post Box No. 14, Red Hills, Hyderabad - 500 004	31.08.2005	11.00 A.M.
2005-2006	AGM	Rajaji Sabhagriha, Bharatiya Vidya Bhavan, 5-9-1105, Basheerbagh, King Koti Road, Hyderabad - 500 029	29.09.2006	11.00 A.M

Premier Explosives Limited

Postal Ballot :

In accordance with Section 293 (1) (a) read with Section 192 A (2) of the Companies Act, 1956 and other applicable provisions, the Company successfully conducted the postal ballot process for passing resolution for sale of assets of Mushroom Division of the Company located at Village Kallakal, Toopran Mandal, Medak District, Andhra Pradesh. The Scrutinizer conducted the postal ballot process in a fair and true manner. The Shareholders approved the resolution with a majority of 99.91 % with 23,07,794 votes in favour of the resolution and 0.09 % with 1,974 votes against it. The result of postal ballot was announced at the Board Meeting held on 26.03.2007.

Compliance:

The company is regularly submitting its quarterly compliance report to the stock exchanges for the compliance of requirements of corporate governance under para VI (ii) of clause 49 of the listing agreement.

The company has complied with the applicable mandatory requirements of the revised clause 49 of the listing agreement.

Whistle blower policy:

To strengthen its policy of corporate transparency, the company has established an innovative and empowering mechanism for employees. Employees can report to the management their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy.

Risk Management:

The company has established a robust risk assessment and minimization procedure. This is reviewed regularly by the board of directors. However, a more elaborate risk management process as contemplated by the revised clause 49 of the listing agreement has been included in the management discussion and analysis report.

7. Disclosures

a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of the company at large:

During the year ended 31.03.2007 there were no materially significant related party transaction that may have potential conflict with the interest of the Company at large. Other related party transactions have been reported at Sl.No. 13 (II) of Notes to Accounts.

b) Transactions with Non-executive Directors:

During the year, there are no transactions with Non-executive Directors.

c) Details of non-compliance by the company:

There were neither instances of non-compliance by the company nor penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

Premier Explosives Limited

8. Means of communication

Half Yearly and quarterly financial results are normally published in newspapers viz. Business Standard (English) and Andhra Bhoomi (Telugu) on approval of the financial results by the Board of Directors.

Financial results are sent regularly to financial institutions and banks upon their publication.

Special Resolutions in Last 3 AGMs

In Financial Year 2003-04, 3 Special Resolutions were passed in the Annual General Meeting.

In Financial Year 2004-05, 3 Special Resolutions were passed in the Annual General Meeting.

In Financial Year 2005-06, 4 Special Resolutions were passed in the Annual General Meeting

9. General shareholder information

- a) AGM : 27th Annual General Meeting
Day and date : Friday, 28.09.2007
Time : 11:00 A.M.
Venue : Federation of Andhra Pradesh Chambers of Commerce & Industry (FAPCCI),
Surana Udyog Auditorium, 11-6-841, Post Box No. 14, Red Hills,
Hyderabad - 500 004.

- b) Financial Calendar : Tentative schedule is as under.

i) Un-audited Financial Results

1. First quarter (30.06.2007) : Last week of July, 2007
2. Half yearly (30.09.2007) : Last week of October, 2007
3. Third quarter (31.12.2007) : Last week of January, 2008

ii) Audited Financial Results

1. Fourth quarter (31.03.2008) : Last week of June, 2008

c) Date of book closure

Physical mode and Electronic Mode : 17.09.2007 to 28.09.2007

- d) Expected date of dispatch of Dividend Warrants : 15.10.2007 to 25.10.2007

e) Listing on Stock exchanges :

Name of the Stock Exchange	Stock Code
The Hyderabad Stock Exchange Limited	PREXPL\$ Stock ID : 739
Bombay Stock Exchange Limited	526247

Listing fee for the year 2007 - 2008 has been paid to the above stock exchanges.

Premier Explosives Limited

f) Registrar and Share Transfer Agents :

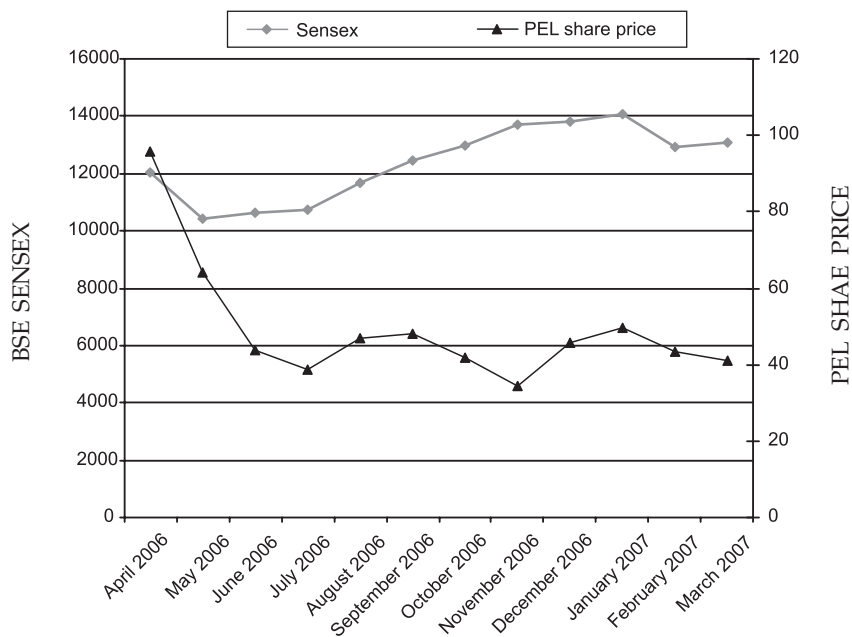
Sathguru Management Consultants Private Limited

Plot No.15, Hindi Nagar, Panjagutta, Hyderabad - 500 034.

g) Market Price data - High / Low during each month of the year 2006 - 2007

Month	High (Rs. Ps)	Low (Rs. Ps)
April 2006	97.25	73.00
May 2006	100.00	60.25
June 2006	68.90	31.00
July 2006	49.85	34.25
August 2006	54.50	35.95
September 2006	55.70	46.10
October 2006	50.80	41.85
November 2006	45.25	34.00
December 2006	60.70	34.55
January 2007	56.30	44.00
February 2007	54.00	40.00
March 2007	47.35	39.00

h) Market price performance in comparison to broad based index of Bombay Stock Exchange Limited (BSE).



Premier Explosives Limited

i) Share Transfer system :

The Company's shares are under compulsory dematerialisation category and transfers in electronic mode are effected on line by the NSDL and CDSL. In respect of physical shares, the Company normally processes the requests within 10 to 15 days and effects the transfer, if all the papers received are in order.

The Company after effecting the transfer of the shares sends dematerialisation option letter giving an option to the transferee to convert the shares into fungible form, which option has to be exercised within 15 days. Where the transferee exercises the option, the shares are converted into demat code. In cases, where the transferee wishes to have the physical shares, the same are sent immediately upon receipt of intimation. In those cases where option of dematerialisation is not exercised, the physical shares are sent to the transferee after expiry of the stipulated period.

j) Distribution of shareholding as on 31.03.2007

No. of shares		No. of shareholders		Shareholding	
From	To	Nos.	% to Total	Nos.	% to Total
1	- 500	8752	87.66	1408501	17.33
501	- 1000	667	6.68	558356	6.87
1001	- 2000	295	2.95	459594	5.65
2001	- 3000	88	0.88	226689	2.79
3001	- 4000	27	0.27	95539	1.18
4001	- 5000	36	0.36	172491	2.12
5001	- 10000	67	0.67	486532	5.99
10001	- Above	53	0.53	4719873	58.07
Total		9985	100.00	8127575	100.00

k) Shareholding pattern as on 31.03.2007:

Category	No. of Shares	Percentage
Promoters Holdings	2859623	35.18
Mutual Funds	1200	0.01
Banks, Financial Institutions & others	32100	0.40
Corporate Bodies	535137	6.59
Indian Public	4254542	52.35
NRI's/ OCB's	444973	5.47
Others	-	-
Total	8127575	100

Premier Explosives Limited

l) Dematerialisation of shares :

The Company's shares are in compulsory dematerialization category. The ISIN No. of the company is INE863B01011. The Company has established electronic connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through its depository transfer agents M/s. Sathguru Management Consultants Private Limited, Plot No.15, Hindinagar, Punjagutta, Hyderabad - 500 034.

7119646 equity shares representing 87.60 % of the Company's share capital have been dematerialized as on 31.03.2007.

m) Plant Locations :

DETONATORS DIVISION

(Detonators, DF & SPD)

Peddakandukur - 508 286

Yadagirigutta Mandal

District Nalgonda (A.P.)

BULK EXPLOSIVES DIVISION

i) Chandrapur Division

C-16, M.I.D.C

Ghugus Road

Chandrapur (Maharashtra)

ii) Manuguru Division

Manuguru - 507 117

District Khammam (A.P.)

iii) Singrauli Division

Plot No. 42, Industrial Area

Udyog Deep, Waidhan

District : Sidhi (M.P.)

SPECIAL PRODUCTS DIVISION

Peddakandukur - 508 286

Yadagirigutta Mandal

District Nalgonda (A.P.)

n) Address for Correspondence

: PREMIER EXPLOSIVES LIMITED
202 & 203, II Floor, Minerva Complex,
S. D. Road, Secunderabad - 500 003. (A.P.)

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

1.1 Explosives and accessories

The Indian explosive industry is one of the few highly developed ones in the world. The total consumption of explosives in India is amongst the first five in the world.

The total market had been increasing steadily due to infrastructure development and more demand of key minerals and power.

1.2 Mushrooms

Your company has consolidated the operation of Mushroom division and had been getting better price realisation in domestic market compared to exports.

On consolidating the mushroom business, your company has hived it off during April, 2007. Your Company is planning to concentrate in its core-competency areas of high energy materials & defence sector.

2. OPPORTUNITIES:

2.1 Joint Ventures

Explosives production in some of the countries had been monopolised by global giants like Orica, Dyno, UEE etc. Your Company has established two joint ventures abroad to take advantage of better margins. Production has already commenced in one Joint Venture from 17th April, 2007. The production at second Joint Venture is planned to start during July, 2007.

2.2 Service contracts

New opportunities are opening up for operation & maintenance of Defence and other Establishments of Government of India. Your Company has bagged the operation & maintenance contract of SPP at SHAR Centre, Sriharikota for a period of 10 years (renewable to another term of 10 years). This is in addition to the SPROB contract started during 2003-04.

Your Company is also trying to get other similar services contracts.

3. THREATS, RISKS AND CONCERNS:

Explosives and Accessories

The Indian explosive industry is fragmented with over 45 units having high production capacity trying to compete with each other. As expected the prices of most of products had been static and at the marginal levels.

Increasing competition and over capacity in the industry is a factor of concern. Your company is trying to counter it by overseas ventures in countries where margins are better.

4. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The company's business mainly comprises of manufacture of Explosives and Accessories including Solid propellants and other high-energy products for defence sector and growing of white button Mushrooms. The details are given hereunder:

4.1 Explosives & Accessories

The turnover of Explosives and accessories during the year was Rs. 456 millions as against Rs. 456.86 millions during the previous year.

Your company exported detonating fuse and detonators valued at Rs. 60.11 millions during the year 2006-07.

Premier Explosives Limited

4.2 Mushroom Division

The turnover of mushroom division during the year was Rs. 200.02 millions as against Rs. 187.77 millions of previous year representing an increase of 6.52%.

Your Company exported mushrooms valued at Rs. 17.50 millions during the year.

5. OUTLOOK

Explosives and accessories

Major contribution is expected from special products division, overseas ventures and operations and maintenance contracts during the financial year 2007-08.

6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has adequate internal control systems commensurate with the size and nature of its business. Internal control systems are supplemented by internal audit carried out regularly by internal auditor appointed by the management. The audit committee interacts with the statutory and internal auditor. The management also regularly reviews the operational efficiencies, utilization of fiscal resources, compliance with laws so as to ensure optimum utilization of resources and achieve better efficiencies.

7. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The financial statements for the year under review have been prepared on a going concern basis and in compliance with provisions of the Companies Act, 1956 and by following the generally accepted accounting principles in India and the applicable mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI).

The company has achieved a profit of Rs. 44,960,990/- during the current year.

8. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

The company has a strong and dedicated workforce of 874 Nos. The relations between the management and the workforce are cordial. The employees are imparted training through intense training programs by professionals and also at site. They are also encouraged to participate in the decision making process.

The management acknowledges the contributions made by each employee at all levels and records its appreciation for the cooperation extended.

9. CAUTIONARY STATEMENT

Statements in the management discussion 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 economic conditions affecting demand / supply and price conditions in the markets in which the company operates, changes in the government regulations, tax laws and other statutes and other incidental factors.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS.

Place : Secunderabad

A.N.GUPTA

T.V.CHOWDARY

Date : 30.06.2007

Vice Chairman & Managing Director

Executive Director

Premier Explosives Limited

CERTIFICATE

To

The Members of

PREMIER EXPLOSIVES LIMITED

We have examined the compliance of conditions of corporate governance by **PREMIER EXPLOSIVES LIMITED**, for the year ended on 31st March, 2007, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to 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, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2007 no investor grievances are pending against the Company for a period exceeding one month as per the records maintained by the Company which are presented to the Shareholders/Investors Grievance Committee.

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 R DEVINENI & CO.,
Chartered Accountants

Place : HYDERABAD

Date : 30.06.2007

P V R K NAGESWARA RAO
Partner

Premier Explosives Limited

AUDIT REPORT

To

The Members of

PREMIER EXPLOSIVES LIMITED

1. We have audited the attached Balance Sheet of **PREMIER EXPLOSIVES LIMITED** as at 31st March, 2007, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 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 (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) 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.
4. Further to our comments in the Annexure referred to 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 purpose 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 these 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 in Section 211 (3C) of the Companies Act, 1956 to the extent applicable.
 - v) On the basis of the written representations received from the directors, as on 31.03.2007, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 st March, 2007 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi) **We invite the attention of the Members to note No. 6 of Notes to Accounts vide Schedule No.24 about the recoverability of advance from a company amounting to Rs 20,280,805/- in respect of which we are unable to express an opinion.**

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the notes and accounting policies thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2007;
- b) in the case of Profit and Loss Account of the Profit for the year ended on that date; and
- c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **M R DEVINENI & CO.**,
Chartered Accountants

Place : HYDERABAD
Date : 30.06.2007

P V R K NAGESWARA RAO
Partner
Membership No. 18840

Premier Explosives Limited

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS OF PREMIER EXPLOSIVES LIMITED FOR THE YEAR ENDED 31ST MARCH 2007

- 1 (a) The company has maintained proper records showing full particulars including quantitative details except situation of Fixed Assets.
- (b) As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification. As regards capital works in-progress, the same will be verified by the management on completion of assets.
- (c) The Company has not disposed off substantial part of fixed assets during the year, which affect the going concern.
- 2 (a) As explained to us, the stock of stores, spare parts, raw materials and finished goods of the company have been physically verified at frequent intervals during the year by the Management except stocks lying with outside warehouses and consignees which have been verified with reference to certificates and other relevant documents where available.
- (b) The procedures of physical verification of Inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.
- 3 (a) The Company has granted unsecured loans of Rs. 42,277,268/- to two parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) In our opinion the terms and conditions of unsecured loans given to parties listed in the Register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interests of the company.
- (c) The company is regular in receipt of principal amounts as stipulated and restipulated .
- (d) The Company has taken unsecured loans of Rs.24,751,000/- from twelve parties listed in the register maintained under section 301 of the Companies Act, 1956 and unsecured loans of Rs.8,032,000/- have been repaid during the year to five parties.
- (e) In our opinion the rate of interest and other terms and conditions of unsecured loans taken from the parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interests of the company.
- (f) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system with regard to purchase of inventory, fixed assets and for the sale of goods and services.
- 5 (a) According to the information and explanations given to us and as confirmed by the Vice President (Finance) of the Company, we are of the opinion that the contracts or

Premier Explosives Limited

arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs.500,000/- in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6 According to the information and explanations given to us, the Company has generally complied with the directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under where applicable. We are informed that, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- 7 In our opinion and according to the explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
- 8 In respect of this Company maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956.
- 9 (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs duty, Excise Duty, Cess and other material statutory dues applicable to it with appropriate authorities and in respect of these statutory dues, there are no outstanding dues as on 31.3.2007 which are outstanding for a period of more than six months from the date they became payable.
- (b) According to the records of the Company and as per the information and explanations given to us, there are no dues of Customs Duty, Wealth Tax, Service Tax and Cess which has not been deposited on account of dispute as on 31.3.2007 except Sales Tax and Income Tax and the details of which are as given below:

Name of the Statute	Nature of the dues	Year to which it relates	Amount Rs.	Forum where dispute is pending
1. Central Sales Tax	Tax payable on completion of assessment	1995-96	19,694/-	Deputy Commissioner of Sales Tax, Nagpur.
2. Income Tax Act, 1961	Tax payable on demand	2003-04	216,421/-	Commissioner of Income Tax Appeals (V), Hyderabad.

- 10 As per the information and explanations given to us and on an overall examination of the financial statements of the company for the current and immediately preceding financial year, we report that the Company does not have any accumulated losses at the end of the current financial year nor incurred cash losses in the current and immediately preceding financial year.
- 11 During the year the Company has defaulted in repayment of dues to financial institutions, bank and debenture holder and the details of which are as given below:

Premier Explosives Limited

Sl. No.	Lender's Name	Nature of the Loan	Amount of default Rs.	Period of default (days)
1.	State Bank of Hyderabad	Term Loan	3,300,000	3
			450,000	3
			16,927	31
			15,295	31
2.	Exim Bank	Term Loan	4,781,250	41
			313,500	8
			313,500	2
			1,665,867	11
			648,059	51

- 12 As per the information and explanations 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 to any body during the year.
- 13 In our opinion, as the Company is not a chit fund or a nidhi or mutual benefit fund or society, the provisions of Clause 4 (xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company for this year.
- 14 According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- 15 As per the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- 16 According to records of the Company the term loans raised during the year have been applied for the purposes for which they were raised.
- 17 As per the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the funds raised on short term basis have not been used for long term investments.
- 18 As per the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- 19 As per the information and explanations given to us, the Company has not issued any debentures during the year, which requires the creation of security or charge.
- 20 During the year the Company has not made any public issues for which the management has to disclose the end use of money raised through that public issue.
- 21 During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted practices in India and according to the information and explanations given to us we have neither come across an instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

For **M R DEVINENI & CO.**,
Chartered Accountants

Place : HYDERABAD
Date : 30.06.2007

P V R K NAGESWARA RAO
Partner
Membership No. 18840

Premier Explosives Limited

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule No.	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
I SOURCES OF FUNDS :			
SHARE HOLDERS' FUNDS :			
Share capital	1	81,198,675	81,161,162
Reserves and surplus	2	101,455,696	89,556,808
		182,654,371	170,717,970
LOAN FUNDS :			
Secured loans	3	199,955,104	240,572,585
Unsecured loans	4	46,972,791	48,186,806
		246,927,895	288,759,391
DEFERRED TAX LIABILITY (NET)	5	41,092,128	35,475,221
		<u>470,674,394</u>	<u>494,952,582</u>
II APPLICATION OF FUNDS:			
FIXED ASSETS:			
Gross block	6	494,086,691	376,434,996
Less: Depreciation		162,281,730	144,362,140
NET BLOCK		<u>331,804,961</u>	<u>232,072,856</u>
Capital Work-in-progress		328,869	80,312,404
Unallocated expenditure pending capitalisation	7	—	5,881,023
		332,133,830	318,266,283
INVESTMENTS	8	6,398,839	3,350,303
NET CURRENT ASSETS :			
CURRENT ASSETS, LOANS AND ADVANCES :			
Interest accrued on fixed Deposits and investments		544,837	414,083
Inventories	9	124,094,653	135,367,924
Sundry debtors	10	147,181,634	102,317,560
Cash and bank balances	11	59,672,847	27,136,923
Loans and advances	12	116,936,180	87,554,978
		<u>448,430,151</u>	<u>352,791,468</u>
Less: Current liabilities and provisions			
Current liabilities	13	291,217,672	148,314,461
Provisions	14	25,070,754	32,192,324
		<u>316,288,426</u>	<u>180,506,785</u>
NET CURRENT ASSETS		132,141,725	172,284,683
MISCELLANEOUS EXPENDITURE	15	—	1,051,313
		<u>470,674,394</u>	<u>494,952,582</u>
Notes to accounts	24		
Significant accounting policies	25		

Per our report of even date
for M.R.DEVINENI & CO.,
Chartered Accountants

P.V.R.K.NAGESWARA RAO
Partner

A.N.GUPTA
Vice Chairman & Managing Director

T.V.CHOWDARY
Executive Director

Date : 30.06.2007
Place : Secunderabad.

B.SOMASEKHARA RAO
Vice President (Finance)

Premier Explosives Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule No.	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
		Rs.	Rs.	Rs.	Rs.
I INCOME :					
Gross sales			728,401,858		741,133,302
Less:Excise Duty			60,205,822		57,217,637
Net Sales			668,196,036		683,915,665
Other income	16		27,449,847		29,901,009
			695,645,883		713,816,674
II EXPENDITURE :					
Materials consumed	17		267,642,544		331,956,981
Packing material consumed			46,337,610		41,361,356
Manufacturing expenses	18		80,732,876		83,094,413
Expenses on employees	19		95,900,448		88,892,186
Other expenses	20		79,706,076		78,832,004
Selling expenses	21		11,070,597		8,409,374
Finance charges	22		34,064,580		23,568,521
(Increase)/Decrease in Stocks	23		16,044,006		(3,830,291)
Depreciation(Net)/Amortisation		19,290,899		15,853,171	
Less : Transferred from revaluation reserve		104,743		104,743	
			19,186,156		15,748,428
			650,684,893		668,032,972
III NET PROFIT BEFORE TAX			44,960,990		45,783,702
Less : Income Tax Expense:					
- Current tax		10,700,000		19,500,000	
- Deferred tax		5,616,907		(5,731,005)	
- Income tax adjustments		1,390,694		105,760	
		17,707,601		13,874,755	
- Fringe benefits tax		1,000,000	18,707,601	1,200,000	15,074,755
			26,253,389		30,708,947
Add : Profit brought forward from last year			58,831,764		44,004,419
Amount available for appropriation			85,085,153		74,713,366
Transfer to:					
Proposed dividend		12,179,801		12,174,174	
Provision for corporate dividend tax		2,069,957		1,707,428	
General reserve		2,000,000		2,000,000	
			16,249,758		15,881,602
Balance of profit carried forward			68,835,395		58,831,764
Earnings per share (Basic / diluted)			3.23		3.78
(Nominal value:Rs.10/- per share)					
Notes to accounts	24				
Significant accounting policies	25				

Per our report of even date
for **M.R.DEVINENI & CO.,**
Chartered Accountants

P.V.R.K.NAGESWARA RAO
Partner

A.N.GUPTA
Vice Chairman & Managing Director

T.V.CHOWDARY
Executive Director

Date : 30.06.2007
Place : Secunderabad.

B.SOMASEKHARA RAO
Vice President (Finance)

Premier Explosives Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

	2006-2007	2005-2006
	Rs.	Rs.
Net profit before tax	44,960,990	45,783,702
ADJUSTMENTS FOR:		
ADD:		
Depreciation	19,186,156	15,748,428
(Profit)/Loss on sale of assets (net)	(40,715)	573,669
Share issue expenses written off	–	120,494
Deferred revenue expenses written off	1,051,313	1,051,312
Provision for diminution in book value of investments	3,345,310	1,642,697
Provision for doubtful advances	5,300,000	–
Interest expense	30,373,163	19,738,595
Interest income	(5,937,897)	(1,598,598)
Wealth tax	25,610	13,770
Operating profit before working capital changes	98,263,930	83,074,069
ADJUSTMENTS FOR:		
Increase in sundry debtors	(44,864,074)	(12,828,655)
Increase in inventories	11,273,271	(16,496,818)
Increase in loans and advances	(44,484,825)	(39,606,214)
Increase in current liabilities	145,546,910	7,438,478
(Increase)/Decrease in fixed deposits pledged with banks etc., and dividend accounts with banks	4,199,608	(9,037,453)
Cash generated from operations	169,934,820	12,543,407
Interest paid	(31,166,423)	(20,628,063)
Income tax paid	(23,189,920)	(6,546,023)
Dividend paid	(13,696,916)	(13,694,888)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	101,881,561	(28,325,567)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(33,239,658)	(109,416,013)
Sale of assets	1,318,751	3,793,983
Advance against capital items	9,803,622	(7,575,849)
Interest earned	5,807,143	1,437,118
Purchase of investments	(6,393,846)	–
CASH USED IN INVESTING ACTIVITIES (B)	(22,703,988)	(111,760,761)

Premier Explosives Limited

	2006-2007 Rs.	2005-2006 Rs.
<u>CASH FLOW FROM FINANCING ACTIVITIES:</u>		
Proceeds from long term borrowings	41,105,257	144,165,556
Repayment of long term borrowings	(43,057,149)	(50,397,803)
Proceeds from fixed deposits , dealership deposits	14,364,616	17,433,625
Repayment of fixed deposits, dealership deposits	(17,083,887)	(11,875,730)
Increase/(Decrease) in working capital loans	(37,808,391)	44,667,586
Proceeds from shares	37,513	89,852
CASH GENERATED FROM FINANCING ACTIVITIES (C)	<u>(42,442,041)</u>	<u>144,083,086</u>
Net increase in cash and cash equivalents (A+B+C)	36,735,532	3,996,758
Cash and cash equivalents at beginning of the year	11,091,847	7,095,089
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>47,827,379</u>	<u>11,091,847</u>
NOTE:		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and Bank balances	59,672,847	27,136,923
Less: Deposits pledged with banks towards margin money and Dividend accounts with Banks dealt in operating activity	11,845,468	16,045,076
Cash and cash equivalents at the end of the year	<u>47,827,379</u>	<u>11,091,847</u>

Notes:

1. The cash flow statement has been prepared under 'Indirect Method' in accordance with the requirement of Accounting Standard - 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
2. Notes to Accounts (Schedule 24) and Significant Accounting Policies (Schedule 25) form an integral part of Cash Flow Statement.
3. Previous Year's figures have been regrouped wherever necessary to conform to this year's classification.

This is the Cash Flow Statement referred to in our report of even date.

Per our report of even date
for **M.R.DEVINENI & CO.,**
Chartered Accountants

P.V.R.K.NAGESWARA RAO
Partner

A.N.GUPTA
Vice Chairman & Managing Director

T.V.CHOWDARY
Executive Director

Date : 30.06.2007
Place : Secunderabad.

B.SOMASEKHARA RAO
Vice President (Finance)

Premier Explosives Limited

SCHEDULES FORMING PART OF ACCOUNTS

	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
1 SHARE CAPITAL :		
AUTHORISED :		
1,00,00,000 Equity shares of Rs.10/- each	<u>100,000,000</u>	<u>100,000,000</u>
ISSUED :		
81,27,575 Equity shares of Rs.10/- each	<u>81,275,750</u>	<u>81,275,750</u>
SUBSCRIBED :		
81,27,575 Equity shares of Rs.10/- each fully paid up {Including 10,21,705 bonus shares allotted on capitalisation of general reserve}	81,275,750	81,275,750
Less: Allotment money due	<u>77,075</u>	<u>114,588</u>
	<u>81,198,675</u>	<u>81,161,162</u>
	<u>81,198,675</u>	<u>81,161,162</u>
2 RESERVES AND SURPLUS :		
Capital Reserve :		
Subsidy received	3,057,370	3,057,370
Shares forfeited	<u>13,000</u>	<u>13,000</u>
	<u>3,070,370</u>	3,070,370
Share premium	17,333,647	17,333,647
General Reserve :		
As per last account	6,500,000	4,500,000
Add: Transferred from profit and loss account	<u>2,000,000</u>	<u>2,000,000</u>
	<u>8,500,000</u>	6,500,000
Revaluation Reserve :		
As per last account	3,821,027	3,925,770
Less: Transferred to profit and loss account being the difference of depreciation for the year on revalued amount of assets and their original cost	<u>104,743</u>	<u>104,743</u>
	<u>3,716,284</u>	3,821,027
Profit and loss account (Surplus)	<u>68,835,395</u>	<u>58,831,764</u>
	<u>101,455,696</u>	<u>89,556,808</u>

Premier Explosives Limited

	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
3 SECURED LOANS :		
A. Term Loans:		
From Industrial Development Bank of India (IDBI):	–	9,994,462
From State Bank of Hyderabad (SBH)	44,783,107	61,387,537
From Export Import Bank of India (EXIM)	102,853,973	74,627,933
(Secured by first mortgage and charge on all the immovable and movable assets, present and future, subject to prior charge on specified movables created or to be created in favour of bankers by way of security of borrowings for working capital ranking pari passu with the charges created or to be created in favour of the participating financial institutions and personal guarantee of one of the directors of the company)		
Interest accrued and due	648,059	–
B. Working Capital Loans :		
From Banks:	41,902,458	80,815,108
(On hypothecation of stocks and book debts and further secured by second charge on specified fixed assets of the company and personal guarantee of one of the Directors of the company)		
From Others:	5,316,575	4,212,316
(Secured by mortgage and charge on specific properties and personal guarantee of one of the directors of the company).		
C. Other Loans:		
On hire purchase of assets (Net of future finance charges)	–	26,163
Loans from others: (On the Hypothecation of vehicles and plant and machinery)	4,450,932	9,509,066
	<u>199,955,104</u>	<u>240,572,585</u>
4 UNSECURED LOANS:		
Sales tax deferment	11,082,885	9,577,628
Fixed deposits	23,175,000	23,236,000
From directors	6,906,000	4,163,000
From body corporates	–	5,200,000
Deposits from dealers and others	5,808,906	6,010,178
	<u>46,972,791</u>	<u>48,186,806</u>
5 DEFERRED TAX LIABILITY (NET):		
- Opening balance	35,475,221	41,206,226
- Additional adjustment for the current year (Refer note no. 16 of schedule 24)	5,616,907	(5,731,005)
	<u>41,092,128</u>	<u>35,475,221</u>

Premier Explosives Limited

6 FIXED ASSETS :

Description of Assets	GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK			
	Cost/ professional Valuation As at 01.04.2006	Additions during the year	Deductions during the year	Total cost/ professional valuation as at 31.03.2007	Upto 31.03.2006	For the year	On deductions	Total upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TANGIBLE ASSETS:										
Land	9,407,724	2,033,240	-	11,440,964	-	-	-	-	11,440,964	9,407,724
Lease hold land	219,386	-	-	219,386	14,958	2,216	-	17,174	202,212	204,428
Roads and buildings	88,702,206	24,154,643	-	112,856,849	24,203,332	2,836,878	-	27,040,210	85,816,639	64,498,874
Plant and machinery	259,639,926	89,680,604	460,013	348,860,517	112,195,345	14,491,878	271,237	126,415,986	222,444,531	147,444,581
Data processing equipment	4,177,625	92,960	-	5,105,585	2,749,586	456,115	-	3,205,701	1,899,884	1,428,039
Office equipment	3,718,459	142,641	-	3,861,100	1,787,517	218,249	-	2,065,766	1,855,334	1,930,942
Furniture and fixtures	2,289,759	232,348	-	2,522,107	1,587,345	135,884	-	1,723,229	798,878	702,414
Vehicles	8,279,911	2,297,604	2,189,332	8,388,183	1,824,057	872,346	1,100,072	1,596,331	6,791,852	6,455,854
INTANGIBLE ASSETS:										
ERP licence fee	-	832,000	-	832,000	-	277,333	-	277,333	554,667	-
TOTAL	376,434,996	120,301,040	2,649,345	494,086,691	144,362,140	19,290,899	1,371,309	162,281,730	331,804,961	232,072,856
PREVIOUS YEAR TOTAL	353,450,725	29,575,047	6,590,776	376,434,996	130,732,093	15,853,171	2,223,124	144,362,140	232,072,856	222,718,632

Note : Land and Buildings and Plant and Machinery pertaining to detonators division at Peddakandukur were revalued by registered valuers as at 31st march 1993.

Premier Explosives Limited

7 STATEMENT OF UNALLOCATED EXPENDITURE PENDING CAPITALISATION:

Particulars	Upto	Additions	Capitalised	Upto
	31.03.2006			during
	Rs.	the year	the year	Rs.
		Rs.	Rs.	
Travelling and conveyance	101,633		101,633	-
Salaries, bonus and other benefits to staff	363,792		363,792	-
Contribution to provident fund	34,382		34,382	-
Contribution to E.S.I.	404		404	-
Printing and stationery	2,363		2,363	-
Professional charges	42,955		42,955	-
Communication expenses	1,869		1,869	-
Vehicle maintenance	41,957		41,957	-
Rates and taxes	109,600		109,600	-
General expenses	1,196,153	263,080	1,459,233	-
Depreciation	4,435	487	4,922	-
Interest on fixed loans	3,204,676	2,735,410	5,940,086	-
Bank charges and commission	776,804		776,804	-
	5,881,023	2,998,977	8,880,000	-

Unallocated expenditure of Rs.8,880,000/- allocated to relevant capital assets of a division capitalised on 16.09.2006

	As at		As at	
	31st March, 2007	Rs.	31st March, 2006	Rs.
8 INVESTMENTS:				
(At Cost)				
LONG TERM				
NON-TRADE, UNQUOTED				
4,99,300 Equity shares of Rs.10/- each				
fully paidup in Premier Explochem Limited		4,993,000		4,993,000
Less : Provision for diminution in book value		4,988,007		1,642,697
		4,993		3,350,303
JOINT VENTURES:				
a) 8000 Equity shares of \$10 each in Premier Georgia Limited.		3,612,300		-
b) 3600 Equity shares of YTL 25 each in Premier Sentas Patalayici Maddeler Ticaret Ve Sanayi A.S.		2,781,546		-
		6,398,839		3,350,303

Premier Explosives Limited

	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
9 INVENTORIES:		
(As certified by the management)		
Raw materials	39,274,112	33,088,981
Material in transit	-	5,014,261
Work-in-process	31,215,188	29,508,964
Finished goods	31,322,217	48,886,340
Stock of stores	21,307,288	16,764,192
Scrap	975,848	2,105,186
	<u>124,094,653</u>	<u>135,367,924</u>
10 SUNDRY DEBTORS :		
(Unsecured, considered good)		
Outstanding for more than six months:		
Considered good	50,537,404	11,470,255
Considered doubtful	173,127	173,127
Less: Provision for doubtful debts	<u>173,127</u>	<u>173,127</u>
	50,537,404	11,470,255
Others: considered good	<u>96,644,230</u>	<u>90,847,305</u>
	<u>147,181,634</u>	<u>102,317,560</u>
11 CASH AND BANK BALANCES :		
Cash on hand	573,428	665,322
Cash at scheduled banks :		
In current accounts	5,950,829	8,543,578
In dividend accounts	709,651	524,965
In fixed deposits	12,133,939	16,488,058
(Of the above, Rs.1,02,97,735/- (previous year Rs.1,46,30,852/-) was pledged towards margin on letters of credit and bank guarantees, Rs.42,012/- (previous year Rs.39,339/-) to sales tax authorities, Rs.7,96,070/- (previous year Rs.7,43,539/-) to Naval Armament Depot, Rs. Nil (previous year Rs.1,06,381/-) to General Manager, Project Zaranj) Cheques/ demand drafts on hand/ In transit	<u>40,305,000</u>	<u>915,000</u>
	<u>59,672,847</u>	<u>27,136,923</u>

Premier Explosives Limited

	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
12 LOANS AND ADVANCES :		
(Unsecured, recoverable in cash or in kind or for value to be received)		
Considered good :		
Deposit with central excise authority (net)	4,462,540	2,339,247
Other advances and deposits	97,173,996	49,865,076
Advance for capital works	5,756,287	15,559,909
Share deposits	7,244,671	10,384,950
Prepaid expenses	1,162,228	1,263,106
Claims receivable	1,136,458	8,142,690
Considered doubtful :		
Other advances and deposits	5,300,000	-
Less: Provision for doubtful advances	5,300,000	-
	-	-
	<u>116,936,180</u>	<u>87,554,978</u>
13 CURRENT LIABILITIES :		
Sundry creditors :		
Dues to small scale industrial undertakings (As certified by the management)	1,500,758	2,002,073
Others	<u>258,233,035</u>	<u>121,401,494</u>
	259,733,793	123,403,567
Advances from customers	29,973,563	23,032,787
Interest accrued but not due	800,665	1,353,142
Unclaimed dividend	709,651	524,965
(There is no amount due and outstanding to be credited to investor education and protection fund)		
	<u>291,217,672</u>	<u>148,314,461</u>
14 PROVISIONS :		
Proposed dividend	12,179,801	12,174,174
Provision for corporate dividend tax	2,069,957	1,707,428
Provision for taxation (net of prepaid taxes)	3,682,250	13,534,780
Provision for Fringe Benefits Tax (net of advance tax)	115,490	336,576
Provision for interest on income tax	290,000	800,000
Provision for gratuity and leave encashment	6,733,256	3,639,366
	<u>25,070,754</u>	<u>32,192,324</u>

Premier Explosives Limited

	As at 31st March, 2007 Rs.	As at 31st March, 2006 Rs.
15 MISCELLANEOUS EXPENDITURE :		
(To the extent not written off or adjusted)		
Share issue expenses	-	120,494
Less : Amount written off during the year	-	120,494
	-	-
Deferred expenditure :		
Prepayment premium	1,051,313	2,102,625
Less : Amount written off during the year	1,051,313	1,051,312
	-	1,051,313
	-	1,051,313
16 OTHER INCOME :		
Interest earned (gross)	5,937,897	1,598,598
(Tax deducted at source:Rs.75,975/- previous year: Rs.61,487/-)		
Miscellaneous income	21,044,586	26,513,026
Profit on sale of assets(net)	40,715	-
Excess liabilities written back	426,649	1,617,369
Foreign exchange fluctuations (net)	-	172,016
	27,449,847	29,901,009
17 MATERIALS CONSUMED :		
(a) Raw Material Consumed:		
Opening stock	33,088,981	27,965,412
Add: Purchases	263,512,377	323,761,605
	296,601,358	351,727,017
Less: Closing stock	39,274,112	33,088,981
	257,327,246	318,638,036
(b) Trade purchases	10,315,298	13,318,945
	267,642,544	331,956,981
18 MANUFACTURING EXPENSES:		
Consumable stores	4,607,434	7,255,100
Power and fuel	43,653,604	42,490,127
Other manufacturing expenses	12,541,540	10,808,338
Repairs and Maintenance to :		
Plant and machinery	16,641,546	13,179,796
Roads and buildings	1,488,752	2,675,000
Equipment hire charges	1,800,000	6,686,052
	80,732,876	83,094,413

Premier Explosives Limited

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
19 EXPENSES ON EMPLOYEES:				
Salaries, wages, bonus, gratuity and other benefits		83,546,617		74,802,867
Workmen and staff welfare expenses		5,043,843		7,336,271
Contribution to provident fund		5,087,891		4,741,270
Contribution to E.S.I		2,222,097		2,011,778
		<u>95,900,448</u>		<u>88,892,186</u>
20 OTHER EXPENSES :				
Directors' remuneration (Refer note no.7 of schedule 24)		8,539,109		11,179,832
Directors' sitting fees		152,000		25,000
Travelling and conveyance		11,243,906		10,249,643
Professional charges		1,766,301		2,735,554
Printing and stationery		1,363,626		1,253,522
Communication expenses		2,775,907		2,602,408
Rates and taxes		3,076,323		13,149,668
Advertisement		312,864		220,374
Vehicle maintenance		3,838,688		3,655,712
Repairs and maintenance to other assets		1,096,969		603,370
Carriage and freight	33,207,921		28,899,552	
Less: Freight and handling charges recovered	<u>14,761,398</u>		<u>13,768,104</u>	
		18,446,523		15,131,448
Insurance		1,984,152		2,127,049
Rent		633,516		672,268
Payments to auditors (Refer note no.10 of schedule 24)		391,093		301,135
General expenses		12,415,580		11,339,747
Donations		33,717		12,894
Foreign exchange fluctuations		1,311,820		-
Research and development expenses		1,383,221		1,050,878
Bad debts written off		295,451		184,642
Loss on sale of assets (net)		-		573,669
Provision for diminution in book value of investments		3,345,310		1,642,697
Provision for doubtful advances		5,300,000		-
Share issue expenses written off		-		120,494
		<u>79,706,076</u>		<u>78,832,004</u>

Premier Explosives Limited

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
21 SELLING EXPENSES :				
Sales Commission		9,082,331		6,733,542
Sales promotion expenses		235,224		473,214
Discount		982,306		41,546
Other selling expenses		770,736		1,161,072
		<u>11,070,597</u>		<u>8,409,374</u>
22 FINANCE CHARGES :				
Interest on fixed loans		12,909,179		5,693,846
Interest to others		16,089,271		11,856,367
Other finance charges		1,374,713		2,188,382
Bank charges and commission		3,691,417		3,829,926
		<u>34,064,580</u>		<u>23,568,521</u>
23 (INCREASE) /DECREASE IN STOCKS :				
Opening stock:				
Finished goods	48,886,340		48,858,340	
Work-in-process	29,508,964		27,304,586	
Scrap	<u>2,105,186</u>		<u>1,196,632</u>	
		80,500,490		77,359,558
Less:				
Closing stock:				
Finished goods	31,322,217		48,886,340	
Work-in-process	31,215,188		29,508,964	
Scrap	<u>975,848</u>		<u>2,105,186</u>	
		63,513,253		80,500,490
		<u>16,987,237</u>		<u>(3,140,932)</u>
Excise duty adjustment on finished goods inventory		943,231		689,359
(Increase) / Decrease in stocks		<u>16,044,006</u>		<u>(3,830,291)</u>

Premier Explosives Limited

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
24 NOTES TO ACCOUNTS:				
1 Previous year's figures have been regrouped wherever necessary to conform to this year's classification.				
2 CONTINGENT LIABILITIES				
(a) On account of Letters of credit and guarantees issued by the banks on behalf of the company	98,817,542		75,270,268	
(b) Sales tax demands disputed by the company pending in appeal	19,694		19,694	
(c) Income tax demands disputed by the company pending in appeal	2,593,454		2,206,794	
(d) On account of bonds executed by the company to the Government of India towards exemption of customs duty on imported equipment and excise duty on indigenous equipment, materials and finished goods.	43,558,472		43,558,472	
3 Estimated amount of contracts remaining to be executed on capital account and not provided for. (net of advances)	574,488		5,891,659	
4 Other advances and deposits include an amount of Rs. 145,471/- (Previous Year Rs.121,337/-) due from directors of the company. Maximum amount due during the year: Rs.191,900/- (Previous Year Rs.151,274/-).				
5 (i) The company has not received any memorandum from any micro, small and medium enterprises claiming the status as such within provisions of Micro, Small and Medium Enterprises Development Act 2006. Hence the amount paid/ payable to these parties during the year is nil.				
(ii) The names of Small Scale Industrial undertakings to whom the company owes any sum together with interest outstanding for more than 30 days are 1) Mixwel Industries 2) Shree Shree Packaging 3) Tapex Lemi Plast Private Limited (4) Krimesh Enterprises (5) S.B. Marketing. The above information and that given in schedule 12 A "Current Liabilities" regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.				
6 An amount of Rs.25,780,805/- is recoverable from a company towards advances paid shown in loans and advances as on 31.03.2007. There was an accident on 05.05.2007 in the unit near Nasik resulting in damage of part of buildings, plant and machinery and stocks etc. Out of Rs.25,780,805/-, an amount of Rs.5,300,000/- is doubtful of recovery and hence provision for				

Premier Explosives Limited

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
the same has been made in the books of accounts. The company is confident of recovering the balance amount as the same is backed by sufficient assets of the company.				
7 (a) DIRECTORS' REMUNERATION:				
Salary and allowances	4,535,770		3,335,578	
Contribution to provident fund	388,711		280,056	
Perquisites	1,564,501		6,034,382	
Commission	2,050,127		1,529,816	
	<u>8,539,109</u>		<u>11,179,832</u>	
b) CALCULATION OF COMMISSION:				
Computation of net profit in accordance with Section 349 read with Section 198 of the Companies Act, 1956 with relevant details of calculation of commission payable by way of percentage of such profits to Vice Chairman and Managing Director and Other Directors for the year ended 31st March, 2007				
Profit as per profit and loss account	44,960,990			
Add: Managerial remuneration including perquisites and benefits	8,539,109			
Director's sitting fees	152,000			
Wealth tax	25,610			
Provision for doubtful advances	5,300,000			
Decline in the value of investments	3,345,310			
Depreciation as per books	19,186,156			
	<u>81,509,175</u>			
LESS: Profit on sale of assets (net)	40,715			
Less : Depreciation as envisaged under Section 350 of the Companies Act	<u>19,186,156</u>			
	<u>62,282,304</u>			
Commission on Profits:				
Commission @1% to Vice Chairman and Managing Director	622,823			
Commission @1% to Deputy Managing Director Proportionately for 11 months	570,921			
Commission @0.5% to Director (Projects)	311,412			
Commission @0.5% to Director (Marketing)	311,412			
Commission @0.5% to Director (Finance) Proportionately for 9 months	233,559			

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	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
8	ADDITIONAL INFORMATION AS REQUIRED BY PART-II OF SCHEDULE VI OF THE COMPANIES ACT, 1956			
a)	DETAILS OF CAPACITIES AND PRODUCTION :			
	LICENCED/REGISTERED CAPACITY:			
	<u>Explosives:</u>			
Industrial explosives	33000 tonnes		33000 tonnes	
Detonators	100 Mn.Nos.		100 Mn.Nos.	
Styphnic acid	10 tonnes		10 tonnes	
Detonating fuse	45 Mn. Mtrs		45 Mn. Mtrs	
PETN	700 tonnes		700 tonnes	
Boostex	500 tonnes		500 tonnes	
Special products (Pyrogen etc.,)	500 Nos. & 150 tonnes		500 Nos. & 150 tonnes	
Mushrooms	3000 tonnes		3000 tonnes	
	INSTALLED CAPACITY :			
	(As Certified by the management)			
	<u>Explosives:</u>			
Industrial explosives	33000 tonnes		33000 tonnes	
Detonators	100 Mn. Nos.		100 Mn. Nos.	
Styphnic acid	4.5 tonnes		4.5 tonnes	
Detonating fuse	45 Mn. Mtrs		45 Mn. Mtrs	
PETN	700 tonnes		700 tonnes	
Boostex	500 tonnes		500 tonnes	
Special products (Pyrogen etc.,)	500 Nos. & 150 tonnes		500 Nos. & 150 tonnes	
Mushrooms	3000 tonnes		3000 tonnes	
	ACTUAL PRODUCTION:			
	<u>Explosives:</u>			
Industrial explosives	10029.21 tonnes		17553.164 tonnes	
Detonators	44.44 Mn.Nos.		43.561 Mn. Nos.	
Styphnic acid	0.942 tonnes		1.002 tonnes	
Detonating fuse	11.836 Mn.Mtrs		13.069 mn. mtrs	
PETN	228.873 tonnes		152.508 tonnes	
Boostex	133.709 tonnes		17.021 tonnes	
Special products (Pyrogen etc.,)	60 Nos.		126 Nos.	
Mushrooms	2717.445 tonnes		2912.736 tonnes	

Premier Explosives Limited

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
b) OPENING STOCK, PURCHASES AND CLOSING STOCK OF FINISHED GOODS :				
	QTY	VALUE	QTY	VALUE
		Rs		Rs
Opening Stock:				
Explosives:				
Industrial explosives (tonnes)	-	-	0.700	12,618
Detonators (million nos)	8.299	34,489,714	8.108	23,838,406
Detonating fuse (million mtrs)	1.285	3,266,570	1.281	4,411,603
PETN (tonnes)	2.900	201,202	2.000	137,100
Boostex (tonnes)	1.200	149,088	2.803	410,378
Mushrooms (tonnes)	170.167	10,487,947	294.990	18,563,425
Others		291,819		1,484,810
		<u>48,886,340</u>		<u>48,858,340</u>
Closing Stock :				
Industrial Explosives:				
Detonators (million nos)	3.676	18,880,180	8.299	34,489,714
Detonating fuse (million mtrs)	1.906	4,394,926	1.285	3,266,570
PETN (tonnes)	2.300	174,110	2.900	201,202
Boostex (tonnes)	6.150	1,028,052	1.200	149,088
Mushrooms (tonnes)	106.403	6,670,166	170.167	10,487,947
Others		174,783		291,819
		<u>31,322,217</u>		<u>48,886,340</u>
Purchases :				
Explosives:				
Industrial Explosives (tonnes)	-	-	151.00	7,535,080
Others	-	10,315,298	-	5,783,865
		<u>10,315,298</u>		<u>13,318,945</u>
c) DETAILS OF TURNOVER:				
Explosives:				
Industrial explosives (tonnes)	8243.940	153,747,429	7932.697	155,576,977
Industrial explosives for captive consumption (tonnes)	1785.270	-	9672.167	-
Detonators (million nos.)	49.063	224,862,211	43.370	223,395,558
Styphnic acid for captive consumption (tonnes)	0.942	-	1.002	-
Detonating fuse (million mtrs)	11.215	37,580,531	13.065	43,765,709
PETN (tonnes)	2.500	412,630	-	-
PETN for captive consumption (tonnes)	226.973	-	151.608	-
Boostex (tonnes)	125.159	20,638,027	7.621	1,276,264
Boostex for captive consumption (tonnes)	3.600	-	11.003	-
Special products (Pyrogen etc.,) (nos.)	60.000	18,754,900	126.000	32,844,000
Unservicable and damaged stock - Industrial explosives		-	100.000	-
Mushrooms (tonnes)	2781.209	200,025,339	3037.559	187,765,771
Others		72,380,791		96,509,023
		<u>728,401,858</u>		<u>741,133,302</u>

Premier Explosives Limited

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
d) DETAILS OF RAW MATERIAL CONSUMED :				
	QTY	VALUE	QTY	VALUE
		Rs		Rs
Ammonium nitrate (tonnes)	7442.344	84,006,537	9392.801	120,076,871
Copper strip (tonnes)	37.653	6,204,511	46.089	13,535,012
Aluminium strip (tonnes)	75.392	9,955,170	70.079	9,318,445
Paddy straw (tonnes)	6142.825	5,893,629	4420.220	4,968,233
Chicken manure(tonnes)	2645.865	2,133,794	2907.644	2,053,037
Mushroom Spawn (ltrs)	20189.800	3,924,020	50745.000	4,889,060
Others		- 145,209,585	-	163,797,378
		<u>257,327,246</u>		<u>318,638,036</u>
e) VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS AND SPARE PARTS CONSUMED AND THEIR PERCENTAGES TO TOTAL CONSUMPTION:				
	Value(Rs)	%	Value(Rs)	%
RAW MATERIALS :				
Imported	6,475,513	2.52	7,669,799	2.41
Indigenous	250,851,733	97.48	310,968,237	97.59
	<u>257,327,246</u>	<u>100.00</u>	<u>318,638,036</u>	<u>100.00</u>
SPARE PARTS :				
Imported	1,024,563	14.66	470,533	5.93
Indigenous	5,965,413	85.34	7,461,111	94.07
	<u>6,989,976</u>	<u>100.00</u>	<u>7,931,644</u>	<u>100.00</u>
f) C.I.F. VALUE OF IMPORTS :				
Raw materials		5,445,288		5,712,786
Trade purchase		42,146		-
Capital goods		84,382		55,386,148
Stores and spares		<u>1,024,563</u>		470,533
		<u>6,596,379</u>		<u>61,569,467</u>
g) EXPENDITURE IN FOREIGN CURRENCY : (ON ACCRUAL BASIS)				
Rates and taxes		-		10,338,673
Travel		644,081		445,218
Commission		3,287,337		177,083
Professional charges		276,511		879,014
Other expenses		<u>1,277,122</u>		-
		<u>5,485,051</u>		<u>11,839,988</u>
h) EARNINGS IN FOREIGN EXCHANGE: (ON ACCRUAL BASIS)				
FOB value of exports		77,607,231		52,338,200
Technical know how fees		-		4,429,000
Interest earned		<u>4,550,240</u>		152,763
		<u>82,157,471</u>		<u>56,919,963</u>

Premier Explosives Limited

	For the year ended 31st March, 2007		For the year ended 31st March, 2006	
	Rs.	Rs.	Rs.	Rs.
9 Expenditure under the following heads of account include prior period expenses as given below:				
Expenses on employees		311,929		120,340
Other expenses		-		25,396
Finance charges		20,956		-
		<u>332,885</u>		<u>145,736</u>
10 Payments to Auditors :				
As auditors		150,000		150,000
For certification		165,000		103,500
For expenses		76,093		47,635
		<u>391,093</u>		<u>301,135</u>

11 Details of foreign currency exposures that are not hedged by a derivative instruments or otherwise :

Sl. No	Particulars	2006-2007			2005-2006	
		Type of foreign Currency	Amount in foreign Currency	Equivalent amount in Rupees	Amount in foreign Currency	Equivalent amount in Rupees
1	Long term borrowings	USD	1,451,445	63,253,973	1,886,787	84,622,395
2	Payables for Supplies and Services	USD	333,186.49	14,520,267	333,186	14,943,414
3	Receivables for Supplies and Services	USD	691,483	29,830,566	205,641	9,132,538
		SGD	-	-	32,602	897,871
		EURO	294,794	16,885,829	-	-
4	Loans and advances	USD	965,219	41,639,548	120,000	5,430,200
		EURO	92,413	5,293,417	-	-
5	Bank Guarantees	USD	7,600	331,208	34,473	1,546,094
		EURO	-	-	19,350	1,060,767

12 Segmental Reporting:

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company.

As part of Secondary reporting, revenues are attributed to geographic areas based on the location of the customers.

The following tables present the revenue, profit, assets and liabilities information relating to the Business/Geographical segment for the year ended 31st March, 2007.

Premier Explosives Limited

Information about Business Segment - Primary

REPORTABLE SEGMENTS	EXPLOSIVES AND ACCESSORIES		MUSHROOMS		TOTAL	
	2006-07 Rs.	2005-06 Rs.	2006-07 Rs.	2005-06 Rs.	2006-07 Rs.	2005-2006 Rs.
Revenue						
External sales	528,054,100	553,250,711	200,347,758	187,882,591	728,401,858	741,133,302
Inter segment sales	-	-	-	-	-	-
Total revenue	528,054,100	553,250,711	200,347,758	187,882,591	728,401,858	741,133,302
Result						
Segment result	39,291,871	64,478,091	28,729,672	(2,742,774)	68,021,543	61,735,317
Interest (net)					23,060,553	15,951,615
Profit before tax					44,960,990	45,783,702
Less : Provision for taxation					18,707,601	15,074,755
Profit after tax					26,253,389	30,708,947
Other information						
Segment assets	606,595,705	467,652,799	180,367,115	206,755,255	786,962,820	674,408,054
	606,595,705	467,652,799	180,367,115	206,755,255	786,962,820	674,408,054
Unallocated assets						
Total assets	606,595,705	467,652,799	180,367,115	206,755,255	786,962,820	674,408,054
Segment liabilities	243,498,609	283,965,163	212,775,999	96,001,724	456,274,608	379,966,887
Unallocated liabilities					106,941,713	89,299,289
Total liabilities	243,498,609	283,965,163	212,775,999	96,001,724	563,216,321	469,266,176
Capital expenditure	118,944,732	16,325,475	1,356,308	13,249,572	120,301,040	29,575,047
Depreciation	8,885,444	5,757,218	10,300,712	9,991,210	19,186,156	15,748,428

Secondary Segment - Geographical by location of customers

Reportable Segments	2006-2007		2005-2006	
	Rs.	%	Rs.	%
Domestic	650,794,627	89.35	688,795,102	92.94
Exports	77,607,231	10.65	52,338,200	7.06
	728,401,858	100.00	741,133,302	100.00

Note : The Company does not track its assets and liabilities by geographical area.

- 13 As per Accounting Standard (AS - 18) on Related Party disclosures issued by the Institute of Chartered Accountants of India the disclosure of transactions with the related party as defined in the accounting standard are given below :

I. **List of Related Parties with whom transactions have taken place and nature of relationships :**

a) **Key Management Personnel :**

MR. A. N. GUPTA
 DR. S. V. KANNAN
 MR. T.V.CHOWDARY
 MR. K.CHALIL
 MR. B.M.VIJAY KUMAR

Premier Explosives Limited

- b) **Relatives of Key Management Personnel :**
 DR. (MRS.) KAILASH GUPTA
 MRS. SHONIKA GUPTA
 MR. C.P.LATISH BABU
 MRS. PRAVATHI LATISH
 MRS.T.MALATI
 MS.T.SHRUTI
 MR.T.LOHIT
 MRS.P.P.MALU
- c) **Concerns in which key management personnel have substantial interest (Significant Interest entities) :**
 PREMIER NITRATES AND CHEMICALS PRIVATE LIMITED
 A. N. GUPTA (HUF)
 GODAVARI FARMS & PLANTATIONS
- d) **Concerns in which relatives of key management personnel have substantial interest (Significant Interest entities) :**
 GODAVARI EXPLOSIVES LIMITED
 ASK CONSULTANTS PRIVATE LIMITED
 A I M S
- e) **Concerns in which the company has substantial interest (Associate Company) :**
 PREMIER EXPLOCHEM LIMITED
- f) **Joint Ventures :**
 PREMIER GEORGIA LIMITED
 PREMIER SENTAS PATALAYICI MADDELER TICARET Ve SANAYI A.S

II Details of Transactions with the Related Parties:

Sl. No.	Name of the Related Party / Nature of Transaction	2006-2007		2005-2006	
		Amount of Transaction Rs.	Amount Outstanding Rs.	Amount of Transaction Rs.	Amount Outstanding Rs.
1	Key Management Personnel				
	Managerial Remuneration	8,539,109	6,034,988 Cr	11,179,832	8,273,155 Cr.
	Acceptance of Unsecured Loans	2,600,000		350,000	
	Interest paid	234,153		185,945	
2	Relatives of Key Management Personnel				
	Sitting Fees	36,000	13,668,844 Cr	7,000	9,821,707 Cr.
	Acceptance of Unsecured Loans	3,269,000		,1850,000	
	Repayment of Unsecured Loans	1,132,000		2,790,000	
	Interest paid	1,757,342		1,063,054	

Premier Explosives Limited

Sl. No.	Name of the Related Party / Nature of Transaction	2006-2007		2005-2006	
		Amount of Transaction Rs.	Amount Outstanding Rs.	Amount of Transaction Rs.	Amount Outstanding Rs.
3	Concerns in which Key Management Personnel have substantial interest (Significant interest entities)				
	Acceptance of Unsecured loans	2,308,000	2,600,068 Cr	340,000	2,296,628 Cr.
	Repayment of Unsecured loans	1,700,000		-	
	Interest paid	311,636		222,864	
	Miscellaneous income	8,350		-	
4	Concerns in which relatives of Key Management Personnel have substantial interest (Significant interest entities)				
	Job work charges paid	831,532	1,525,883 Cr	873,362	2,964,292 Cr.
	Staff cost paid	5,141,541		6,555,373	
	Other expenses paid	389,068		669,046	
	Finance charges paid	20		297,925	
	Lease rent paid	2,025,000		1,330,044	
	Purchase of fixed assets	-		4,583,000	
	Acceptance of unsecured loans	-		5,300,000	
	Repayment of unsecured loans	5,200,000		100,000	
	Interest paid	142,608		5,862	
5	Concerns in which the company has substantial interest (Associate Company)				
	Purchase of raw materials	6,591,747	26,137,336 Dr	2,291,518	16,082,637 Cr.
	Sale of raw materials	2,183,968		1,888,991	
	Sale of packing material	686,342		-	
	Staff cost recovered	23,800		1,002,895	
	Commission received	-		124,485	
	Sale of fixed assets	312,000		-	
	Purchase of assets	2,040,898		-	
	Commission paid	220,072		-	
Purchase of goods	-		7,535,080		
6	Joint Ventures				
	Loan given	37,100,468	85,879,621 Dr	-	-
	Investment	6,393,846		-	
	Sale of goods	35,853,328		-	
	Share application money	3,253,567		-	
	Interest recovered	4,550,240		-	

Premier Explosives Limited

14 Information on leases as per Accounting Standard 19 on "Accounting for Leases": Operating Lease Expenses :

The company has various operating leases for equipments, office facilities and vehicles that are renewable on a periodic basis by mutual consent on mutually agreeable terms and cancellable at its option. Rental expenses for operating leases recognised in the Profit and Loss Account for the year is Rs.635,250/- (Previous Year :Rs.450,000/-)

15 Earnings per Share (EPS) - The numerator and denominator used to calculate Earnings per Share:

	Year ended 31.03.2007	Year ended 31.03.2006
- Profit attributable to the Equity Shareholders (Rs.) - (A)	26,253,389	30,708,947
- Basic/Weighted average number of Equity Shares outstanding during the year - (B)	8,123,158	8,114,508
- Nominal value of Equity Shares (Rs)	10	10
- Earnings per Share (Rs.) - (A) / (B)	3.23	3.78

- 16 (i) Provision for current tax has been made based on an estimate of assessable income determined by the company under the Income Tax Act, 1961.
- (ii) The Company estimates the deferred tax charge/(Credit) using the applicable rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year.

The movement of provision for deferred tax is given below :

Provision for Deferred Tax	Opening as at 01.04.2006	Charge/ (Credit) during the year	Closing as at 31.03.2007
(a) Depreciation	41,963,712	9,422,293	51,386,005
(b) Expenses debited to the Profit and Loss Account in a year but allowable as deductible expenses for tax purposes in the subsequent years as reduced by the claims allowable in the current year in respect of such expenses on a payment basis.	(6,165,504)	(962,438)	(7,127,942)
(c) Deferred revenue expenses	353,872	(353,872)	-
(d) Others	(676,859)	(2,489,076)	(3,165,935)
	35,475,221	5,616,907	41,092,128

Premier Explosives Limited

17 Interests in Joint Ventures

The company's interests, as a venturer, in jointly controlled entities (Incorporated Joint Ventures) are :

Name	Country of Incorporation	Percentage of ownership interest as at 31 st March 2007
PREMIER GEORGIA LIMITED	GEORGIA	40%
PREMIER SENTAS PATALAYICI MADDELER TICARET Ve SANAYI A.S	TURKEY	50%

The company's Interest in the Joint Ventures are reported as Long term Investments (Schedule 8) and stated at cost. However, the company's share of each of the assets, liabilities, income and expenses, etc. (each without elimination of, the effect of transactions between the company and the joint venture) related to its interests in the joint ventures, based on audited financial statements, are :

A. PREMIER GEORGIA LIMITED

	As at 31st March 2007 Rs.
<u>BALANCE SHEET</u>	
Secured loans	20,755,218
Retained profit	(8,798,380)
Fixed assets	17,321,296
<u>Current Assets, Loans and Advances</u>	
Inventories	2,147,892
Cash and bank balances	79,028
Loans and advances	6,354,824
Current Liabilities and Provisions	10,382,674
<u>INCOME STATEMENT</u>	For the year ended 31st March 2007
<u>Income</u>	Rs.
Sales	-
Other income	98
	98
<u>Expenditure</u>	
Expenses on employees	863,722
Other expenses	562,988
Interest	607,591
	2,034,301
Net Loss	2,034,203

Premier Explosives Limited

B. PREMIER SENTAS PATALAYICI MADDELER TICARET Ve SANAYI A.S.

<u>BALANCE SHEET</u>	As at 31st December 2006 Rs.
Bank Loans	1,919,429
Capital reserve	836,719
Profit reserve	77,591
Retained profits	3,774,748
Fixed assets	29,363,288
 <u>Current Assets, Loans and Advances</u>	
Inventories	4,516,064
Sundry debtors	3,017,549
Cash and bank balances	1,394,851
Loans and advances	2,809,061
Current Liabilities and Provisions	31,676,227
 <u>INCOME STATEMENT</u>	
<u>Income</u>	For the year ended 31st December 2006 Rs.
Sales	31,802,180
Other income	32,130
	<u>31,834,310</u>
 <u>Expenditure</u>	
Cost of sales	21,340,749
General and Administration expenses	10,020,497
Foreign exchange losses	17,479
Finance expenses	1,275
	<u>31,380,000</u>
Net Profit	454,310

18. On 31st January, 2007 the Board of Directors announced a plan to dispose of the assets of Mushroom Division, which is also a separate segment as per AS17, segment reporting. The disposal was for consolidating on core competencies viz., manufacture of explosives and defence products. The Company entered into agreement with M/s. Inventaa Chemicals Limited on 20th February, 2007 for sale of majority of the assets of Mushroom Division. Board of Directors noted at its meeting held on 26th March 2007 consent of share holders obtained by postal ballot for sale of Mushroom Division. The sale of assets and liabilities of Mushroom Division was completed in April 2007. The carrying cost of those assets and liabilities transferred as on 31st March, 2007 were Rs.1674.87 lakhs and Rs.153.22 lakhs respectively. The revenue, expense, profit before tax and profit after tax attributable to Mushroom division for the year ended 31st March, 2007 were Rs.2054.10 lakhs, Rs.1824.74 lakhs, Rs.229.36 lakhs and Rs.133.93 lakhs respectively.
19. Information as required under part IV of Schedule VI of the Companies Act, 1956 is given in Annexure A.

Premier Explosives Limited

25 SIGNIFICANT ACCOUNTING POLICIES

(a) FIXED ASSETS :

To state fixed assets at cost of acquisition inclusive of inland freight, duties and taxes and incidental expenses related to acquisition and net of CENVAT wherever applicable. In respect of project involving construction, related pre-operational expenses form part of the value of the assets capitalised. To state fixed assets revalued at the fair market value as per the valuation of registered valuers and credit the increased amount of assets on such revaluation to the revaluation reserve account.

(b) DEPRECIATION :

- (i) To charge depreciation in the accounts under Straight Line Method in accordance with rates specified in Schedule XIV of the Companies Act, 1956
- (ii) To charge additional depreciation on the increased amount of assets due to revaluation to the Revaluation Reserve created on the revaluation of the said assets
- (iii) Depreciation has been provided at one hundred percent for assets of cost less than Rs.5,000/-
- (iv) Leasehold Land is amortised over the lease period.

(c) EXCISE DUTY :

Excise Duties recovered are included in "Gross Sales". Excise duty on despatches is shown as an item of expense and deducted from Gross Sales. The value of closing stock of finished goods includes excise duty paid/payable on such stocks.

(d) INTERIM/PROPOSED DIVIDEND :

To provide for interim/proposed dividend(s) as decided/proposed by the Directors in books of account, pending ratification/approval at the Annual General Meeting.

(e) RETIREMENT BENEFITS :

The Company's liability towards retirement benefits in the form of Provident Fund, Leave encashment benefit and gratuity is fully provided for and charged to Revenue Expenditure. The Company contributes to the employees Provident Fund maintained under the Employees Provident Fund Scheme by the Central Government. Accruing liabilities towards gratuity and leave encashment benefit are provided on the basis of actuarial valuation made by an independent actuary.

(f) FOREIGN EXCHANGE TRANSACTIONS :

Transactions in Foreign Exchange, other than those covered by Forward Contracts, are accounted for at the exchange rates prevailing on the date of transactions. Assets and Liabilities remaining unsettled at the end of the year other than those covered by forward contracts are translated at the closing rate. Realised gains and losses on foreign exchange transactions other than those relating to Fixed Assets are recognised in the Profit and Loss Account. Gain or Loss on translation and realised gain or loss in respect of liabilities incurred to acquire fixed assets are adjusted to the carrying cost of fixed assets.

(g) INVESTMENTS:

Long Term Investments are valued at cost. Provision is made for decline, other than temporary, in value of investments.

Premier Explosives Limited

(h) INVENTORIES:

- (i) Inventories are valued at lower of cost or net realisable value except for scrap, Scrap is valued at net realisable value. Cost is determined using average cost method.
- (ii) Stationery, uniforms and canteen expenses are charged off to the revenue at the time of purchase.

(i) Borrowing Costs :

Borrowing costs that are attributable to the acquisition or construction of a qualifying asset are capitalised as a part of cost of such asset till such time as the asset is ready for its intended use.

(j) MISCELLANEOUS EXPENDITURE:

Prepayment premium paid to a financial institution is being amortised over a period of 5 years.

(k) RESEARCH AND DEVELOPMENT:

Revenue Expenditure on Research and Development is charged to the Profit and Loss Account . Capital Expenditure on Research and Development is shown as an addition to fixed assets.

(l) ACCOUNTING CONVENTION :

The financial statements are prepared under historical cost convention on an accrual basis.

(m) OPERATING LEASES :

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(n) TAXATION :

Tax expense (tax saving) is the aggregate of Current year Tax, Deferred Tax and Fringe Benefits Tax charged (or credited) to the profit and Loss Account for the year.

Current year charge

The provision for taxation is based on assessable profits of the Company as determined under the Income Tax Act, 1961. The Company also provides for such disallowances made on completion of assessments pending appeals, as considered appropriate depending on the merits of each case.

Deferred Tax

Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Premier Explosives Limited

Fringe Benefits Tax

The provision for Fringe Benefits Tax is made in respect of employee benefits and other specified expenses as determined under the Income Tax Act,1961.

(o) **CONTINGENT LIABILITIES :**

These are disclosed by way of Notes on the Balance Sheet. Provision is made in the accounts in respect of those contingencies which are likely to materialise into liability after the year end, till the finalisation of accounts and have material effect on the position stated in the Balance Sheet.

(p) **PROVISIONS:**

A provision is recognised when there is a present obligation as a result of past event. It is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(q) **EARNINGS PER SHARE:**

Earnings Per Share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

(r) **INTANGIBLE ASSETS AND AMORTISATION :**

Cost relating to Intangible assets, which are acquired, are capitalised and amortised over the period of 3 years, which is based on their estimated useful life.

Signatures to Schedules 1 to 25

Per our report of even date
for **M.R.DEVINENI & CO.,**
Chartered Accountants

P.V.R.K.NAGESWARA RAO
Partner

A.N.GUPTA
Vice Chairman & Managing Director

T.V.CHOWDARY
Executive Director

Date : 30.06.2007
Place : Secunderabad.

B.SOMASEKHARA RAO
Vice President (Finance)

Premier Explosives Limited

ANNEXURE- A

Balance Sheet Abstract and Company's General Business Profile (Pursuant to Part IV of Schedule VI to the Companies Act, 1956)

I. Registration details

Registration No. 2633 State Code

Balance sheet date

II. Capital raised during the year (Amount in Rs. thousands)

Public issue : Rights issue :

Bonus issue : Private placement :

III. Position of mobilisation and deployment of funds (Amount in Rs.thousands)

Total liabilities Total assets

Sources of funds

Paid-up capital Reserves and surplus

Secured loans Unsecured loans

Deferred tax liability

Application of funds

Net fixed assets Net current assets

Investments Misc. expenditure

Accumulated losses

IV. Performance of company (Amount in Rs.thousands)

Turnover/other income Total expenditure

Profit before tax Profit after tax

Earning per share in Rs. Dividend rate %

IV. Generic names of three principal products/services of Company (as per monetary terms)

Item code No.	Product description
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Premier Explosives Limited

ELECTRONIC CLEARING SERVICE (CREDIT CLEARING) ECS MANDATE FORM

Shareholder's authorization to receive dividends through Electronic Credit Clearing Mechanism

1. Name of the first/sole shareholder : _____
2. Folio No./Client ID No. : _____
3. Particulars of Bank account of first/sole shareholder : _____
 - a) Name of the Bank :
 - b) Branch, address, Telephone No. of the Branch : _____
 - c) 9-Digit code number of the Bank and branch appearing on the MICR cheque issued by the bank:
 - d) Account number : _____
(as appearing on the cheque book/Pass book)
 - e) Account type : _____
(S.B.account/current account or cash credit)
 - f) Ledger and Ledger folio number : _____
(as appearing on the cheque book/Pass book)

(In lieu of the bank certificate to be obtained as under, please attach a blank cancelled cheque or photocopy of a cheque or front page of your savings bank passbook issued by your bank, for verification of the above particulars)

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold the Premier Explosives Limited responsible. I agree to discharge the responsibility expected of me as a participant under the scheme.

Place : _____ (.....)
Date : _____ Signature of the Shareholder

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp

Date : _____ Signature of Authorized Official of the Bank

Note :

1. Please fill in the attached Mandate Form and send it to :
 - i) The depository Participant who is maintaining your demat account in case your shares are held in electronic form.
 - ii) The Registrar & Transfer Agent, M/s. Sathguru Management Consultants Private Limited, Plot No. 15, Hindi Nagar, Punjagutta, Hyderabad - 500 034 in case your shares are held in physical form.
2. Kindly note that the information provided by you should be accurate and complete in all respects and duly certified by your bank. In lieu of the bank certificate, you may attach a blank cancelled cheque or photocopy of a cheque or the front page of the savings bank pass book issued to you by your bank, for verification of the above particulars.
3. In case of more than one folio please complete details on separate sheets.
4. The completed mandate form should reach our Registrar's address (as mentioned above) on or before 20th September, 2007 to enable the Company to implement this facility.
5. The company shall finalise the facility based upon the quantum of response received from shareholders and the arrangements so finalized with the dividend bankers and subject to the various approvals and directions from RBI/ other statutory agencies.

Premier Explosives Limited

PREMIER EXPLOSIVES LIMITED

202 & 203, Minerva Complex, S.D. Road, Secunderabad - 500 003.

27th ANNUAL GENERAL MEETING, 28th SEPTEMBER, 2007 AT 11.00 A.M. ADMISSION SLIP

I declare that I am a registered
shareholder of the Company and
hold shares

FOLIO No.
(to be filled in by the Shareholders)

.....
Member's Signature

NOTE:

1. A member intending to appoint a proxy should complete the proxy form below and deposit it at the Company's registered office, not later than 48 hours before scheduled commencement of the meeting.
2. A member/proxy attending the meeting must complete this admission slip and hand it over at the entrance.
3. The meeting will be held at Federation of Andhra Pradesh Chambers of Commerce & Industry (FAPCCI), Surana Udyog Auditorium, 11-6-841, Post Box No.14, Red Hills, Hyderabad-500 004.

.....
Name of the Proxy in BLOCK LETTERS

.....
Proxy's Signature

PREMIER EXPLOSIVES LIMITED

202 & 203, Minerva Complex, S.D. Road, Secunderabad - 500 003.

PROXY FORM

FOLIO No.
(to be filled in by the Shareholders)

I / We being Member / Members of PREMIER EXPLOSIVES
LIMITED hereby appoint
of
in the district of
as my / our Proxy to vote for me / us on my / our behalf at the Annual General Meeting of the company
to be held on 28th September, 2007 and at any adjournment thereof.

Signed this day of 2007

Name

Address

.....

Revenue
Stamp

The Proxy form should be deposited at the registered office of the company not later than 48 hours before
scheduled commencement of the Meeting.

1. In order to prevent entry of unauthorised persons, entry to the meeting will only be allowed to members bringing attendance slips. Please therefore bring the attendance slip duly signed and hand it over at the entrance.
2. Members desirous of any information on the accounts at the meeting are requested to send their queries at least 10 days before the meeting to the company at its registered office.
3. Please bring your copy of the Annual Report at the meeting.
4. Company has entered into agreements with Depositories which would enable investors to hold and trade the Company's shares in dematerialised form.

