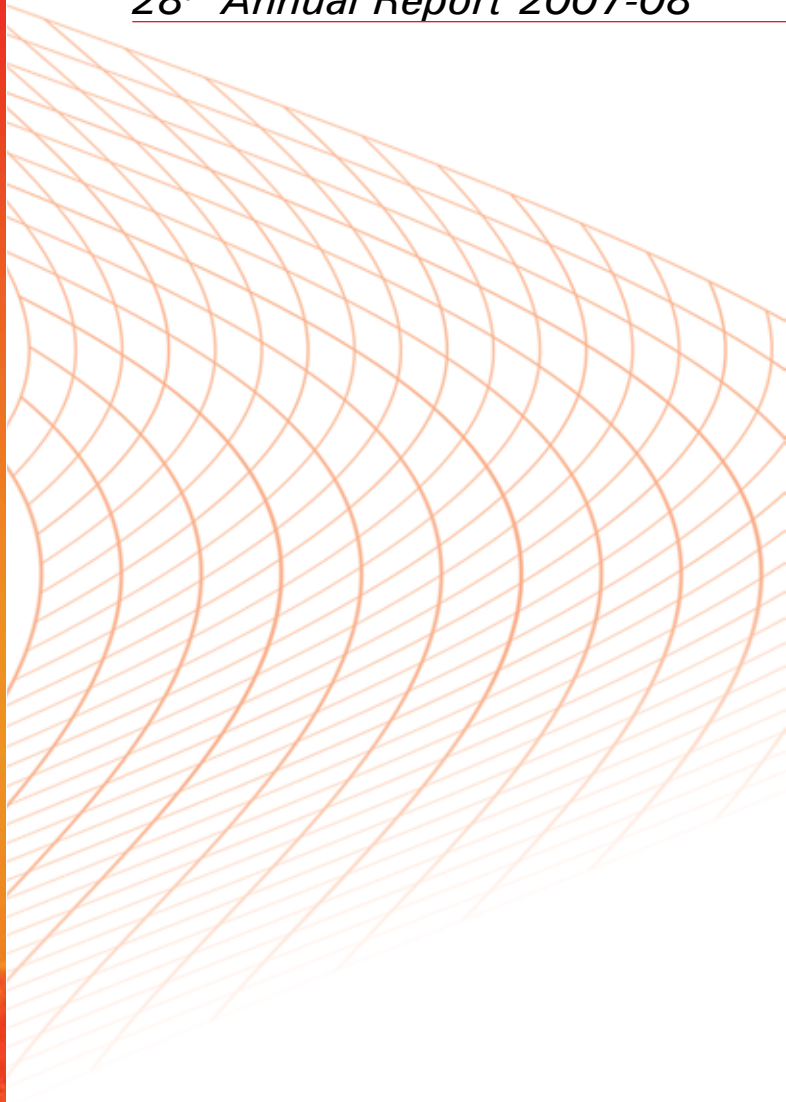


28th Annual Report 2007-08



**Premier
Explosives
limited**



Mr A.N.Gupta, Chairman and Managing Director receiving "Defence Technology Absorption Award 2007" from Hon'ble Prime Minister of India, Dr Manmohan Singh on 12th May, 2008.

Premier Explosives Limited

BOARD OF DIRECTORS	A.N.GUPTA	- Chairman & Managing Director
	T.V.CHOWDARY	- Executive Director
	K.CHALIL	- Director (Marketing)
	Dr. (Mrs.) KAILASH GUPTA	- Director
	Dr. V.V.SUBBA REDDY	- Director
	ANIL KUMAR MEHTA	- Director
	Dr. HARIDWAR SINGH	- Director
	P.R. TRIPATHI	- Director

V.P. (FINANCE) & COMPANY SECRETARY 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 AND SPECIAL PRODUCTS DIVISION
Peddakandukur - 508 286
District Nalgonda (A.P.)

BULK EXPLOSIVES

i) Chandrapur Division
C-16, M.I.D.C Ghugus Road
Chandrapur (Maharashtra) - 442 485

ii) Manuguru Division
Manuguru - 507 117
District Khammam (A.P.)

iii) Singrauli Division
Plot No. 42, Industrial Area
Udyog Deep, Waidhan - 486 886
District : Sidhi (M.P.)

REGISTRARS & SHARE TRANSFER AGENTS Sathguru Management
Consultants Private Limited
Plot No. 15, Hindi Nagar,
Punjagutta, Hyderabad - 500 034.

Premier Explosives Limited

NOTICE OF 28th ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Eighth Annual General Meeting of PREMIER EXPLOSIVES LIMITED will be held at Surana Udyog Auditorium, Federation of Andhra Pradesh Chambers of Commerce & Industry (FAPCCI), 11-6-841, Post Box No.14, Red Hills, Hyderabad - 500 004 on Monday, the 29th September, 2008 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, 2008, 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 2007-08.
3. To appoint a Director in place of Dr Haridwar Singh who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Dr (Mrs) Kailash Gupta who retires by rotation and being eligible offers herself for reappointment.
5. To consider and, if thought fit, to pass the following resolution with or without 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 modifications as an Ordinary Resolution:

"RESOLVED THAT Mr P.R.Tripathi, who was appointed as an Additional Director of the company and who, by virtue of Section 260 of the Companies Act, 1956 read with Article 127 of the Company's Articles of Association, ceases to hold office at this Annual General Meeting and in respect of whom the company has received a notice from a shareholder under section 257 of the Companies Act, 1956 proposing his candidature for the office of a director under section 257 of the said Act, be and is hereby appointed as a director of the company liable to retire by rotation."

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

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the company in terms of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and / or charging of all the immovable and movable properties of the company wheresoever situated, present and future, and whole of the undertaking of the company and / or conferring power to enter upon and take possession of the assets of the company in certain events to or in favour of M/s State Bank of India in connection with sanction of working capital loans for an amount not exceeding Rs 22.85 crores (Rupees twenty two crores eighty five lakhs only).

"RESOLVED FURTHER THAT the mortgage / charge created/ to be created and / or all agreements/ documents executed/ to be executed and all acts done in terms of the above

Premier Explosives Limited

resolutions by and with the authority of the Board of Directors are hereby confirmed and ratified."

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

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the company in terms of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and / or charging of all the immovable and movable properties of the company wheresoever situated, present and future, and whole of the undertaking of the company and / or conferring power to enter upon and take possession of the assets of the company in certain events to or in favour of M/s Industrial Development Bank of India Limited in connection with sanction of working capital loans for an amount not exceeding Rs 2.00 crores (Rupees two crores only).

"RESOLVED FURTHER THAT the mortgage / charge created/ to be created and / or all agreements/ documents executed/ to be executed and all acts done in terms of the above resolutions by and with the authority of the Board of Directors are hereby confirmed and ratified."

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

"RESOLVED THAT pursuant to the Provisions of Sections 198, 269, 309, 310, 311 and 314 and other applicable provisions , if any, of the Companies Act, 1956 read with Schedule XIII thereof and subject to the approval of Financial Institutions, Central Government, if any, the consent of the Company be and is hereby accorded for revision in remuneration of Mr A.N.Gupta, Chairman and Managing Director of the Company w.e.f. 01.08.2008 upto 31.07.2013 on the terms and conditions set out in the Explanatory statement attached to this notice convening the Annual General Meeting."

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

B. SOMASEKHARA RAO
Vice President (Finance) &
Company Secretary

Place : Secunderabad
Date : 31.07.2008

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 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 27.09.2008.
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 18.09.2008 to 29.09.2008 (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 29.09.2008.
5. The shares of the company are presently listed in Stock Exchange at Mumbai and the company has paid upto date listing fee to the said Stock Exchange.
6. Members are advised to avail nomination facility as per the amended provisions of the Companies Act, 1956, for which the nominations 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 dematerialized 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) **Dr Haridwar Singh** is a Doctorate in Chemistry and former Director, HEMRL, Pune and Emeritus Scientist at ARDE, Pune. He has very rich experience in science of High Energy Materials.
 - (ii) **Dr (Mrs) Kailash Gupta** is an industrialist and doctor by profession. She has rich experience in the industry. She is panel doctor of Indian Airlines and Medical Examiner for LIC, HDFC, Standard Life, Om Kotak Mahindra and ING Vysya. She is also doctor at family MI ROOMS of 60 coy A.S.C. (Sup), 334 Missile Brigade units of Army.
12. Brief resume of director proposed to be appointed vide Special Business item No.6 of the Annual General Meeting Notice.

Mr P.R.Tripathi is a Mining Engineer and former Chairman and Managing Director of National Mineral Development Corporation Limited. He is a Fellow of Institution of Engineers (India) and All India Management Association. Mr Tripathi was deeply involved in the development of Mineral Industry of India and was associated with Federation of Indian Mineral Industries (FIMI) as Vice President, Sr Vice President and President during the period 1996 to 2003.

ANNEXURE TO THE NOTICE

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

Item No. 6

Mr P.R.Tripathi was appointed by the Board of Directors on 28.09.2007 as an Additional Director. The Company has received notice from a shareholder proposing his candidature for the office of a Director under Section 257 of the Companies Act, 1956.

No Director except Mr. P.R.Tripathi is concerned or interested in the resolution.

Item No. 7

State Bank of India has extended working capital facility to the Company to the extent of Rs 22.85 crores. State Bank of India has released the said facility against security of assets of the Company by way of mortgage and / or hypothecation. As per the provisions of section 293 (1) (a) of the Companies Act, 1956, the consent of the shareholders is required. Your directors recommend the same and the resolution may be passed as on ordinary resolution.

None of the directors is interested in the said resolution.

Item No. 8

Industrial Development Bank of India Limited has extended working facility to the Company to the extent of Rs 2.00 crores. Industrial Development Bank of India has released the said facility against security of assets of the Company by way of mortgage and / or hypothecation. As per the provisions of section 293 (1) (a) of the Companies Act, 1956, the consent of the shareholders is required. Your directors recommend the same and the resolution may be passed as on ordinary resolution.

None of the directors is interested in the said resolution.

Item No. 9

Mr. A.N. Gupta has been appointed as Chairman and Managing Director of the Company at the Board Meeting held on 26.05.2008.

The Remuneration Committee at their meeting held on 31.07.2008 has approved the revision in remuneration payable to Mr. A.N. Gupta.

The Board also, at the meeting held on 31.07.2008 approved revision in remuneration of Mr A.N.Gupta, with effect from 01.08.2008 for a term of 5 years on the following terms and conditions.

1. Emoluments

Salary of Rs. 200,000 (Rupees Two Hundred Thousand only) p.m. with effect from 01.08.2008 with an annual increment of 10% (rounded off to nearest Rs 100) due on 1st April every year.

2. Commission

In addition to the salary, commission will be paid @ 1 % of the net profit every year.

3. Perquisites

In addition to salary mentioned above, Chairman & Managing Director is entitled to the following perquisites, such that the monetary value of which shall be restricted to an amount equivalent to his annual salary.

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.

Premier Explosives Limited

2. Gas, electricity, water and soft furnishing subject to maximum of 10 % of the salary.
3. Medical reimbursement for self and family.
4. Leave travel concession for self and family once in a year as per the company rules.
5. Club fees (maximum 2 clubs)
6. Personal accident insurance.

CATEGORY B:

- Contribution to retirement benefit funds.
- Company's contribution towards Provident fund as per rules and regulations prescribed under Employees Provident Fund and Miscellaneous Provisions Act, 1952.
- He shall be entitled to superannuation benefits, contribution to annuity fund as per the rules of the company. The company's contribution to such fund shall not exceed 15 % of the salary.
- 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.
- Leave encashment at the end of the tenure as per the rules of the Company.
- In computing monetary ceiling of perquisites, the company's contribution to provident fund, superannuation fund, annuity fund, gratuity and leave encashment at the end of tenure shall not be taken into account.

CATEGORY C

He will be eligible for use of company's car with driver 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 use of car for private purposes.

Minimum Remuneration:

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

The above are to be considered as abstract of the terms pursuant to Section 302 of the Companies Act, 1956.

None of the directors except Mr A.N.Gupta and Dr (Mrs) Kailash Gupta is interested or concerned in the said resolution.

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

Place : Secunderabad
Date : 31.07.2008

B. SOMASEKHARA RAO
Vice President (Finance) &
Company Secretary

Premier Explosives Limited

DIRECTORS' REPORT

To
The Members,

Your Directors are pleased to present the 28th annual report together with the audited accounts of the company for the year ended 31st March, 2008.

A brief summary of the results is given below:

FINANCIAL PERFORMANCE:

	(Rs. in millions)	
	2007-08	2006-2007
Sales & other income	600.96	695.65
Gross profit from operations	105.85	106.86
Less: Finance charges	27.62	34.06
Depreciation	11.29	19.19
Diminution in value of investments	-	3.35
Provision for doubtful advances	20.19	5.30
Profit before tax and exceptional item	46.75	44.96
Add: Exceptional item (profit on sale of mushroom division)	39.71	-
Net Profit including exceptional item before tax	86.46	44.96
Less: Provision for taxation	40.55	12.09
Provision for deferred tax	(13.23)	5.62
Provision for fringe benefits tax	0.85	1.00
	28.17	18.71
Profit after tax	58.29	26.25
Add: Balance brought forward	68.83	58.83
Profit available for appropriation	127.12	85.08
Appropriations:		
Dividend	12.18	12.18
Dividend tax	2.07	2.07
Transfer to General Reserve	6.50	2.00
Balance carried forward	106.37	68.83

Your Company has recorded net revenue of Rs.600.96 million for the year ended 31st March, 2008 compared to Rs. 695.65 million in the previous year lower by 13.61%. The Gross Profit, however was Rs. 105.85 million compared to Rs. 106.86 million last year.

After providing Rs. 27.62 million as finance charges (previous year Rs. 34.06 million), depreciation of Rs 11.29 million (previous year Rs.19.19 million), Diminution in value of investments of Rs.nil (previous year Rs. 3.35 million) and provision for doubtful advances of Rs 20.19 million (previous year Rs 5.30 million), profit before tax was Rs 86.46 million (previous year Rs. 44.96 million).

Dividend

Your Directors are glad to recommend 15% dividend for the year ended 31st March, 2008 on the amount paid up.

OPERATIONS:

Explosives & Accessories

The turnover of explosives and accessories during the year was Rs 520.31 million as against Rs. 456 million during the previous year.

Premier Explosives Limited

S.P.D. Division

Your company has procured prestigious orders from D.R.D.O for production of Pyro devices and solid propellants for various applications. The turnover during the year is Rs 31.72 millions against Rs. 18.75 millions during the previous year.

Operation and Maintenance contract at SHAR, Sriharikota

Your company has started Operation and Maintenance contract at SHAR from July 2007 and deployed all people required for the said contract. The turnover during the year from the said contract is Rs.54.03 million

New products:

As a result of strong R& D and technical efforts, your company has succeeded in developing some niche products for defence and space organizations.

Your company has also obtained collaborative research assignments from High Energy Materials Laboratory, Pune, Electornics Corporation of India Ltd., Hyderabad for developing new high energy materials.

EXPORTS

Your company exported explosives and accessories valued at Rs. 31.59 million during the year compared to Rs 60.11 million during the previous year.

JOINT VENTURES:

Your company has established two joint ventures abroad for manufacture of explosives and accessories. Regular production started during the year in both Joint ventures. The production at Joint ventures is likely to increase in coming year giving better profitability.

FUTURE PROSPECTS

Your company has started production of various Pyrogen Igniters and Solid Propellants 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 exchange, the company has implemented the code of corporate governance. The reports on corporate governance and management discussion and analysis together with auditor's certificate on the same are attached to this report.

DIRECTORS:

Dr. Haridwar Singh and Dr. (Mrs.) Kailash Gupta will retire by rotation and being eligible, offer themselves for reappointment.

Mr K.V.Raghavan retired as Chairman of the company on 28.09.2007. The board of directors record their appreciation for the valuable services rendered by him during his tenure.

Mr A.N. Gupta was appointed as Chairman and Managing Director of the Company.

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 (I-B) of the Companies Act, 1956.

The Board recommends their reappointment for the following year.

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 no delays in case of interest and principal repayments of term loan to financial institutions during the financial year 2007-08.

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.

Premier Explosives Limited

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 received a prestigious award "Defence Technology Absorption Award 2007" from Defence Research & Development Organisation. The award was presented by Dr. Manmohan Singh, Hon'ble Prime Minister of India to Mr.A.N.Gupta, Chairman & Managing Director on 12th May 2008. The award also carries rupees one million cash.

Your company has received an appreciation letter from Director, Advanced Systems Laboratory mentioning that the rocket motor propellant and the Igniters developed by your company have worked to their full satisfaction.

Your company has received an award for best R & D effort for the year 2006 from All India Manufacturers Association. The award was presented by his excellency, the Governor of Andhra Pradesh on 17th September, 2007.

Your company has also received an appreciation letter from Naval Science and Technological Laboratories (NSTL), Visakhapatnam, in recognition for the works carried out by the company for the development of Explosive Bolts, Smoke Markers and Pyro Cartridges.

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, 2008 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 State Bank of India, Industrial Development Bank of India, Export-Import Bank of India, UCO Bank and Canbank Factors Limited.

FOR AND ON BEHALF OF
THE BOARD OF DIRECTORS.

Place : Secunderabad
Date : 26.05.2008

A.N. GUPTA
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:

POWER AND FUEL CONSUMPTION

	For the period 01.04.2007 to 31.03.2008
1. ELECTRICITY	
(A) Purchased units (million)	1.19
Total amount (Rs. in million)	5.39
Rate / unit (Rs.)	4.53
(B) Own generation	
(i) Through diesel generator units (million)	0.07
Litres of diesel oil (million)	0.80
Cost / unit (Rs.)	13.00
(ii) Through steam turbine/generator	N.A.
2. COAL (specify quality & where used)	
Quantity (million kg.)	0.34
Total cost (Rs. in millions)	0.72
Average rate (Rs. per kg.)	2.16

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

(Rs. in millions)

4. Expenditure on R & D :	
a) Capital :	3.09
b) Recurring :	3.80
c) Total :	6.89
d) Total R & D expenditure as a percentage of total turnover	1.20
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. 34.67 million
2. Foreign exchange outgo : Rs. 4.94 million

Premier Explosives Limited

ANNEXURE

Information as per Section 217 (2A) (b) (ii) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of the Director's Report for the year ended 31st March, 2008.

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.	Mr A.N.Gupta	Chairman & Managing Director	3,183,463	M.Sc. (Mining)	63	41	14.02.1980	I.E.L. Limited, Area Sales Manager

- Note :
1. His employment is contractual
 2. Dr. (Mrs.) Kailash Gupta, Director is wife of Mr. A.N. Gupta, Chairman & Managing Director
 3. Gross remuneration includes salary, commission, leave travel allowance, contribution to provident fund, medical expenses and rent free accommodation.

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, 2008, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to 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, 2008 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 : 26.05.2008

P V R K NAGESWARA RAO
Partner

REPORT ON CORPORATE GOVERNANCE

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

Premier Explosives Limited believes that good 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. Half of the Board comprises of independent Directors. The number of Non-Executive Directors (NEDs) at 62.50% 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. During the year Sri P.R.Tripathi was co-opted by the Board as additional director (independent director) of the Company on 28.09.2007. Brief profile of the newly co-opted director i.e. Sri P.R.Tripathi, who is proposed to be appointed at the ensuing Annual General Meeting, is mentioned elsewhere in this report.
- iii. 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, 2008 have been made by the directors.
- iv. 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	Mr A. N. Gupta
b) Non-promoters	Mr T V Chowdary Mr K Chalil
II. Non - executive directors	Dr. (Mrs.) Kailash Gupta
III. Non - executive independent directors	Dr. V. V. Subba Reddy Mr Anil Kumar Mehta Dr. Haridwar Singh Mr P R Tripathi

Premier Explosives Limited

Name of the Director	Number of Board Meetings held during his tenure	Number of Board Meetings attended	Attendance in the last AGM held on 28.09.2007
Mr K. V. Raghavan*	3	0	No
Mr A. N. Gupta	7	7	Yes
Dr. (Mrs.) Kailash Gupta	7	7	Yes
Dr. V. V. Subba Reddy	7	4	Yes
Mr Anil Kumar Mehta	7	6	Yes
Dr. Haridwar Singh	7	4	No
Mr K Chalil	7	5	Yes
Mr T V Chowdary	7	5	Yes
Mr B M Vijaya Kumar **	1	1	N.A
Mr P R Tripathi***	3	2	N.A

* Mr K.V. Raghavan retired as Director w.e.f. 28.09.2007.

** Mr B.M. Vijaya Kumar resigned as Director w.e.f. 03.05.2007.

*** Mr P R Tripathi was appointed as Director of the Company w.e.f. 28.09.2007.

Number of other directorships, board committees he is a member or chairperson of:

Name of the Director	Board of directors		Board Committees	
	Director	Chairman	Member	Chairman
Mr A. N. Gupta	2	1	None	None
Dr. (Mrs.) Kailash Gupta	1	-	None	None
Dr. V. V. Subba Reddy	7	1	None	None
Mr Anilkumar Mehta	1	-	None	None
Dr. Haridwar Singh	2	-	None	None
Mr P R Tripathi	8	2	2	None
Mr K Chalil	2	-	None	None
Mr T V Chowdary	3	-	None	None

- v. SEVEN 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 :
30.04.2007, 30.06.2007, 30.07.2007, 28.09.2007, 24.10.2007, 23.01.2008 and 29.02.2008.
- vi. None of the Non-Executive Directors have any material pecuniary relationship or transactions with the company.

Reappointment of directors at the 28th AGM :

Dr Haridwar Singh and Dr (Mrs) Kailash Gupta are liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

Profile of Director(s) being appointed / re-appointed at the ensuing AGM:

Mr P.R.Tripathi

Mr P.R.Tripathi is a Mining Engineer and former Chairman and Managing Director of National Mineral Development Corporation Limited. He is a Fellow of Institution of Engineers (India)

Premier Explosives Limited

and All India Management Association. Mr Tripathi was deeply involved in the development of Mineral Industry of India and was associated with Federation of Indian Mineral Industries (FIMI) as Vice President, Sr Vice President and president during the period 1996 to 2003.

Dr Haridwar Singh

Dr Haridwar Singh is a Doctorate in Chemistry and former Director, HEMRL, Pune and Emeritus Scientist at ARDE, Pune. He has very rich experience in science of High Energy Materials.

Dr (Mrs) Kailash Gupta

Dr (Mrs) Kailash Gupta is an industrialist and doctor by profession. She has rich experience in the industry. She is panel doctor of Indian Airlines and Medical Examiner for LIC, HDFC, Standard Life, Om Kotak Mahindra and ING Vysya. She is also doctor at family MI ROOMS of 60 Coy A.S.C. (Sup), 334 Missile Brigade units of Army.

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 Chairman & Managing Director has been obtained.

3. Audit Committee

The Audit Committee of directors has been reconstituted during the year. The members of the Committee upon reconstitution are :

Dr V V Subba Reddy	-	Non-executive, Independent director
Mr Anilkumar Mehta	-	Non-executive, Independent director
Dr Haridwar Singh	-	Non-executive, Independent director
Mr P R Tripathi	-	Non-executive, Independent director

- 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 28th September 2007 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 role of Audit Committee shall include-
 1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

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2. Recommending the Board, the appointment, re-appointment and, if required, the replacement or removal of statutory Auditors and fixation of audit fees.
 3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
 4. Reviewing with the management, the annual financial statements, before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - b) Change, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualification in the draft audit report.
 5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
 6. Reviewing with the management, performance of statutory and internal auditors, adequacy of internal control systems.
 7. Reviewing the adequacy of internal control function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 8. Discussion with internal auditors any significant findings and follow up thereon.
 9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
 11. To look into reasons for substantial defaults in the payments to the depositors, debentureholders, shareholders and creditors.
 12. To review the functioning of the Whistle Blower mechanism.
 13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- e) The Audit Committee reviews the following information:
1. Management discussion and analysis of financial condition and results of operation;
 2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;

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3. Management letters/ letters of internal control weaknesses issued by statutory auditors;
 4. Internal audit report relating to internal control weaknesses;
 5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee,
 6. Details of investments of surplus funds;
 7. Legal compliance report and
 8. Any other information or report requested by the Audit Committee from time to time.
- f) The Audit Committee met FOUR times during the year on 30.06.2007, 30.07.2007, 24.10.2007 and 23.01.2008. 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 2007-08	
		Held	Attended
Dr. V. V. Subba Reddy, Chairman	Non-executive, Independent director	4	2
Mr. Anilkumar Mehta	Non-executive, Independent director	4	4
Mr K.V Raghavan*	Non-executive, Independent director	2	–
Dr. Haridwar Singh*	Non-executive, Independent director	2	2
Mr P.R. Tripathi*	Non-executive, Independent director	2	2

* Audit Committee Meetings held during their tenure of their membership in the Committee.

4. Remuneration Committee

The Remuneration Committee of directors has been reconstituted during the year. The members of the Committee upon reconstitution are :

Dr V V Subba Reddy	-	Non-executive, Independent director
Mr Anilkumar Mehta	-	Non-executive, Independent director
Mr P R Tripathi	-	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 30.06.2007 during the year for change in designation of Mr T V Chowdary to Executive Director and for revision in his remuneration and for revision in remuneration of Mr K Chalil, Director (Marketing) for a period of 3 years with effect from 01.07.2007.

Premier Explosives Limited

Details of remuneration to all the Directors :

a) Executive Directors :

Name of the Director	Salary	Benefits	Commission	Total
	Rs.	Rs.	Rs.	Rs.
Mr A. N. Gupta	1,742,400	706,467	734,596	3,183,463
Mr T V Chowdary	1,026,636	240,381	367,298	1,634,315
Mr K Chalil	987,948	188,536	367,298	1,543,782
Mr B M Vijaya Kumar	62,735	54,813	33,117	150,665

b) Non-executive Directors:

Name of the Director	Sitting Fee		Total
	As a Director	As a committee member	
	Rs.	Rs.	Rs.
Dr. (Mrs.) Kailash Gupta	35,000/-	-	35,000/-
Mr Anil Kumar Mehta	30,000/-	12,500/--	42,500/-
Dr. V. V. Subba Reddy	-	-	-
Dr. Haridwar Singh	20,000/-	5,000/-	25,000/-
Mr P R Tripathi	10,000/-	5,000/-	15,000/-

5. Shareholders / Investors Grievance Committee

The Shareholders / Investors Grievance Committee of directors has been reconstituted during the year. The members of the Committee upon reconstitution are :

Mr Anilkumar Mehta - Non-executive, Independent director

Mr T V Chowdary - Executive director

Dr (Mrs) Kailash Gupta - Non-executive and Non Independent director

Mr. B. Somasekhara Rao, Vice President (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 requests, 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 8 shareholders complaints. All these complaints were redressed / replied to the satisfaction of the shareholders and no complaints were outstanding as on 31st March, 2008

Premier Explosives Limited

Subsidiaries:

There are no subsidiaries to the Company.

CEO and CFO Certification:

The CEO and 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
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
2006-2007	AGM	Federation of Andhra Pradesh Chamber of Commerce & Industry (FAPCCI), Surana Udyog Auditorium, 11-6-841, Post Box No. 14, Red Hills, Hyderabad - 500 029	28.09.2007	11.00 A.M

Postal Ballot :

No postal ballots were used/ invited for voting at the last annual general meeting in respect of special resolution passed. There are no special resolutions, which are proposed to be passed through postal ballot for the year under review.

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.

Premier Explosives Limited

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 31.03.2008 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. 14 (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.

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 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

In Financial Year 2006-07, 2 Special Resolutions were passed in the Annual General Meeting.

9. General shareholder information

a) AGM : 28th Annual General Meeting
Day and date : Monday, 29.09.2008
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	(30.06.2008)	:	Last week of July, 2008
2.	Half yearly	(30.09.2008)	:	Last week of October, 2008
3.	Third quarter	(31.12.2008)	:	Last week of January, 2009

ii) Audited Financial Results

1.	Fourth quarter	(31.03.2009)	:	Last week of June, 2009
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c) Date of book closure

Physical mode and electronic mode : 18.09.2008 to 29.09.2008

Premier Explosives Limited

- d) Expected date of dispatch of Dividend Warrants : 15.10.2008 to 25.10.2008
- 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 2008 - 2009 has been paid to the Bombay Stock Exchange Limited.

Listing fee to Hyderabad Stock Exchange Limited was not paid as the same was derecognised.

- f) **Registrar and Share Transfer Agents :**

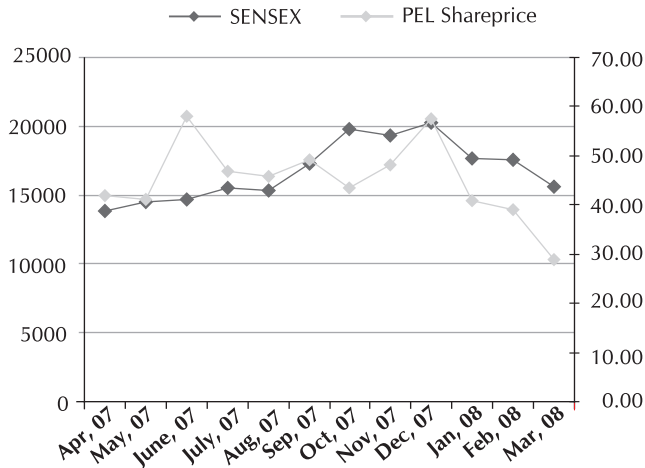
Sathguru Management Consultants Private Limited
(Physical and Electronic Registers)
Plot No.15, Hindi Nagar, Panjagutta,
Hyderabad - 500 034.

- g) **Market Price data - High / Low during each month of the year 2007 - 2008**

Month	High (Rs. Ps)	Low (Rs. Ps)
April 2007	45.50	39.05
May 2007	44.00	37.85
June 2007	61.00	40.15
July 2007	66.00	44.30
August 2007	54.00	42.00
September 2007	57.50	44.00
October 2007	50.50	40.00
November 2007	62.65	40.50
December 2007	62.00	49.00
January 2008	72.80	37.60
February 2008	47.05	35.25
March 2008	38.65	22.55

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



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 were 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 31.03.2008

No. of shares		No. of shareholders		Shareholding	
From	To	Nos.	% to Total	Nos.	% to Total
1	500	7660	86.50	1242699	15.28
501	1000	610	6.89	510602	6.28
1001	2000	293	3.31	459854	5.66
2001	3000	86	0.97	222448	2.74
3001	4000	41	0.46	148721	1.83
4001	5000	38	0.43	180211	2.22
5001	10000	60	0.68	451609	5.56
10001	Above	67	0.76	4911431	60.43
Total		8855	100.00	8127575	100.00

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k) Categories of shareholders as on 31.03.2008:

Category	No. of Shares	Percentage
Promoters Holdings	2910876	35.81
Mutual Funds	1200	0.01
Banks, Financial Institutions & others	32100	0.40
Corporate Bodies	711631	8.76
Indian Public	3975013	48.91
NRI's/ OCB's	496755	6.11
Total	8127575	100

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.

7256275 equity shares representing 89.28 % of the company's share capital have been dematerialized as on 31.03.2008.

m) Plant Locations :

DETONATORS DIVISION

(Detonators, DF & SPD)

Peddakandukur - 508 286

Yadagirigutta Mandal

District Nalgonda (A.P.)

BULK EXPLOSIVES DIVISION

a) Chandrapur Division

C-16, M.I.D.C Ghugus Road

Chandrapur (Maharashtra) - 442 485

b) Manuguru Division

Manuguru - 507 117

District Khammam (A.P.)

c) Singrauli Division

Plot No. 42, Industrial Area

Udyog Deep, Waidhan - 486 886

District : Sidhi (M.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 total explosives market had been increasing steadily due to infrastructure development and more demand of key minerals and power.

Your Company is catering to the requirement of all major users in India and exporting to middle-east and European countries.

1.2 Defence Sector

Your company has received "Defence Technology Absorption Award 2007" from Defence Research & Development Organisation (DRDO). The award was presented to Mr.A.N.Gupta, Chairman & Managing Director by Dr. Manmohan Singh, Hon'ble Prime Minister of India on 12th May 2008 as recognition of its contribution in the field of Defence. The award also carries rupees one million cash.

Your company has procured prestigious orders from D.R.D.O. for production of Pyro devices and solid propellants for various applications.

1.3 New products

As a result of strong R&D and technical efforts, your company has succeeded in developing some niche products like YDP, Pyrotechnic Igniters, Smoke Flares, IR Flares, Explosives Bolts etc.

Your Company has also obtained collaborative research assignments from High Energy Materials Laboratory, Pune and Electronic Corporation of India Ltd., Hyderabad for developing new high energy materials.

1.4 Operation and Maintenance contract at Shar:

Your company has started Operation and Maintenance contract at SHAR from July 2007 and deployed all people required for the said contract.

1.5 Joint Ventures:

The two Joint ventures abroad commenced regular production during the year.

2. OPPORTUNITIES

Joint Ventures

The production at Joint Ventures is likely to Increase in coming year giving better profitability.

3. THREATS, RISKS AND CONCERNS:

Increasing competition and over capacity in the industry is a factor of concern. Your company is trying to give higher priority to development of niche products and overseas ventures

4. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The company's business mainly comprises of only one segment.

5. OUTLOOK

As sales of special products is increasing and Joint Ventures are becoming viable, future of the Company can be expected to be better.

The growing service sector will also provide fillip to the earnings.

Premier Explosives Limited

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 auditors. 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 are prepared under the historical cost convention on an accrual basis and in accordance with notified accounting standards issued by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

The company has achieved a profit of Rs. 46,747,049/- 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 843 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
Date : 26.05.2008

A.N. GUPTA
Chairman & Managing Director

T.V. CHOWDARY
Executive Director

AUDIT REPORT

To
The Members of

PREMIER EXPLOSIVES LIMITED

1. We have audited the attached Balance Sheet of PREMIER EXPLOSIVES LIMITED as at 31 st March, 2008, 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 31.03.2008, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 st March, 2008 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to the explanation 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 31 st March, 2008;

Premier Explosives Limited

- 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 : 26.05.2008

P V R K NAGESWARA RAO
Partner
Membership No. 18840

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 2008

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) During the year the Company has disposed off Mushroom Division. In our opinion and according to the information and explanations given to us, the aforesaid disposal has not affected the going concern assumption.
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 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. 56,027,546/- to two parties listed in the register maintained under section 301 of the Companies Act, 1956. The Company has also given a rent deposit of Rs.6,800,000/- to a company 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.

Premier Explosives Limited

- (d) The Company has taken unsecured loans of Rs.22,607,000/- from seven parties listed in the register maintained under section 301 of the Companies Act, 1956 and unsecured loans of Rs.5,620,000/- 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) and Company Secretary of the Company, we are of the opinion that the contracts or 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 31.3.2008 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, Income Tax, Wealth Tax, Service Tax and

Premier Explosives Limited

Cess which has not been deposited on account of dispute as on 31.3.2008 except Sales Tax, 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.

- 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 not defaulted in repayment of dues to financial institutions, bank and debenture holders.
- 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 and cash flow statement 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 : 26.05.2008

P V R K NAGESWARA RAO
Partner
Membership No. 18840

Premier Explosives Limited

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule No.	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
I SOURCES OF FUNDS :			
SHARE HOLDERS FUNDS			
Share capital	1	81,215,392	81,198,675
Reserves and surplus	2	<u>145,385,935</u>	<u>101,455,696</u>
		226,601,327	182,654,371
LOAN FUNDS :			
Secured loans	3	161,642,514	199,955,104
Unsecured loans	4	<u>35,046,987</u>	<u>46,972,791</u>
		196,689,501	246,927,895
DEFERRED TAX LIABILITY (NET)	5	<u>27,862,393</u>	<u>41,092,128</u>
		<u>451,153,221</u>	<u>470,674,394</u>
II APPLICATION OF FUNDS:			
FIXED ASSETS:			
Gross block	6	279,453,311	494,086,691
Less: Depreciation		<u>82,464,380</u>	<u>162,281,730</u>
NET BLOCK		196,988,931	331,804,961
Capital Work-in-progress		<u>1,351,383</u>	<u>328,869</u>
		198,340,314	332,133,830
INVESTMENTS	7	<u>6,849,574</u>	<u>6,398,839</u>
NET CURRENT ASSETS :			
CURRENT ASSETS,			
LOANS AND ADVANCES :			
Interest accrued on fixed Deposits and investments		568,715	544,837
Inventories	8	71,772,594	124,094,653
Sundry debtors	9	177,101,074	147,181,634
Cash and bank balances	10	20,119,024	59,672,847
Loans and advances	11	<u>130,979,015</u>	<u>116,936,180</u>
		400,540,422	448,430,151
Less: Current liabilities and provisions			
Current liabilities	12	112,239,904	291,217,672
Provisions	13	<u>42,337,185</u>	<u>25,070,754</u>
		154,577,089	316,288,426
NET CURRENT ASSETS		<u>245,963,333</u>	<u>132,141,725</u>
		<u>451,153,221</u>	<u>470,674,394</u>
Notes to accounts	23		
Significant accounting policies	24		

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

A.N. GUPTA
Chairman & Managing Director

T.V. CHOWDARY
Executive Director

P.V.R.K. NAGESWARA RAO
Partner

Date : 26.05.2008
Place : Secunderabad.

B. SOMASEKHARA RAO
Vice President (Finance) and
Company Secretary

Premier Explosives Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule No.	For the year ended 31st March, 2008 Rs.	For the year ended 31st March, 2007 Rs.
I INCOME :			
Gross sales	14	643,481,690	735,895,937
Less:Excise Duty		70,853,707	60,205,822
Net Sales		572,627,983	675,690,115
Other income	15	28,334,181	19,955,768
		<u>600,962,164</u>	<u>695,645,883</u>
II EXPENDITURE :			
Materials consumed	16	251,377,119	267,642,544
Packing material consumed		11,120,981	46,337,610
Manufacturing expenses	17	19,012,134	80,732,876
Expenses on employees	18	116,977,209	95,900,448
Other expenses	19	81,550,810	79,706,076
Selling expenses	20	6,350,011	11,070,597
Finance charges	21	27,621,480	34,064,580
(Increase)/Decrease in Stocks	22	28,912,365	16,044,006
Depreciation(Net)/Amortisation		11,397,749	19,290,899
Less : Transferred from revaluation reserve		104,743	104,743
		<u>11,293,006</u>	<u>19,186,156</u>
		<u>554,215,115</u>	<u>650,684,893</u>
III NET PROFIT FROM CONTINUING OPERATIONS BEFORE TAX AND EXCEPTIONAL ITEM		46,747,049	44,960,990
EXCEPTIONAL ITEM:			
Profit from sale of mushroom division		39,712,178	-
NET PROFIT AFTER EXCEPTIONAL ITEM AND BEFORE TAX		86,459,227	44,960,990
Less : Income Tax Expense:			
Current tax - Continuing operations		23,000,000	10,700,000
- Discontinuing operations		17,500,000	-
Deferred tax		(13,229,735)	5,616,907
Income tax adjustments		51,288	1,390,694
		<u>27,321,553</u>	<u>17,707,601</u>
Fringe benefits tax		850,000	1,000,000
		<u>58,287,674</u>	<u>26,253,389</u>
Add : Profit brought forward from last year		68,835,395	58,831,764
Amount available for appropriation		127,123,069	85,085,153
Transfer to:			
Proposed dividend		12,182,309	12,179,801
Provision for corporate dividend tax		2,070,383	2,069,957
General reserve		6,500,000	2,000,000
		<u>20,752,692</u>	<u>16,249,758</u>
Balance of profit carried forward		<u>106,370,377</u>	<u>68,835,395</u>
Earnings per share (Basic / diluted) (Nominal value:Rs.10/- per share)		7.17	3.23
Notes to accounts	23		
Significant accounting policies	24		

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

A.N. GUPTA
Chairman & Managing Director

T.V. CHOWDARY
Executive Director

P.V.R.K. NAGESWARA RAO
Partner

B. SOMASEKHARA RAO
Vice President (Finance) and
Company Secretary

Date : 26.05.2008
Place : Secunderabad.

Premier Explosives Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

	2007-2008 Rs.	2006-2007 Rs.
NET PROFIT AFTER EXCEPTIONAL ITEM AND BEFORE TAX	86,459,227	44,960,990
Adjustments for:		
Add:		
Depreciation	11,293,006	19,186,156
(Profit)/loss on sale of assets (net)	38,517	(40,715)
(Profit) from sale of mushroom division (net)	(39,712,178)	–
Deferred revenue expenses written off	–	1,051,313
Provision for diminution in book value of investment	–	3,345,310
Provision for doubtful advances	20,194,036	5,300,000
Interest expense	22,874,936	30,373,163
Interest income	(9,791,296)	(5,937,897)
Wealth tax	23,447	25,610
Operating profit before working Capital changes	91,379,695	98,263,930
ADJUSTMENTS FOR:		
(Increase) in sundry debtors	(29,919,440)	(44,864,074)
Decrease in inventories	52,322,059	11,273,271
(Increase) in loans and advances	(21,343,348)	(44,484,825)
Increase / (decrease) in current liabilities	(173,352,770)	145,546,910
(Increase) / decrease in fixed deposits pledged with Banks etc. and dividend accounts with banks	(673,642)	4,199,608
Cash generated from operations	(81,587,446)	169,934,820
Interest paid	(25,250,162)	(31,166,423)
Income tax paid	(27,327,498)	(23,189,920)
Dividend paid	(14,055,792)	(13,696,916)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(148,220,898)	101,881,561
Cash flow from investing activities:		
Purchase of fixed assets	(16,003,319)	(33,239,658)
Sale of assets	177,147,210	1,318,751
Advance against capital items	(12,893,523)	9,803,622
Interest earned	9,767,418	5,807,143
Purchase of investments	(450,735)	(6,393,846)
CASH USED IN INVESTING ACTIVITIES (B)	157,567,051	(22,703,988)

Premier Explosives Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

	2007-2008 Rs.	2006-2007 Rs.
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from long term borrowings	–	41,105,257
Repayment of long term borrowings	(120,855,559)	(43,057,149)
Proceeds from fixed deposits,dealership deposits	21,064,000	14,364,616
Repayment of fixed deposits,dealership deposits	(21,906,919)	(17,083,887)
Increase/(decrease) in working capital loans	72,108,143	(37,808,391)
Proceeds from shares	16,717	37,513
CASH GENERATED FROM FINANCING ACTIVITY (C)	(49,573,618)	(42,442,041)
Net increase in cash and cash equivalents (a+b+c)	(40,227,465)	36,735,532
Cash and cash equivalents at beginning of the year	47,827,379	11,091,847
Cash and cash equivalents at the end of the year	7,599,914	47,827,379

Note:

Cash and cash equivalents at the end of the year

Cash and bank balances	20,119,024	59,672,847
Less:deposits pledged with banks towards margin money and dividend accounts with banks dealt in operating activity	12,519,110	11,845,468
Cash and cash equivalents at the end of the year	7,599,914	47,827,379

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 23) and Significant Accounting Policies (Schedule 24) 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

A.N. GUPTA
Chairman & Managing Director

T.V. CHOWDARY
Executive Director

P.V.R.K. NAGESWARA RAO

Partner

Date : 26.05.2008

Place : Secunderabad.

B. SOMASEKHARA RAO

Vice President (Finance) and
Company Secretary

Premier Explosives Limited

SCHEDULES FORMING PART OF ACCOUNTS

	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
1 SHARE CAPITAL :		
AUTHORISED :		
10,000,000 Equity shares of Rs.10/- each	<u>100,000,000</u>	<u>100,000,000</u>
ISSUED :		
8,127,575 Equity shares of Rs.10/- each	<u>81,275,750</u>	<u>81,275,750</u>
SUBSCRIBED :		
8,127,575 Equity shares of Rs.10/- each fully paid up		
{Including 1,021,705 bonus shares allotted on capitalisation of general reserve}	81,275,750	81,275,750
Less: Allotment money due	<u>60,358</u>	<u>77,075</u>
	<u>81,215,392</u>	81,198,675
	<u><u>81,215,392</u></u>	<u><u>81,198,675</u></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>
	3,070,370	3,070,370
Share premium	17,333,647	17,333,647
General Reserve :		
As per last account	8,500,000	6,500,000
Add: Transferred from profit and loss account	<u>6,500,000</u>	<u>2,000,000</u>
	15,000,000	8,500,000
Revaluation Reserve :		
As per last account	3,716,284	3,821,027
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>
	3,611,541	3,716,284
Profit and loss account (Surplus)	106,370,377	68,835,395
	<u><u>145,385,935</u></u>	<u><u>101,455,696</u></u>

Premier Explosives Limited

	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
3 SECURED LOANS :		
A. Term Loans:		
From State Bank of Hyderabad (SBH)	-	44,783,107
From Export Import Bank of India (EXIM) (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)	41,078,329	102,853,973
Interest accrued and due	-	648,059
B. Working Capital Loans :		
From Banks: (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)	110,872,192	41,902,458
From Others: (Secured by mortgage and charge on specific properties and personal guarantee of one of the directors of the company).	8,454,984	5,316,575
C. Other Loans:		
Loans from Others: (On the hypothecation of vehicles and plant and machinery)	1,237,009	4,450,932
	<u>161,642,514</u>	<u>199,955,104</u>
4 UNSECURED LOANS:		
Sales tax deferment	-	11,082,885
Fixed deposits	21,443,000	23,175,000
From directors	6,372,000	6,906,000
Deposits from dealers and others	7,231,987	5,808,906
	<u>35,046,987</u>	<u>46,972,791</u>
5 DEFERRED TAX LIABILITY (NET):		
- Opening balance	41,092,128	35,475,221
- Additional adjustment for the current year (Refer note no. 17 of schedule 23)	(13,229,735)	5,616,907
	<u>27,862,393</u>	<u>41,092,128</u>

6 FIXED ASSETS :

Description of Assets	GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK			
	Cost/ professional Valuation As at 01.04.2007	Additions during the year	Deductions during the year	Total cost/ professional valuation as at 31.03.2008	Upto 31.03.2007	For the year	On deductions	Total upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TANGIBLE ASSETS:										
LAND	11,440,964	3,550,740	3,502,976	11,488,728	-	-	-	-	11,488,728	11,440,964
LEASEHOLD LAND	219,386	-	-	219,386	17,174	2,216	-	19,390	199,996	202,212
ROADS AND BUILDINGS	112,856,849	120,957	50,206,216	62,771,590	27,040,210	1,703,798	14,916,220	13,827,788	48,943,802	85,816,639
PLANT AND MACHINERY	343,604,691	6,461,295	1,69,127,729	180,938,257	125,311,853	7,870,028	74,458,365	58,723,516	122,214,741	218,292,838
RESEARCH AND DEVELOPMENT										
EQUIPMENT	5,255,826	3,092,742	2,348,831	5,999,737	1,104,133	156,472	291,130	969,475	5,030,262	4,151,693
DATA PROCESSING EQUIPMENT	5,105,585	1,63,410	860,624	4,408,371	3,205,701	405,865	663,056	2,948,510	1,459,861	1,899,884
OFFICE EQUIPMENT	3,861,100	144,290	1,196,033	2,809,357	2,005,766	167,963	552,613	1,621,116	1,188,241	1,855,334
FURNITURE AND FIXTURES	2,522,107	150,638	365,839	2,306,906	1,723,229	119,795	241,832	1,601,192	705,714	798,878
VEHICLES	8,388,183	371,196	1,080,400	7,678,979	1,596,331	763,612	91,883	2,268,060	5,410,919	6,791,852
INTANGIBLE ASSETS:										
ERP LICENCE FEE	832,000	-	-	832,000	277,333	208,000	-	485,333	346,667	554,667
TOTAL	494,086,691	14,055,268	228,688,648	279,453,311	162,281,730	11,397,749	91,215,099	82,464,380	196,988,931	331,804,961
PREVIOUS YEAR 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

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

	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
7 INVESTMENTS:		
(At Cost)		
LONG TERM		
NON-TRADE, UNQUOTED		
499,300 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	<u>4,988,007</u>	<u>4,988,007</u>
	4,993	4,993
JOINT VENTURES:		
a) 9000 (Previous year: 8000) Equity shares of \$10 each in Premier Georgia Limited.	4,063,035	3,612,300
b) 3600 Equity shares of YTL 25 each in Premier Sentas Patalayici Maddeler Ticaret Ve Sanayi A.S.	<u>2,781,546</u>	<u>2,781,546</u>
	<u>6,849,574</u>	<u>6,398,839</u>
8 INVENTORIES:		
(As certified by the management)		
Raw materials	27,325,183	39,274,112
Work-in-process	17,792,369	31,215,188
Finished goods	14,393,527	31,322,217
Stock of stores	10,808,312	21,307,288
Scrap	1,453,203	975,848
	<u>71,772,594</u>	<u>124,094,653</u>
9 SUNDRY DEBTORS :		
(Unsecured, considered good)		
Outstanding for more than six months:		
Considered good	64,939,779	50,537,404
Considered doubtful	-	173,127
Less: Provision for doubtful debts	<u>-</u>	<u>173,127</u>
	64,939,779	50,537,404
Others: considered good	112,161,295	96,644,230
	<u>177,101,074</u>	<u>147,181,634</u>

Premier Explosives Limited

	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
10 CASH AND BANK BALANCES :		
Cash on hand	1,749,889	573,428
Cash at scheduled banks :		
In current accounts	3,751,903	5,950,829
In dividend accounts	903,617	709,651
In fixed deposits	13,713,615	12,133,939
(Of the above, Rs.10,777,411/- (previous year Rs.10,297,735/-) was pledged towards margin on letters of credit and bank guarantees , Rs.42,012/- (previous year Rs.42,012/-) to sales tax authorities, Rs.796,070/- (previous year Rs.796,070/-) to Naval Armament Depot. Cheques/ demand drafts on hand/ In transit	-	40,305,000
	<u>20,119,024</u>	<u>59,672,847</u>
11 LOANS AND ADVANCES :		
(Unsecured, recoverable in cash or in kind or for value to be received)		
Considered good :		
Deposit with central excise authority (net)	2,951,363	4,462,540
Other advances and deposits	101,678,421	97,173,996
Advance for capital works	18,649,810	5,756,287
Share deposits	4,988,798	7,244,671
Prepaid expenses	1,641,159	1,162,228
Claims receivable	1,069,464	1,136,458
Considered doubtful :		
Other advances and deposits	25,494,036	5,300,000
Less: Provision for doubtful advances	<u>25,494,036</u>	<u>5,300,000</u>
	<u>130,979,015</u>	<u>116,936,180</u>
12 CURRENT LIABILITIES :		
Sundry creditors	98,369,200	259,733,793
(Refer note no. 5 of schedule 23)		
Advances from customers	12,265,879	29,973,563
Interest accrued but not due	701,208	800,665
Unclaimed dividend	903,617	709,651
(There is no amount due and outstanding to be credited to investor education and protection fund)		
	<u>112,239,904</u>	<u>291,217,672</u>

Premier Explosives Limited

	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
13 PROVISIONS :		
Proposed dividend	12,182,309	12,179,801
Provision for corporate dividend tax	2,070,383	2,069,957
Provision for taxation (net of prepaid taxes)	17,848,285	3,682,250
Provision for Fringe Benefits Tax (net of advance tax)	46,692	115,490
Provision for interest on income tax	2,191,016	290,000
Provision for gratuity and leave encashment	7,998,500	6,733,256
	<u>42,337,185</u>	<u>25,070,754</u>
	For the year ended 31st March, 2008 Rs.	For the year ended 31st March, 2007 Rs.
14 SALES:		
Sales	585,291,378	728,401,858
Income from service operations	58,190,312	7,494,079
	<u>643,481,690</u>	<u>735,895,937</u>
15 OTHER INCOME :		
Interest earned (gross)	9,791,296	5,937,897
(Tax deducted at source:Rs.198,444/- previous year: Rs.75,975/-)		
Miscellaneous income	9,113,674	13,550,507
Profit on sale of assets (net)	-	40,715
Excess liabilities written back	4,872,041	426,649
Foreign exchange fluctuations (net)	4,557,170	-
	<u>28,334,181</u>	<u>19,955,768</u>
16 MATERIALS CONSUMED :		
(a) Raw Material Consumed:		
Opening stock	39,274,112	33,088,981
Add: Purchases	239,061,665	263,512,377
	<u>278,335,777</u>	<u>296,601,358</u>
Less: Closing stock	27,325,183	39,274,112
	<u>251,010,594</u>	<u>257,327,246</u>
(b) Trade purchases	366,525	10,315,298
	<u>251,377,119</u>	<u>267,642,544</u>

Premier Explosives Limited

	For the year ended 31st March, 2008		For the year ended 31st March, 2007	
	Rs.	Rs.	Rs.	Rs.
17 MANUFACTURING EXPENSES:				
Consumable stores		2,256,609		4,607,434
Power and fuel		7,245,721		43,653,604
Other manufacturing expenses		–		12,541,540
Repairs and Maintenance to :				
Plant and machinery		7,312,492		16,641,546
Roads and buildings		397,312		1,488,752
Equipment hire charges		1,800,000		1,800,000
		<u>19,012,134</u>		<u>80,732,876</u>
18 EXPENSES ON EMPLOYEES:				
Salaries, wages, bonus, gratuity and other benefits		105,014,972		83,546,617
Workmen and staff welfare expenses		4,853,002		5,043,843
Contribution to provident fund		5,223,631		5,087,891
Contribution to E.S.I		1,885,604		2,222,097
		<u>116,977,209</u>		<u>95,900,448</u>
19 OTHER EXPENSES :				
Directors' remuneration (Refer note no.7 of schedule 23)		6,512,225		8,539,109
Directors' sitting fees		117,500		152,000
Travelling and conveyance		11,927,316		11,243,906
Professional charges		3,288,098		1,766,301
Printing and stationery		1,215,988		1,363,626
Communication expenses		2,160,997		2,775,907
Rates and taxes		2,296,121		3,076,323
Advertisement		298,881		312,864
Vehicle maintenance		4,732,668		3,838,688
Repairs and maintenance to other assets		848,107		1,096,969
Carriage and freight	20,607,228		33,207,921	
Less: Freight and handling charges recovered		<u>9,578,216</u>		<u>14,761,398</u>
		11,029,012		18,446,523
Insurance		2,663,092		1,984,152
Rent		769,927		633,516
Payments to auditors (Refer note no.10 of schedule 23)		491,794		391,093
General expenses		8,891,326		12,415,580
Donations		30,317		33,717
Foreign exchange fluctuations		–		1,311,820

Premier Explosives Limited

	For the year ended 31st March, 2008		For the year ended 31st March, 2007	
	Rs.	Rs.	Rs.	Rs.
Research and development expenses (Refer note no.19 of schedule 23)		3,797,089		1,383,221
Bad debts written off	420,926		295,451	
Less:Provision for doubtful debts no longer required	173,127		—	
		247,799		295,451
Loss on sale of assets (net)		38,517		—
Provision for diminution in book value of investments		—		3,345,310
Provision for doubtful advances		20,194,036		5,300,000
		<u>81,550,810</u>		<u>79,706,076</u>
20 SELLING EXPENSES :				
Sales commission		4,582,359		9,082,331
Sales promotion expenses		463,527		235,224
Discount		414,917		982,306
Other selling expenses		889,208		770,736
		<u>6,350,011</u>		<u>11,070,597</u>
21 FINANCE CHARGES :				
Interest on fixed loans		4,565,183		12,909,179
Interest to others		16,454,561		16,089,271
Other finance charges		1,855,192		1,374,713
Bank charges and commission		4,746,544		3,691,417
		<u>27,621,480</u>		<u>34,064,580</u>
22 (INCREASE) /DECREASE IN STOCKS :				
Opening stock:				
Finished goods	31,322,217		48,886,340	
Work-in- process	31,215,188		29,508,964	
Scrap	975,848		2,105,186	
		<u>63,513,253</u>		<u>80,500,490</u>
Less:				
Closing stock:				
Finished goods	14,393,527		31,322,217	
Work-in- process	17,792,369		31,215,188	
Scrap	1,453,203		975,848	
		<u>33,639,099</u>		<u>63,513,253</u>
		29,874,154		16,987,237
Excise duty adjustment on finished goods inventory		961,789		943,231
(Increase) / Decrease in stocks		<u>28,912,365</u>		<u>16,044,006</u>

Premier Explosives Limited

	For the year ended 31st March, 2008		For the year ended 31st March, 2007	
	Rs.	Rs.	Rs.	Rs.
23 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		115,496,295		98,817,542
(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		2,593,454
(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).		2,323,320		574,488
4 Other advances and deposits include an amount of Rs.10,691/- (Previous Year Rs.145,471/-) due from an officer of the company. Maximum amount due during the year: Rs.145,471/- (Previous Year Rs.191,900/-).				
5 <u>MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006</u>				
Under the Micro, Small and Medium Enterprises Act, 2006, which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said act. Since the relevant information is not readily available, no disclosures have been made in the accounts.				
6 The company entered into agreement with M/s.Inventa chemicals limited on 20th February 2007 for sale of 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 of mushroom division was completed on 2nd April 2007. Net profit arising out of sale of the division and income tax thereon of Rs. 39.712 million and Rs.17.50 million respectively. Net selling price of Rs.207.9 million has been received during the year.				

Premier Explosives Limited

	For the year ended 31st March, 2008		For the year ended 31st March, 2007	
	Rs.	Rs.	Rs.	Rs.
7 (a) DIRECTORS' REMUNERATION:				
Salary and allowances		3,819,719		4,535,770
Contribution to provident fund		274,798		388,711
Perquisites		915,399		1,564,501
Commission		1,502,309		2,050,127
		<u>6,512,225</u>		<u>8,539,109</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 Chairman and Managing Director and Other Directors for the year ended 31st March, 2008				
Profit as per profit and loss account		86,459,227		
Add: Managerial remuneration including perquisites and benefits		6,512,225		
Director's sitting fees		117,500		
Wealth tax		23,447		
Provision for doubtful advances		20,194,036		
Depreciation as per books		11,293,006		
		<u>124,599,441</u>		
LESS: Profit on sale of assets (net)		39,673,661		
Provision for doubtful debts no longer required		173,127		
Less : Depreciation as envisaged under Section 350 of the Companies Act		<u>11,293,006</u>		
		<u>73,459,647</u>		
Commission on Profits:				
Commission @1% to Chairman and Managing Director		734,596		
Commission @0.5% to Executive Director		367,298		
Commission @0.5% to Director (Marketing)		367,298		
Commission @0.5% to Director (Finance)		33,117		
Proportionately for 33 days				

Premier Explosives Limited

	For the year ended 31st March, 2008	For the year ended 31st March, 2007
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:	
	Explosives:	
	Industrial explosives	33000 tonnes
	Detonators	100 Mn.Nos.
	Styphnic acid	10 tonnes
	Detonating fuse	45 Mn. Mtrs
	PETN	700 tonnes
	Boostex	500 tonnes
	Special products (Pyrogen etc.,)	500 Nos. & 150 tonnes
	Mushrooms (Sold on 02.04.2007)	–
		3000 tonnes
	INSTALLED CAPACITY :	
	(As Certified by the management)	
	Explosives:	
	Industrial explosives	33000 tonnes
	Detonators	100 Mn. Nos.
	Styphnic acid	4.5 tonnes
	Detonating fuse	45 Mn. Mtrs
	PETN	700 tonnes
	Boostex	500 tonnes
	Special products (Pyrogen etc.,)	500 Nos. & 150 tonnes
	Mushrooms (Sold on 02.04.2007)	–
		3000 tonnes
	ACTUAL PRODUCTION:	
	Explosives:	
	Industrial explosives	8776.450 tonnes
	Detonators	52.623 Mn.Nos
	Styphnic acid	1.161 tonnes
	Detonating fuse	17.756 Mn.Mtrs.
	PETN	279.137 tonnes
	Boostex	123.817 tonnes
	Special products (Pyrogen etc.,)	219 Nos.
	Mushrooms	-
		10029.21 tonnes
		44.44 Mn.Nos.
		0.942 tonnes
		11.836 Mn.Mtrs
		228.873 tonnes
		133.709 tonnes
		60 Nos.
		2717.445 tonnes

Premier Explosives Limited

	For the year ended 31st March, 2008		For the year ended 31st March, 2007	
	Rs		Rs	
b) OPENING STOCK, PURCHASES AND CLOSING STOCK OF FINISHED GOODS :				
	QTY	VALUE	QTY	VALUE
		Rs		Rs
Opening Stock:				
Explosives:				
Detonators (million nos)	3.676	18,880,180	8.299	34,489,714
Detonating fuse (million meters)	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>
Closing Stock :				
Explosives:				
Detonators (million nos)	2.003	12,048,391	3.676	18,880,180
Detonating fuse (million meters)	0.667	1,728,996	1.906	4,394,926
PETN (tonnes)	0.300	28,494	2.300	174,110
Boostex (tonnes)	3.422	580,230	6.150	1,028,052
Mushrooms (tonnes)	-	-	106.403	6,670,166
Others	-	7,416	-	174,783
		<u>14,393,527</u>		<u>31,322,217</u>
Purchases:				
Explosives:				
Industrial Explosives (tonnes)	-	-	-	-
Others	-	366,525	-	10,315,298
		<u>366,525</u>		<u>10,315,298</u>
c) DETAILS OF TURNOVER:				
Explosives:				
Industrial explosives (tonnes)	8,776.450	156,456,377	8,243.940	153,747,429
Industrial explosives for captive consumption (tonnes)	-	-	1,785.270	-
Detonators (million nos)	54.296	282,201,452	49.063	224,862,211
Styphnic acid for captive consumption (tonnes)	1.161	-	0.942	-
Detonating fuse (million meters)	18.995	58,368,534	11.215	37,580,531
PETN (tonnes)	5.000	689,533	2.500	412,630
PETN for captive consumption (tonnes)	276.137	-	226.973	-
Boostex (tonnes)	124.895	22,589,313	125.159	20,638,027
Boostex for captive consumption (tonnes)	1.650	-	3.600	-
Special products (Pyrogen etc.,) (nos.)	219.000	31,721,044	60.000	18,754,900
Mushrooms (tonnes)	106.403	8,941,893	2,781.209	200,025,339
Others		82,513,544		79,874,870
		<u>643,481,690</u>		<u>735,895,937</u>

Premier Explosives Limited

	For the year ended 31st March, 2008		For the year ended 31st March, 2007	
	Rs		Rs	
d) DETAILS OF RAW MATERIAL CONSUMED :				
	QTY	VALUE	QTY	VALUE
		Rs		Rs
Ammonium nitrate (tonnes)	6,393.987	90,787,733	7,442.344	84,006,537
Copper strip (tonnes)	3.294	1,210,934	27.133	5,695,508
Aluminium strip (tonnes)	77.833	12,969,138	75.392	9,955,170
Paddy straw (tonnes)	–	–	6,142.825	5,893,629
Chicken manure(tonnes)	–	–	2,645.865	2,133,794
Mushroom spawn (ltrs)	–	–	20,189.800	3,924,020
Others		<u>146,042,789</u>		<u>145,718,588</u>
		<u>251,010,594</u>		<u>257,327,246</u>
e) VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS AND SPARE PARTS CONSUMED AND THEIR PERCENTAGES TO TOTAL CONSUMPTION:				
	(Rs)	%	(Rs)	%
RAW MATERIALS :				
Imported	152,633	0.06	6,475,513	2.52
Indigenous	250,857,961	99.94	250,851,733	97.48
	<u>251,010,594</u>	<u>100.00</u>	<u>257,327,246</u>	<u>100.00</u>
SPARE PARTS :				
Imported -	–	–	1,024,563	14.66
Indigenous	4,287,148	100.00	5,965,413	85.34
	<u>4,287,148</u>	<u>100.00</u>	<u>6,989,976</u>	<u>100.00</u>
f) C.I.F. VALUE OF IMPORTS :				
	(Rs)		(Rs)	
Raw materials	214,130		5,445,288	
Trade purchase	–		42,146	
Capital goods	3,493,901		84,382	
Stores and spares	–		1,024,563	
	<u>3,708,031</u>		<u>6,596,379</u>	
g) EXPENDITURE IN FOREIGN CURRENCY : (ON ACCRUAL BASIS)				
	(Rs)		(Rs)	
Rates and taxes	32,892		–	
Travel	606,015		644,081	
Commission	31,563		3,287,337	
Professional charges	375,342		276,511	
Other expenses	188,250		1,277,122	
	<u>1,234,062</u>		<u>5,485,051</u>	

Premier Explosives Limited

	For the year ended 31st March, 2008		For the year ended 31st March, 2007	
	Rs.	Rs.	Rs.	Rs.
h) EARNINGS IN FOREIGN EXCHANGE: (ON ACCRUAL BASIS)				
FOB value of exports		34,673,108		77,607,231
Technical know how fees		1,162,789		-
Royalty earned		247,965		-
Interest earned		8,440,138		4,550,240
		<u>44,524,000</u>		<u>82,157,471</u>
9 Expenditure under the following heads of account include prior period expenses as given below:				
Expenses on employees		237,703		311,929
Other expenses		26,546		-
Finance charges		39,865		20,956
		<u>304,114</u>		<u>332,885</u>
10 Payments to Auditors :				
As auditors		250,000		150,000
For certification		178,000		165,000
For expenses		63,794		76,093
		<u>491,794</u>		<u>391,093</u>

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

Sl. No	Particulars	Type of foreign Currency	2007-2008		2006-2007	
			Amount in foreign Currency	Equivalent amount in Rupees	Amount in foreign Currency	Equivalent amount in Rupees
1	Long term borrowings	USD	1026445	41,078,329	1451445	63,253,973
2	Payables for Supplies and Services	USD	264550	10,587,310	333186.49	14,520,267
3	Receivables for Supplies and Services	USD	529509	21,005,640	691483	29,830,566
		EURO	481637	30,087,867	294794	16,885,829
4	Loans and advances	USD	1244969	49,387,921	965219	41,639,548
		EURO	312694	19,533,994	92413	5,293,417
5	Bank Guarantees	USD	46850	1,874,937	7600	331,208
		EURO	25200	1,596,420	-	-

Premier Explosives Limited

12 INFORMATION ON EMPLOYEE BENEFITS AS REQUIRED UNDER ACCOUNTING STANDARD 15 (REVISED):

<u>Defined contribution plans:</u>	<u>2007-2008</u>
Contribution to providend fund	5,223,631

Defined benefit plans:

Gratuity:

DISCLOSURES (AS PER ACTUARY CERTIFICATION)

PROFIT AND LOSS ACCOUNT:

Current service cost	551,048
Interest cost on benefit obligation	593,367
Expected return on plan assets	-
Net Actuarial (Gain), Loss recognised in the year	4,399,895
Past services cost	NIL
Net benefit expenses	5,544,310

BALANCE SHEET:

Change in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation	7,417,085
Interest cost	593,367
Current services cost	551,048
Actuarial (gain)/losses on obligation	4,399,895
Closing defined benefit obligation	12,961,395

The principal assumptions used in determining gratuity

Salary rise	4
Discount rate	8
Attrition rate	4
State Plans	
Contribution to E.S.I	1,885,604

Note: As this is the first year of applicability of this AS-15 (Revised), no comparative figures have been provided

Premier Explosives Limited

13 Segmental Reporting:

- a) Company business consists of single reportable segment viz. Manufacture of explosives consequent to sale of mushroom division in April 2007.
- b) As part of secondary reporting, revenues are attributed to geographic areas based on the location of the customers as detailed below:

Particulars	2007-08		2006-07	
	Rs.	%	Rs.	%
Domestic	608,808,582	94.61	658,288,706	89.45
Exports	34,673,108	5.39	77,607,231	10.55
	643,481,690	100.00	735,895,937	100.00

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

- 14 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
MR. T.V.CHOWDARY
MR. K.CHALIL
MR. B.M.VIJAY KUMAR

b) Relatives of Key Management Personnel :

DR. (MRS.) KAILASH GUPTA
MRS. SHONIKA GUPTA
MRS. PARVATHI 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 WIRE PRODUCTS 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 :

PREMIER EXPLOCHEM LIMITED

f) Joint Ventures :

PREMIER GEORGIA LIMITED
PREMIER SENTAS PATALAYICI MADDELER TICARET Ve SANAYI A.S

Premier Explosives Limited

II Details of Transactions with the Related Parties:

Sl. No.	Name of the Related Party / Nature of Transaction	2007-2008		2006-2007	
		Amount of Transaction Rs.	Amount Outstanding Rs.	Amount of Transaction Rs.	Amount Outstanding Rs.
1	Key Management Personnel				
	Managerial Remuneration	6,512,225	3,571,371 Cr	8,539,109	6,034,988 Cr
	Acceptance of Unsecured Loans	–		2,600,000	
	Interest paid	425,603		234,153	
	Repayment of Unsecured Loans	1,500,000		–	
2	Relatives of Key Management Personnel				
	Sitting Fees	35,000	14,654,619 Cr	36,000	13,668,844 Cr
	Acceptance of Unsecured Loans	8,882,000		3,269,000	
	Repayment of Unsecured Loans	6,878,000		1,132,000	
	Interest paid	1,552,804		1,757,342	
3	Concerns in which Key Management Personnel have substantial interest (Significant interest entities)				
	Acceptance of Unsecured Loans	1,451,000	2,672,412 Cr	2,308,000	2,600,068 Cr
	Repayment of Unsecured Loans	1,229,000		1,700,000	
	Interest paid	298,160		311,636	
	Miscellaneous Income	9,160		8,350	
	Share application Money	4,988,798		–	
4	Concerns in which relatives of Key Management Personnel have substantial interest (Significant interest entities)				
	Jobwork charges paid	878,680	6,409,993 Dr	831,532	1,525,883 Cr
	Staff cost paid	–		5,141,541	
	Other Expenses paid	389,957		389,068	
	Finance Charges paid	–		20	
	Lease rent paid	1,800,000		2,025,000	
	Purchase of Fixed Assets	–		–	
	Acceptance of Unsecured Loans	3,700,000		–	
	Repayment of Unsecured Loans	3,700,000		5,200,000	
	Interest Paid	103,268		142,608	
	Interest recovered	12,262		–	
	Rent deposit	6,800,000		–	

Premier Explosives Limited

Sl. No.	Name of the Related Party / Nature of Transaction	2007-2008		2006-2007	
		Amount of Transaction Rs.	Amount Outstanding Rs.	Amount of Transaction Rs.	Amount Outstanding Rs.
5	Concerns in which the company has substantial interest				
	Purchase of Raw materials	826,286	25,494,036 Dr	6,591,747	26,137,336 Dr
	Sale of Raw materials	196,508		2,183,968	
	Sale of Packing Material	-		686,342	
	Staff cost recovered	-		23,800	
	Sale of Fixed Assets	-		312,000	
	Purchase of Assets	-		2,040,898	
Commission Paid	-		220,072		
6	Joint Ventures				
	Loan Given	15,360,261	103,949,068 Dr	37,100,468	85,879,621 Dr
	Investment	450,735		6,393,846	
	Sale of Goods	2,049,429		35,853,328	
	Share application Money	-		3,253,567	
	Royalty received	247,965		-	
	Sale of Machinery and Spares	93,550		-	
Interest recovered	8,440,138		4,550,240		

15 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.264,000/- (Previous Year :Rs.635,250/-)

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

	Year ended 31.03.2008	Year ended 31.03.2007
- Profit attributable to the Equity Shareholders (Rs.) - (A)	58,287,674	26,253,389
- Basic/Weighted average number of Equity Shares outstanding during the year - (B)	8,126,576	8,123,158
- Nominal value Equity Shares (Rs)	10	10
- Earnings per Share (Rs.) - (A) / (B)	7.17	3.23

Premier Explosives Limited

- 17 (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 :

Particulars	Opening as at 01.04.2007	Charge/ (Credit) during the year	Closing as at 31.03.2008
A. <u>Deferred tax liabilities:</u>			
Depreciation	51,386,005	(7,756,391)	43,629,614
Total - A	<u>51,386,005</u>	<u>(7,756,391)</u>	<u>43,629,614</u>
B. <u>Deferred tax assets:</u>			
(a) 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.	7,127,942	(826,056)	6,301,886
(b) Others	3,165,935	6,299,400	9,465,335
Total - B	<u>10,293,877</u>	<u>5,473,344</u>	<u>15,767,221</u>
TOTAL - (A - B)	41,092,128	(13,229,735)	27,862,393

18 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 2008
PREMIER GEORGIA LIMITED	GEORGIA	45%
PREMIER SENTAS PATALAYICI	TURKEY	50%
MADDELER TICARET Ve SANAYI A.S		

The company's Interest in the Joint Ventures are reported as longterm investments (Schedule 7) 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 :

Premier Explosives Limited

A. PREMIER GEORGIA LIMITED

	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
<u>BALANCE SHEET</u>		
Secured loans	29,232,438	20,755,218
Retained profit	(22,367,956)	(8,798,380)
Fixed assets	20,580,629	17,321,296
<u>Current Assets, Loans and Advances</u>		
Inventories	3,650,534	2,147,892
Cash and bank balances	1,347,154	79,028
Other current assets	6,941,711	-
Loans and advances	1,181,335	6,354,824
Current Liabilities and Provisions	22,434,166	10,382,674

INCOME STATEMENT

	For the year ended 31st March, 2008 Rs.	For the year ended 31st March, 2007 Rs.
<u>Income</u>		
Sales	2,444,436	-
Other income	2,164,099	98
	<u>4,608,535</u>	<u>98</u>
<u>Expenditure</u>		
Expenses on employees	3,290,290	863,722
Other expenses	3,284,805	562,988
Interest	4,070,092	607,591
Tax paid	922,986	-
Deprecitaion	1,863,754	-
Materials consumed	2,050,541	-
Selling expenses	291,527	-
Manufacturing expenses	332,173	-
	<u>16,106,168</u>	<u>2,034,301</u>
Net Loss	11,497,633	2,034,203

* Figures are based on un-audited financial statement and are as certified by the management.

Premier Explosives Limited

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

BALANCE SHEET

	As at 31st December, 2007 Rs.	As at 31st December, 2006 Rs.
Bank loans	437,796	1,919,429
Capital reserve	–	836,719
Profit reserve	4,134,279	77,591
Retained profits	102,594	3,774,348
Fixed assets	31,603,707	29,363,288

Current Assets, Loans and Advances

Inventories	–	4,516,064
Sundry debtors	10,436,202	3,017,549
Cash and bank balances	372,101	1,394,851
Loans and advances	6,959,625	2,809,061
Current Liabilities and Provisions	40,776,809	31,676,227

INCOME STATEMENT

	For the year ended 31st December, 2007	For the year ended 31st December, 2006
	Rs.	Rs.
Income		
Sales	30,996,847	31,802,180
Other income	1,442,585	32,130
	<u>32,439,432</u>	<u>31,834,310</u>
Expenditure		
Cost of sales	26,068,809	21,340,749
General and administration expenses	5,960,075	10,020,497
Foreign exchange losses	–	17,479
Finance expenses	120,397	1,275
	<u>32,149,281</u>	<u>31,380,000</u>
Profit	290,151	454,310
Less; Tax on profit	187,557	–
Net Profit	102,594	454,310

19. Particulars of Research and Development Expenses:

Sl. No.	Particulars	For the year ended 31st March, 2008 Rs.	For the year ended 31st March, 2007 Rs.
1.	Material consumed	378,640	345,249
2.	Salaries,wages and other benefits	3,112,114	955,536
3.	Contribution to Provident fund	184,392	60,226
4.	Contribution to E.S.I.	121,943	22,210
		<u>3,797,089</u>	<u>1,383,221</u>

20 Information as required under part IV of Schedule VI of the Companies Act, 1956 is given in Annexure A.

Premier Explosives Limited

24 SIGNIFICANT ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION:

The financial statements are prepared under the historical cost convention on an accrual basis and in accordance with notified accounting standards issued by the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

(b) FIXED ASSETS:

Fixed assets are stated at cost of acquisition which includes 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 capitalized. Revalued fixed assets are stated at the fair market value as per the valuation of registered valuers. The increased amount of assets on such revaluation is credited to the revaluation reserve account.

(c) DEPRECIATION:

- (i) Depreciation is charged in the accounts under Straight Line Method in accordance with rates specified in Schedule XIV of the Companies Act, 1956
- (ii) Additional depreciation is charged 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.5000/-
- (iv) Leasehold Land is amortised over the lease period.

(d) INTANGIBLE ASSETS AND AMORTISATION:

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

(e) 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.

(f) Borrowing Costs:

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

(g) INVESTMENTS:

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

(h) REVENUE RECOGNITION:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be readily measured.

(i) Sales:

Gross sales includes excise duty and adjustments for price variation and liquidated damages.

(ii) Interest:

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the applicable rate.

(iii) Dividend:

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date

(i) EXCISE DUTY:

Excise Duties recovered are included in "Gross Sales". Excise duty on dispatches 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.

(j) EMPLOYEE BENEFITS:

Defined contribution plans:

Provident Fund: Contribution to Provident Fund is made at the prescribed rates to the Employees Provident Fund Scheme by the Central Government and is charged to the Profit and Loss Account

Defined benefit plans:

- i) Gratuity:** The Company makes contribution to a scheme administered by the Life Insurance Corporation of India (LIC) to discharge gratuity liabilities to the employees. Annual contribution to the fund as determined by the LIC is expensed in that year of contribution. The shortfall between the accumulated funds available with LIC and liability as determined on the basis of an actuarial valuation is provided for at the year end. The Actuarial gains/losses are immediately taken to profit and loss account.
- ii) Leave encashment:** The Company records its unavailed leave liability based on actuarial valuation using projected unit credit method

Short term employee benefits:

Short term employee benefits are recognized as an expense as per the company's scheme based on expected obligation on undiscounted basis

State plans: Employer's contribution to Employee's State Insurance is charged to Profit and Loss Account

(k) 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. Realized gains and lossess on foreign exchange transactions are recognized in the Profit and loss account.

(l) 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

(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 recognized 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.

Premier Explosives Limited

(a) **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

(b) **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 recognized 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 realized.

(c) **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 materialize into liability after the year end, till the finalization of accounts and have material effect on the position stated in the Balance Sheet.

(p) **PROVISIONS:**

A provision is recognized 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) **USE OF ESTIMATES:**

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.

Signatures to Schedules 1 to 24

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

P.V.R.K. NAGESWARA RAO

Partner

Date : 26.05.2008

Place : Secunderabad.

A.N. GUPTA
Chairman & Managing Director

B. SOMASEKHARA RAO
Vice President (Finance) and
Company Secretary

T.V. CHOWDARY
Executive Director

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 %

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

Item code No.

Product description

1

2

3

**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, 2008 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.

28th ANNUAL GENERAL MEETING, 29th SEPTEMBER, 2008 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 29th September, 2008 and at any adjournment thereof.

Signed this day of 2008

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.



Mr A.N.Gupta, Chairman and Managing Director and Dr.(Mrs). Kailash Gupta, Director after receiving "Defence Technology Absorption Award 2007"

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PREMIER EXPLOSIVES LIMITED

202 & 203, Minerva Complex,

S.D. Road, Secunderabad - 500 003

Andhra Pradesh, India.