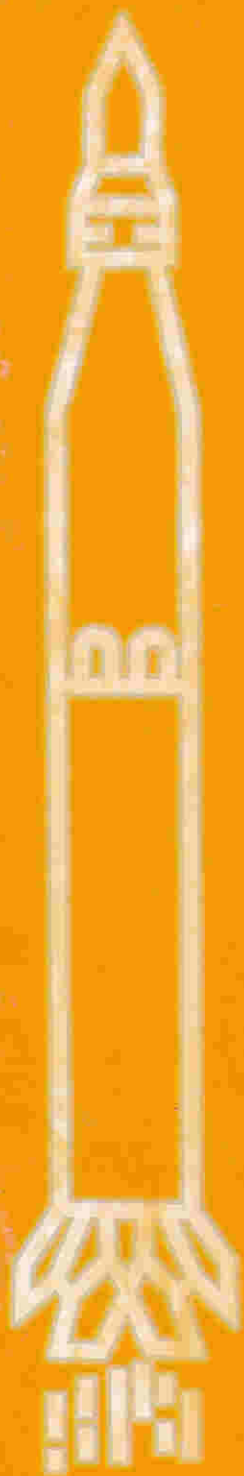


26th ANNUAL REPORT 2005-2006



**Premier
Explosives
Limited**

Premier Explosives Limited

BOARD OF DIRECTORS

K.V. RAGHAVAN
Chairman

A.N. GUPTA
Vice Chairman & Managing Director

Dr. S.V.KANNAN
Dy. Managing Director

T.V.CHOWDARY
Director (Projects)

K.CHALIL
Director (Marketing)

B.M.VIJAY KUMAR
Director (Finance) & Secretary

Dr. (Mrs.) KAILASH GUPTA
Dr. V.V. SUBBA REDDY
ANIL KUMAR MEHTA
Dr. HARIDWAR SINGH

**REGISTRARS & SHARE
TRANSFER AGENTS**

AUDITORS
M.R. DEVINENI & CO.

**SATHGURU MANAGEMENT
CONSULTANTS PRIVATE LIMITED**
Plot No. 15, Hindi Nagar,
Punjabgutta, Hyderabad – 500 034.

BANKERS
UCO BANK

REGISTERED OFFICE
202, 203, Minerva Complex,
S.D.Road, Secunderabad – 500 003.

FACTORIES

DETONATORS DIVISION
Peddakandukur – 508 286
Yadagirigutta Mandal
District Nalgonda (A.P.)

BULK EXPLOSIVES
Singrauli Division
Plot No. 42, Industrial Area,
Udyog Deep, Waidhan,
District Sidhi (M.P.)

MUSHROOM DIVISION
Kallakal Village
Toopran Mandal
District Medak (A.P.)

BULK EXPLOSIVES
Manuguru Division
Manuguru – 507 117
District Khammam (A.P.)

BULK EXPLOSIVES
Chandrapur Division
C-16, M.I.D.C.,
Ghugus Road,
Chandrapur (Maharashtra)

Premier Explosives Limited

NOTICE OF 26th ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Sixth Annual General Meeting of PREMIER EXPLOSIVES LIMITED will be held at Rajaji Sabhagriha, Bharatiya Vidya Bhavan, # 5-9-1105, Basheerbagh, King Koti Road, Hyderabad – 500 029 on Friday, the 29th September, 2006 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, 2006 and the Profit and Loss account for the year ended on that date and the reports of the directors and auditors thereon.
2. To declare a dividend for the year 2005-06.
3. To appoint a director in place of Dr. V.V.Subba Reddy, 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 any modifications as an Ordinary Resolution:

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

AS SPECIAL BUSINESS

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

“RESOLVED THAT Sri T.V.Chowdary, 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 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.”

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

“RESOLVED THAT Sri K.Chalil, 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 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.”

Premier Explosives Limited

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

“RESOLVED THAT Sri B.M.Vijay Kumar, who was appointed as 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 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.”

9. To consider and, if thought fit, to pass the following resolution with or without any modifications as an Ordinary 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 the 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. Export-Import Bank of India in connection with sanction of foreign currency term loan for an amount not exceeding USD 1.70 million equivalent to Rs. 7.50 crores (Rupees Seven crores fifty lakhs) approximately.

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.”

10. To consider and, if thought fit, to pass the following resolution with or without any modifications as an Ordinary 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 the 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. Export-Import Bank of India in connection with sanction of term loan for an amount not exceeding Rs. 3.96 crores. (Rupees Three crores ninety six 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 resolutions by and with the authority of the Board of Directors are hereby confirmed and ratified.”

11. To consider and, if thought fit, to pass the following resolution with or without any modifications as an Ordinary Resolution.

Premier Explosives Limited

“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 specific immovable and movable properties of the company wheresoever situated, present and future 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. Canbank Factors Limited in connection with sanction of Purchase Bill Discounting facility for an amount not exceeding Rs. 100.00 lacs (Rupees one crore 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.”

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

“RESOLVED THAT pursuant to the provisions of Sections 269, 309, 310, 311, 314 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereof and subject to the approval of Central Government, if any, as applicable, the consent of the Company be and is hereby accorded for reappointment and revision in remuneration of Dr. S.V.Kannan, Deputy Managing Director of the company for a further period of 5 years w.e.f. 03.09.2006 on the terms and conditions set out in the explanatory statement attached to the notice convening this Annual General Meeting”.

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

“RESOLVED THAT pursuant to the provisions of Sections 269, 309, 310, 311, 314 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereof and subject to the approval of Central Government, if any, as applicable, the consent of the company be and is accorded for appointment of Sri T.V.Chowdary as Director (Projects) for a period of three years w.e.f. 01.09.2005 on the terms and conditions set out in the Explanatory Statement attached to the notice convening this Annual General Meeting”.

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

“RESOLVED THAT pursuant to the provisions of Sections 269, 309, 310, 311, 314 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereof and subject to the approval of Central Government, if any, as applicable, the consent of the company be and is accorded for appointment of Sri K.Chalil as Director (Marketing) for a period of three years w.e.f. 01.09.2005 on the terms and conditions set out in the explanatory statement attached to the notice convening this Annual General Meeting”.

Premier Explosives Limited

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

“RESOLVED THAT pursuant to the Provisions of Sections 269, 309, 310, 311, 314 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereof and subject to the approval of Central Government, if any, as applicable, the consent of the company be and is accorded for appointment of Sri B.M.Vijay Kumar as Director (Finance) & Company Secretary for a period of three years w.e.f. 01.07.2006 on the terms and conditions set out in the explanatory statement attached to the notice convening this Annual General Meeting”.

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

B.M.VIJAY KUMAR
Director (Finance) & Secretary

Place : Secunderabad
Date : 29.06.2006

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and such a proxy need not be a member of the company. Proxies (in the annexed form) and power of attorneys, in order to be effective must be received at the registered office of the company not later than 11.00 a.m. on the 27th day of September, 2006.
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 16.09.2006 to 29.09.2006 (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 29.09.2006.
5. The shares of the company are presently listed in stock exchanges at Hyderabad and Mumbai and the company has paid upto date listing fee to the above stock exchanges.
6. Members are advised to avail nomination facility as per the amended provisions of Companies Act, 1956, for which nomination forms are available with the registrars to the company.
7. Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education & Protection Fund.

Premier Explosives Limited

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 and electronic form are requested to inform immediately the change, if any, in their address to the registrars M/s. Sathguru Management Consultants Private Limited, Plot No.15, Hindinagar, Punjagutta, Hyderabad – 500034.
9. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.
10. Brief resumes of Directors retiring by rotation and seeking reappointment.
 - (i) Dr. V.V.Subba Reddy is a Master in Science (Tech), Ph.D., and an industrialist having rich experience of more than 30 years in various industries.
 - (ii) Dr. (Mrs.) Kailash Gupta: She is an industrialist and doctor by profession. She has rich experience in industry.
11. Brief resumes of Directors proposed to be appointed/reappointed vide special business item No. 12 to 15 of the annual general meeting notice.

Dr. S.V.Kannan is a Doctorate in Chemistry. He has more than 35 years of experience in research and development of industrial explosives. He developed many new compositions for explosives, which have been commercially exploited.

Sri T.V.Chowdary is a Chemical Engineer, with over 20 years of experience in production of explosives, detonators and mushrooms. He has been working with this company for over a period of 18 years.

Sri K.Chalil is a Mining Engineer, with 30 years of experience in major mining and quarrying industries/ explosive industries especially in areas of explosives application and marketing. He has been working with this company for a period of 12 years.

Sri B.M.Vijay Kumar is an associate member of the Institute of Chartered Accountants of India, Institute of Cost & Works Accountants of India and Institute of Company Secretaries of India. He has over 15 years of experience in the field of finance, accounts and secretarial functions. He has been working with this company for the past 9 years.

Premier Explosives Limited

ANNEXURE TO THE NOTICE

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

Item No. 6 & 13

Mr. T.V.Chowdary was appointed by board of directors on 31.08.2005 as an Additional Director. He is a Chemical Engineer, with over 20 years of experience in production of explosives, detonators and mushrooms. The company has received notice from a shareholder proposing his candidature for the office of a director under Section 257 of the said Act.

The board also at the above meeting have appointed Mr. T.V.Chowdary as a Whole-time Director viz., Director (Projects) for a period of three years from 01.09.2005 on the following terms and conditions:

1. Salary:

Basic Rs. 44,000/- (Rupees forty four thousand only) per month 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 not exceeding 0.5% of the net profit.

3. Perquisites

CATEGORY A:

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

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

CATEGORY B:

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

CATEGORY C:

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

4. Minimum remuneration:

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

Premier Explosives Limited

Your directors recommend the approval of the above resolutions. None of the directors except Mr. T.V.Chowdary is concerned or interested in the said resolutions.

Item No. 7 & 14

Mr. K.Chalil was appointed by board of directors on 31.08.2005 as Additional Director. He is a mining engineer with over 30 years of experience in major mining and quarrying industries / explosive industries, especially in areas of explosives application and marketing. The company has received notice from a shareholder proposing his candidature for the office of a director under section 257 of the said Act.

The board also at the above meeting have appointed Mr. K.Chalil as a Whole-time Director viz., Director (Marketing) for a period of three years from 01.09.2005 on the following terms and conditions:

1. Salary:

Basic Rs. 42,000/- (Rupees forty two thousand only) per month 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 not exceeding 0.5% of the net profit.

3. Perquisites

CATEGORY A:

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

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

CATEGORY B:

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

CATEGORY C:

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

4. Minimum remuneration:

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

Your directors recommend the approval of the above resolutions. None of the directors except Mr. K.Chalil is concerned or interested in the said resolutions.

Premier Explosives Limited

Item No. 8 & 15

Mr. B.M.Vijay Kumar was appointed by board of directors on 29.06.2006 as an Additional Director. He is an associate member of Institute of Chartered Accountants of India, Institute of Cost Accountants of India and Institute of Company Secretaries of India, having more than 15 years of experience in the field of finance, accounts and secretarial functions. The company has received notice from a shareholder proposing his candidature for the office of a director under Section 257 of the said Act.

The board also at the above meeting have appointed Mr. B.M.Vijay Kumar as a whole-time director to be designated as Director (Finance) & Company Secretary for a period of three years w.e.f. 01.07.2006 on the following terms and conditions:

1. Salary:

Basic Rs. 40,000/- (Rupees forty thousand only) per month 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 not exceeding 0.5% of the net profit.

3. Perquisites

CATEGORY A:

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

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

CATEGORY B:

1. Company's contribution towards provident fund as per the rules and regulations prescribed under Employees Provident Fund and Miscellaneous Provision Act, 1952.
2. Gratuity not exceeding half month's salary for each completed year of service.
3. Leave encashment at the end of tenure as per rules of the company.
4. He will be entitled to superannuation benefits or any other scheme as per the rules of the company. The company's contribution to such scheme shall not exceed 10% of the basic.

CATEGORY C:

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

4. Minimum remuneration:

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

Premier Explosives Limited

Your directors recommend the approval of the above resolutions. None of the directors except Mr. B.M.Vijay Kumar is concerned or interested in the said resolutions.

Item No. 9

The company has availed foreign currency term loan from Export-Import Bank of India for an amount of USD 1.70 million (equivalent to Rs. 7.50 crores approximately). Export-Import Bank of India had released the loan 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 an ordinary resolution.

None of the directors is concerned or interested in the said resolution.

Item No. 10

The Company has availed term loan of Rs. 3.96 crores from Export-Import Bank of India towards part financing the investments of joint ventures. Export-Import Bank of India has granted the loan against security of the assets of the company by way of mortgage and / or hypothecation. As per provisions of Section 293 (1) (a) of Companies Act, 1956, the consent of the shareholders is required. Your directors recommend the same and the resolution may be passed as an ordinary resolution.

None of the directors is concerned or interested in the said resolution.

Item No.11

The company has availed purchase bills discounting facility from M/s. Canbank Factors Limited. Existing limit of Rs. 50.00 lakhs has been enhanced to Rs. 100.00 lacs. M/s. Canbank Factors have released the loan against security of specific 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 an ordinary resolution.

None of the directors is concerned or interested in the said resolution.

Item No. 12

Present term of appointment of Dr. S.V.Kannan, Deputy Managing Director expires on 02.09.2006. The board of directors at their meeting held on 29.06.2006 have re-appointed Dr. S.V.Kannan as Dy. Managing Director for a period of 5 years w.e.f. 03.09.2006 on the following terms and conditions.

1. Emoluments

Salary of Rs.1,00,000/- (Rupees one lakh only) p.m. w.e.f. 01.09.2006 with an annual increment of 10% due on 1st April every year.

2. Commission

In addition to the salary, commission not exceeding 1% of the net profit.

3. Perquisites

In addition to salary mentioned above, Dy. 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 the rules and regulations prescribed under Employees Provident Fund and Miscellaneous Provision 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 maximum limit prescribed under the Payment of Gratuity Act, 1972.

Leave encashment at the end of tenure as per rules of the company.

Assignment of Keyman Insurance policy in favour of Dr. S.V.Kannan w.e.f. 01.09.2006, sum assured Rs. 25 lacs, Name of the Company: Bajaj Allianz Life Insurance Company Ltd.

In computing monetary ceiling of perquisites, the company's contribution to provident fund, superannuation fund, annuity fund, Keyman Insurance, 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.

3. Minimum remuneration:

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

Your directors recommend the approval of the above resolution. None of the directors except Dr. S.V.Kannan is concerned or interested in the said resolution.

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

Place: Secunderabad
Date: 29.06.2006

B. M. VIJAY KUMAR
Director (Finance) & Secretary

Premier Explosives Limited

DIRECTORS' REPORT

To

The Members,

Your directors are pleased to present the 26th annual report together with the audited accounts of the company for the year ended 31st March, 2006.

A brief summary of the results is given below:

FINANCIAL PERFORMANCE:

(Rs. in millions)

	2005-2006	2004-2005
Sales & other income	713.82	610.22
Gross profit	85.10	69.67
Less: finance charges	23.57	18.03
Depreciation	15.75	14.67
Profit before tax	45.78	36.97
Less: provision for taxation:	19.60	3.13
Provision for deferred tax	(5.73)	8.92
Provision for fringe benefits tax	<u>1.20</u>	<u>-</u>
	15.07	12.05
Profit after tax	30.71	24.92
Add: balance brought forward	44.00	30.78
Add: debenture redemption reserve	-	3.70
Profit available for appropriation	74.71	59.40
Appropriations:		
Dividend	12.17	12.16
Dividend tax	1.71	1.71
Transfer to General Reserve	2.00	1.53
Balance carried forward	58.83	44.00

Your company has recorded an increase of 16.98% in total income of Rs. 713.82 millions compared to a total income of Rs. 610.22 millions during 2004-05 and an increase of 23.84% in profit before tax at Rs. 45.78 millions during 2005-06 compared to Rs. 36.97 millions during 2004-2005.

Your company has provided for an amount of Rs. 10.31 millions towards anti dumping duty against the final order received from Department of Commerce, USA for export of mushrooms to the USA for the period 01.02.2003 to 31.01.2004.

Dividend

Your directors are glad to recommend 15% dividend for the year ended 31st March, 2006 on the amount paid up.

OPERATIONS:

Explosives & Accessories

The turnover of explosives and accessories during the year was Rs. 456.86 millions as against Rs. 437.98 millions during the previous year.

Premier Explosives Limited

Recognition of your company's R & D efforts: You will be glad to know that the Federation of Andhra Pradesh Chambers of Commerce & Industry (FAPCCI) presented an award of "Best Technology Development in R & D" for development of ultra safe green detonator to your company.

Your company has also received an appreciation award from Andhra Pradesh Pollution Control Board (APPCB), regional office, Nalgonda for best greenery maintenance at detonators division, Peddakandukur.

Your company has succeeded in manufacturing some highly sophisticated products like electronic detonators, ultra safe green detonators etc.

Mushroom division

The turnover of mushroom division during the year was Rs. 187.77 millions as against Rs. 143.03 millions of previous year representing an increase of 31.28 %.

EXPORTS

Explosives division

Your company exported detonating fuse and detonators valued at Rs. 20.53 millions during the year.

Mushroom division

Your company exported mushrooms valued at Rs. 31.81 millions during the year.

JOINT VENTURES:

Your company has established two joint ventures abroad for manufacture of explosives and accessories. Civil construction in both ventures is in advance stage and plant & machinery has also been despatched. The production is likely to commence by September, 2006.

FUTURE PROSPECTS

Your company has started production of special products for defence sector.

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

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement with the stock exchanges, the company has implemented the code of corporate governance. The reports on corporate governance and management discussion and analysis together with auditors' certificate on the same are attached to this report.

DIRECTORS:

Dr. V.V.Subba Reddy and Dr. (Mrs.) Kailash Gupta will retire by rotation and being eligible, offer themselves for reappointment. Mr. R.K.Verma has retired as director of the company on 31.08.2005 and the board of directors conveyed their appreciation for his valuable services rendered during his tenure with the company.

Dr. S.V.Kannan was reappointed as Deputy Managing Director at the board meeting held on 29.06.2006 for a period of 5 years w.e.f. 03.09.2006.

Mr. K.Chalil and Mr. T.V.Chowdary were inducted as additional directors (whole-time) on the Board of the company on 31.08.2005. Mr. B.M.Vijay Kumar was inducted as additional director (whole-time) on the board on 29th June, 2006.

Your Directors recommend appointment of Mr. T.V.Chowdary, Mr. K.Chalil and Mr. B.M.Vijay Kumar whose term as additional directors is expiring on ensuing Annual General meeting of the company. Your company has received notice from members pursuant to section 257 of the Companies Act, 1956 signifying their intention to propose the candidatures of Mr. T.V.Chowdary, Mr. K.Chalil and Mr. B.M.Vijay Kumar for the office of the director.

AUDITORS:

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

Premier Explosives Limited

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 AND SALES TAX AUTHORITIES:

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

STATUTORY INFORMATION:

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

PARTICULARS OF EMPLOYEES

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

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, 2006 and of the profit of the company for the year ended on that date ;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

INDUSTRIAL RELATIONS:

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

ACKNOWLEDGEMENT:

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

**FOR AND ON BEHALF OF
THE BOARD OF DIRECTORS.**

Place : Secunderabad
Date : 29.06.2006

A.N.GUPTA
Vice Chairman &
Managing Director

S.V.KANNAN
Dy. Managing Director

Premier Explosives Limited

ANNEXURE TO DIRECTORS' REPORT

Particulars as required under section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

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

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

Form A (See Rule 2)

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

(a) POWER AND FUEL CONSUMPTION

(All divisions except mushroom)

For the period
01.04.2005 to 31.03.2006

1. ELECTRICITY

(A) Purchased units (millions)	0.99
Total amount (Rs. in millions)	4.60
Rate / unit (Rs.)	4.66

(B) Own generation

(i) Through diesel generator units (millions)	0.04
Litres of diesel oil (millions)	0.02
Cost / unit (Rs.)	18.08
(ii) Through steam turbine/generator	N.A.

2. COAL (specify quality & where used)

Manuguru & Peddakandukuru

Quantity (tonnes)	470
Total cost (Rs. in millions)	0.93
Average rate (Rs. per kg.)	1.98

b) Technology absorption (Form 'B') :

Research and Development (R & D)

- | | | |
|---|---|--|
| 1. Specific areas in which R & D carried out by the company | : | Development of specialized 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 |

Premier Explosives Limited

(Rs. in millions)

4. Expenditure on R & D :

a) Capital	:	0.21
b) Recurring	:	1.24
c) Total	:	1.45
d) Total R & D expenditure as a percentage of total turnover	:	0.21

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. 52.34 millions
- 2. Foreign exchange outgo : Rs. 73.41 millions

ANNEXURE

Information as per Section 217 (2A) (b) (ii) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1957 and forming part of the Director's Report for the year ended 31st March, 2006.

Sl. No.	Name	Designation / Nature of Duties (Rupees)	Gross Remuneration	Qualifications	Age (years)	Total experience (years)	Date of commencement of employment	Last employment and designation
1.	A.N. Gupta	Vice Chairman & Managing Director	76,37,849	M.Sc. (Mining), B.Sc. (Mining-Hons.), AISM	61	39	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, Vice Chairman & Managing Director
 - 3. Gross remuneration includes salary, commission, leave travel allowance, contribution to provident fund, medical expenses, rent free accommodation and keyman insurance premia paid.

Premier Explosives Limited

REPORT ON CORPORATE GOVERNANCE

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

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

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

2. Board of Directors

- i. The company has a non-executive chairman and the number of independent directors at 44.44% is more than one-third of the total number of directors. The number of non-executive directors (NEDs) at 55.56% is more than 50% of the total number of directors. The composition of the board is in conformity with clause 49 of the listing agreement entered into with the stock exchanges.
- ii. None of the directors on the board is a member of more than 10 committees or chairman of more than 5 committees as specified in clause 49, across all the companies in which he is a director. Necessary disclosures regarding committee positions in other public companies as at March 31, 2006 have been made by the directors.
- iii. The names and categories of the directors on the board, their attendance at the board meetings held during the year and the number of directorships and committee chairmanships / memberships held by them in other companies is given below.

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

Premier Explosives Limited

Name of the Director	Board Meetings		Attendance at Last AGM
	Held	Attended	
Sri K. V. Raghavan	7	4	Present
Sri A. N. Gupta	7	7	Present
Dr. S. V. Kannan	7	5	Present
Sri R K Verma *	6	6	Present
Dr. (Mrs.) Kailash Gupta	7	7	Present
Dr. V. V. Subba Reddy	7	7	Present
Sri Anil Kumar Mehta	7	6	Absent
Dr. Haridwar Singh	7	3	Present
Sri K Chalil *	2	2	N.A.
Sri T V Chowdary *	2	2	N.A.

* Board Meetings held during the tenure of his directorship

Sri K Chalil and Sri T V Chowdary were appointed as directors after 25th Annual General Meeting, which was held on 31.08.2005.

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

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

iv. 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 :

14.04.2005, 19.05.2005, 16.06.2005, 29.07.2005, 31.08.2005, 28.10.2005 and 31.01.2006.

v. None of the non-executive directors have any material pecuniary relationship or transactions with the company.

Reappointment of directors at the 26th AGM :

Dr V.V. Subba Reddy 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.

Dr V V Subba Reddy, M.Sc (Tech), Ph.D., is an industrialist having rich experience of more than 30 years in various industries. He is the chairman and Managing Director of Sri Krishna Drugs Limited.

Premier Explosives Limited

Dr (Mrs) Kailash Gupta is an industrialist and doctor by profession. She has rich experience in the industry. She is a panel doctor of Indian Airlines and Medical Examiner for LIC, HDFC, Standard Life, Om Kotak Mahindra and ING Vysya. She also takes awareness lectures at army family centres for health awareness, vaccinations, family planning, cancer awareness etc.

Code of Conduct:

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

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

3. Audit Committee

- a) The Audit committee of the company is constituted in line with the provisions of clause 49 of the listing agreement entered into with the stock exchanges read with section 292A of the Companies Act, 1956.
- b) The previous annual general meeting of the company was held on August 31, 2005 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 reports, recommendations etc., to the board of directors on all matters.
- d) The audit committee met FOUR times during the year on 16.06.2005, 29.07.2005, 28.10.2005 and 31.01.2006. 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 2005-06	
		Held	Attended
Dr. V. V. Subba Reddy, Chairman	Non-executive, independent director	4	4
Mr. Anil Kumar Mehta	Non-executive, independent director	4	4
Mr. K. V. Raghavan	Non-executive, independent director	4	2

Premier Explosives Limited

4. Remuneration committee

The members of the remuneration committee are:

Sri K. V. Raghavan	- Chairman & Non-executive independent director
Dr. V. V. Subba Reddy	- Non-executive independent director
Sri Anil Kumar Mehta	- Non-executive independent director

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

The remuneration committee met once on 31.08.2005 during the year to appoint Mr K Chalil as Director (Marketing) and Mr T V Chowdary as Director (Projects) for a period of 3 years with effect from 01.09.2005. The necessary approval of central government is also received.

Details of remuneration to all the directors :

a) Executive Directors :

Name of the Director	Salary	Benefits	Commission	Total
	Rs.	Rs.	Rs.	Rs.
Sri A. N. Gupta	12,00,000	58,45,662	5,92,187	76,37,849
Dr. S. V. Kannan	10,73,478	2,41,669	5,92,187	19,07,334
Sri R. K. Verma	2,79,500	86,645	-	3,66,145
Sri K Chalil	3,82,200	39,943	1,72,721	5,94,864
Sri T V Chowdary	4,00,400	1,00,519	1,72,721	6,73,640

b) Non-executive Directors:

Name of the Director	Sitting fee		Total	No. of equity shares held
	As a director Rs.	As a committee member Rs.		
Sri K. V. Raghavan	4,000/-	2,000/-	6,000/-	NIL
Dr. (Mrs.) Kailash Gupta	7,000/-	-	7,000/-	651181
Sri Anil Kumar Mehta	6,000/-	3,000/-	9,000/-	NIL
Dr. V. V. Subba Reddy	-	-	-	NIL
Dr. Haridwar Singh	3,000/-	-	3,000/-	NIL

5. Shareholders / Investors Grievance Committee

The members of the share transfer committee are:

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

Premier Explosives Limited

Mr. B. M. Vijay Kumar, 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 29 shareholders complaints. All these complaints were redressed / replied to the satisfaction of the shareholders and no complaints were outstanding as on 31st March, 2006.

Subsidiaries :

There are no subsidiaries to the company.

CEO / CFO Certification:

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

6. General Body Meetings

The details of last three annual general meetings are given below :

Year	Type of meeting	Venue	Date	Time
2002 – 2003	AGM	Lions Bhavan Trust, IIInd Floor, Paradise Circle (West), S D Road, Secunderabad- 500 003	30.09.2003	11:30 A.M.
2003 – 2004	AGM	Federation of Andhra Pradesh Chamber of Commerce & Industry (FAPCCI), Surana Udyog Auditorium, 11-6-841, Post Box No. 14, Red Hills, Hyderabad – 500 004.	23.08.2004	11:00 A.M.
2004 - 2005	AGM	Federation of Andhra Pradesh Chamber of Commerce & Industry (FAPCCI), Surana Udyog Auditorium, 11-6-841, Post Box No. 14, Red Hills, Hyderabad – 500 004	31.08.2005	11.00 A.M.

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.

Premier Explosives Limited

Compliance:

The company is regularly submitting its quarterly compliance report to the stock exchanges for 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 had been included in the management discussion and analysis report.

7. Disclosures

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

During the year ended 31.03.2006, 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. 11 (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 Business Standard (English) and Andhra Bhoomi (Telugu) on approval by the board of directors.

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

Special Resolutions in Last 3 AGMs

Year	No. of Special resolutions
2002-2003	2
2003-2004	3
2004-2005	3

9. General shareholder information

- | | | |
|--------------|---|---|
| a) AGM | : | 26 th Annual General Meeting |
| Day and date | : | Friday, 29.09.2006 |
| Time | : | 11:00 A.M. |

Premier Explosives Limited

- Venue : Rajaji Sabha Griha (Auditorium)
Bharatiya Vidya Bhavan
5-9-1105, Basheerbagh, King Koti Road,
Hyderabad – 500 029.
- b) **Financial calendar** : tentative schedule is as under.
- i) **Un-audited financial results**
1. First quarter (30.06.2006) : last week of July, 2006
 2. Half yearly (30.09.2006) : last week of October, 2006
 3. Third quarter (31.12.2006) : last week of January, 2007
- ii) **Audited financial results**
1. Fourth quarter (31.03.2007) : last week of June, 2007
- c) **Date of book closure**
Physical and electronic mode : 16.09.2006.to 29.09.2006
- d) **Expected date of dispatch of Dividend warrants** : 12.10.2006 to 25.10.2006

e) **Listing on Stock exchanges :**

Name of the stock exchange	stock code
The Hyderabad Stock Exchange Limited The Stock Exchange, Mumbai	PREXPL\$ Stock ID : 739 526247

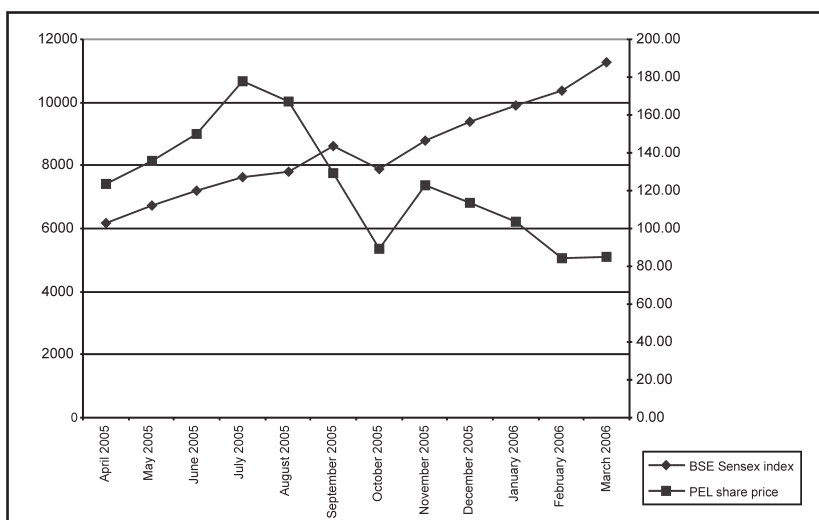
Listing fee for the year 2006 – 2007 has been paid to the above stock exchanges.

- f) **Registrar and share transfer agents** : (Physical and Electronic Registers)
Sathguru Management Consultants Private Limited
Plot No.15, Hindi Nagar, Panjagutta,
Hyderabad – 500 034.
CDSL and NSDL connectivity has been activated during the year.
- g) **Market price data – high / low during each month of the year 2005 - 2006**

Month	High (Rs. Ps)	Low (Rs. Ps)
April 2005	139.70	101.00
May 2005	154.00	119.00
June 2005	179.30	129.00
July 2005	211.00	149.00
August 2005	199.15	152.00
September 2005	195.00	112.00
October 2005	140.90	81.10
November 2005	126.70	92.00
December 2005	139.75	109.00
January 2006	122.00	102.10
February 2006	107.50	82.70
March 2006	112.45	81.30

Premier Explosives Limited

h) Market price performance in comparison to broad based index of The Stock Exchange, Mumbai (BSE).



i) Share transfer system :

The company's shares are under compulsory dematerialisation category and transfers in electronic mode are affected on line by NSDL and CDSL. In respect of physical shares, the company normally processes the transfer 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 31.03.2006

No. of Shares			No. of Shareholders		Shareholding	
From	To		Nos.	% to Total	Nos.	% to Total
1	-	500	7825	88.56	1192080	14.67
501	-	1000	507	5.74	425944	5.24
1001	-	2000	254	2.87	397296	4.89
2001	-	3000	74	0.84	193739	2.38
3001	-	4000	33	0.37	117252	1.44
4001	-	5000	34	0.38	163159	2.01
5001	-	10000	52	0.59	382627	4.71
10001	-	Above	57	0.65	5255478	64.66
Total			8836	100.00	8127575	100.00

Premier Explosives Limited

k) Categories of shareholders as on 31.03.2006:

Category	No. of shares	Percentage
Promoters holdings (including persons acting in concert)	3275508	40.30
Mutual funds	82200	1.01
Banks, financial institutions & others	32000	0.39
Foreign institutional investors	552463	6.80
Corporate bodies	553389	6.81
Indian public	3300879	40.61
NRI's/ OCB's	331136	4.08
Others	—	—
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.

7078946 equity shares representing 87.10 % of the company's share capital have been dematerialized as on 31.03.2006.

m) Plant Locations :

DETONATORS DIVISION

(Detonators, DF & SPD)
Peddakandukur – 508 286
Yadagirigutta Mandal
District Nalgonda (A.P.)

BULK EXPLOSIVES

Singrauli Division
Plot No. 42, Industrial Area,
Udyog Deep, Waidhan,
District Sidhi (M.P.)

MUSHROOM DIVISION

Kallakal Village
Toopran Mandal
District Medak (A.P.)

BULK EXPLOSIVES

Manuguru Division
Manuguru – 507 117
District Khammam (A.P.)

BULK EXPLOSIVES

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

n) Address for Correspondence : PREMIER EXPLOSIVES LIMITED
202 & 203, II Floor, Minerva Complex,
S. D. Road, Secunderabad – 500 003 (A.P.)

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

1.1 Explosives and accessories

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

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

1.2 Mushrooms

The demand for mushrooms has substantially increased due to increased awareness of its health values. Your company is also getting better price realisation in domestic market compared to exports. Your company is, therefore, concentrating more on domestic market.

2. OPPORTUNITIES:

2.1 Joint Ventures

Explosives production in some of the countries had been monopolised by global giants like Orica, Dyno, UEE etc. Your company is establishing joint ventures in some countries to take advantage of better margins. Your company is in advanced stage and the commercial production is likely to commence during the financial year 2006-07.

2.2 Defence Sector

Government of India has declared a policy of opening up defence sector for private industry. This offers to your company a great opportunity, which is already having a presence in this sector.

3. THREATS, RISKS AND CONCERNS :

Explosives and Accessories

The Indian explosive industry is fragmented with over 45 units having high production capacity trying to compete with each other. As expected the prices of most of products had been static and at the marginal levels. But for some exceptions like the year 2005-06 the prices of major items had been showing downward trends.

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

4. SEGMENT WISE OR PRODUCT-WISE PERFORMANCE

The company's business mainly comprises of manufacture of Explosives and Accessories and growing of white button Mushrooms. The details are given hereunder:

Explosives & Accessories

The turnover of Explosives and accessories during the year was Rs. 456.86 millions as against Rs. 437.98 millions during the previous year.

Your company exported detonating fuse and detonators valued at Rs. 20.53 millions during the year 2005-2006.

Mushroom Division

The turnover of mushroom division during the year was Rs. 187.77 millions as against Rs. 143.03 millions of previous year representing an increase of 31.28 %.

Your company exported mushrooms valued at Rs. 31.81 millions during the year.

Premier Explosives Limited

5. OUTLOOK

5.1 Explosives and accessories

Major contribution is expected from special products division, overseas ventures and electronic detonators during the financial year 2006-07.

5.2 Mushrooms

Due to higher realization and better prices, your company is expecting more profits in this division.

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 audits carried out regularly by internal auditor appointed by the management. The audit committee interacts with the statutory and internal auditor. The management also regularly reviews the operational efficiencies, utilization of fiscal resources, compliance with laws so as to ensure optimum utilization of resources and achieve better efficiencies.

7. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

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

The company has achieved a profit of Rs. 4,57,83,702/- 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 897 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 : 29.06.2006

A.N.GUPTA
Vice Chairman &
Managing Director

S.V.KANNAN
Dy. Managing Director

C E R T I F I C A T E

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, 2006, 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, 2006 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

HYDERABAD
29.06.2006

P V R K NAGESWARA RAO
Partner

Premier Explosives Limited

AUDIT REPORT

To

The Members of

PREMIER EXPLOSIVES LIMITED

1. We have audited the attached Balance Sheet of **PREMIER EXPLOSIVES LIMITED** as at 31st March, 2006, 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 31.03.2006, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 st March, 2006 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 explanations given to us, the said accounts read in conjunction with the notes and accounting policies thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2006;
 - 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

P V R K NAGESWARA RAO
Partner
Membership No. 18840

HYDERABAD
29.06.2006

Premier Explosives Limited

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE ON THE ACCOUNTS OF PREMIER EXPLOSIVES LIMITED FOR THE YEAR ENDED 31ST MARCH 2006

- 1 (a) The company has maintained proper records showing full particulars including quantitative details except situation of fixed assets.
 - (b) As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification. As regards capital works in-progress, the same will be verified by the management on completion of assets.
 - (c) The company has not disposed off substantial part of fixed assets during the year, which affect the going concern.
- 2 (a) As explained to us, the stock of stores, spare parts, raw materials and finished goods of the company have been physically verified at frequent intervals during the year by the Management except stocks lying with outside warehouses and consignees which have been verified with reference to certificates and other relevant documents where available.
 - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.
- 3 (a) The company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
 - (b) The company has taken unsecured loans of Rs.1,47,30,000/- from six parties listed in the register maintained under section 301 of the Companies Act, 1956 and unsecured loans of Rs.28,90,000/- have been repaid during the year to two parties.
 - (c) 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.
 - (d) 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, 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, for the sale of goods and services.
- 5 (a) According to the information and explanations given to us and as confirmed by the Director (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.

Premier Explosives Limited

- (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.5,00,000/- 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 31.3.2006 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 Income Tax, Customs Duty, Wealth Tax, Service Tax and Cess which has not been deposited on account of dispute as on 31.3.2006 except Sales Tax and the details of which are as given below:

Name of the Statute	Name 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 defaulted in repayment of dues to financial institutions, bank and debenture holder and the details of which are as given below:

Sl. No.	Lender's name	Nature of the Loan	Amount of default Rs.	Period of default (days)
1.	Industrial Development Bank of Indi Term Loan	Foreign Currency	30,66,213	5
2.	United Bank of India	Term Loan	25,00,000 3,08,220	2 6

Premier Explosives Limited

- 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

P V R K NAGESWARA RAO
Partner
Membership No.18840

HYDERABAD
29.06.2006

Premier Explosives Limited

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule No.	As at 31st March, 2006 Rs.	As at 31st March, 2005 Rs.	As at 31st March, 2005 Rs.
I SOURCES OF FUNDS :				
SHARE HOLDERS' FUNDS :				
Share capital	1	8,11,61,162	8,10,71,310	
Reserves and surplus	2	8,95,56,808	7,28,34,207	
		17,07,17,970		15,39,05,517
LOAN FUNDS :				
Secured loans	3	24,05,72,585	10,41,50,502	
Unsecured loans	4	4,81,86,806	4,06,18,189	
		28,87,59,391		14,47,68,691
DEFERRED TAX LIABILITY (NET)	5	3,54,75,221		4,12,06,226
		<u>49,49,52,582</u>		<u>33,98,80,434</u>
II APPLICATION OF FUNDS:				
FIXED ASSETS:	6			
Gross block		37,64,34,996	35,34,50,725	
Less: Depreciation		14,43,62,140	13,07,32,093	
NET BLOCK		<u>23,20,72,856</u>	<u>22,27,18,632</u>	
Capital Work-in-progress		8,03,12,404	14,12,873	
Unallocated expenditure pending capitalisation	7	58,81,023	5,19,457	
		31,82,66,283		22,46,50,962
INVESTMENTS	8	33,50,303		49,93,000
NET CURRENT ASSETS :				
CURRENT ASSETS,				
LOANS AND ADVANCES :				
Interest accrued on fixed				
Deposits and investments		4,14,083	2,52,603	
Inventories	9	13,53,67,924	11,88,71,106	
Sundry debtors	10	10,23,17,560	8,94,88,905	
Cash and bank balances	11	2,71,36,923	1,41,02,712	
Loans and advances	12	8,75,54,978	4,07,75,066	
		<u>35,27,91,468</u>	<u>26,34,90,392</u>	
Less: Current liabilities and provisions				
Current liabilities	13	14,83,14,461	13,99,26,353	
Provisions	14	3,21,92,324	1,55,50,686	
		<u>18,05,06,785</u>	<u>15,54,77,039</u>	
NET CURRENT ASSETS		17,22,84,683		10,80,13,353
MISCELLANEOUS EXPENDITURE	15	10,51,313		22,23,119
		<u>49,49,52,582</u>		<u>33,98,80,434</u>
Notes to accounts	24			
Significant accounting policies	25			

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

P.V.R.K.NAGESWARA RAO
Partner

A.N.GUPTA
Vice Chairman & Managing Director

S.V.KANNAN
Dy. Managing Director

Date : 29.06.2006
Place : Secunderabad.

B.M. VIJAY KUMAR
Director(Finance) & Secretary

Premier Explosives Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule No.	As at 31st March, 2006 Rs.	As at 31st March, 2005 Rs.
I INCOME :			
Gross Sales		74,11,33,302	64,54,89,012
Less:Excise Duty		5,72,17,637	5,78,08,265
Net Sales		68,39,15,665	58,76,80,747
Other income	16	2,99,01,009	2,25,36,830
		<u>71,38,16,674</u>	<u>61,02,17,577</u>
II EXPENDITURE :			
Materials consumed	17	33,19,56,981	29,45,40,447
Packing material consumed		4,13,61,356	3,96,46,332
Manufacturing expenses	18	8,30,94,413	7,45,05,892
Expenses on employees	19	8,88,92,186	8,09,56,056
Other expenses	20	7,88,32,004	5,53,92,021
Selling expenses	21	84,09,374	59,37,240
Finance charges	22	2,35,68,521	1,80,33,583
(Increase) in stocks	23	(38,30,291)	(1,04,32,050)
Depreciation(net)		1,58,53,171	1,47,72,242
Less : transferred from revaluation reserve		<u>1,04,743</u>	<u>1,04,743</u>
		<u>1,57,48,428</u>	<u>1,46,67,499</u>
		<u>66,80,32,972</u>	<u>57,32,47,020</u>
III NET PROFIT BEFORE TAX		4,57,83,702	3,69,70,557
Less : Income Tax Expense:			
- Current tax		1,95,00,000	31,00,000
- Deferred tax		(57,31,005)	89,19,639
- Income tax adjustments		<u>1,05,760</u>	<u>26,925</u>
		1,38,74,755	1,20,46,564
- Fringe benefits tax		<u>12,00,000</u>	<u>-</u>
		<u>1,50,74,755</u>	<u>1,20,46,564</u>
		3,07,08,947	2,49,23,993
Add : Profit brought forward from last year		<u>4,40,04,419</u>	<u>3,07,77,626</u>
Add : Debenture redemption revenue no longer required		<u>7,47,13,366</u>	<u>5,57,01,619</u>
		-	37,00,000
		<u>7,47,13,366</u>	<u>5,94,01,619</u>
Transfer to:			
Proposed dividend		1,21,74,174	1,21,60,697
Provision for corporate dividend tax		17,07,428	17,05,538
General reserve		<u>20,00,000</u>	<u>15,30,965</u>
		<u>1,58,81,602</u>	<u>1,53,97,200</u>
Balance of profit carried forward		<u>5,88,31,764</u>	<u>4,40,04,419</u>
Earnings per share (basic / diluted)		3.78	3.10
(Nominal value : Rs.10/- per share)			
Notes to accounts	24		
Significant accounting policies	25		

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

P.V.R.K.NAGESWARA RAO
Partner

Date : 29.06.2006
Place : Secunderabad.

A.N.GUPTA
Vice Chairman & Managing Director

B.M. VIJAY KUMAR
Director(Finance) & Secretary

S.V.KANNAN
Dy. Managing Director

Premier Explosives Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	2005-2006 Rs.	2004-2005 Rs.
Net profit before tax	4,57,83,702	3,69,70,557
Adjustments for:		
Add:		
Depreciation	1,57,48,428	1,46,67,499
Loss on sale of assets (net)	5,73,669	3,75,485
Share issue expenses written off	1,20,494	1,20,491
Deferred revenue expenses written off	10,51,312	10,51,312
Provision for diminution in book value of investment	16,42,697	-
Interest paid	1,97,38,595	1,48,11,896
Interest earned	(15,98,598)	(8,22,992)
Wealth tax	13,770	11,070
Operating profit before working Capital changes	8,30,74,069	6,71,85,318
Adjustments for:		
Increase in sundry debtors	(1,28,28,655)	(2,21,71,843)
Increase in inventories	(1,64,96,818)	(1,48,59,946)
Increase in loans and advances	(3,96,06,214)	(52,65,986)
Increase in current liabilities	74,38,478	1,95,89,101
(Increase)/decrease in fixed deposits pledged with banks etc. and dividend accounts with banks	(90,37,453)	16,58,559
Cash generated from operations	1,25,43,407	4,61,35,203
Interest paid	(1,74,23,387)	(1,67,74,060)
Income tax paid	(65,46,023)	(31,87,698)
Dividend paid	(1,36,94,888)	(1,06,17,813)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(2,51,20,891)	1,55,55,632
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(11,26,20,689)	(2,15,42,841)
Sale of assets	37,93,983	46,18,057
Advance against capital items	(75,75,849)	(74,01,066)
Interest earned	14,37,118	7,88,607
Investments	-	(49,93,000)
CASH USED IN INVESTING ACTIVITIES (B)	(11,49,65,437)	(2,85,30,243)

Premier Explosives Limited

	2005-2006 Rs.	2004-2005 Rs.
Cash flow from financing activities:		
Proceeds from long term borrowings	14,41,65,556	4,69,25,964
Repayment of long term borrowings	(5,03,97,803)	(3,61,49,639)
Proceeds from fixed deposits,dealership deposits	1,74,33,625	1,74,34,000
Repayment of fixed deposits,dealership deposits	(1,18,75,730)	(1,14,45,000)
Increase/(decrease) in working capital loans	4,46,67,586	(71,57,915)
Proceeds from shares	89,852	14,29,449
Cash generated from financing activity: (c)	14,40,83,086	1,10,36,859
Net increase in cash and cash	39,96,758	(19,37,752)
Equivalents (a+b+c)		
Cash and cash equivalents at begining of the year	70,95,089	90,32,841
Cash and cash equivalents at the end of the year	1,10,91,847	70,95,089

Note:

Cash and cash equivalents at the end of the year

Cash and Bank balances	2,71,36,923	1,41,02,712
Less:Deposits pledged with banks towards margin money and dividend accounts	1,60,45,076	70,07,623
with banks dealt in operating activity		
Cash and cash equivalents at the end of the year	1,10,91,847	70,95,089

Notes:

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

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

for M.R.DEVINENI & CO.,
Chartered Accountants

P.V.R.K.NAGESWARA RAO
Partner

Date : 29.06.2006
Place : Secunderabad.

A.N.GUPTA
Vice Chairman & Managing Director

B.M. VIJAY KUMAR
Director(Finance) & Secretary

S.V.KANNAN
Dy. Managing Director

Premier Explosives Limited

	As at 31st March, 2006 Rs.		As at 31st March, 2005 Rs.	
1 SHARE CAPITAL :				
AUTHORISED :				
1,00,00,000 equity shares of Rs.10/- each		<u>10,00,00,000</u>		<u>10,00,00,000</u>
ISSUED :				
81,27,575 equity shares of Rs.10/- each		<u>8,12,75,750</u>		<u>8,12,75,750</u>
SUBSCRIBED :				
81,27,575 equity shares of Rs.10/- each fully paid up {Including 10,21,705 bonus shares allotted on capitalisation of general reserve}	8,12,75,750		8,12,75,750	
Less : allotment money due	<u>1,14,588</u>		<u>2,04,440</u>	
(Amount due from directors Rs. Nil (previous year Rs. nil))		<u>8,11,61,162</u>		<u>8,10,71,310</u>
		<u>8,11,61,162</u>		<u>8,10,71,310</u>
2 RESERVES AND SURPLUS :				
Capital Reserve :				
Subsidy received	30,57,370		30,57,370	
Shares forfeited	<u>13,000</u>		<u>13,000</u>	
		30,70,370		30,70,370
Share premium		1,73,33,647		1,73,33,647
General Reserve :				
As per last account	45,00,000		29,69,035	
Add: Transferred from Profit and Loss Account	<u>20,00,000</u>		<u>15,30,965</u>	
		65,00,000		45,00,000
Revaluation Reserve :				
As per last account	39,25,770		40,30,514	
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>1,04,743</u>		<u>1,04,743</u>	
		38,21,027		39,25,771
Profit and loss account (Surplus)		<u>5,88,31,764</u>		<u>4,40,04,419</u>
		<u>8,95,56,808</u>		<u>7,28,34,207</u>
3 SECURED LOANS :				
From Industrial Development Bank of India Ltd. (IDBI):		99,94,462		1,95,92,265
From United Bank of India (UBI):		-		3,75,00,000
From State Bank of Hyderabad (SBH)		6,13,87,537		-

Premier Explosives Limited

	As at 31st March, 2006 Rs.	As at 31st March, 2005 Rs.
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 guarantees of two directors of the company)	7,46,27,933	-
Interest accrued and due	-	2,535
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 guarantees of two directors of the company)	8,08,15,108	3,58,58,602
From others: (Secured by mortgage and charge on specific properties and personal guarantee of one of the directors of the company).	42,12,316	45,01,236
On hire purchase of assets (Net of future finance charges)	26,163	2,47,224
Loans from others: (On the hypothecation of vehicles and plant and machinery)	95,09,066	64,48,640
	<u>24,05,72,585</u>	<u>10,41,50,502</u>
4 UNSECURED LOANS:		
Sales tax deferment	95,77,628	75,66,907
Fixed deposits	2,72,89,000	2,47,88,000
From directors	1,10,000	24,00,000
From body corporates	52,00,000	-
Deposits from dealers and others	60,10,178	58,63,282
	<u>4,81,86,806</u>	<u>4,06,18,189</u>
5 DEFERRED TAX LIABILITY (NET)		
- Opening balance	4,12,06,226	3,22,86,587
- Additional adjustment for the current year (Refer note no. 14 of schedule 24)	(57,31,005)	89,19,639
	<u>3,54,75,221</u>	<u>4,12,06,226</u>

6 FIXED ASSETS :

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	COST/ PROFESSIONAL VALUATION AS AT 01.04.2005	ADDI- TIONS DURING THE YEAR	DEDUC- TIONS DURING THE YEAR	TOTAL COST/ PROFESSIONAL VALUATION AS AT 31.03.2006	UPTO 31.03.2005	FOR THE YEAR	ON DEDU- CTIONS	TOTAL UPTO 31.03.2006	AS AT 31.03.2006	AS AT 31.03.2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	95,50,015	14,63,155	16,05,446	94,07,724	-	-	-	-	94,07,724	95,50,015
Lease hold land	2,19,386	-	-	2,19,386	12,742	2,216	-	14,958	2,04,428	2,06,644
Roads and building	8,64,61,682	22,40,524	-	8,87,02,206	2,17,04,312	24,99,020	-	2,42,03,332	6,44,98,874	6,47,57,370
Plant and machinery	24,11,62,550	2,04,97,575	20,20,199	25,96,39,926	10,13,52,642	1,17,35,064	8,92,361	11,21,95,345	14,74,44,581	13,98,09,908
Data processing equipment	36,66,265	5,11,360	-	41,77,625	22,75,705	4,73,881	-	27,49,586	14,28,039	13,90,560
Office equipment	32,23,690	4,94,769	-	37,18,459	15,76,431	2,11,086	-	17,87,517	19,30,942	16,47,259
Furniture and fixtures	20,13,561	2,76,198	-	22,89,759	13,46,841	2,40,504	-	15,87,345	7,02,414	6,66,720
Vehicles	67,49,451	40,91,466	29,65,131	78,75,786	24,02,371	6,53,008	13,30,763	17,24,616	61,51,170	43,47,080
Assets under hire purchase										
Vehicles	4,04,125	-	-	404,125	61,049	38,392	-	99,441	3,04,684	3,43,076
TOTAL	35,34,50,725	2,95,75,047	65,90,776	37,64,34,996	13,07,32,093	1,58,53,171	22,23,124	14,43,62,140	23,20,72,856	22,27,18,632
PREVIOUS YEAR TOTAL	35,00,34,706	2,80,27,743	2,46,11,724	35,34,50,725	13,55,78,033	1,47,72,242	1,96,18,182	13,07,32,093	22,27,18,632	21,44,56,673

Note : Land and buildings and plant and machinery pertaining to detonators division at Peddakandukur were revalued by registered valuers as at 31st March, 1993.

Premier Explosives Limited

7 Statement of Unallocated Expenditure Pending Capitalisation:

Particulars	Upto 31.03.2005 Rs.	Additions during the year Rs.	Upto 31.03.2006 Rs.
Travelling and conveyance	85,976	15,657	1,01,633
Salaries, bonus and other benefits to staff	3,63,792	-	3,63,792
Contribution to provident fund	34,382	-	34,382
Contribution to E.S.I.	404	-	404
Printing and stationery	-	2,363	2,363
Professional charges	-	42,955	42,955
Communication expenses	1,869	-	1,869
Vehicle maintenance	32,009	9,948	41,957
Rates and taxes	1,000	1,08,600	1,09,600
General expenses	25	11,96,128	11,96,153
Depreciation	-	4,435	4,435
Interest on fixed loans	-	32,04,676	32,04,676
Bank charges and commission	-	7,76,804	7,76,804
	5,19,457	53,61,566	58,81,023

	As at 31st March, 2006 Rs.	As at 31st March, 2005 Rs.
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8 INVESTMENTS

(At Cost)

LONG TERM

NON-TRADE, UNQUOTED

4,99,300 equity shares of Rs. 10/- each

fully paidup in Premier Explochem Limited

Less : provision for diminution in book value

49,93,000	49,93,000
16,42,697	-
33,50,303	49,93,000

9 INVENTORIES:

(As certified by the management)

Raw materials

Material in transit

Work-in-process

Finished goods

Stock of stores

Scrap

3,30,88,981	2,80,81,150
50,14,261	9,87,182
2,95,08,964	2,73,04,586
4,88,86,340	4,88,58,340
1,67,64,192	1,24,43,216
21,05,186	11,96,632
13,53,67,924	11,88,71,106

10 SUNDRY DEBTORS :

(Unsecured, considered good)

Outstanding for more than six months:

Considered good

Considered doubtful

Less: provision for doubtful debts

1,14,70,255	45,06,569
1,73,127	1,73,127
1,73,127	-

Others: considered good

1,14,70,255	45,06,569
9,08,47,305	8,49,82,336
10,23,17,560	8,94,88,905

Premier Explosives Limited

	As at		As at	
	31st March, 2006		31st March, 2005	
	Rs.	Rs.	Rs.	Rs.
11 CASH AND BANK BALANCES				
Cash on hand		6,65,322		5,66,260
Cash at scheduled banks :				
In current accounts		85,43,578		42,48,113
In dividend accounts		5,24,965		3,63,618
In fixed deposits		1,64,88,058		73,74,721
(Of the above, Rs.1,46,30,852/- (previous year Rs.58,95,972/-) was pledged towards margin on letters of credit and bank guarantees , Rs.39,339/- (Previous year Rs.36,967/-) to Sales Tax Authorities, Rs.7,43,539/- (previous year Rs.6,70,000/-) to Naval Armament Depot , Rs.1,06,381/- (previous year Rs.Nil-) to General Manager, Project Zaranj and Rs. Nil (Previous year Rs.51,066/-) to R & B division Jammu & Kashmir state)				
Cheques/ demand drafts on hand/ in transit		9,15,000		15,50,000
		<u>2,71,36,923</u>		<u>1,41,02,712</u>
12 LOANS AND ADVANCES :				
(Unsecured, considered good, recoverable in cash or in kind or for value to be received)				
Deposit with central excise authority (net)		23,39,247		31,72,161
Other advances and deposits		4,98,65,076		2,81,80,563
Advance for capital works		1,55,59,909		79,84,060
Share deposits		1,03,84,950		-
Prepaid expenses		12,63,106		8,95,131
Claims receivable		81,42,690		1,41,000
Prepaid taxes (net of provision for taxation)		-		4,02,151
		<u>8,75,54,978</u>		<u>4,07,75,066</u>
13 CURRENT LIABILITIES :				
Sundry creditors :				
Dues to small scale industrial undertakings (As certified by the management)	20,02,073		22,19,057	
Others	<u>12,14,01,494</u>		<u>9,48,94,185</u>	
		12,34,03,567		9,71,13,242
Advances from customers		2,30,32,787		4,24,59,493
Interest accrued but not due		13,53,142		-
Unclaimed dividend		5,24,965		3,53,618
(There is no amount due and outstanding to be credited to investor education and protection fund)				
		<u>14,83,14,461</u>		<u>13,99,26,353</u>
14 PROVISIONS :				
Proposed dividend		1,21,74,174		1,21,60,697
Provision for corporate dividend tax		17,07,428		17,05,538
Provision for taxation (net of prepaid taxes)		1,35,34,780		-
Provision for fringe benefits tax (net of advance tax)		3,36,576		-
Provision for interest on income tax		8,00,000		-
Provision for gratuity and leave encashment		36,39,366		16,84,451
		<u>3,21,92,324</u>		<u>1,55,50,686</u>
15 MISCELLANEOUS EXPENDITURE :				
(To the extent not written off or adjusted)				
Share issue expenses	1,20,494		2,40,985	
Less : amount written off during the year	<u>1,20,494</u>		<u>1,20,491</u>	
		-		1,20,494
Deferred expenditure : prepayment premium	21,02,625		31,53,937	
Less : amount written off during the year	<u>10,51,312</u>		<u>10,51,312</u>	
		<u>10,51,313</u>		<u>21,02,625</u>
		<u>10,51,313</u>		<u>22,23,119</u>

Premier Explosives Limited

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	Rs.	Rs.	Rs.	Rs.
16 OTHER INCOME :				
Interest earned (gross)		15,98,598		8,22,992
(Tax deducted at source:Rs.61,487/- Previous year: Rs.1,38,242/-)				
Miscellaneous income	2,65,13,026		2,09,22,214	
Excess liabilities written back	16,17,369		7,91,624	
Foreign exchange fluctuations (net)	1,72,016		-	
	<u>2,99,01,009</u>		<u>2,25,36,830</u>	
17 MATERIALS CONSUMED :				
(a) Raw material consumed:				
Opening stock (Net of VAT credit of Rs. 1,15,738/-)	2,79,65,412		2,57,43,796	
Add: Purchases	32,37,61,605		29,63,97,594	
	<u>35,17,27,017</u>		<u>32,21,41,390</u>	
Less: Closing stock	3,30,88,981		2,80,81,150	
	<u>31,86,38,036</u>		<u>29,40,60,240</u>	
(b) Trade purchases	1,33,18,945		4,80,207	
	<u>33,19,56,981</u>		<u>29,45,40,447</u>	
18 MANUFACTURING EXPENSES:				
Consumable stores	72,55,100		70,56,989	
Power and fuel	4,24,90,127		3,65,18,672	
Other manufacturing expenses	1,08,08,338		81,94,978	
Repairs and maintenance to :				
Plant and machinery	1,31,79,796		1,48,48,445	
Roads and buildings	26,75,000		39,82,645	
Equipment hire charges	66,86,052		39,04,163	
	<u>8,30,94,413</u>		<u>7,45,05,892</u>	
19 EXPENSES ON EMPLOYEES:				
Salaries, wages, bonus, gratuity and other benefits	7,48,02,867		7,06,20,398	
Workmen and staff welfare expenses	73,36,271		48,15,372	
Contribution to provident fund	47,41,270		39,29,183	
Contribution to E.S.I	20,11,778		15,91,103	
	<u>8,88,92,186</u>		<u>8,09,56,056</u>	
20 OTHER EXPENSES :				
Directors' remuneration	1,11,79,832		42,95,649	
(Refer Note no.6 of Schedule 24)				
Directors' sitting fees	25,000		20,000	
Travelling and conveyance	1,02,49,643		82,85,880	
Professional charges	27,35,554		15,78,297	
Printing and stationery	12,53,522		13,17,725	
Communication expenses	26,02,408		21,88,092	
Rates and taxes	1,31,49,668		1,07,22,151	
Advertisement	2,20,374		2,28,487	
Vehicle maintenance	36,55,712		29,52,209	
Repairs and maintenance to other assets	6,03,370		9,78,802	
Carriage and freight	2,88,99,552		2,47,72,544	
Less: freight and handling charges recovered	<u>1,37,68,104</u>		<u>1,87,08,657</u>	
	1,51,31,448		60,63,887	
Insurance	21,27,049		20,06,348	
Rent	6,72,268		5,70,132	
Payments to auditors	3,01,135		2,98,123	
(Refer Note no.9 of Schedule 24)				
General expenses	1,13,39,747		1,21,39,154	
Donations	12,894		25,814	
Research and development expenses	10,50,878		6,93,749	
Bad debts written off	1,84,642		19,879	
Loss on sale of assets (net)	5,73,669		3,75,485	
Foreign exchange fluctuations (net)	-		5,11,667	
Provision for diminution in book value of investments	16,42,697		-	
Share issue expenses written off	1,20,494		1,20,491	
	<u>7,88,32,004</u>		<u>5,53,92,021</u>	

Premier Explosives Limited

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	Rs.	Rs.	Rs.	Rs.
21 SELLING EXPENSES :				
Sales commission	67,33,542		49,45,088	
Sales promotion expenses	4,73,214		4,88,076	
Discount	41,546		7,433	
Other selling expenses	11,61,072		4,96,643	
	<u>84,09,374</u>		<u>59,37,240</u>	
22 FINANCE CHARGES :				
Interest on fixed loans	56,93,846		31,03,375	
Interest on debentures	-		13,88,582	
Interest to others	1,18,56,367		88,45,454	
Other finance charges	21,88,382		14,74,485	
Bank charges and commission	38,29,926		32,21,687	
	<u>2,35,68,521</u>		<u>1,80,33,583</u>	
23 (INCREASE) IN STOCKS :				
Opening stock				
Finished goods	4,88,58,340	3,99,99,896		
Work-in- process	2,73,04,586	2,50,49,315		
Scrap	<u>11,96,632</u>	<u>11,83,926</u>		
	7,73,59,558		6,62,33,137	
Less:				
Closing stock:				
Finished goods	4,88,86,340	4,88,58,340		
Work-in- process	2,95,08,964	2,73,04,586		
Scrap	<u>21,05,186</u>	<u>11,96,632</u>		
	<u>8,05,00,490</u>		<u>7,73,59,558</u>	
	(31,40,932)		(1,11,26,421)	
	<u>6,89,359</u>		<u>(6,94,371)</u>	
	<u>(38,30,291)</u>		<u>(1,04,32,050)</u>	
Excise duty adjustment on finished goods inventory (increase) in stocks				

24 NOTES TO ACCOUNTS:

1 Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

2 CONTINGENT LIABILITIES

- | | | | |
|-----|---|-------------|-------------|
| (a) | On account of letters of credit and guarantees issued by the banks on behalf of the company | 7,52,70,268 | 4,24,39,606 |
| (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 | 22,06,794 | 22,06,794 |
| (d) | On account of bonds executed by the company to the government of India towards exemption of customs duty on imported equipment and excise duty on indigenous equipment, materials and finished goods. | 4,35,58,472 | 23,00,953 |
- 3 Estimated amount of contracts remaining to be executed on capital account and not provided for. 58,91,659 2,50,63,898
- 4 Other advances and deposits include an amount of Rs. 1,21,337/- (previous Year Rs.1,51,274/-) due from an officer of the company. Maximum amount due during the year: Rs.1,51,274/- (Previous Year Rs.1,87,000/-).
- 5 (i) There are no specific claims from Suppliers under "Interest on delayed payments to small scale and Ancillary Undertakings Act, 1993"
- (ii) The names of Small Scale Industrial undertakings to whom the company owes any sum together with interest outstanding for more than 30 days are 1) Mixwel Industries 2) Shree Shree Packaging 3) Tapex Lemi Plast Private Limited (4) Krimesh Enterprises (5) S.B.Marketing
- The above information and that given in schedule 12 A "Current Liabilities" regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

Premier Explosives Limited

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	Rs.	Rs.	Rs.	Rs.
6 (a) DIRECTORS' REMUNERATION:				
Salary and allowances	33,35,578		25,35,429	
Contribution to provident fund	2,80,056		1,92,922	
Perquisites	60,34,382		7,33,842	
Commission	15,29,816		8,33,456	
	<u>1,11,79,832</u>		<u>42,95,649</u>	
b) CALCULATION OF COMMISSION:				
Computation of net profit in accordance with Section 349 read with Section 198 of the Companies Act, 1956 with relevant details of calculation of commission payable by way of percentage of such profits to Vice Chairman and Managing Director and Deputy Managing Director for the year ended 31st March, 2005				
Profit as per profit and loss account	4,57,83,702			
Add: Managerial remuneration including perquisites and benefits	1,11,79,832			
Director's sitting fees	25,000			
Wealth tax	13,770			
Loss on sale of assets (net)	5,73,669			
Decline in the value of Investments	16,42,697			
Depreciation as per books	<u>1,57,48,428</u>			
	<u>7,49,67,098</u>			
Less : Depreciation as envisaged under Section 350 of the companies Act	1,57,48,428			
	<u>5,92,18,670</u>			
Commission on profits:				
Commission @1% to Vice Chairman and Managing Director	5,92,187			
Commission @1% to Deputy Managing Director	5,92,187			
Commission @0.5% to Director (Projects) proportionately for 7 months	1,72,721			
Commission @0.5% to Director (Marketing) proportionately for 7 months	1,72,721			
7 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		17000 tonnes	
Detonators	100 Mn.Nos.		100 Mn.Nos.	
Styphnic acid	10 tonnes		10 tonnes	
Detonating fuse	45 Mn. Mtrs		45 Mn. Mtrs	
PETN	700 tonnes		700 tonnes	
Boostex	500 tonnes		500 tonnes	
Special products (pyrogen etc.,)	500 nos. & 150 tonnes		500 Nos. & 150 tonnes	
Mushrooms	3000 tonnes		3000 tonnes	
INSTALLED CAPACITY :				
(As certified by the management)				
Explosives:				
Industrial explosives	33000 tonnes		17000 tonnes	
Detonators	100 Mn. Nos.		100 Mn. Nos.	
Styphnic acid	4.5 tonnes		4.5 tonnes	
Detonating fuse	45 Mn. Mtrs		45 Mn. Mtrs	
PETN	700 tonnes		700 tonnes	
Boostex	500 tonnes		500 tonnes	
Special products (pyrogen etc.,)	500 nos. & 150 tonnes		500 Nos. & 150 tonnes	
Mushrooms	3000 tonnes		3000 tonnes	

Premier Explosives Limited

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	Rs.	Rs.	Rs.	Rs.
ACTUAL PRODUCTION:				
Explosives:				
Industrial explosives	17553.164	tonnes	13706.425	tonnes
Detonators	43.561	mn. Nos.	57.247	mn. Nos.
Styphnic acid	1.002	tonnes	1.269	tonnes
Detonating fuse	13.069	mn. mtrs	12.928	mn. mtrs
PETN	152.508	tonnes	165.865	tonnes
Boostex	17.021	tonnes	21.938	tonnes
Special products (pyrogen etc.)	126	Nos.	3	Nos.
Mushrooms	2912.736	tonnes	2639.127	tonnes
b) OPENING STOCK, PURCHASES AND CLOSING STOCK OF FINISHED GOODS :				
	QTY	VALUE Rs	QTY	VALUE Rs
Opening Stock:				
Explosives:				
Industrial explosives (tonnes)	0.700	12,618	125.551	22,71,046
Detonators (million nos)	8.108	2,38,38,406	6.831	2,06,98,248
Detonating fuse (million mtrs)	1.281	44,11,603	0.965	27,63,363
PETN (tonnes)	2.000	1,37,100	1.300	87,802
Boostex (tonnes)	2.803	4,10,378	-	-
Mushrooms (tonnes)	294.990	1,85,63,425	184.063	1,31,96,123
Others		14,84,810		9,83,314
		<u>4,88,58,340</u>		<u>3,99,99,896</u>
Closing Stock :				
Explosives:				
Industrial explosives (tonnes)	-	-	0.700	12,618
Detonators (mn. nos)	8.299	3,44,89,714	8.108	2,38,38,406
Detonating fuse (mn. mtrs)	1.285	32,66,570	1.281	44,11,603
PETN (tonnes)	2.900	2,01,202	2.000	1,37,100
Boostex (tonnes)	1.200	1,49,088	2.803	4,10,378
Mushrooms (tonnes)	170.167	1,04,87,947	294.990	1,85,63,425
Others		2,91,819		14,84,810
		<u>4,88,86,340</u>		<u>4,88,58,340</u>
Purchases :				
Explosives:				
Industrial explosives (tonnes)	151.00	75,35,080	-	-
Detonating fuse (mn. mtrs)	-	-	0.200	4,20,000
Others	-	57,83,865	-	60,207
		<u>1,33,18,945</u>		<u>4,80,207</u>
c) DETAILS OF TURNOVER:				
Explosives:				
Industrial explosives (tonnes)	7932.697	15,55,76,977	10795.659	17,37,00,718
Industrial explosives for captive consumption (tonnes)	9672.167	-	3035.617	-
Detonators (mn. nos.)	43.370	22,33,95,558	55.970	22,86,80,692
Styphnic acid for captive consumption (tonnes)	1.002	-	1.269	-
Detonating fuse (mn.mtrs)	13.065	4,37,65,709	12.612	3,39,89,589
PETN for captive consumption (tonnes)	151.608	-	165.165	-
Boostex (tonnes)	7.621	12,76,264	5.400	9,33,982
Boostex for captive consumption (tonnes)	11.003	-	13.735	-
Special products (pyrogen etc.)(nos.)	126.000	3,28,44,000	3.000	6,80,000
Unservicable and damaged stock-industrial Explosives	100.000	-	-	-
Mushrooms (tonnes)	3037.559	18,77,65,771	2528.200	14,30,30,377
Others		9,65,09,023		6,44,73,654
		<u>74,11,33,302</u>		<u>64,54,89,012</u>

Premier Explosives Limited

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	QTY	VALUE Rs	QTY	VALUE Rs
d) DETAILS OF RAW MATERIAL CONSUMED :				
Ammonium nitrate (tonnes)	9392.801	12,00,76,871	10203.507	11,35,42,790
Copper strip (tonnes)	46.089	1,35,35,012	37.445	97,85,025
Aluminium strip (tonnes)	70.079	93,18,445	94.987	1,14,97,160
Paddy straw (tonnes)	4420.220	49,68,233	4739.450	46,43,719
Chicken manure(tonnes)	2907.644	20,53,037	2853.454	17,53,997
Mushroom spawn (Ltrs)	50745.000	48,89,060	18365.000	35,01,519
Others	-	16,37,97,378	-	14,93,36,030
		<u>31,86,38,036</u>		<u>29,40,60,240</u>
e) VALUE OF IMPORTED AND INDIGENOUS RAW MATERIALS AND SPARE PARTS CONSUMED AND THEIR PERCENTAGES TO TOTAL CONSUMPTION				
	Value(Rs)	%	Value(Rs)	%
RAW MATERIALS :				
Imported	76,69,799	2.41	68,83,025	2.34
Indigenous	<u>31,09,68,237</u>	<u>97.59</u>	<u>28,71,77,215</u>	<u>97.66</u>
	<u>31,86,38,036</u>	<u>100.00</u>	<u>29,40,60,240</u>	<u>100.00</u>
SPARE PARTS :				
Imported	4,70,533	5.93	7,27,694	9.81
Indigenous	<u>74,61,111</u>	<u>94.07</u>	<u>66,91,121</u>	<u>90.19</u>
	<u>79,31,644</u>	<u>100.00</u>	<u>74,18,815</u>	<u>100.00</u>
f) C.I.F. VALUE OF IMPORTS :	Rs.	Rs.		
Raw materials		57,12,786		49,16,827
Packing material		-		10,31,301
Capital goods		5,53,86,148		11,47,225
Stores and spares		<u>4,70,533</u>		<u>9,97,662</u>
		<u>6,15,69,467</u>		<u>80,93,015</u>
g) EXPENDITURE IN FOREIGN CURRENCY : (ON ACCRUAL BASIS)				
Rates and taxes		1,03,38,673		89,36,151
Travel		4,45,218		1,76,338
Commission		1,77,083		43,974
Professional charges		8,79,014		4,08,743
Other expenses		-		66,450
		<u>1,18,39,988</u>		<u>96,31,656</u>
h) EARNINGS IN FOREIGN EXCHANGE: (ON ACCRUAL BASIS)				
FOB value of exports		5,23,38,200		4,19,15,726
Technical know how fees		44,29,000		-
Interest earned		<u>1,52,763</u>		<u>-</u>
		<u>5,69,19,963</u>		<u>4,19,15,726</u>
8 Expenditure under the following heads of account include prior period expenses as given below :				
Expenses on employees		1,20,340		60,881
Other expenses		<u>25,396</u>		<u>5,400</u>
		<u>1,45,736</u>		<u>66,281</u>
9 Payments to Auditors :				
As auditors		1,50,000		1,25,000
For certification		1,03,500		1,18,978
For expenses		<u>47,635</u>		<u>54,145</u>
		<u>3,01,135</u>		<u>2,98,123</u>

10 Segmental Reporting:

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

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

The following tables present the revenue, profit, assets and liabilities information relating to the Business Geographical segment for the year ended 31st March, 2006.

Premier Explosives Limited

Information about Business Segment - Primary

REPORTABLE SEGMENTS	EXPLOSIVES AND ACCESSORIES		MUSHROOMS		TOTAL	
	2005-2006 Rs.	2004-2005 Rs.	2005-2006 Rs.	2004-2005 Rs.	2005-2006 Rs.	2004-2005 Rs.
Revenue						
External sales	55,32,50,711	50,19,87,615	18,78,82,591	14,35,01,397	74,11,33,302	64,54,89,012
Inter segment sales	—	—	—	—	—	—
Total revenue	55,32,50,711	50,19,87,615	18,78,82,591	14,35,01,397	74,11,33,302	64,54,89,012
Result						
Segment result	6,44,78,091	5,28,44,879	(27,42,774)	(33,59,903)	6,17,35,317	4,94,84,976
Interest (net)					1,59,51,615	1,25,14,419
Profit before tax					4,57,83,702	3,69,70,557
Less : Provision for taxation					1,50,74,755	1,20,46,564
Profit after tax					3,07,08,947	2,49,23,993
Other information						
Segment assets	46,76,52,799	27,66,84,927	20,67,55,255	21,60,47,276	67,44,08,054	49,27,32,203
	46,76,52,799	27,66,84,927	20,67,55,255	21,60,47,276	67,44,08,054	49,27,32,203
Unallocated assets						4,02,151
Total assets	46,76,52,799	27,66,84,927	20,67,55,255	21,60,47,276	67,44,08,054	49,31,34,354
Segment liabilities	28,39,65,163	19,50,08,051	9,60,01,724	6,77,37,679	37,99,66,887	26,27,45,730
Unallocated liabilities					8,92,99,289	3,75,00,000
Total liabilities	28,39,65,163	19,50,08,051	9,60,01,724	6,77,37,679	46,92,66,176	30,02,45,730
Capital expenditure	1,63,25,475	2,05,22,871	1,32,49,572	75,04,872	2,95,75,047	2,80,27,743
Depreciation	57,57,218	50,99,775	99,91,210	95,67,724	1,57,48,428	1,46,67,499

Secondary Segment - Geographical by location of customers

Reportable Segments	2005-2006		2004-2005	
	Rs.	%	Rs.	%
Domestic	68,87,95,102	92.94	60,35,73,286	93.51
Exports	5,23,38,200	7.06	4,19,15,726	6.49
Total	74,11,33,302	100.00	64,54,89,012	100.00

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

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

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

a) Key Management Personnel :

MR. A. N. GUPTA
DR. S. V. KANNAN
MR. R. K. VERMA (Upto 31.08.2005)
MR. T.V.CHOWDARY
MR. K.CHALIL

b) Relatives of key management personnel :

DR. (MRS.) KAILASH GUPTA
MRS. SHONIKA GUPTA

c) Concerns in which key management personnel have substantial interest (significant interest entities) :

PREMIER NITRATES AND CHEMICALS PRIVATE LIMITED
A. N. GUPTA (HUF)

d) Concerns in which relatives of key management personnel have substantial interest (Significant interest entities):

GODAVARI EXPLOSIVES LIMITED
ASK CONSULTANTS PRIVATE LIMITED
A I M S

e) Concerns in which the company has substantial interest (associate company) :

PREMIER EXPLOCHEM LIMITED

Premier Explosives Limited

II Details of transactions with the related parties:

S. No.	Name of the related party / Nature of transaction	2005 - 2006		2004 - 2005	
		Amount of transaction Rs.	Amount outstanding Rs.	Amount of transaction Rs.	Amount outstanding Rs.
1	Key management personnel Managerial remuneration Acceptance of unsecured loans Repayment of unsecured loans Interest paid	1,11,79,832 3,50,000 - 1,85,945	82,73,155 Cr.	42,95,649 11,50,000 3,00,000 81,763	21,42,281 Cr.
2	Relatives of key management personnel Sitting fees Acceptance of unsecured loans Repayment of unsecured loans Interest paid	7,000 18,50,000 27,90,000 10,63,054	98,21,707 Cr.	6,000 72,51,000 31,69,000 9,99,594	1,10,51,279 Cr.
3	Concerns in which key management personnel have substantial interest (significant interest entities) Acceptance of unsecured loans Repayment of unsecured loans Interest paid	3,40,000 - 2,22,864	22,96,628 Cr.	12,29,000 20,000 1,17,081	17,34,026 Cr.
4	Concerns in which relatives of key management personnel have substantial interest (significant interest entities) Purchase of stores and spares Jobwork charges paid Staff cost paid Other expenses paid Finance charges paid Lease rent paid Purchase of fixed assets Acceptance of unsecured loans Repayment of unsecured loans Interest paid	- 8,73,362 65,55,373 6,69,046 2,97,925 13,30,044 45,83,000 53,00,000 1,00,000 5,862	29,64,292 Cr.	- 14,80,252 64,94,554 16,01,807 - 3,14,400 10,161 - - -	26,54,963 Cr.
5	Concerns in which the company has substantial interest (associate company) Purchase of raw materials Sale of stores and spares Sale of raw materials Sale of packing material Staff cost recovered Commission received Other expenses recovered Investment Sale of fixed assets Purchase of goods	22,91,518 - 18,88,991 - 10,02,895 1,24,485 - - 75,35,080	1,60,82,637 Cr.	17,28,338 1,88,152 32,19,618 34,61,713 14,77,637 7,04,892 13,31,075 49,93,000 45,00,000 -	17,82,256 Cr.

Premier Explosives Limited

12 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. 4,50,000/- (previous year : Rs. 6,94,082/-)

13 Earnings per share (EPS) - The numerator and denominator used to calculate earnings per share:

	Year ended 31.03.2006	Year ended 31.03.2005
- Profit attributable to the equity shareholders (Rs.) - (A)	3,07,08,947	2,49,23,993
- Basic/weighted average number of equity shares outstanding during the year - (B)	81,14,508	80,33,378
- Nominal value equity shares (Rs)	10	10
- Earnings per share (Rs.) - (A) / (B)	3.78	3.10

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

The movement of provision for deferred tax is given below :

Provision for Deferred Tax	Opening as at 01.04.2005	Charge/(Credit) during the year	Closing as on at 31.03.2006
(a) Depreciation	4,28,68,214	(9,04,502)	4,19,63,712
(b) Expenses debited to the profit and loss account in a year but allowable as deductible expenses for tax purposes in the subsequent years as reduced by the claims allowable in the current year in respect of such expenses on a payment basis.	(48,90,109)	(12,75,395)	(61,65,504)
(c) Deferred revenue expenses	7,07,744	(3,53,872)	3,53,872
(d) Others	25,20,377	(31,97,236)	(6,76,859)
	4,12,06,226	(57,31,005)	3,54,75,221

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

Premier Explosives Limited

25 SIGNIFICANT ACCOUNTING POLICIES

(a) FIXED ASSETS :

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

(b) DEPRECIATION :

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

(c) EXCISE DUTY :

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

(d) INTERIM/PROPOSED DIVIDEND :

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

(e) RETIREMENT BENEFITS :

The company's liability towards retirement benefits in the form of provident fund, leave encashment benefit and gratuity is fully provided for and charged to revenue Expenditure. The company contributes to the employees provident fund maintained under the employees provident fund scheme by the central government. Accruing liabilities towards gratuity and leave encashment benefit are provided on the basis of actuarial valuation made by an independent actuary.

(f) FOREIGN EXCHANGE TRANSACTIONS :

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

(g) INVESTMENTS:

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

(h) INVENTORIES:

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

(i) MISCELLANEOUS EXPENDITURE:

- (i) To write off expenses in connection with public issue over a period of ten years.
- (ii) Prepayment premium paid to a financial institution is being amortised over a period of 5 years.

(j) 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.

Premier Explosives Limited

(k) **ACCOUNTING CONVENTION :**

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

(l) **OPERATING LEASES :**

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

(m) **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.

(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 recognised and carried forward only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised

(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.

(n) **CONTINGENT LIABILITIES :**

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

(o) **PROVISIONS:**

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

(p) **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.

Signatures to Schedules 1 to 25

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

Chartered Accountants

P.V.R.K.NAGESWARA RAO
Partner

A.N.GUPTA
Vice Chairman & Managing Director

S.V.KANNAN
Dy. Managing Director

Date : 29.06.2006
Place : Secunderabad.

B.M. VIJAY KUMAR
Director(Finance) & Secretary

Premier Explosives Limited

ANNEXURE- A

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

I. Registration details

Registration no.

2	6	3	3
---	---	---	---

 State code

0	1
---	---

Balance sheet date

3	1	0	3	2	0	0	6
---	---	---	---	---	---	---	---

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

Public issue :

		N	I	L	
--	--	---	---	---	--

 Rights issue :

			N	I	L
--	--	--	---	---	---

Bonus issue :

		N	I	L	
--	--	---	---	---	--

 Private placement :

			N	I	L
--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total liabilities

4	9	4	9	5	3
---	---	---	---	---	---

 Total assets

4	9	4	9	5	3
---	---	---	---	---	---

Sources of funds

Paid-up capital

	8	1	1	6	1
--	---	---	---	---	---

 Reserves and surplus

	8	9	5	5	7
--	---	---	---	---	---

Secured loans

2	4	0	5	7	3
---	---	---	---	---	---

 Unsecured loans

	4	8	1	8	7
--	---	---	---	---	---

Deferred tax liability

	3	5	4	7	5
--	---	---	---	---	---

Application of funds

Net fixed assets

3	1	8	2	6	6
---	---	---	---	---	---

 Net current assets

1	7	2	2	8	5
---	---	---	---	---	---

Investments

		3	3	5	1
--	--	---	---	---	---

 Misc. expenditure

		1	0	5	1
--	--	---	---	---	---

Accumulated losses

		N	I	L	
--	--	---	---	---	--

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

Turnover/other income

7	1	3	8	1	7
---	---	---	---	---	---

 Total expenditure

6	6	8	0	3	3
---	---	---	---	---	---

Profit before tax

	4	5	7	8	4
--	---	---	---	---	---

 Profit after tax

	3	0	7	0	9
--	---	---	---	---	---

Earning per share in Rs.

	3	.	7	8	
--	---	---	---	---	--

 Dividend rate

			1	5	%
--	--	--	---	---	---

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

Item code No.

Product description

3 6 0 2 0 0 1 0	1	I N D U S T R I A L E X P L O S I V E S
3 6 0 3 0 0 0 0	2	D E T O N A T O R S
3 6 0 3 0 0 2 0	3	D E T O N A T I N G F U S E
0 7 0 9 5 1 0 0	4	M U S H R O O M S

Premier Explosives Limited

ELECTRONIC CLEARING SERVICE (CREDIT CLEARING) 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 Address of our registrar & transfer agent, M/s. Sathguru Management Consultants Private Limited, Plot No. 15, Hindi Nagar, Punjagutta, Hyderabad – 500 034.
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 pas 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 21st September, 2006 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

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

26th ANNUAL GENERAL MEETING, 29th SEPTEMBER, 2006 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 Rajaji Sabhagriha, Bharatiya Vidya Bhavan, # 5-9-1105, Basheerbagh, King Koti Road, Hyderabad – 500 029.

.....
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 shareholder)

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, 2006 and at any adjournment thereof.

Signed this day of 2006.

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.

