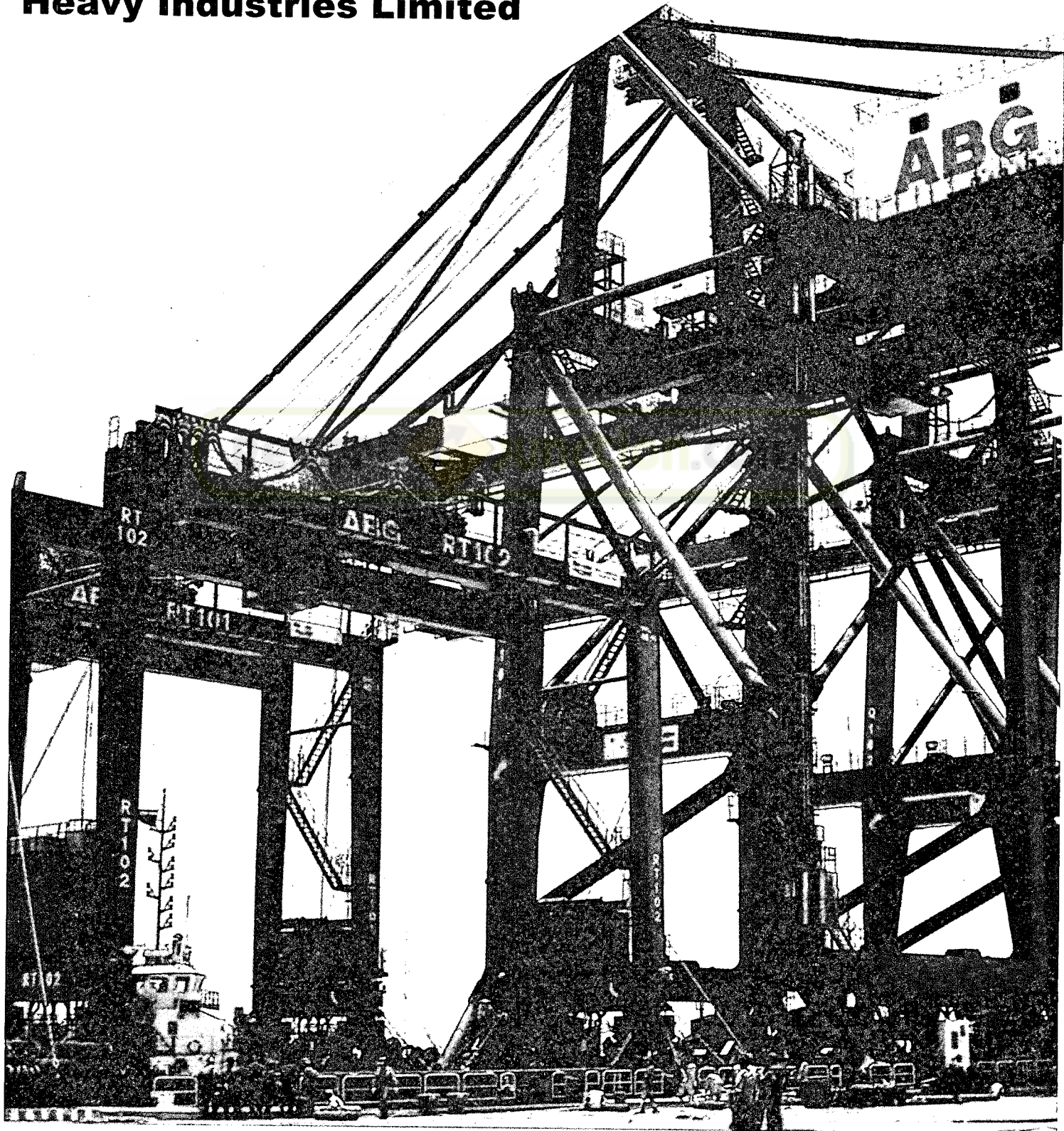


ANNUAL REPORT 2007

ABG **Heavy Industries Limited**



lifting things elevating lives...

ABG Heavy Industries Limited



| Index | Page Nos. |
|--|-----------|
| Notice | 2 |
| Directors' Report | 4 |
| Management Discussion & Analysis | 6 |
| Report on Corporate Governance | 8 |
| Auditors' Report on Corporate Governance | 12 |
| Auditors' Report on Consolidated Financial Statements | 13 |
| Consolidated Financial Statements | 14 |
| Auditors' Report of ABG Heavy Industries Limited | 29 |
| Financial Result of ABG Heavy Industries Limited | 32 |
| Statement u/s 212 | 47 |
| Auditors' Report of ABG Kolkata Container Terminal Private Limited | 50 |
| Financial Result of ABG Kolkata Container Terminal Private Limited | 52 |
| Auditors' Report of ABG Kandla Container Terminal Limited | 62 |
| Financial Results of ABG Kandla Container Terminal Limited | 64 |
| Auditors' Report of ABG Projects & Services Limited (U.K.) | 72 |
| Financial Results of ABG Projects & Services Limited (U.K.) | 73 |

Corporate Information

BOARD OF DIRECTORS

Kamlesh Kumar Agarwal
Chairman

R. G. Govindrajpuram
Director

Rishi Agarwal
Director

H. P. Prabhu
Director

Saket Agarwal
Managing Director

G. Lakshmi Prasanna
Company Secretary

REGISTERED OFFICE

5th Floor, Bhupati Chambers,
13 Mathew Road,
Mumbai - 400 004

AUDITORS

M/s M. M. Chaturvedi & Co.
24 Atlanta, Nariman Point,
Mumbai 400 021

BANKERS

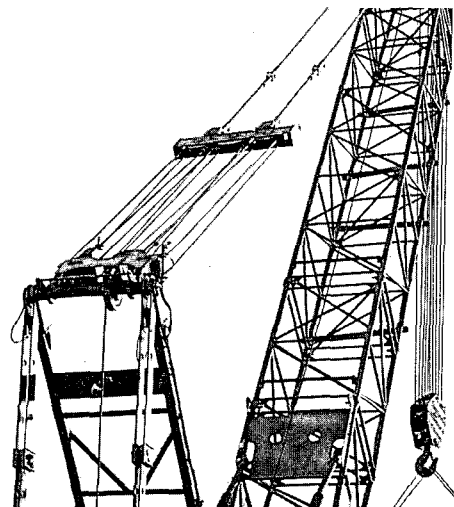
Axis Bank Ltd.
Bank of India
The Jammu & Kashmir Bank Ltd.
UCO Bank

LEGAL ADVISORS

M/s Bachubhai Munim & Co
Mumbai

REGISTRARS AND SHARE TRANSFER AGENTS

Bigshare Services Pvt. Ltd.
E/2, Ansa Industrial Estate, Sakivihar Road,
Sakinaka, Andheri (East), Mumbai 400 072



CONSOLIDATED FINANCIAL HIGHLIGHTS FOR LAST 5 YEARS

(Rs. In Crores)

| Particulars | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 |
|---|---------------|---------------|---------------|---------------|---------------|
| Gross Receipts | 86.32 | 78.81 | 67.92 | 61.80 | 57.73 |
| Gross Profit before Interest and depreciation | 49.89 | 45.88 | 30.23 | 33.45 | 37.71 |
| Less: Interest | (10.32) | (6.09) | (5.34) | (7.80) | (11.93) |
| Less: Depreciation | (26.24) | (17.81) | (14.92) | (14.71) | (18.34) |
| Less: Any Extra ordinary Loss | Nil | Nil | Nil | Nil | 1.68 |
| Profit Before Tax | 13.33 | 21.98 | 9.97 | 10.94 | 9.12 |
| Less: Provision for Taxation | (1.61) | (1.60) | (2.60) | (0.86) | (0.73) |
| Add/(Less): Reversal of Deferred Tax | (2.01) | (3.09) | 1.51 | 1.63 | 0.81 |
| Provision for Fringe Benefit Tax | (0.14) | (0.14) | Nil | Nil | Nil |
| Profit After Tax | 9.57 | 17.15 | 8.88 | 11.70 | 9.20 |
| Add: Profit brought forward from earlier year | 38.97 | 34.05 | 35.09 | 29.66 | 25.45 |
| Net Profit available for appropriation | 48.53 | 51.20 | 43.97 | 41.36 | 34.65 |
| Proposed Dividend | | | | | |
| (Including Corporate Dividend Tax) | 3.49 | 3.23 | 1.92 | 1.28 | Nil |
| Transfer to General Reserve | 5.00 | 9.00 | 8.00 | 5.00 | 5.00 |
| Balance Carried to Balance Sheet | 40.05 | 38.97 | 34.05 | 35.08 | 29.65 |
| Gross Block | 465.89 | 312.04 | 275.60 | 257.42 | 234.68 |
| Net Worth | 188.27 | 133.43 | 119.50 | 112.54 | 102.84 |
| Debt: Equity | 1.48:1 | 0.83:1 | 0.62:1 | 0.56:1 | 0.67:1 |
| Cash Profit | 48.70 | 47.39 | 44.41 | 39.30 | 34.36 |

ABG Heavy Industries Limited

NOTICE

Notice is hereby given that Twenty Third Annual General Meeting of ABG Heavy Industries Limited will be held on Friday, the 28th day of September, 2007 at Sangam Hall, Agarwal Bhawan, 100/C, Marine Drive, Next to Indian Oil Petrol Pump, Mumbai 400 002 at 4.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2007 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To declare dividend on Equity Shares for the year ended 31st March 2007.
3. To appoint a Director in place of Mr. Rishi Agarwal, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. H. P. Prabhu, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass with or without modifications the following resolution as

ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provision of sections 198, 269, 309, 310 and 311 and all other applicable provisions of the Companies Act, 1956 (hereinafter referred to as "the act") the Company hereby approves and ratifies revision in the remuneration of Mr. Saket Agarwal, Managing Director of the Company, with effect from 01.10.2006 on such terms and conditions as set out in the Supplemental Agreement to be entered into between the Company and Mr. Saket Agarwal, copy of the same is placed before this meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, and things as may be necessary to give effect to this resolution."

By order of Board of Directors

G. Lakshmi Prasanna
Company Secretary

Mumbai, 2nd July, 2007

Regd. Office:

5th Floor, Bhupati Chambers,
13 Mathew Road,
Mumbai – 400 004.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The proxy form must be lodged with the Company not less than 48 hours before the time of the meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday the 25th day of Sept. 2007 to Friday the 28th day of Sept. 2007. **(Both days inclusive).**
3. Members holding shares in physical form are requested to notify/send the intimation if any, of their change in address and details of Bank Account at the earliest to the Share Transfer Agents viz: Bigshare Services Pvt. Ltd., E/2, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai - 400 072. Tel: 28470652/53 Fax: 28475207.

Members holding shares in the electronic form are advised to inform changes if any, in address/Bank mandate directly to their respective Depository Participants. The address and Bank mandates as furnished to the Company by the respective Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited will be printed on the Dividend warrants.

4. Dividend as recommended by the Board if approved by the members will be paid on or after 28th September 2007, to those shareholders whose names appear on the Register of Members as on the date of Annual General Meeting. In respect of the shares held in electronic form the dividend will be paid on the basis of beneficial ownership as at the close of 28th September 2007 as per the details furnished by the National Securities Depository Limited/ Central Depository Services (India) Limited for the purpose as on that date.
5. The resolution regarding re-appointment of Mr. Rishi Agarwal and Mr. H. P. Prabhu as Directors of the Company is placed before the shareholders. As per clause 49 of the Listing Agreement with the Stock Exchange, the following particulars of Mr. Rishi Agarwal and Mr. H. P. Prabhu are being provided:

Mr. Rishi Agarwal is Management graduate from the University of Purdue, USA and is presently the Managing Director of ABG Shipyard Limited. He has experience of successfully managing various businesses for the last 14 years. His other directorships are as under:

| Name of the Company | Position Held |
|--|-------------------|
| ABG Shipyard Ltd. | Managing Director |
| ABG International Pvt. Ltd. | Director |
| ABG Shipping Ltd | Director |
| Onaway Industries Ltd. | Director |
| ABG Cement Ltd. | Director |
| YAR Aviation Private Ltd. | Director |
| ABG Kolkata Container Terminal Pvt. Ltd. | Director |
| ABG Cranes Pvt. Ltd. | Director |
| ABG Power Pvt. Ltd. | Director |
| ABG Project & Services Ltd. (U.K.) | Director |
| ABG Kandla Container Terminal Ltd. | Director |
| ABG Engineering & Construction Private Limited | Director |

Mr. H. P. Prabhu is a seasoned banker and was with Bank of India for over 35 years. During his career in the Bank he held many important positions including the position of Principal, Management Development Institute and Zonal Manager, Pune Zone. He took Voluntary Retirement in the year 2000 whilst holding the post of Deputy General Manager in the Bank. His experience is of relevance and value to the business of the Company. He is not a director in any other Company.

6. In terms of Sections 205A and 205C of the Companies Act, 1956 the amount of dividend remaining unclaimed or unpaid for a period of seven years from the date of its transfer to Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund established by the Central Government and no claim shall lie against the said Fund or the Company for the amount of dividend so transferred to the Fund. Unpaid dividend for the financial year ended 31st March, 2000 has been transferred to the Investor Education and Protection Fund.
7. Member desirous of getting any information relating to the accounts and operation of the Company are requested to address their queries at least 7 days in advance of the meeting so that the information required may be made available at the meeting.
8. Members are requested to bring their copy of Annual Report to the meeting.

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

ITEM NO. 6

At the meeting of the Board of Directors held on 2nd July 2007, the Board has, subject to the approval of members, revised the remuneration payable to Mr. Saket Agarwal, Managing Director from Rs. 2,00,000/- per month to Rs. 5,00,000/- per month with all other terms remaining the same. The above details should be considered as an abstract in terms of section 302 of the Companies Act, 1956.

Pursuant to the requirements of sections 198, 309 and 310 read with Schedule XIII of the Companies Act, 1956, any increase in remuneration of the Managing Director requires the approval of the Members by means of Ordinary Resolution and accordingly, approval of the shareholders is being sought for the revision in the remuneration of the Managing Director as set out in the resolution in the accompanying Notice.

Except Mr. Saket Agarwal, Mr. Kamlesh Kumar Agarwal & Rishi Agarwal no other director of the company is, in any way, concerned or interested in the resolution.

By order of the Board of Directors

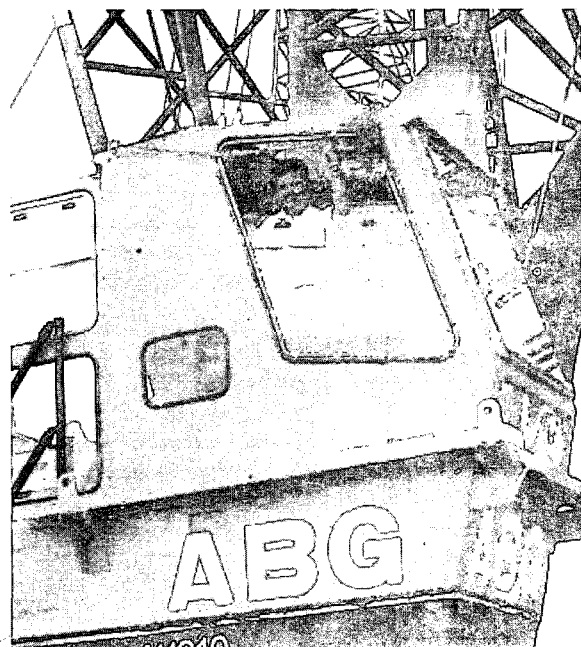
G. Lakshmi Prasanna
Company Secretary

Mumbai, 2nd July, 2007

Regd. Office:

5th Floor, Bhupati Chambers,
13 Mathew Road,
Mumbai – 400 004.

ABG Heavy Industries Limited



DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting Twenty Third Annual Report with the Audited Accounts for the year ended 31st March, 2007.

Financial Results

| Particulars | (Rupees In Lacs) | |
|--|------------------|---------|
| | 2006-07 | 2005-06 |
| Gross Receipts | 6921 | 6996 |
| Gross Profit before Interest and Depreciation | 4001 | 4143 |
| Less : Interest | (850) | (444) |
| Less : Depreciation | (2337) | (1542) |
| Profit Before Tax | 814 | 2157 |
| Less : Provision for Taxation | (93) | (155) |
| Add /(Less): Reversal of Deferred Tax | (201) | (309) |
| Provision for Fringe Benefit Tax | (12) | (13) |
| Profit After Tax | 508 | 1680 |
| Add : Profit brought forward from earlier year | 4002 | 3545 |
| Net profit available for appropriation | 4510 | 5225 |
| Proposed Dividend (Including Corporate Dividend Tax) | 348 | 323 |
| Transfer to General Reserve | 500 | 900 |
| Balance Carried to Balance Sheet | 3662 | 4002 |

Operations

During the last two years, your company successfully completed both streams of contract for providing ten port cranes to Jawaharlal Nehru Port Trust under Build, Own, Lease, Transfer (BOLT) basis save for one crane. Your company had the distinction of successfully maintaining availability of cranes beyond the contractual obligations of over 90% at Jawaharlal Nehru Port. The revenue from the port contracts recorded growth

during the year because of escalation clause in the contracts with the Port Trusts. The crane rental business continued to grow this year also. Because of heavy spending in infrastructure and construction sector, the demands for more cranes on hire is expected to continue. The company has made substantial investments in purchase of brand new mobile and crawler cranes during the year. It is expected that the momentum in acquisition of cranes will continue. The cranes purchased last year have been substantially commissioned and deployed. This has contributed to the growth in income of the company but its full impact on income will be visible this year onwards.

Your company has been awarded contracts for deployment of Mobile Harbour Cranes by the New Mangalore Port Trust and the Paradip Port Trust. The Mobile Harbour Crane has already been commissioned at New Mangalore Port. Your company has registered an operational receipt of Rs.6618 lakh as against an operational receipt of Rs. 6022 lakh last year.

ABG Kolkata Container Terminal Private Limited (erstwhile Cardinal Logistics Private Limited) a subsidiary of your company has registered significant growth in the throughput and operational receipts this year. The company has achieved a total income of Rs. 1493 lakh as compared to Rs. 885 lakh last year because of the substantial growth in traffic. For handling the increasing traffic with better efficiency, one additional Mobile Harbour Crane has been commissioned by your subsidiary at Kolkata.

ABG Kandla Container Terminal Ltd., a wholly owned subsidiary of your company is implementing the BOT (Build, Operate, Transfer) license for development of Container Terminal at berth nos. 11 & 12 of Kandla Port for 30 years. The license agreement was executed in June 2006 and the project was commissioned in a very short time and the container terminal started commercial production by commissioning two brand new Mobile Harbour Cranes and matching other equipment like Reachstackers and Tractor Trailers etc. During the year under review the company registered income of Rs.218 lakh.

Preferential Allotment

During the year, your company has issued additional 15 Lakh equity shares to PSA India Pte. Ltd, Foreign Corporate Body, on preferential basis.

Finance

The Investment in additional cranes purchased during the year has led to higher borrowing resulting in higher interest cost.

Dividend

Your Directors are pleased to recommend a Final Dividend of Rs. 2.50 (25% on pro rata basis) per Equity Share on Equity Share Capital of Rs. 1282 Lakhs, divided into 1,28,20,200 equity shares of Rs.10/- each, for the financial year ended 31st March, 2007. The dividend, as recommended by the Board will absorb Rs. 348 Lakh including Dividend Distribution Tax.

Directors

In accordance with the provisions of Sections 255 and 256 of the Companies Act, 1956 and also Article no. 128 of the Articles of Association of the Company, Mr. Rishi Agarwal and Mr. H. P. Prabhu retire by rotation and being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement

As stipulated under Section 217(2AA) of the Companies Act, 1956, your Directors subscribe to "Directors' Responsibility Statement" and confirm that:

- i) in preparation of the annual accounts, applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- iii) the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) the directors have prepared the accounts on a going concern basis.

Auditors

M/s. M. M. Chaturvedi & Co., Chartered Accountants, the Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from M/s. M. M. Chaturvedi & Co. to the effect that their appointment as Auditors, if made, would be within the limits under Section 224 (1-B) of the Companies Act, 1956. The Auditors' comments in their Report are self-explanatory, hence do not call for any further clarification.

Corporate Governance

Pursuant to clause 49 of the Listing Agreement with Stock Exchange, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of this Annual Report. The website of the Company is launched and contains among others the code of conduct for the Directors and Senior Management of the Company.

Subsidiaries

In respect of the Company's subsidiaries viz ABG Kolkata Container Terminal Private Limited, ABG Kandla Container Terminal Limited and ABG Projects & Services Limited, U.K; the Balance sheet and Profit and Loss account together with particulars required under section 212 of the Companies Act, 1956, are annexed herewith.

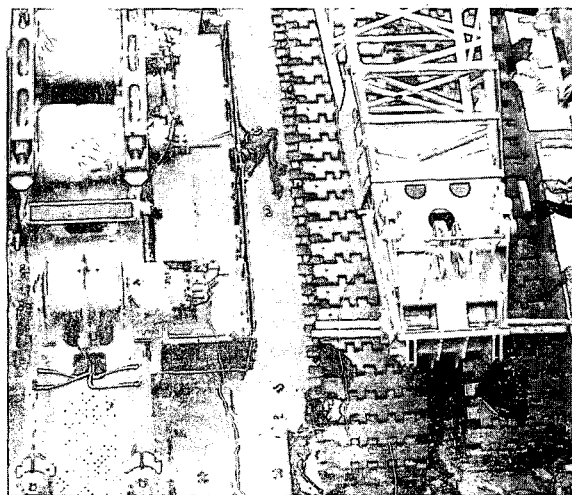
During the period under review, ABG Kandla Container Terminal Limited became subsidiary of the company. This company was incorporated on 12th June 2006. As this company is newly incorporated, its first financial year is from the date of incorporation up to 31st March 2007.

Fixed Deposit

Your Company has not accepted any Fixed Deposits within the meaning of sections 58A & 58AA of the Companies Act, 1956 from the Public during the year ended March 31, 2007

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Since your Company does not own any manufacturing facility,



the particulars as required u/s 271(1)(e) of the Companies Act, 1956, so far the same relate to Conservation of Energy and Technology Absorption, are not applicable.

The information related to foreign exchange earnings and outgo has been given in the notes forming part of the accounts for the year ended 31st March 2007.

Particulars of Employees

A statement giving the requisite information as per Section 217 (2A) of the Companies Act, 1956 is as follows:

| Name | Age | Qualification | Experience | Date of Employment | Designation | Gross Remuneration (Rs.) | Previous Employment |
|-------------------|---------|---------------|------------|--------------------|-------------------|--------------------------|---------------------|
| Mr. Saket Agarwal | 43 yrs. | B.Com | 23 years | 11. 06. 84 | Managing Director | 49,62,086 | First Employment |

NOTES:

- (1) The nature of employment is contractual.
- (2) Remuneration includes salaries, allowances, bonus, gratuity, and expenditure incurred in providing rent free accommodation, medical expenses, value of other perquisites as calculated under the provisions of Income Tax Act and Rules and Company's contribution to Provident and Pension Fund.
- (3) Mr. Saket Agarwal is a relative of Mr. Kamlesh Kumar Agarwal and Mr. Rishi Agarwal, Directors of the Company.

Appreciation

Your Directors place on record their appreciation for the support and co-operation extended by Company's Bankers, Government Bodies, Shareholders and specifically the contribution made by the employees of the Company in the success of the Company during the year under review. Your Directors look forward to their continued unstinted support.

For and on behalf of the Board of Directors

Kamlesh Kumar Agarwal
Chairman

Mumbai, 2nd July, 2007

ABG Heavy Industries Limited

MANAGEMENT DISCUSSION & ANALYSIS

A) INDUSTRY STRUCTURE AND DEVELOPMENT

The performance of Indian economy has been impressive during previous few years. India is today one of the fastest growing economies of the world. The pace of industrial development too has been impressive. These augur well for the growth of the crane rental business of your company. The SEZs and Nuclear Treaty with the U.S. too promise very heavy demand for heavy lifting cranes. Globally, the shortage of cranes is expected to continue.

The New Foreign Trade Policy envisages doubling of India's share in global exports to \$150 billion. As per the projections by the Department of Commerce, a large portion of the foreign trade is expected to be through the maritime route - 95% by volume and 70% by value. This is expected to translate into Containerized cargo growth of 17.3%. Growth in merchandise exports is projected at over 13% p.a. These underline the need for large investments in port infrastructure. Government has identified 219 projects for the development of major ports and it is expected that 64% of the proposed investment in major ports will be sourced from private players. The plan proposes additional port handling capacity in major ports through projects related to port development (construction of jetties, berths etc.) and procurement, replacement or up-gradation of port equipment like ship to shore cranes, yard cranes etc.

B) OPPORTUNITIES AND THREATS

The forecast for growth in GDP in the range of 8 -9% over impressive growth rates in previous years with quick estimate of industrial production at 11.3% for 2006-07 (Source: Central Statistical Organisation) and continued industrial production growth estimates in double digit provide opportunities for growth for your company.

The year 2006-07 has been a fairly good year for crane rental business. The company has contracted many new businesses, purchased new cranes and deployed them at work sites. These will contribute significantly to the income in future. The year ahead promises good scope for deployment of further cranes. The availability of suitable cranes at right price and skilled manpower will be of concern. Your company because of its long association with the crane manufacturers may have some competitive edge.

During the year, the performance of Container handling cranes deployed at Jawaharlal Nehru Port, Cochin Port and Mormugao Port continued to be satisfactory. The operational income from these cranes has recorded growth on the basis of the escalation clause in the contracts with the Port Trusts. But the revenue from these sources will be substantially lower next year because the contracts have been successfully completed and have run for their tenor. The new port businesses in ABG Heavy Industries Ltd. at New Mangalore Port, Paradip Port and other ports will contribute to augment the revenue.

The major part of the port business of the company is being done in the subsidiaries because of the license conditions. ABG Kolkata Container Terminal Private Ltd. (ABGKCTPL) has done well and has added another Mobile Harbour Crane and other back up equipment to its fleet. The throughput of Kolkata Port is growing briskly and hence ABGKCTPL is expected to improve its business performance because of high traffic growth and improved / enlarged containers handling facilities.

ABG Kandla Container Terminal Ltd., the wholly owned subsidiary of your company has signed a License Agreement with Kandla Port Trust to operate the container terminal on berth no. 11 and 12 at Kandla Port on Build, Operate and Transfer (BOT) basis for a period of 30 years. Kandla Port is a significant gateway port to North Western India, situated in the Kandla Creek at about 90Kms from the mouth of Gulf of Kutch. It is the nearest Indian Major Port to Middle East and Europe. It is all weather port and is a protected harbor. The container terminal of ABG Kandla Container Terminal Ltd. commands these geographical advantages. The growth of private container terminals at Mundra, Pipava and Adani make Kandla a hub of ports for the vast hinterland of North and west India serving a geographical spread of 1 million square kms. It is well connected by road and rail with all hinter lands of Northern and Western India. The container terminal at Kandla will have modern container equipment and operating system to deliver fast, flexible and reliable services to the users of the Port. The Container Terminal is operational. The near capacity saturation of ports on western coast at Mumbai – JNPT, NSICT and GTI and the normal growth in container traffic promise good traffic volume for ABG Kandla Container Terminal Ltd.

The increasing interest rate and scarcity of cranes could be impeding factors in the growth but your company has proved its ability to borrow at very competitive rates and source cranes under difficult situations.

C) RISKS AND CONCERNS

Market & Industry Risk

The Company has always followed a cautious approach of mitigating risks while capitalizing on the opportunities. The Company is exposed to the risks of changes in the government policies on infrastructure development, privatization of port operations and the opening up of port sector for foreign investment. It is exposed to policy initiatives that accelerates or inhibits industrial growth particularly in core sectors. The estimated GDP growth for the country in the region of 8-9 per cent makes India one of the fastest growing economies in the world. The Company has used the present situation to its advantage and is looking for expansion in India and abroad to reduce the risk in business.

Interest Rate and Foreign Exchange Risk

The company has always contracted fixed price loans to

avoid any interest rate risk. But in the present regime of hardening interest rates, the company finds it difficult to always contract fixed rate loans. It is however endeavored to keep the re-pricing period as long as possible. The interest cost of the company is very competitive. The foreign currency loan exposures of the company are hedged through instruments, available to the extent considered economical.

D) Internal Control Systems and their adequacy

The Company has adequate systems of internal control commensurate with its size and the nature of its operations in place. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions proper authorization and ensuring compliance of corporate policies. The Company has an Audit Committee, details of which have been provided in the Corporate Governance Report. The

Audit Committee meets the Company's Statutory Auditors to ascertain, inter alia, their views on the adequacy of internal control systems in the Company and keeps the Board of Directors informed of its major observations from time to time.

E) HUMAN RESOURCE MANAGEMENT

Employee relations remained cordial throughout the year. The Company has a system for Annual Performance appraisal for its employees. The grant of increment or accelerated increments is related to work performance.

F) 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.



ABG Heavy Industries Limited

REPORT ON CORPORATE GOVERNANCE

(As required under Clause 49 of the Listing Agreement with Stock Exchange)

Company's philosophy on Corporate Governance

Corporate governance is about management and conduct of organization based on sound ethical practices and commitment to various stakeholders. The corporate governance structure spells out the rules and procedures for making decisions on corporate affairs. It also provides the structure through which the Company's objectives are achieved. An important theme of corporate governance deals with issues of accountability and fiduciary duty, essentially advocating the implementation of guidelines and mechanism to ensure good behavior and protect shareholders interests.

For your company, corporate governance is not only an issue of compliance, it is a mechanism to leverage company's resources and align its activities to consumer needs, shareholder's benefits and employees growth delighting its stakeholders while minimizing risks.

category and their attendance at Board Meetings and last Annual General Meeting as also the number of Directorship and Committee Membership held by them in other companies are given below:

14 meetings of the Board of Directors were held during the year on the following dates: 5th April 2006, 9th May 2006, 14th June 2006, 31st July 2006, 28th September 2006, 30th September 2006, 10th October 2006, 31st October 2006, 7th November 2006, 10th November 2006, 5th December 2006, 8th January 2007, 31st January 2007 and 12th February 2007.

Committees of Board:

Audit Committee:

The Board has constituted an Audit Committee comprising of independent and non-executive Directors. The terms of reference of the Audit Committee are wide and in consonance with the requirement under Clause 49 of Listing agreement and the Companies Act, 1956. General Manager (Finance) and a representative of Statutory Auditors are permanent invitees.

| Name | Category | Attendance at Board Meeting | | Attendance at AGM on 30.09.2006 | No. of Directorships in other public companies | | No. of Committee positions held in other public companies | |
|---------------------------|--|-----------------------------|----------|---------------------------------|--|----------|---|--------|
| | | Held | Attended | | Chairman | Director | Chairman | Member |
| Mr. Kamlesh Kumar Agarwal | Chairman, Not Independent Non-Executive | 14 | 4 | Yes | - | 6 | - | - |
| Mr. Rishi Agarwal | Promoter, Non-Executive Not Independent | 14 | 10 | Yes | - | 6 | - | - |
| Mr. R. G. Govindrajpuram | Non-Executive Independent | 14 | 8 | Yes | - | - | - | - |
| Mr. H. P. Prabhu | Non-Executive Independent | 14 | 8 | Yes | - | - | - | - |
| Mr. Saket Agarwal | Managing Director, Executive Not Independent | 14 | 12 | Yes | - | 7 | - | - |

BOARD MEETINGS:

Board meetings are held at the registered office of the Company. The board is responsible for the management of the business and meets regularly for discharging its role and functions. The functions, role, accountability and responsibilities are clearly defined.

The present Board of the Company comprises of five directors with blend of executive/ non-executive/independent directors. It has a non – executive chairman. The composition of the Board is in compliance with the requirements of clause 49(I) A – i.e more than 50% of directors are non-executive directors and more than one – third of the directors are independent. Apart from sitting fees paid for attending Board / Committee Meetings, the non-executive directors did not have any pecuniary relationship with the company, during the financial year 2006-07.

Board Meetings & Attendance: The names of directors, their

The audit committee comprises of three Non Executive Directors namely:

1. Mr. H. P. Prabhu - Chairman
2. Mr. R. G. Govindrajpuram
3. Mr. Kamlesh Kumar Agarwal

Mrs. G. Lakshmi Prasanna, Company Secretary is also Secretary of the Committee.

During the year, Audit Committee met four (4) times on 9th May 2006, 31st July 2006, 31st October 2006 and 31st January 2007 to deliberate on company's financial and risk management policies and reviewing with the management and external auditors the adequacy of the internal control system.

Shareholders'/Investors' Grievances Committee:

The Company has constituted Shareholders'/ Investors'