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COMPANY BRIEF

BOARD OF DIRECTORS

Mr. Mukesh Bhandari	:	**Chairman & Chief Technology Officer**
Mr. Shailesh Bhandari	:	**Managing Director**
Mr. Harish Sharma	:	**Whole Time Director**
Mr. Narendra Dalal	:	**Whole Time Director**
Mr. Avinash Bhandari	:	**Whole Time Director**
Mr. Naveen Nakra	:	**Director**
Mr. Nilesh Desai	:	**Director**
Mr. Madhusudan Somani	:	**Director**
Mr. Ram Singh	:	**Director**
Brig. Pradeep Krishna Prasad	:	**Director**
Mr. Sunay Mathure	:	**Nominee Director**
Mr. Ravi Trehan	:	**Director**

AUDITORS

MEHTA LODHA & CO.

Chartered Accountants
Ahmedabad

COMPANY SECRETARY
ASHWIN PATEL

BANKERS :

Bank of India
State Bank of India
Punjab National Bank
State Bank of Travancore
Corporation Bank
Bank of Baroda
State Bank of Saurashtra
Dena Bank
Oriental Bank of Commerce
Union Bank of India
Canara Bank
Uco Bank
ICICI Bank
State Bank of Indore

REGISTERED OFFICE

A1, Skylark Apartments
Satellite Road,
Satellite, Ahmedabad
Gujarat – 380015

WORKS

Engineering & Projects Division
Survey No.72, Village: Palodia
Tal : Kalol, Dist:Gandhinagar-382115

Steel, Engineering, DI Pipe & Electric Vehicle Division
Survey No.325, Village: Samakhiyali,
Taluka: Bhachau, Dist: Kutch

Wind Farm Project
Village: Dhank, Tal. Upleta, Dist: Rajkot, Guajrat

CHAIRMAN'S MESSAGE

Dear Shareholders,

Until a few months ago all economists were predicting higher and higher GDP growth and there were only two views on India: bullish and super bullish. A stage for mild slow down in the Indian economy was set by the combined effect of tighter domestic monitory policy, sudden appreciation of Indian rupee against US dollar and intensification of global economic woes. The GDP growth for the year 2008-09 is predicted to be between 7% and 8% as compared to 9% projected earlier.

The commodities have touched all time high. Oil is now more than USD 125, gold has crossed USD 1000 and inflation is intolerably high in most economies. The food prices are rising and price is at a 34 year high. There is a severe credit crunch and the declining assets of banks is making them more cautious about lending.

We feel that India is still very strong and there is no need to panic. Our GDP can certainly grow to 9% and even 10% with proper Government support. There are three reasons for this optimism. First, India's growth does not depend primarily on exports. Second, the effect of US slow down may limit Foreign Institutional Investment and a large scale FII inflows only leads to volatility in stock market. For growth, we need Foreign Direct Investment and there is no reason why FDI inflows should be affected. India has emerged as a fast growing and a very large economy and it will continue to attract the attention of MNCs from all over the world. Thirdly, the major driver of India's growth is domestic consumption and this is likely to remain high. It is said that finance is a brain which matches the labor with capital. Finance is what brings together the savers and the borrowers. For quite some time India will remain in the borrowing category and the rich will have no better place to invest than in India.

There is a huge deficit in the infrastructure in our economy and this deficit may be of the order of USD 500 billion. This provides a great opportunity to build infrastructure and boost demand in our country. The exports can also multiply as some of the largest economies are spending a lot of money on construction and infrastructure. China is building huge power plants and developing a large net work of roads and railways. Gulf, now extremely rich in petrodollars are spending millions on sky scrapers, roads and new airports. Mexico, Brazil and Russia have launched massive infrastructure projects which will take years to complete. This is a big opportunity for a company like ours, indeed,the entire country and we should go all out to export our goods and services which are very much in demand in all these economies and will increase our exports several times. At times like these, it is unfortunate that our leaders are considering imposing curbs on steel exports when the policy should be just the reverse.

Over the past few years, India has steadily emerged as a major Research and Development centre for world's leading telecom players. This trend is now happening in other fields also. India is fast shedding its image as a low cost destination for back office jobs and acquiring the reputation of a place where innovation and engineering is happening every day. What India now needs the ability to churn out high quality engineers to sustain the technological edge and grow in the arena of R&D.

It is quite usual in many countries that the bureaucrats and politicians are less efficient than the business people. India's 10 millions strong civil services is the size of a small country and its unreformed public sector is a huge barrier to faster rate of sustainable growth. Many people equate private sector with tiger and the tiger in India is always under a great threat.

In India growth and prices usually tend to move together. Either they rise in tandem or remain moderate. The objective of macroeconomic management is high growth with low prices, but in a country like India where the supply side does not change as fast as the demand increases, which results in flare up in prices. It is hard to achieve high growth with moderate prices unless the supply side constrains are taken care of.

Many people ask me why my business card reads as CTO and not CEO. Some time ago we realized that the founding team of our company was indeed very good but the time is now ripe to bring in external talent on board. As the founder CEO of this company, I always was able to differentiate between the self and the company. I have always asked this question: What I am doing, is it good for me or good for the company? As this company is my baby, I have to do what is good for the baby and not what is good for the parent. I have always asked if this company will be better served by other more talented people. We have therefore continued to add talented people in the organization to bring in competence, analytical insights and action which coupled with the hard work, loyalty and passion of the founder team has become a winning combination.

It is unfortunate that the high price of crude is encouraging developed countries to promote biofuel policy. The need of the hour is to look for vehicles which do not have engines. If there are no engines, there is no need for any liquid fuel, be it petrol, diesel, CNG or biofuel. Even if all of the American land under cultivation today is used to produce biofuels, US will only be able to meet 6% of its diesel and 12% of its petrol requirements by 2020. Similarly some 40% of the Europe's cultivated land would need to go under biofuel production to meet 10% replacement targets. Clearly diverting the land under cultivation to biofuels is not likely to solve the problem of depleting crude reserves. What is needed is reforms in the energy sector and encouragement to generate electricity by whatever means each economy is capable of. Side by side what is needed is a switch to battery operated vehicles which can use cheap electricity for charging the batteries and keeping the vehicle moving. The future is for electric vehicle and hybrid electric vehicles and Electrotherm will continue to work in this area in order to provide cleaner atmosphere in cities, in order to conserve costly liquid fuels which the country is importing, in order to help the middle class to save on transportation costs and in order to prepare the current generation for the future where no oil will be available.

I would like to convey my thanks to all our shareholders for their continued support. Special thanks go to DEG, Germany who have expressed immense faith in the company acquiring 1,366,666 shares of the company and investing Rs.820 Millions, thus becoming one of our major shareholders. I would also like to express my gratitude to International Finance Corporation for investing Rs. 1000 Millions in our company as FCCB and ECB

I would also like to thank our bankers, customers, suppliers, auditors, legal advisors, consultants, business associates and various government authorities for their support. I also would like to appreciate the hard work put in by our employees at all level, without which would not have been possible to achieve the results.

I am also thankful to my colleagues on the Board for their dedication and hard work which is responsible for the excellent performance which our company has achieved in the current year. The growth has been 83% with the turnover crossing Rs.13,000 Millions and the profit has improved by 44%, which now stands at Rs.623 Millions.

Thank you

MUKESH BHANDARI
Chairman

MANAGING DIRECTOR'S MESSAGE

Dear Shareholders,

You will be pleased to note that the company has shown a significantly improved performance during the year ending March 2008. Your company has achieved a sales of Rs.13254 Million. There was a significant increase in the input prices of many items due to which the company realigned its strategy to combat the pressure on margins and also embarked on major cost reduction initiatives across all divisions, which has resulted in positive impact on the profitability of the company.

The company continues to focus on nurturing and developing human resources. We are focusing not only on the development of high achievers but also on the career needs and aspirations of all the employees of the company.

As a corporate leader in our field of activity in the country and with ambitions to become a respected global player, your company is continuously investing in Research & Development and is also striving to benchmark its processes against the best practices available globally.

I would like to thank the staff of Electrotherm at all levels, from the shop floor to the top management for their commitment to duty and high level of integrity which have contributed collectively to the company's continuous growth. The future of our country and indeed our company is now in the hands of young people who are in their thirties and forties and the original team which built this organization is encouraging the younger ones to race ahead.

In spite of a slow down in GDP growth as well as in the manufacturing growth in the country during the last quarter, your company continued to grow from quarter to quarter. We at Electrotherm are not deterred by US melt down or global slow down and are confident that we will continue to grow at a breathtaking speed.

Indian economy is on a roll and will continue to grow because we are dependant on domestic demand, which continues to grow. Starting with IT sector, followed by BPOs, and then KPOs, the manufacturing sector is now flexing its muscles and will continue to grow both due to domestic demand and due to international competitiveness. Our company today stands on a propitious moment in our history. While there are many challenges which we have to acknowledge, there is a world of opportunity which awaits us. Globally we have established our credentials and our exports will continue to grow from year to year.

Electrotherm continues to expand and consequently continues to invest in order to keep one step ahead of competition. We have systematically and proactively identified opportunities for growth and have invested in them, often ahead of time. We are fortunate that our bankers and our investors continue to have a high level of confidence in us, which is helping us in speedy implementation of our projects. Whereas ICICI Ventures became an important stakeholder last year, in the current year DEG of Germany has invested in our company by acquiring 1,366,666 shares of our company. We are thankful to DEG for this confidence which they had shown in our company. We are also thankful to International Finance Corporation for their financial assistance in form of ECB and FCCB, which helped us in our growth.

We all know from studies in India and abroad that markets and investors take notice of well managed companies and respond positively to reward such companies. A common feature of all such companies is that they have systems in place, which allows sufficient freedom to the Board but at the same time keeps them tightly within the framework of the corporate governance and accountability. Your company believes strongly in corporate governance and attaches a lot of importance to good management practices. The strong desire to move ahead may sometimes encourage companies to cut corners, but at Electrotherm we strongly believe in ethics and are confident that we can continue to grow without sacrificing our values. An enduring value system, based on openness, honesty, integrity, meritocracy, fairness, transparency and excellence has improved the confidence of our customers and our customer focus will continue to be the guiding principle in all our areas of activity.

Lastly I would like to thank all our customers, vendors, suppliers, bankers, government officials and our employees due to which Electrotherm is growing from strength to strength.

My thanks to my colleagues on the Board for their guidance and dedication, to our investors ICICI Ventures and DEG for their support and advice and IFC for their continuous feedback.

Thank you

SHAILESH BHANDARI
Managing Director

DIRECTOR'S REPORT

To
The Members,

Your Directors have pleasure in presenting the 22nd Annual Report on the business and operations of your Company and Audited Financial Statement for the financial year ended as on 31st March, 2008.

FINANCIAL RESULTS

YEAR ENDING MARCH 31st	Amount in Rs. Millions		Amount in USD Millions	
	2008	2007	2008	2007
Sales and other Income	13321.42	7273.85	333.04	181.85
Profit before interest, Depreciation & Tax	2139.38	1141.98	53.48	28.55
Interest	785.09	350.30	19.63	8.76
Depreciation	318.61	178.45	7.97	4.46
Profit before Tax	1035.68	613.23	25.89	15.33
Provision for Tax	148.01	68.40	3.70	1.71
Profit after Tax (Before Deferred Tax)	887.67	544.83	22.19	13.62
Provision for Deferred Tax	265.88	112.80	6.65	2.82
Profit after Deferred Tax	621.79	432.03	15.54	10.80
Prior period adjustment	1.55	1.48	0.04	0.04
Profit after prior period adjustment	623.34	433.51	15.58	10.84
Surplus brought forward	534.77	231.06	13.37	5.78
Balance	1158.11	664.57	28.95	16.62
(a) Proposed Dividend on Equity Shares	27.44	18.27	0.69	0.46
(b) Proposed Dividend on Preference Shares	7.20	7.20	0.18	0.18
(c) Tax on Dividend	5.89	4.33	0.15	0.11
(d) Transfer to General Reserves	200.00	100.00	5.00	2.50
Balance carried forward	917.58	534.77	22.93	13.37

DIVIDEND:

In view of the Company's profitable performance, the Directors are pleased to recommend dividend of 25% (Rs.2.50 per share) on paid up equity capital and 6% on preference shares, Subject to approval at the Annual General Meeting. The Dividend will be paid on 10,976,374 Equity Shares at Rs. 2.50 per share aggregating to Rs. 27.44 Millions and on 12,000,000 Redeemable Preferance Shares at Rs. 0.60 per share aggregating to Rs. 7.20 Millions.

OPERATIONS:

The Indian economy is today a strong position and at the current annual growth rate, as per Japan's central bank, India's economy will overtake Japanese economy by the year 2025 to rank third in the world after the United States and China in terms of purchasing power parity. Realization of such a growth potential is possible only with the growth in manufacturing sector and the corresponding support from infrastructure sector.

During the year, your Company has achieved a turnover of Rs. 13254 Millions in comparison to the turnover of Rs.7248 Millions of previous year, showing a growth of 83%. Net profit after provision for taxation (Before Prior Period Adjustment) during the year is Rs.622 Millions as against Rs. 432 Millions during the previous year, showing an increase of 44%.

CAPITAL PROJECTS:

Your company is undertaking an aggressive capacity addition program besides launching new products. The company has assessed the requirement of finances for these initiatives. All the plant capacity addition programs are to be financed with a debt to equity ratio of 60:40. In this connection the company has alloted Equity Shares as per SEBI Guigelines for Preferential Issues to a private equity player ((M/s DEG-Deutsche Investitions-und Entwicklungsgesellschaft mbH, Cologne, Germany) to raise Rs.820 Millions.

The company has completed its Second Phase of project at Kutch. The Third Phase of the project, having an outlay of Rs.5820 Millions is in advanced stage and is likely to be completed by June 2009. The finance is being tied up and except for QIP issue of Rs. 3000 Millions, all other funds have been received.

With this expansion, the company will be self sufficient in sponge iron, pig iron and power. The company would also have established facilities for manufacturing transformers. In addition, the company will become more competitive in ductile iron pipes and pipe line projects due to enhanced capacities of 150000 TPA and a full range from 100 mm dia to 400 mm dia. The company would also make foray into supplying structural steel for transmission line towers and eventually enter this segment as turnkey implementer of transmission projects. This expansion will also enable the company to position itself better in international markets, specially in the area of turnkey projects. The other products like induction heating and hardening equipment will also get a boost due to additional manufacturing infrastructure.

In the electric vehicle division, the company will become self sufficient in all the components including motors, batteries and electronic controllers.

EXPORTS :

The thrust on exports continues and the company has completed prestigious projects in Turkey and MiddleEast. Due to expansion in geographical reach, the company has been able to achieve exports of Rs.1490 Million as against Rs.515 Million in the year ending Mar 2007. This is a 189% jump in exports in the engineering division. In the coming year, the company is again targeting huge growth in the export front. The pending export orders are in excess of Rs.1200 Million and the important destinations are again Turkey, Middle East and our traditional markets in Pakistan, Africa and Bangladesh.

QUALITY & ENVIRONMENT :

Quality is the most important mantra of the company and no effort is spared to ensure best quality and after sales service to our customers. Today Electrotherm's product is recognized as one of the best not only in India but globally. This emphasis on quality has enabled the company to position its product above the competitors and Electrotherm brand is now recognized as a symbol of quality. Electrotherm is recognized as a company which tailors its products according to the requirements of the customers instead of trying to push the products which it is comfortable in manufacturing. This customer focus has earned a good name for the company and your company has a record that none of its customers ever change their loyalties in favour of its competitors. In a short time, all the products which the company launched at its newly established engineering and steel works at Kutch have been recognized as brand leaders.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of the Association of the Company, Mr. Shailesh Bhandari, Mr. Avinash Bhandari and Mr. Nilesh Desai, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointments.

Mr. Sunay Mathure and Mr. Ravikumar Trehan have been appointed as Additional Directors with effect from 30th July, 2007 and holds office up to the date of ensuing Annual General Meeting. Your company has received a notice under Section 257 of the Companies Act, 1956 proposing their candidature as directors.

For perusal of the shareholders, a brief resume of each of the directors being appointed or re-appointed are given and forms part of the Notice. Your directors recommend their re-appointment.

SUBSIDIARES:

As required under section 212 of the Companies Act, 1956, the financial statement of subsidiaries of the Company i.e. Jinhua Indus Entreprises Ltd. and Jinhua Jahari Enterprises Ltd. are attached with the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

1. In the preparation of the annual accounts for the year 2007-08, the applicable accounting standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently and have 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 financial year and of the profit of the company for the financial year.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
4. The Annual Accounts have been prepared on a going concern basis.

RESEARCH & DEVELOPMENT:

Your company being primarily an engineering company, is continuously making efforts to explore, learn and absorb emerging technologies. The company continuously makes investment in tools and equipment to facilitate research. It is also providing training to its employees to facilitate development of new products appropriate for the business of the company.

Continuous research and development is going on to enhance the functions of various products manufactured and sold by the company. The development and up gradation of equipment is carried out with a view to meet the rising needs of the existing customers. Proactive research is also being carried out to impart new features to the various products keeping the future needs of the customers in mind.

AUDITOR'S REPORT :

The Auditors have not made any adverse comments in their report. However an explanation on the contingent liabilities is being given here.

The pending contracts for capital equipment will be executed in the current year and the payments to the parties will be made based on terms of the contract. The company has imported certain items duty free against export obligation. In this connection, the company has not paid duty of Rs.286 Million and has to execute export order of Rs.2292 Million in next 8 years. This amounts to an annual obligation of Rs.287 Million which is modest. It may be noted that our exports for the year ending Mar 08 were equaled to Rs.1490 Million. Hence the annual obligation is less than 20% of the actual exports and the company does not envisage any difficulty in fulfilling its export obligation.

HUMAN RESOURCES:

Your company is a research driven organization. It believes that its employees are key contributors to its business success. With its prime focus on attracting and retaining the best talent in the industry, the company offers excellent working environment and competitive compensation packages. The company ensures a feeling of well being in employees through care and respect. Looking at the growth of the company, it has developed robust processes to evaluate and recruit large number of employees. In the last year the company added 808 numbers to its strength and the recruitment process is continuing.

The company believes that well trained employees are necessary for efficient growth of operations. Without competent employees it will not be possible to manage this large and complex organization which Electrotherm has now become.

With an endeavour to link careers to competencies, individual preferences and organizational needs, an elaborate performance management system has been established. The review mechanism takes care of several aspects of employee's career such as competency development, financial rewards and recognition.

PARTICULARS OF EMPLOYEES:

In compliance with the provisions of Section 217(2A) of the Companies Act, 1956, a statement giving requisite information is annexed hereto.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

The additional information required under the provision of Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report, is annexed hereto.

CORPORATE GOVERNANCE:

Pursuant to clause 49 of the Listing Agreement, a corporate governance report along with a Certificate from the Auditors confirming the compliance is annexed and forms a part of this report.

MANAGEMENT DISCUSSIONS AND ANALYSIS:

Pursuant to Clause 49 of the listing agreement, Management Discussions and Analysis Report is annexed after the Director's Report and forms a part of this report.

AUDITORS:

M/s. Mehta Lodha & Co. Chartered Accountants, Ahmedabad, the present Auditors of the company, retires at the forthcoming Annual General Meeting and has confirmed their eligibility and willingness to accept the office, if re-appointed.

APPRECIATION:

Your Directors wish to place on record their appreciation for the valuable co-operation and support received from the Customers and Suppliers, various Financial Institutions, Banks, Government Authorities, Auditors and Shareholders during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the company for its success.

On behalf of the Board

Date: 8th May, 2008

MUKESH BHANDARI
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

AN OVERVIEW OF ECONOMY

The optimism stemming from the sustained high growth rates of last few years, excellent tax revenues and corporate profits is now appearing to be fading. Many economists are now predicting slowing down of the global economy which will also slow down Indian economy. In India, the slow pace of infrastructure development and stagnation of agriculture along with rising rupee have discouraged many people. There is now a doubt if 9% growth rate which our country has been registering for the last two years is sustainable. Land for industrial applications has always been a sensitive issue and there have been cases where a wide spread opposition to acquisition of farm land for industrial use was the reason for delay in implementation of prestigious projects.

In spite of all these, the domestic steel consumption continues to grow and the consumption touched about 60 million tons in 2007 as against 35 million tons in 2001. The consumption of steel has outstripped the production and the country imported more than 6 million tons of steel last year. This is an enough indication to expand capacity in steel as the demand will continue to be buoyant in the next few years.

India is gearing up for a GDP growth rate of 9-10% during the next decade and if the steel capacity in the country does not increase, there will be lot more imports in this area. Indian companies have been active in formulating projects to expand steel making capacity and our company has not been left behind in this. Funding is also not a problem as profitability of company like ours has been good and will remain to be good. Internationally is also best the steel demand is growing at 6% per annum and all this is an opportunity for our engineering and project division to grab this share of growing capacity in steel production in several developing economies like Middle East, Africa, Turkey, Iran , Russia and many other countries.

INTERNAL CONTROL SYSTEM AND ADEQUACY:

Your company has proper internal mechanism, which monitors the adequacy and effectiveness of the internal control. Looking to the growth of the business, your company has further strengthened the internal controls and management analysis. We also have a regular monitoring of business risk control procedure by the Internal Audit Department, which is reviewed by the Audit Committee.

COMPANY'S BUSINESS PLAN:

A. Engineering, Capital and Project Division

1. Engineering Division related to metallurgical Industry

This is the oldest division of the company which started in 1985. Over the years, the company has successfully demonstrated its capability and competed with players such as ABB, GEC, Inductotherm etc. The company has also collaboration with HYL, Mexico for Gas Based DRI Plants. Starting as a Furnace manufacturer, it has emerged as a company which provides turnkey solutions to foundries, steel plants, alloy steel plants and stainless steel plants. The company is also the dominant player in Induction Heating and Hardening Equipment used by engineering and automobile industry. The core competence of the company is power electronics and it has a strong R&D base. Consistently the company has been first in the country in introducing new products in its area of activity and today commands more than 50% market share. The company employs more than 300 engineers for product development, R&D, manufacturing and servicing. It is providing customized engineering and metallurgical solutions to its customers and is recognized as a company which can deliver custom built equipment at a very low delivery period vis-à-vis its competitors.

2. Engineering Structural

The company is installing a versatile Rolling Mill for production of Alloy Steel Bars and Structurals. It will cater to the growing market of Structural steel used in transmission line towers, engineering projects and infrastructure projects. It will also supply special steels and alloy steels meant for engineering industry and auto sector, both in India and abroad. The company is in the process of establishing a most modern melting shop consisting of Ladle Refining Furnace, Vacuum Degassing facilities and Continuous Casting with Electro Magnetic Stirring. The capacity of the plant will be 36000 Tons per annum.

There are practically no plants in Gujarat capable of manufacturing alloy steel bars and heavy structurals. There is a huge growth in this segment and Electrotherm will be able to en-cash this opportunity.