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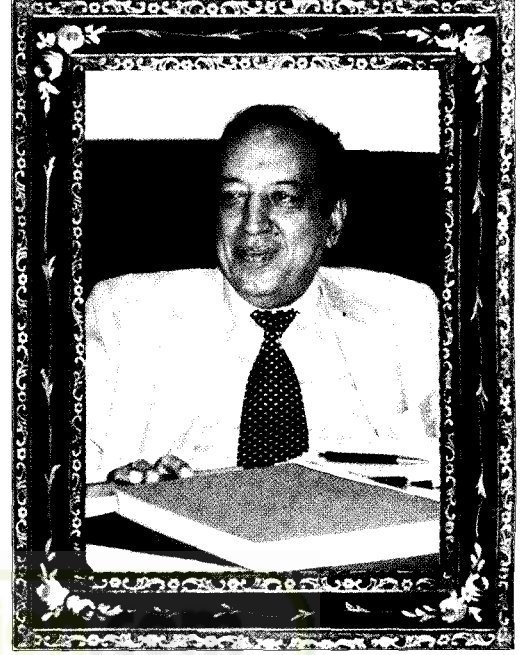
Powerless on creation

23rd
Annual Report
2008-09

*Deeply mourned by Electrotherm Family
to their respected Directors*



Shri Harish Sharma
(15-06-1953 to 18-06-2008)



Shri Naveen Nakra
(25-02-1949 to 19-06-2009)

*अस्तौ मा सद् गमय
तमसो मा ज्योतिर्गमय
मृत्योन् मा अमृतं गमय्*

*Lead us from the Unreal to the Real,
From Darkness to Light,
From Mortality to Eternity.*

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ELECTROTHERM**CORPORATE INFORMATION**

BOARD OF DIRECTORS :

Mr. Mukesh Bhandari	Chairman & CTO
Mr. Shailesh Bhandari	Managing Director
Mr. Avinash Bhandari	Joint Managing Director & CEO
Mr. Narendra Dalal	Whole Time Director
Mr. Naveen Nakra	(upto 19th June, 2009)
Mr. Nilesh Desai	
Mr. Madhusudan Somani	
Mr. Ram Singh	
Mr. Pradeep Krishna Prasad	
Mr. Sunay Mathure	Nominee Director
Mr. Ravi Trehan	
Dr. Sudhir Kapur	(w.e.f. 13th April, 2009)

AUDITORS : Mehta Lodha & Co.
Chartered Accountants, Ahmedabad

COMPANY SECRETARY : Mr. Ashwin Patel

BANKERS :

- Bank of India
- State Bank of India
- Punjab National Bank
- State Bank of Travancore
- Corporation Bank
- Bank of Baroda
- Dena Bank
- Oriental Bank of Commerce
- Union Bank of India
- Canara Bank
- UCO Bank
- ICICI Bank
- State Bank of Indore
- Standard Chartered Bank

REGISTERED OFFICE : A-1, Skylark Apartment, Satellite Road, Satellite,
Ahmedabad - 380015, Gujarat.

WORKS :

- Engineering & Projects Division**
Survey No.72, Village: PalodiaTal : Kalol,
Dist:Gandhinagar - 382115, Gujarat.

Special Steel, DI Pipe and Electric Vehicle Division
Survey No.325, Village: Samakhiali,
Taluka: Bhachau, Dist: Kutch, Gujarat.

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

REGISTRAR & TRANSFER AGENT : **Link Intime India Pvt. Ltd.**
(Formerly known as Intime Spectrum Registry Ltd.)
211, Sudarshan Complex, Nr. Mithakhali Under bridge,
Navrangpura, Ahmedabad - 380009.

CHAIRMAN'S MESSAGE

ELECTROTHERM



Dear Shareholders,

2008-09 was an important year in our Company's evolution and growth as it comprehensively tested our will to survive, succeed and flourish in the midst of an economic meltdown. The financial crisis that brought back the painful memories of the Great Depression of the 1930's, affected the Indian economy as well. Electrotherm was no island in this crisis.

Your company has achieved a turnover of Rs. 16828 million registering a growth of 27% over previous year. We have seen significant growth in international revenues in the engineering division and a healthy increase in our domestic sales inspite of the slowdown in the economy. However, net profit declined by 18% compared to previous year primarily on account of unprecedented volatility in commodity prices.

Even though the demand outlook in emerging market economies in terms of investment in new steel plants is not very optimistic, we expect to continue to increase our export revenues in the next financial year for the engineering division. As a significant global provider of Induction Furnace, we continue to play defining role in creating demand in the markets that we operate in and continue to focus on increasing our international footprint.

The Indian government has given stimulus packages to improve the steel demand which mainly depends on the infrastructure spending throughout the country. We are looking forward to a much healthier demand for our steel products and Ductile Iron Pipes with this kind of initiatives from the government.

In-house research, product development and advancement of our intellectual property portfolio remain high priority areas for the company. The company has developed a high power/speed electric scooter most suitable for the Indian requirements. This is the first of its kind to be developed in India. We expect to increase our market share once we launch this product in the market.

Your company is taking strict measures to prune costs where ever possible. The company has also engaged ECS consulting for the steel division to help improve operating efficiencies and reduce costs.

We are proud of the knowledge and intellectual capital that our young professional workforce brings to the organization. Our people are at the centre of our technology and operations and the successes that I have been able to report are due to the outstanding commitment and contribution of our employees. It is because of them that we have come a long way in a short time. On behalf of the Board I am thankful to all of them for their continuing support and efforts.

We have always found that challenging times present opportunities for us if we continue to realign our strategies with the changing market needs, strive relentlessly, constantly improve our offerings for the markets and allow minds to reach beyond conventional and predictable solutions. We are confident that we possess the competitive position to make our success sustainable in the coming years.

We take this opportunity to thank our bankers, shareholders and investors for their confidence in the Company.

MUKESH BHANDARI
CHAIRMAN & CHIEF TECHNOLOGY OFFICER

ELECTROTHERM**DIRECTOR'S REPORT**

To
The Members,

Your Directors have pleasure in presenting the 23rd Annual Report on the business and operations of your Company and Audited Financial Statements for the financial year ended on 31st March, 2009.

FINANCIAL RESULTS

(Rs. in Millions)

Particulars	2008-2009	2007-2008
Sales and other Income	16915.01	13321.42
Profit before Interest, Depreciation & Tax	2441.14	2139.38
Interest & Financial Charges	1150.47	785.09
Depreciation	517.91	318.61
Profit before Tax	772.76	1035.68
Provision for Tax	93.05	148.01
Profit after Tax (Before Deferred Tax)	679.71	887.67
Provision for Deferred Tax	172.56	265.88
Profit after Deferred Tax	507.15	621.79
Prior period adjustment	15.31	1.55
Profit after prior period adjustment	522.46	623.34
Surplus brought forward	917.58	534.77
Balance	1440.04	1158.11
(a) Proposed Dividend on Equity Shares	28.69	27.44
(b) Proposed Dividend on Preference Shares	7.20	7.20
(c) Tax on Dividend	6.10	5.89
(d) Transfer to General Reserves	200.00	200.00
Balance carried forward	1198.05	917.58

DIVIDEND

In view of the Company's profitable performance, the Directors are pleased to recommend dividend of Rs.2.50 per equity share of Rs. 10/- each and Rs. 0.60 per preference share of Rs. 10/- each, subject to approval at the 23rd Annual General Meeting. The Dividend will be paid on 1,14,76,374 Equity Shares at Rs. 2.50 per share aggregating to Rs. 28.69 Millions and on 1,20,00,000 Non-Cumulative Redeemable Preference Shares at Rs. 0.60 per share aggregating to Rs. 7.20 Millions.

OPERATIONS

The growth rate for the Indian economy decelerated in 2008 – 2009 to 6.7%. This represents a decline of 2.1% from the average growth rate of 8.8% in the previous five years. A decline in all major elements of demand, including exports and consumption, necessitated a compensating deviation from the fiscal deficit targets. The global financial meltdown and consequent economic recession in developed economies have been a major factor in India's economic slowdown. Given the origin and dimension of the crisis in the advanced countries, every developing country has suffered to varying degrees. No country, including India, has remained completely immune to the global economic outlook.

During the year, your Company has achieved a turnover of Rs. 16827.76 Millions in comparison to the turnover of Rs. 13253.58 Millions of previous year, showing a growth of around 27%. Net profit after provision for taxation (Before Prior Period Adjustment) during the year is Rs. 507.15 Millions as against Rs. 621.79 Millions during the previous year, declined by over 18%.

ELECTROTHERM**CAPITAL PROJECTS**

During the year, the company has completed its third phase of project at Kutch except Power Plant proposed in Phase III.

At present, company is considering expansion of Steel making and Ductile Iron Pipe making facilities considering the huge demand in these segments.

EXPORTS

During the year, the company has been able to achieve exports of Rs.2238 Millions as against Rs.1490 Millions in the year ending March, 2008. This is a 50% jump in exports in the Engineering Division. In the coming year, the company is again targeting huge growth in the export front.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of the Association of the Company, Mr. Ram Singh, Mr. Pradeep Krishna Prasad and Mr. Madhusudan Somani, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

During the year, Mr. Harish Sharma, Whole Time Director ceased to be director with effect from 18th June, 2008 and Mr. Naveen Nakra, Director of the Company ceased to be Director with effect from 19th June, 2009 due to demise. Mr. Siddharth Bhandari was appointed as an Additional Director and Whole Time Director with effect from 24th October, 2008 and resigned from the Board with effect 29th December, 2008. The Board places on record its appreciation for the services rendered by Mr. Harish Sharma, Mr. Naveen Nakra and Mr. Siddharth Bhandari during their tenure as Members of the Board.

Dr. Sudhir Kapur has been appointed as an Additional Director with effect from 13th April, 2009 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 his candidature as director.

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.

SUBSIDIARIES

During the year, two companies namely Bhaskarpara Coal Company Limited, a Joint Venture Company with Grasim Industries Limited and ET Elec-Trans Limited had been incorporated as subsidiaries in India. Thus your Company has four subsidiaries as on 31st March, 2009.

As required under section 212 of the Companies Act, 1956, the financial statements of subsidiaries of the Company are attached with this Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

Your Director have pleasure in attaching the Audited Consolidated Financial Statements pursuant to the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India.

FIXED DEPOSIT

The Company has neither accepted nor invited any deposit from public, within the meaning of section 58A of the Companies Act, 1956 and the Rules made there under.

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 ended on 31st March, 2009, the applicable accounting standards have been followed by the company along with proper explanation relating to material departures, if any;

ELECTROTHERM

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 that period;
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 a diversified engineering company is continuously making efforts to explore, learn and absorb emerging technologies. The company continuously makes investment in development of new technology, upgrading existing product for the benefit to the end customer. Energy conservation, safety, user friendliness are some of the key focus area while upgrading or developing new product.

In order to retain technological lead in the market, design and development area is updated with newer design software. It is also providing training to its employees to facilitate development of new products appropriate for the business of the company.

40 ton 14 MW induction furnace recently launched has shown unbeatable performance of 7% saving in energy consumption. Similarly new battery charger for YO- Bikes reduces the charging time to almost 40%.

HUMAN CAPITAL DEVELOPMENT AND INTEGRATION WITH BUSINESS PROCESSES

Your company is transforming itself from transaction Oriented Organization to a Strategy Focused Organization. The transformation will bring new Focus, Alignment and organizational learning that will lead to Non – Linear & Break – through sustainable performance & success. Integration of People Strategy with Business Strategy will bring synergies and harmony in various business processes.

The transformation at individual level has developed high performing work culture due to shift in paradigm. The transformation at organizational level has improved overall effectiveness of the operating systems.

Under "People First" initiatives, your company has engaged KPMG Human Capital Advisory Services to drive various Human Capital Building initiatives including but not limited to Executive Leadership Coaching, Managerial Capability Building, Organization Structure designing, Role & responsibilities clarification matrix, Human Resource Policy manual, Performance Management System & Variable Pay Framework, Competency Development Center, R&D transformation through HR capability building of R&D professionals and Organization Pulse Survey. The Company has institutionalized full-fledged "Office of Strategy Management & Organization Transformation" and "ET – Academy of Excellence for empowerment through Learning & Development" to drive various strategic initiatives across the Organization.

In view of recessionary trends, your company has identified top talent and hired to strengthen the organization. Today, the Human Capital Strength has reached to about 1350.

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

The additional information required under the provisions 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 is given in Annexure – A which forms part of this Annual Report.

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PARTICULARS OF EMPLOYEES

In compliance with the provisions of Section 217(2A) of the Companies Act, 1956, a statement giving requisite information is given in Annexure – B which forms part of this Annual Report.

"GROUP" FOR INTER-SE TRANSFER OF SHARES

As required under Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, person constituting "Group" (within the meaning defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulations 10 to 12 of the aforesaid SEBI Regulations are given in Annexure – C which forms part of this Annual Report

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 DISCUSSION AND ANALYSIS REPORT

Pursuant to Clause 49 of the Listing Agreement, Management Discussion 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.

For and on behalf of the Board

Place : Palodia
Date : 29th July, 2009

Mukesh Bhandari
Chairman & Chief Technology Officer

ELECTROTHERM**ANNEXURE-A TO DIRECTOR'S REPORT**

Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo under 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.

A. CONSERVATION OF ENERGY:**(a) Energy conservation measures taken**

- Installation of west heat recovery boilers for utilization of rotary kiln – 2 west gas
- Installation of recuperator in annealing and re-heating furnaces to utilize the heat of west gas
- Use of blast furnace gas has replaced furnace oil in annealing furnace.
- Full utilization of TMT mill capacity has reduced specific consumption of furnace oil in re-heating furnace.

(b) Additional investments and proposals, if any, being implemented for reduction of energy

- Replacement of 5 Nos old blowers by single electric blower in blast furnace No1
- Installation of automatic turn over cooling bed in TMT mill
- Automatic DRI feeding system in Induction furnaces of SMS1 and 2
- Installation of new force draught cooling tower in place of air cool heat exchanger
- Implementation of coal dust injection with oxygen enrichment of blast in BF NO 1 and 2.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

- Saving of 50 Ltrs of furnace oil by using BF gas in annealing furnace of DI Pipe plant.
- Generation of 9 MW power by using west heat of gases of rotary kiln No 2 at a operating cost of 50 paisa /unit.
- A substantial saving in consumption of furnace oil by installation of recuperator in re-heating furnace.

(d) Total energy consumption and energy consumption per unit of production :

As per Form A attached.

B. TECHNOLOGY ABSORPTION:**(I) RESEARCH AND DEVELOPMENT (R & D)****1. Specific areas in which R & D carried out by the Company**

- Induction Melting and Heating equipments
- Power supply for Induction Heating and melting equipments
- Battery powered vehicles
- Secondary Metallurgical equipments and Metallurgical process
- Solar energy (thermal)

2. Benefits derived as a result of the above R & D

- Induction seam annealing equipment for ERW pipes with auto seam tracking facility
- Development of battery chargers, controller of BLDC motor used in battery powered vehicles.
- Process development for production of quality steel through Induction Furnace route