



EMPIRE INDUSTRIES LIMITED

DIRECTORS :

S.C. MALHOTRA

Chairman

RANJIT MALHOTRA

Vice-Chairman

DILEEP MALHOTRA

Jt. Managing Director

N.V. KHOTE

R.A. MASKATI

J.N. GUZDER

F.A.A. JASDANWALLA
(Resigned w.e.f. 28.6.07)

K.C. KHANNA
(Appointed w.e.f. 28.6.07)

RAJBIR SINGH
(Appointed w.e.f. 28.6.07)

Directors

REGISTERED OFFICE :

414, Senapati Bapat Marg, Lower Parel,
Mumbai - 400 013

Tel : 6655 5453

Fax : 2493 9143 / 2493 7203

E-mail : email@empiresecretarial.com

PLANT :

Vitrum Glass

L.B. Shastri Marg,
Vikhroli, Mumbai - 400 083

DIRECTOR FINANCE & COMPANY SECRETARY :

S.K. GULATI

AUDITORS :

R.A. PATEL & CO.

ADVOCATES & SOLICITORS :

DSK LEGAL

BANKERS :

INDIAN BANK

ALLAHABAD BANK

BANK OF INDIA

BANK OF BARODA

CENTRAL BANK OF INDIA

CONTENTS

	Page No.
Notice	3
Directors' Report	7
Corporate Governance	9
Annexure to Directors' Report	13
Auditor's Report	18
Balance Sheet	20
Profit & Loss Account	21
Schedules	22
Cash Flow Statement	34
Balance Sheet Abstract	36

NOTICE

The ONE HUNDRED AND SIXTH ANNUAL GENERAL MEETING of the Members of EMPIRE INDUSTRIES LIMITED will be held on Tuesday, August 28, 2007 at 4:00 P.M. at Hall of Culture, Ground Floor, Nehru Centre, Worli, Mumbai - 400 018 to transact the following business:

A G E N D A

1. To adopt the Directors' Report and the Audited Balance Sheet as at March 31, 2007, and the Profit & Loss Account for the year ended on that date.
2. To declare a Dividend for the year ended March 31, 2007.
3. To appoint a Director in place of MR. RASHEED A MASKATI, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of MR. N V KHOTE, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration, and to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Messrs R.A. Patel & Co., Chartered Accountants, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Meeting up to the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors plus applicable Taxes plus reimbursement of traveling and actual out-of-pocket expenses."

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

"RESOLVED that Mr. K.C. Khanna who was appointed by the Board of Directors as an Additional Director of the Company with effect from June 28, 2007 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company."

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

"RESOLVED that Mr. Rajbir Singh who was appointed by the Board of Directors as an Additional Director of the Company with effect from June 28,

2007 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company."

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

"RESOLVED THAT the consent of the company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, for jointly mortgaging and/or charging by the Board of Directors of the Company of all the Fixed Assets of Vitrum Glass Division including land admeasuring 3,59,130 Sq. Ft. at its plant at Vikhroli in Maharashtra State in favour of Indian Bank (for Rs.8.75 crores) and Bank of India (for Rs.8.75 Crores) (subject to the prior charge in favour of the Company's bankers over moveable assets and specific fixed assets hypothecated to the Company's bankers) to secure financial assistance by way of Rupee Loan aggregating to Rs.17.50 crores sanctioned during November 2006, for modernisation of Vitrum Glass factory at Vikhroli and constructing a Building for Information Technology industries at the vacant land of the Company at Vikhroli, sanctioned by the above banks to the Company together with interest at the respective agreed rate of interest and/or compound interest and/or additional interest, liquidated damages, commitment charges, costs, charges, expenses and all other monies payable by the Company to the aforesaid banks in terms of their Loan Agreements/Hypothecation Agreements/Letters of Sanction/Memorandum of terms and conditions, entered into/to be entered into by the Company, in respect of the said loans."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to finalise with Indian Bank and Bank of India, the documents for creating the aforesaid mortgage and/or charges and to do all such acts and things as may be necessary for giving effect to the above resolution."

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

"RESOLVED THAT in modification of the resolution passed by the Shareholders of the Company at the



88th Annual General Meeting held on 22nd May, 1989, and pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, and other applicable provisions, if any, the consent of the Company be and is hereby accorded to the Board of Directors of the Company, to borrow from time to time any sum or sums of money for the purpose of the business of the Company on such terms and conditions, with or without security, as the Board of Directors may deem fit, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose; provided that the total amount up to which monies may be so borrowed by the Board of Directors shall not at any time exceed Rs.60,00,00,000/- (Rupees sixty crores only)."

By Order of the Board
For **EMPIRE INDUSTRIES LIMITED**

S. K. GULATI
*Director Finance &
Company Secretary*

Registered Office:

414, Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013.

Place : Mumbai

Date : June 28, 2007.

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.
2. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. The Company has already notified closure of Register of Members and Transfer Books thereof from Monday, the 16th July 2007 to Wednesday, the 18th July 2007 (both days inclusive) for determining the names of members eligible for dividend, if approved, on equity shares.
4. The Dividend on Equity shares, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after August 28, 2007.

5. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
6. Members who hold shares in dematerialized form requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
7. In order to provide protection against fraudulent encashment of dividend warrants, Members who hold shares in physical form are requested to intimate the Company's Registrars and Transfer Agents, M/s. Bigshare Services Pvt. Ltd., under the signature of the Sole/First joint holder, the following information to be incorporated on dividend warrants:
 - (i) Name of the Sole/First joint holder and the Folio Number.
 - (ii) Particulars of Bank Account, viz.
 - (a) Name of Bank
 - (b) Name of Branch
 - (c) Complete address of the Bank with Pin Code Number.
 - (d) Account Type, whether Savings Account (SA) or Current Account (CA)
 - (e) Bank Account Number.
 - (f) MICR Number.

Members who hold shares in dematerialised form may kindly note that their Bank Account details, as furnished by their Depositories to the Company, will be printed on their dividend warrant as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such Members for deletion of or change in such Bank Account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic form. Members who wish to change such Bank account details are therefore requested to advise their Depository Participants about such change with complete details of Bank Account.

8. Shareholders who have not yet dematerialised their shares and wish to dematerialise the same are requested to apply for dematerialization through your Depository Participants.
9. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names, are requested to send the share certificates to the Company's Registrars and Transfer Agents, M/s. Bigshare Services Pvt. Ltd., for consolidation into a single folio.

ANNEXURE TO NOTICE

As required by Section 173 of the Companies Act, 1956 the following Explanatory statement set out all material facts relating to the business mentioned under Item Nos. 6 to 9 of the accompanying Notice dated June 28, 2007.

Item Nos.6 and 7

Mr. K.C. Khanna and Mr. Rajbir Singh, were appointed as Additional Directors of the Company by the Board of Directors of the Company on June 28, 2007. As per the provisions of Section 260 of the Act, the two Directors hold office only up to the date of the forthcoming Annual General Meeting of the Company, and are eligible for appointment. The Company has received notices under Section 257 of the Act, in respect of the candidates, proposing their appointment as Directors of the Company, along with the requisite deposit.

Details regarding the persons proposed to be appointed as Directors and their brief resume have been given in the Annexure attached to the Notice. Keeping in view of the experience and expertise of these persons, their appointment as Directors of the Company is recommended.

Each of the Directors may be deemed to be interested in the resolution relating to his own appointment.

Item No.8

The Company has approached the Indian Bank and Bank of India for financial assistance of Rs.17.50 Crores for modernization of Glass Factory at Vikhroli and for meeting the Capital Expenditure for constructing a commercial building at the vacant land of the company at Vikhroli as mentioned in Resolution No.8.

The said financial assistance from Indian Bank and Bank of India is to be secured by –

- (1) A first mortgage of all the Fixed Assets of Vitrum Glass Division including land admeasuring 3,59,130 Sq. Ft. at its plant at Vikhroli in Maharashtra State.

Section 293(1)(a) of the Companies Act, 1956 provides inter alia that the Board of Directors of a Public Company shall not, without the consent of the Members of such Public company in General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

Since a mortgage and charge by the Company are required to be created on its immovable properties as required in favour of Indian Bank and Bank of India, the same may be deemed to be disposal of the Company's property/undertaking of the Company at its Glass Unit,

Vikhroli in Maharashtra, within the meaning of Section 293(1)(a) of the Companies Act, 1956, the sanction of the shareholders is therefore being sought in accordance with Resolution No.8. Copies of the Head of Agreements entered into by the Company with Indian Bank and Bank of India in respect of the aforesaid financial assistance and copies of the sanction letters are open for inspection at the Registered Office of the Company on any working day of the Company between 10.00 a.m. and 1.00 p.m.

None of the Directors of the Company is concerned or interested in the said resolution.

Item No.9

Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors cannot, except with the consent of the company in General Meeting, borrow monies, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

At the Annual General Meeting of the Company held on 22nd May, 1989 the Company had authorized the Board of Directors to borrow monies for the purpose of the business of the Company to the extent of Rs.35,00,00,000 (Rupees thirty-five crores). It is proposed to increase this limit of Rs.35,00,00,000 to Rs.60,00,00,000 to provide for the additional funds needed for the future development of Company's property and expansion of business of the Company.

In the circumstances, the sanction of the Shareholders under Section 293(1)(d) of the Companies act, 1956, is sought to enable the Directors to borrow monies to the extent of Rs.60,00,00,000 in modification of the earlier resolution passed on the 22nd day of May, 1989.

None of the Directors of the Company is concerned or interested in the said resolution.

By Order of the Board
For **EMPIRE INDUSTRIES LIMITED**

S. K. GULATI
Director Finance &
Company Secretary

Registered Office:

414, Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013.

Place : Mumbai

Date : June 28, 2007.



**DETAILS OF DIRECTORS SEEKING APPOINTMENT
AT THE ANNUAL GENERAL MEETING**

Particulars	Mr. K C Khanna	Mr. Rajbir Singh
Date of Birth	January 22, 1938	November 5, 1954
Date of Appointment	June 28, 2007	June 28, 2007
Qualifications	B.A. (Economics & Political Science); F.C.A.(Eng. & Wales), F.C.A.	Graduate
Experience in specific functional area	He has varied industrial and real estate experience of which 16 years overseas, the UK, Germany, USA, Dubai and Advisor to international banks and multinational companies, the Times media group and finance companies, a State Government, Swedish groups, etc.	He has experience in Financial Consultancy.
Directorships held in other Public companies (excluding foreign companies)	Nil	Nil
Memberships / Chairmanships of committees of other public companies (Includes only Audit and Shareholders/ Investors Grievance Committee)	Nil	Nil
Number of shares held in the Company	Nil	Nil

DIRECTORS' REPORT

The Directors hereby present their Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2007.

FINANCIAL RESULTS:

Particulars	Year ended 31.03.2007 Rupees	Year ended 31.03.2006 Rupees
Income:		
Sales & Commission	91,07,55,989	89,97,09,307
Educational Income	4,32,315	71,92,045
Other Income	19,68,65,027	17,15,75,932
	1,10,80,53,331	1,07,84,77,284
Less: Operating Expenses	99,19,08,573	98,66,07,249
Profit Before Tax	11,61,44,758	9,18,70,035
Less: Provision for Current Taxation	1,50,00,000	2,36,50,000
Provision for Fringe Benefit Tax	65,00,000	80,00,000
Provision for Deferred Tax	88,26,000	(26,27,000)
	8,58,18,758	6,28,47,035
Add: Excess Tax Provision written back	4,87,405	2,45,109
Amount available for appropriation	8,63,06,163	6,30,92,144
Appropriated as under:		
Dividend proposed	3,59,99,988	2,39,99,992
Tax on Proposed Dividend	61,18,198	33,66,000
General Reserve	4,41,87,977	3,57,26,152
Total amount appropriated	8,63,06,163	6,30,92,144

DIVIDEND:

The Directors are pleased to recommend, for your consideration, payment of Dividend @ 60 % (Rs.6/- per Equity Share of the face value of Rs.10/- Tax Free) for the financial year 2006-07. The total amount of the Dividend outgo will be Rs.3,59,99,988/- as against Rs.2,39,99,992/- for the previous financial year. The tax on distributed profits, payable by the Company would amount to Rs.61,18,198/- as against Rs.33,66,000/- for the previous financial year.

OPERATIONS:

Vitrum Glass:

This Division manufactures world class Amber Glass Bottles for the Pharmaceutical Industry. Over one million

bottles are manufactured every day on four fully automatic production lines. The division undertook rebuilding its Glass Melting Furnace and major overhauling of machinery and equipment. This has resulted in 10% fuel saving, better quality of glass and higher productivity. The division is all set to achieve higher turnover both local and exports in coming years.

EMPIRE MACHINE TOOLS – MFTM

(Metal Forming, Testing & Metrology):

This Division is engaged in agency business covering sales, execution and service support of hi-tech machines in Metal Forming, Metrology, Assembly Lines, Welding, Melting, Heat Treatment and Process Consultancy. Demand for integrated solutions is increasing from customers. Local sourcing for turnkey jobs is becoming a new area of activity. Higher investment in automobile sector is opening up new opportunities. This Division has done well and is expected to repeat its good performance in the current year as well.

EMPIRE MACHINE TOOLS - MCAT

(Metal Cutting & Allied Technologies):

Due to increase in automotive business and also increase in participation of private sector in high value machines, the share of private sector business has increased. This has had some impact on the division's profitability due to heavier competition in the private sector. The Division had success in selling machines to the automotive sector, Defence and Aerospace. Backlog on orders is very good and billing will be good in the current year also.

Empire Chemicals:

This Division has focused on establishing Pharma API (Active Pharmaceutical Ingredients) and Intermediates business. Due to continued pressure on the Chinese currency – i.e. global efforts to force China to revalue the Chinese Yuan upwards, the year faced many hurdles from the pricing point of view. During the year, the Division has succeeded in finalizing long-term contracts especially related to Taiwan and has also added some prestigious Indian Pharmaceutical customers with whom trials have been successfully concluded. The Division expects to do good business in the current year.

Empire Instrumentation:

This division which deals with high value Medical Equipments has performed better during the financial year compared to the last year. The customer base has been extended. Ground work has been done to achieve greater



revenue in the year ahead. Government customers in the West and South have also been covered over and above the extended reach achieved in the North. Consolidations in terms of our Principals on the one side and the customers on the other should help the division to grow from strength to strength.

Empire Industrial Equipment:

This Division has gained considerably during the financial year due to substantial growth in Oil and Gas, Steel plants and Auto Ancillary (Forging) Sectors. Some major value Orders have been obtained from the Refinery Sector. The future for this Division appears good with greater penetrations expected into these growing sectors. The Division expects to improve its performance during the current year.

Empire Life Sciences:

This Division has commenced its activities during the current year and is engaged in importing and marketing of hi-tech and High-end aesthetics equipments in the field of cosmetology. Demand for feeling and looking good is increasing at a much greater pace these days in India. This division is bringing latest patented "elos" (Electrical Optical Scenery) technology to India, which is much superior technology compared to the conventional Laser or IPL (Intense Pulse Light) already in use in India. The "elos" technology can provide number of aesthetics applications such as skin tightening; skin rejuvenation; wrinkle reduction etc. Looking at the excellent opportunities available in these aesthetics areas this division is expected to do well in the current year.

Empire Pharmachem

This Division has also commenced the activities during the current year and supplies quality imported drugs and other pharmaceutical excipients to pharma industries. The Division represents specialty molecule manufacturers in the pharmaceutical sector from China and India. The demand for products dealt by the division is good. The Division expects to do good business in the first year of operation in the current year.

CAPITAL EXPENDITURE:

The Major Capital Expenditure of Rs.14.11 Crores was incurred on partial construction of a seven storied building admeasuring approx. 1,86,000 Sq. Ft. for Information Technology industries at Company's vacant land at Vikhroli. The said building is expected to be completed by end of August, 2007 and would be rented on Leave & License basis to well reputed Companies/Banks. The Company has also spent Rs.10.83 crores on rebuilding of the furnace and updation of bottle making machineries in our Vitrum Glass factory at Vikhroli.

DIRECTOR'S RESPONSIBILITY STATEMENT:

As stipulated in Section 217(2AA) of the Companies Act, 1956, your Board of Directors confirm as under:

- i) that in preparation of Annual Accounts, the applicable accounting standards have been followed and that there are no material departures except accounting standard AS-15 in respect of provision of Gratuity & Retirement Benefits which have been accounted on cash basis as noted in Note Nos. 2 & 3 of Schedule N.
- ii) that 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 or loss of the Company for that period;
- iii) that the Directors have taken proper and sufficient care for 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) that the Directors have prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE:

A report on Corporate Governance is given in the Annexure forming part of this report.

FIXED DEPOSITS:

As on March 31, 2007, 106 depositors had not claimed their matured deposits amounting to Rs.14,27,500/-. Since then 43 depositors have claimed/renewed their deposits amounting to Rs.10,99,000/-. As of date, all deposit claims have been met, except unclaimed deposits amounting to Rs.3,28,500/-. The Company has complied with the provisions of Section 58 A of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES:

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees is given in the Annexure forming part of this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, relating to the foregoing matters is given in the Annexure forming part of this report.

DIRECTORS:

Mr. F.A.A. Jasdanwalla resigned as a Director of the Company due to his ill health. The Board has placed on record its high sense of appreciation for the valuable services rendered by Mr. F.A.A. Jasdanwalla during the period of his association with the Company.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 136 of the Articles of Association of the Company, Mr. K C Khanna and Mr. Rajbir Singh have been appointed as Additional Directors on the Board with effect from 28th June, 2007. As per the provisions of Section 260 of the Companies Act, 1956, these Directors hold office only up to the date of the forthcoming Annual General Meeting of the Company. The Company has received notices under Section 257 of the Act in respect of the above persons, proposing their appointment as Directors of the Company, along with the requisite deposit. Resolutions seeking approval of the shareholders for their appointment have been incorporated in the Notice of the forthcoming Annual General Meeting along with brief details of the candidates.

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr. Rasheed A Maskati and Mr. N V Khote, retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

TRANSFER OF UNPAID/UNCLAIMED AMOUNTS TO IEPPF

Pursuant to the provisions of Section 205C of the Companies Act, 1956 the Fixed Deposits and interest thereon which remained unpaid/unclaimed for a period of 7 years have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.

ACKNOWLEDGEMENT:

Your Directors would like to express their gratitude for the abundant assistance and co-operation received by the Company from its workers, staff, officers, Consortium Banks, members and other Government Bodies during the year under review.

AUDITORS:

Messrs R.A. Patel & Co., Chartered Accountants, retire at this Annual General Meeting and being eligible, offer themselves, for reappointment.

On Behalf of the Board of Directors

Place: Mumbai
Date : June 28, 2007

S. C. MALHOTRA
Chairman

ANNEXURE TO DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE

As per the provisions of Clause No.49 of the Listing Agreement, the Company has complied with the requirements as per the Report furnished below:

1. Company's philosophy on Corporate Governance:

In our view corporate governance comprises of principles, processes and systems to be followed by the Directors, Management and the employees of the Company towards maximizing value for shareholders, keeping in view the interest of other stakeholders. A good governance process, thus should provide integrity, transparency compliance with laws in letter and spirit in all dealings with Government, customers, suppliers, employees and other stakeholders resulting in creation of superior value on a sustainable basis.

2. Board of Directors:

As at 31st March, 2007 the composition and the category of the Directors is as under:

Category	Name of Directors
Promoter/ Executive Directors	Mr. S C Malhotra, <i>Chairman</i> Mr. Ranjit Malhotra, <i>Vice Chairman</i> Mr. Dileep Malhotra, <i>Joint Managing Director</i>
Independent Directors	Mr. Rasheed A Maskati Mr. J N Guzder Mr. F A A Jasdanwalla* Mr. N V Khote Mr. K C Khanna** Mr. Rajbir Singh**

* Mr. F A A Jasdanwalla resigned as a Director with effect from June 28, 2007.

** Mr. K C Khanna and Mr. Rajbir Singh have been appointed as Additional Directors with effect from June 28, 2007.