



FUTURISTIC OFFSHORE SERVICES
& CHEMICAL LIMITED

19th Annual Report
2006-2007

19th Annual Report 2006 - 2007**FUTURISTIC OFFSHORE SERVICES & CHEMICAL LIMITED**

(Formerly known as Ganesh Anhydride Limited)

**NINETEENTH ANNUAL REPORT
2006 - 2007****ANNUAL GENERAL MEETING**

On Saturday, 29th September, 2007
at 11:00 a.m. at

Panchayat Seva Trust, Shree Satyanarayan
Goenka Bhavan 87, J. B. Nagar,
Andheri (East), Mumbai - 400 059.

As a measure of economy, copies of the
Annual Report will not be distributed at the
Annual General Meeting

Shareholders are requested to kindly bring
their copy to the Meeting

BOARD OF DIRECTORS

Shri. Shankarmal G. Pilani : Chairman
Shri. Rishi R. Pilani : Director (Technical)
Shri. Kirtikumar H. Desai : Director
Shri. Ravi R. Pilani : Director
Shri. Ramakant S. Pilani : Director

BANKERS

State Bank of India
Canara Bank
UCO Bank

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AUDITORS

Sourabh Agrawal
Chartered Accountant
Mumbai

SOLICITORS

M/s. Little & Co.
Mumbai

REGISTERED OFFICE

A1/A2, Gurudatt C.H.S., Ajitnagar,
Near Jankalyan Bank, J. B. Nagar,
Andheri (East), Mumbai - 400 059.

ADMINISTRATIVE OFFICE & SHARE DEPARTMENT

A1/A2, Gurudatt C.H.S., Ajitnagar,
Near Jankalyan Bank, J. B. Nagar,
Andheri (East), Mumbai - 400 059.

WORKS

G-61/62, M.I.D.C. Industrial Area,
Tarapur, Boisar,
Dist. Thane - 401 506.

Futuristic Offshore Services & Chemical Limited**NOTICE**

Notice is hereby given that the Nineteenth Annual General Meeting of **FUTURISTIC OFFSHORE SERVICES & CHEMICAL LIMITED** will be held on Saturday 29th September, 2007, at 11.00 A.M. at Panchayat Seva Trust Shree Satyanarayan Goenka Bhavan 87, J. B. Nagar, Andheri (East), Mumbai - 400 059, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2007 and the Profit and Loss Account for the year ended as on that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri. Rishi R. Pilani who retires by rotation as per Article 134 of the Articles of Association and being eligible, offers himself for re-appointment.
3. To appoint Statutory Auditors to hold the office from the conclusion of the Nineteenth Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as Special Resolution:-

"RESOLVED THAT pursuant to the provisions of Sections 100 to 104 and all other applicable provisions of the Companies Act, 1956 and enabling provisions in the Memorandum and Articles of Association of the Company and subject to the confirmation of the jurisdictional High Court/Tribunal and/or any other regulatory authority as may be prescribed under the Companies Act, 1956 or under any other statute and approval of the Financial Institutions (FIs), Banks and other concerned authorities, if any, and such other approvals, permissions and sanctions, as may be necessary and subject to such conditions, modifications, as may be prescribed or imposed by any of the aforementioned authorities, while granting such approvals, permissions and sanctions, which may be

agreed to by the Board of Directors of the Company, (a) an amount of Rs. 25,00,000 standing in the General Account of the Company as at April 1, 2007 be utilized for adjustment of the equivalent amount out of the balance standing to the debit of Profit and Loss Account which represents brought forward losses as recorded in the books of the company, as on 1st April 2007 and (b) on the Record/Book Closure date as may be fixed by the Board of Directors of the Company, the paid up Equity Share Capital of the Company be reduced by cancellation of Rs. 9 per equity share of Rs. 10 each fully paid up resulting in reduction in the issued, subscribed and paid up equity share capital of the Company from Rs. 17,31,57,750 consisting of 1,73,15,775 equity shares of Rs. 10 each to Rs. 1,73,15,775 consisting of 1,73,15,775 equity shares of Rs. 1 each fully paid up by adjusting the amount of reduction in the paid up share capital amounting to Rs. 15,58,41,975 against the debit balance in the profit & loss account as on 1st April 2007.

RESOLVED FURTHER THAT the consequential amendments to the necessary clauses/articles of the Memorandum and Articles of Association with reference to capital be and are hereby approved.

RESOLVED FURTHER THAT for the purposes of giving effect to the above Resolution and for removal of any difficulties or doubts, the Board of Directors (which term shall include any Committee thereof or any person/persons that the Board may have constituted/nominated or hereinafter constitute/nominate to exercise its powers including powers conferred under this Resolution) be and is hereby authorized to do all acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient, usual or proper and to settle any question or difficulty that may arise with regard to utilization/adjustment of the Share premium account including passing of such accounting entries and/or making such other amendments/alterations in the books of accounts as considered necessary to give effect to the

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above Resolution for carry out such modifications/directions as may be ordered by the jurisdictional High Court/Tribunal to implement the aforesaid resolution".

By Order of the Board

Place: Mumbai **SHANKARMAL G. PILANI**
Date: June 30, 2007. *Chairman*

NOTES :-

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. Proxies in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and the Register of Share Transfer of the Company will remain closed from Wednesday, 19th September 2007 to Saturday 29th September 2007 (both days inclusive).
4. Members are requested to bring their copy of the Annual Report along with them to the meeting.
5. Members desiring any information on the accounts are requested to send their queries to the Company's Administrative Office at least 7 days before the Annual General Meeting; so that information can be made available at the meeting.
6. Members are requested to bring their attendance slip duly signed so as to avoid inconvenience.
7. Notice of change of address and mandates must reach the Company's Share Department at A1/A2 Gurudatt Co-op. Hsg. Soc. Ltd, Near Jankalyan Bank, O. M. Nagar, Aijt Nagar, J. B. Nagar, Andheri (East), Mumbai - 400 059, in respect of shares held in physical form and to their Depository Participants in respect of shares held in electronic form (Demat Account).
8. Shareholders holding shares in identical order of names in more than one Folio are requested to write to the company enclosing their share

certificate to enable the Company to consolidate their holding into one Folio.

9. MEMBERS ARE REQUESTED TO PLEASE FURNISH THEIR SHAREHOLDING DETAILS CONTAINING :- FOLIO NO, NAME OF SHARE HOLDER, CERTIFICATE NO., DISTINCTIVE NO., TOTAL NO OF SHARE(S) ETC. together with their specimen signature FOR RECONCILIATION and updation WITH COMPANY'S RECORD TO ENSURE FULL SAFETY AND PROMPT SERVICES TO THEM.
10. DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTH COMING ANNUAL GENERAL MEETING ARE AS UNDER :-

Name of Director	: Shri. Rishi R. Pilani
Date of Birth	: 29 th April, 1978
Date of First Appointment	: 31 st January, 2002
Qualifications	: M.B.A. Finance
Expertise in specific functional Areas and experience	: Marketing Finance
Directorships held in other Companies (excluding Private Companies)	: 1
Committee position held in Other Companies	: Nil

By Order of The Board

Place: Mumbai **SHANKARMAL G. PILANI**
Date: June 30, 2007. *Chairman*

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item 4**

The members are aware that due to a combination of adverse factors, the company has been incurring huge losses since the past few years which have accumulated to Rs. 51.35 crores as at 31st March 2007. The company is making best efforts to restructure its liabilities and improve its business operations. At the same time, with a view to

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streamline capital structure for optimum benefit to its stakeholders, the company has undertaken a proposal of reduction of its paid up equity share capital, and also writing off the losses to the extent of amounts lying in the general reserves. In view of the past brought forward losses, the capital and General Reserve account is not adequately represented by the available assets. It is felt that improvements in the performance of the company cannot be appropriately reflected unless permanent past losses are written off. The Board of Directors consider it desirable to undertake an internal financial restructuring of the company which would result in the right sizing of the Balance Sheet of the Company leading to enhancement of shareholder value through improvement in certain ratios and return on capital employed etc.

Having regard to the amount standing to the credit of the General Reserve Account of Rs. Rs. 25,00,000 and the present paid up equity share capital of Rs. 17,31,57,750 of the company, and in accordance with the provisions of Sections 100 to 104 of the Companies Act, 1956 the Board of Directors at their meeting held on July 31, 2007 approved the application/utilization of the General Reserve Account and reduction of capital by cancellation of Rs. 9 per share out of each fully paid up share of Rs. 10 for writing off the brought forward losses represented in the balance sheet by the debit balance in the Profit and Loss as on April 1, 2007 of an amount equivalent to the aggregate of the Share Premium Account and the amount of reduction in the equity share capital.

The General Reserve Account will stand reduced to Rs. Nil with the proposed set off and the paid up equity share capital will stand reduced to Rs. 1,73,15,775 comprising 1,73,15,775 equity shares of Rs. 1 each fully paid up. Correspondingly, the debit balance in the Profit and Loss Account reflected in the Balance Sheet as at 1st April 2007 will stand reduced by Rs. 15,83,41,975. The position of paid up Equity Share Capital before and after the reduction of Share Capital will be as under:

Before Reduction of Capital:

No. of Shares	Face Value per share (Rs.)	Paid up Value Per Share (Rs.)	Total Paid up Capital (Rs.)
1,73,15,775	10 (Ten)	10 (Ten)	17,31,57,750

Post Reduction of Capital:

No. of Shares	Face Value per share (Rs.)	Paid up Value Per Share (Rs.)	Total Paid up Capital (Rs.)
1,73,15,775	1 (One)	1 (One)	1,73,15,775

The proposed reduction will be in the long-term interest of the shareholders since this is part of the company's ongoing efforts to reorganize its businesses and sharpen its focus on its strengths in the infrastructure segment.

As per the provisions of Sections 100 to 104 of the Companies Act, 1956 a Special Resolution of the Members of the Company is required to be passed in a General Meeting for the above proposal. The procedure also requires the Company to file a petition in the High Court for confirmation of the aforesaid Special Resolution. Accordingly, the resolution is proposed for the approval of the members.

Your Directors recommend the resolutions for your approval.

None of the Directors of your company is interested in the aforesaid resolution except to the extent of their shareholding in the company.

By Order of The Board

Place: Mumbai

Date : June 30, 2007.

SHANKARMAL G. PILANI

Chairman

19th Annual Report 2006 - 2007**DIRECTORS' REPORT**

Your Directors present the **19TH ANNUAL REPORT** of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

(Rs. In Lacs)

PARTICULARS	2006-2007	2005-2006
Gross Revenue from Operations	0.94	3.50
Other Income	309.94	56.91
Profit/(Loss) Before Interest, Depreciation And Taxation & Exceptional items	219.87	(90.07)
Less: Depreciation	298.39	(300.27)
Profit/(Loss) Before Interest Taxation & Exceptional items	(78.52)	(390.34)
Less: Interest	(391.68)	(418.52)
Profit/(Loss) Before Exceptional items & Taxation	(470.20)	(808.86)
Less: Exceptional items	(88.00)	(88.00)
Profit/(Loss) Before Taxation	(558.20)	(896.86)
Less: Provision For Taxation	NIL	NIL
Less: Fringe Benefit Tax	(0.60)	(0.20)
Add/(Less): Deferred Tax liabilities w/off	NIL	415.00
Profit/(Loss) For The Year	(558.80)	(482.06)
Balance Of Profit/(Loss) For Earlier Years	(4576.27)	(4094.21)
Profit/(Loss) Available For Appropriation	(4576.27)	(4094.21)
Balance Carried Forward To Balance Sheet for next year	(5135.07)	(4576.27)

DIVIDEND

Your Directors do not recommend any dividend due to loss in the year under review.

Operations

The gross revenue divisions wise are as follows:-

(Rs. in Lacs)

Division	Year ended 31.3.2007	Year ended 31.03.2006
Chemical	0.94	3.50
Offshore	NIL	Nil

The operations for the year under review has resulted in loss of Rs. 558.80 Lacs as against loss of Rs. 482.06 Lacs in previous year.

The loss for the year are mainly due to -

- The Plant was in operations for a part of the year on job work basis. Non availability of working capital & outstanding loans from financial institutions, banks & Non Convertible Debenture resulted in interest loss of Rs. 391.68 lacs
- Provision for bad and doubtful debts is of Rs. 14.59 Lacs.
- In addition, the accounts bear the charges for certain exceptional items such as the following:
 - Deferred revenue expenditure of earlier year is Rs. 88.00 lacs.

EXPORTS

Exports for the current year are Rs. Nil as against Rs. Nil Lacs of previous year.

CAPITAL RESTRUCTURING:

The company is planning to restructure its capital to reflect the realistic position of the assets. On account of losses the net worth of the company has been eroded and there is huge debit balance in the Profit and Loss Account. In order that the capital employed in the company is truly reflected, it has been decided by the company to write off a part of the carried forward permanent losses against the free reserves and share capital of the company. Accordingly, it has been proposed to reduce the share capital by writing off 90% thereof. The details are separately given in the notice of Annual General Meeting.

FIXED DEPOSIT

The company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and/or acceptance of Deposit Rules.

The Company does not have any deposit claimed but not paid and/or unclaimed for which information is required to be given in this report.

PERSONNEL AND OTHER INFORMATION

For the particulars of employees as required to be disclosed in the Directors Report in accordance with the Provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 as amended from time to time, the Directors state that the company does not have any employee.

- Who was in receipt of remuneration exceeding Rs. 24,00,000/- p.a in the aggregate.
Or
- Who if employed for part of the year was in receipt of remuneration for any part of that year at a rate which in the aggregate was more 2,00,000/-

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Or

- (iii) Who was in receipt of a remuneration higher than that of the Managing Director, whole time Director or Manager and was holding more than 2% equity shares of the Company.

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

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

DIRECTORS:

Shri. Rishi Pilani, Director of the Company retires by rotation in accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association and being eligible offers himself for re-appointment.

REPORT ON CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreements, a report on Corporate Governance is appended along with a certificate of compliance from the Auditors of the company, with Management Discussion and Analysis Statement.

AUDITORS

The Statutory Auditors **Shri. Sourabh Agrawal**, Chartered Accountant, Mumbai the existing Auditors retire and eligible for re-appointment. They have furnished the certificate of their eligibility under section 224(1B) of the Companies Act, 1956 for the appointment. The observations made in the Auditors Report are self – explanatory and therefore do not call for any further Comments.

COST AUDITORS

Pursuant to the directives of the Central Government under the provision of Section 233B of the Companies Act, 1956 qualified Cost Auditors have been appointed to conduct the cost audit relating to the Chemical manufactured by the Company.

CASH FLOW STATEMENT

In conformity with the provision of Clause 32 of the Listing, Agreement(s) the cash flow statement for the year ended 31st March, 2007 is annexed hereto.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956 your Directors state that:-

- (i) While preparing Annual Accounts, the applicable accounting standards have been followed and there are no material departures.
- (ii) The Company has selected such accounting policies and applied them consistently and made judgments that are reasonable and prudent so as to give true and fair view of the affairs of the company at the end of the financial year and of the loss for the year ended 31-03-2007;
- (iii) The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Annual Accounts has been prepared on a going concern basis.

Registration to BIFR:

In earlier years Company net worth had been fully eroded as a result the company had approached to the Board of Industrial Financial Restructuring (BIFR) for protection provided under the sick Industrial Company (Special Provisions) Act, 1985. BIFR had received & registered our reference as 289/2004.

APPRECIATION:

The Board places on record its sincere appreciation for the wholehearted support and contributions made by all its employees across the Company, as well as the various Financial Institutions, Banks, Share Holders, Distributors, Suppliers, and other business associates towards the conduct of the efficient operation of your Company.

On Behalf of the Board of Directors

SHANKARMAL G. PILANI
Chairman

Place : Mumbai
Date : 30.06.2007

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ANNEXURE TO THE DIRECTORS' REPORT

Statement pursuant to section 217(1) (e) of the Companies Act, 1956, and the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31.03.2007:

A. CONSERVATION OF ENERGY

The total energy consumption and the energy consumption per unit of production are as follows: -

I. POWER AND FUEL CONSUMPTION**1. Electricity**

(a) Purchased Unit (KWH)

Total Amount (Rs.)

Rate/Unit

(b) Own Generation

(i) Through Diesel Generator unit

(ii) Through Steam Turbine

2. Coal**3. Furnace Oil**

Qty. (M.T.)

Total amount (Rs.)

Average rate

4. Others/Internal Generation

(a) L.D.O

Qty.-(M.T.)

Total amount (Rs.)

Rate Per M.T.

(b) L.S.H.S

Qty. (M.T.)

Total amount (Rs.)

Rate Per M.T.

II. CONSUMPTION PER M.T.OF PRODUCTION

Electricity

Furnace Oil (MT)

Diesel/LDO/LSHS (MT)

2006-2007

2005-2006

—

NIL

—

NIL

—

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NIL

NIL

NIL

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NIL/MT

NIL/MT

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NIL

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42,952

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NIL

NIL

NIL

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NIL/MT

NIL/MT

B. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

During the year the Company has no operations & due to closure of plant no Research and Development Activities carried out.

C. FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

Total foreign exchange out goings for import of raw materials and others is Rs. Nil (Previous year Nil). Foreign exchange earnings during the year are Nil. (Previous Year Rs. Nil).

For and on behalf of the Board

Mumbai
June 30, 2007.

SHANKARMAL G. PILANI
Chairman

Futuristic Offshore Services & Chemical Limited**MANAGEMENT DISCUSSION AND ANALYSIS****INDUSTRY STRUCTURE AND DEVELOPMENTS****Business of the Company**

The business of the company is manufacturing and marketing of specialised chemical Maleic Anhydride, and down stream products such as Fumaric Acid, Tetra Hydro-phthalic Anhydride, Tetra Hydrophthalimide, (THPA/THPI).

Maleic Anhydride is a versatile monomer and chemical intermediate with many uses. The largest end use, accounting for almost half of total consumption, is unsaturated polyester resins. Other uses include Lube oil Additives, Alkyd resins, Fumaric and Maleic acids, copolymers and agricultural chemicals.

Main segments

Products	Applications
MALEIC ANHYDRIDE	For Manufacture of Polyester Resins, Alkyd resins, Agrochemical eg: Malathion(Insecticide), Maleic Hydrazide (Herbicide/Growth Inhibitor), Fumaric Acid, Dye Intermediates, Pharmaceuticals, Surface Coatings Agents, Plasticisers and Speciality Lubricant Additives. It is also used as copolymer in wide range of chemical synthesis.
FUMARIC ACID	Food and Beverage Industries as Acidulant and Flavoring Agent, For upgrading Natural Drying of Oils; To improve Drying Characteristics in Food; Substitute For Tartaric Acid; For manufacture of Plasticizers; Rosin Esters and Adducts, Alkyd Resin Coatings In Organic synthesis as well as in Printing Inks Modifier for Polyester Resins, Alkyd Resins as well as Phenolic Resins;
TETRA HYDROPHTHALIC ANHYDRIDE	For Curing Epoxy Resins, To manufacture of Unsaturated Polyesters it impart Air Drying Properties, Intermediate to manufacture other organic compounds.
TETRA HYDROPHTHALIMIDE	To manufacture Fungicide - Captan.

OPPORTUNITIES AND THREATS

Some developments are taking place developing other uses for Maleic Anhydride. It is used as a starting material for synthesis of 1, 4-Butanediol, THF, Speciality dispersants, Succinates in, a biodegradable Chelating Agent, and Polyaspartic Acid, a Biodegradable Dispersing Agent.

Total worldwide consumption is expected to grow at a rate of approximately 5% annually despite recession in most of the economies.

The company will strive to catch the opportunities as it has inherent key strength areas such as:

- State-of-the-Art Manufacturing facilities. Fully computer monitored plant, with technical know-how from Scientific Design Co. Inc., U.S.A. The plant is specifically designed to ensure strict quality standards of the end product range.
- Largest plant in India to produce Maleic Anhydride from basic raw materials.
- Convenient location of the plant of the Company at Tarapur, Maharashtra.
- The company is awarded ISO 9002.
- Strong R&D base and foresight in the introduction of newer technologies sustain and to meet their global vision in the years ahead. The group is committed to

the manufacturing of quality products using internationally accepted norms.

- The markets for products of the Company are well established with a good distribution network for domestic as well as export market.

The management expects the slowdown in the economy and other difficulties faced by the Company to continue for sometime. Maintaining the operations of the company in this scenario will be extremely challenging. The Company is looking at different options to resume operation of factory to full capacity.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE Review of operations

Segment wise revenue break up for the last two years is as follows:

(Rs. In Lacs)

Division	Year ended 31.3.2007	Year ended 31.3.2006	% +/-
Chemical	0.94	3.50	(-) 73
Off shore	NIL	Nil	Nil

The sales of the company were at unremunerative level with margins under pressure on account of high prices of the raw material and other difficulties faced by the company as mentioned in the Directors' Report.

19th Annual Report 2006 - 2007**Outlook**

The Chemical Division is expected to perform better due to improvement in the economy. Various options are being pursued to bring back the operations of the company to profitable levels.

Risks and concerns

The pricing uncertainties of the raw material of the company for its Chemical Division would continue to affect the profitability of the company. The uncertain monsoon may halt the economic recovery and the growth of the economy.

Financial performance with respect to operational performance

There was a reduction in the loss for financial year 2006-07 over the preceding year, in line with no sales and the plant was in operations for a part of the year on Job Work Basis & unavailability of working capital.

The working for the year has resulted in net loss of Rs. (558.80) Lacs as against net loss of Rs. (482.07) Lacs in the previous year. The Chemical Division incurred loss before tax and interest for the current year of Rs. (381.14) Lacs. The Offshore Division has made a loss before tax and interest of Rs. (6.43) Lacs. The total loss before tax amounts to Rs. (558.20) Lacs, after charging interest of Rs. 391.68 Lacs, exceptional items Rs. 88.00 Lacs, and unallocable income net of unallocable expenditure of Rs. 309.05 Lacs. & the total loss after tax amount to Rs. (558.80) lacs after charging fringe benefits tax of Rs. 0.60 lacs.

The Company's Ordinary share capital stands at Rs. 1731.58 Lacs and there are no outstanding instruments which are convertible into equity at a later date.

The working capital requirement of the Company was catered to by a consortium of three bankers.

The Company has stopped accepting any Deposits.

Internal Control System

The company has established a system of internal control to ensure proper control over the transaction.

No internal audit carried out during the year. The company has formed Audit Committee which is constituted by three Directors. All the significant audit observations and flow up actions would be reported to the Audit Committee.

FINANCIAL CONDITION**Share Capital**

Issued subscribed and paid up capital as at 31st March, 2007 was Rs. 1731.58 lacs (Rs. 1731.58 lacs in the previous year.)

Reserves and Surplus

In view of uncertainty of availment of tax benefit on accumulated business losses and unabsorbed depreciations, company has not recognized deferred tax

liabilities/assets. As at March 31, 2007 Reserves and Surplus amounted to Rs. 110.00 lacs (Rs. 110.00 lacs in the previous year)

LOAN FUNDS

The loan funds stood at Rs. 4855.60 lacs as at March 31, 2007 (Rs. 4697.48) lacs in the previous year.

Deferred tax liability provision outstanding as at March 31, 2007 is Rs. Nil- (previous year-Rs. NIL) (refer note 11)

FIXED ASSETS

Net Fixed Assets including capital work in progress as at March 31, 2007 are Rs. 2212.67 lacs (Rs. 2577.70 lacs as at March 31, 2006).

Investments

Total amount of investment as at March 31, 2007 stood at to Rs. 0.36 Lacs to (Rs. 0.36 lacs as at March 31, 2006).

Working Capital

Net Current Assets stood at to Rs. (650.93) lacs as at March 31, 2007 from Rs. (703.28) lacs as at March 31, 2006.

Human Resources/Industrial Relations

The Company has proper mixture of Human Resources from different backgrounds with personnel both local and across the country. It has around 68 employees.

The industrial relations have been very cordial all throughout. The company intends to review HR policies to yield enhanced productivity of its employees.

Summary

The Management will make sincere efforts to revive the operations of the company through debt, capital and business restructuring.

ENHANCING SHAREHOLDER VALUE

The management would be making all efforts for the creation of shareholder value, it being one of its prime objectives. It would focus on measures of cost control, improving the company's position in strategic markets and strengthening its products to improve the return to shareholders.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objective, expectations or predictions may be forwarded looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the Country and other factors such as litigation and industrial relations.