



# GULF OIL Corporation Limited

## FORTY SIXTH ANNUAL REPORT 2006-2007

### Board of Directors

(As on 15<sup>th</sup> June, 2007)

S.G. Hinduja, Chairman

R.P. Hinduja, Vice Chairman

K.N. Venkatasubramanian

P. N. Ghatalia

H.C. Asher

Vinoo S Hinduja

M.S.Ramachandran

Ashok Kini

(w.e.f. 27th September, 2006)

A.V. Dujean

V. Ramesh Rao

Vinod K Dasari

(w.e.f. 27th September, 2006)

S. Pramanik, Managing Director

A.K.Das, Alternate to S.G.Hinduja

Camille Nehme, Alternate to A. V. Dujean

I.N. Chatterjee

(Effective till 26th July, 2006)

### Committees of the Board

<b>Audit:</b>	P.N.Ghatalia, Chairman	H.C.Asher	Ashok Kini
<b>Remuneration:</b>	P.N.Ghatalia, Chairman	H.C.Asher	
<b>Share Transfer &amp; Investor Grievance</b>	M.S. Ramachandran, Chairman	S.Pramanik	Vinod K Dasari

### Executive Team

<b>Corporate:</b>	S. Subramanian R. G. Herlekar	<i>CFO &amp; Company Secretary</i> <i>Sr. GM (Corporate Finance)</i>	V.Satish Kumar	<i>Sr. GM (Operational Audit)</i>
<b>Lubricants Division:</b>	N.C.Sekharan N. Chandrasekaran R.Varadarajan Y.P. Rao Amrish Kathane	<i>Head-Lubes</i> <i>V.P. Finance &amp; Accounts</i> <i>V.P. (Sales &amp; Marketing)</i> <i>V.P. Technical</i> <i>Sr. GM - Supply Chain</i>	S.Vishwanathan S.Das	<i>Sr. G.M. (Filters)</i> <i>G.M. (South)</i>
<b>Explosives Division:</b>	S. Chakrabarti B.Sudhakar	<i>Chief Operating Officer</i> <i>Sr. GM (Hyderabad Works)</i>	A.D.Sao A. M. Kazmi	<i>GM (Marketing Area - I)</i> <i>GM (Marketing Area - II)</i>
<b>Speciality Chemicals Division:</b>	Dr.M.V.Rao M.V.Balakrishnan	<i>Vice President (Operations)</i> <i>Sr.GM (Commercial)</i>		
<b>Contracts Division:</b>	T.T.Das	<i>GM-IDLconsult</i>		

<b>Company Secretary</b>	S. Subramanian (w.e.f. 25.05.2007)
<b>Deputy Company Secretary</b>	A. Satyanarayana
<b>Bankers</b>	State Bank of India State Bank of Hyderabad Oriental Bank of Commerce ICICI Bank Limited Andhra Bank
<b>Auditors</b>	Deloitte Haskins & Sells, Chartered Accountants, Secunderabad Shah & Co., Chartered Accountants, Mumbai (Branch Auditors)
<b>Registered/Corporate Office</b>	Kukatpally Hyderabad 500 072 Andhra Pradesh

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**A TEN YEAR REVIEW**

(Rs. in lakhs)

Year	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
<b>INCOME &amp; DIVIDENDS</b>										
Sales	<b>66865.64</b>	50724.65	47340.47	41551.04	40534.71	25250.68	19569.69	15191.43	14257.44	14682.85
Profit Before Tax	<b>3183.37</b>	2543.43	2215.07	2798.39	1132.93	978.55	6084.32	568.29	557.48	1203.77
Profit After Tax	<b>2300.59</b>	2278.6	2003.07	2290.80	1531.52	769.55	5464.32	508.29	502.48	959.52
Profit After Tax as Percentage of Sales	<b>3.44%</b>	4.49%	4.23%	5.51%	3.78%	3.05%	27.92%	3.35%	3.52%	6.53%
Earning Per Share of Rs.10 (Rupees)	<b>16.58</b>	16.43	14.44	16.51	11.04	8.12	68.29	6.35	6.28	12.46
Dividend per fully paid Equity Share of Rs.10 (Rupees)	<b>7.50</b>	7.00	6.50	6.00	5.00	3.00	5.00	2.50	2.50	2.50
Dividend	<b>1115.38</b>	971.02	901.66	832.30	693.59	416.15	400.09	200.04	192.47	192.45

(Rs. in lakhs)

Year	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
<b>CAPITAL EMPLOYED</b>										
Net Fixed Assets	<b>15647.14</b>	11367.26	10560.95	8215.47	7943.98	8024.33	4196.39	4056.82	3986.85	2977.37
Net Working Capital	<b>14451.81</b>	9597.43	8130.11	9837.19	12593.26	17173.69	10046.86	5306.10	4946.58	5016.84
Other Assets	<b>7980.24</b>	5278.71	4839.49	2394.70	984.10	2211.82	1404.98	1718.79	1126.05	1165.41
Total Capital Employed	<b>38079.19</b>	26243.4	23530.55	20447.36	21521.34	27409.84	15648.23	11081.71	10059.48	9159.62

(Rs. in lakhs)

Year	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
<b>NETWORTH &amp; LOANS</b>										
Share holders's Funds:										
Capital	<b>1387.17</b>	1387.17	1387.17	1387.17	1387.17	1387.17	800.17	800.17	800.17	769.80
Reserves	<b>14388.71</b>	13393.06	12221.67	11246.72	10454.43	12943.00	9317.35	4293.93	4007.68	4038.04
Tangible Net Worth	<b>14732.06</b>	13779.78	12827.12	12045.21	11841.60	14330.17	10117.52	5094.10	4807.85	4807.84
Secured Loans	<b>15547.27</b>	8147.69	8243.71	6224.07	7593.02	11206.99	3965.37	5987.61	5251.63	4351.78
No.of.Shareholders at year end	<b>43790</b>	43480	45893	47605	48945	46969	47393	48380	4125	4109

Notes: Sales figure includes Excise Duty

## NOTICE OF THE FORTY SIXTH ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the Forty Sixth Annual General Meeting of the Company will be held at 2.30 p.m. on Friday, the 28<sup>th</sup> day of September, 2007 at The Emerald - I, Hotel Taj Krishna, Banjara Hills, Hyderabad - 500 034 to transact the following:

### ORDINARY BUSINESS

1. To consider and adopt the Directors' Report, the Auditors' Report, the Balance Sheet as at 31st March 2007 and the Profit and Loss Account for the year ended 31st March 2007.
2. To declare dividend for the financial year ended 31st March 2007.
3. To appoint a Director in place of Mr.A.V.Dujean, who retires by rotation under Article 122 of the Articles of Association of the Company and is eligible for re-appointment.
4. To appoint a Director in place of Mr.K.N.Venkatasubramanian, who retires by rotation under Article 122 of the Articles of Association of the Company and is eligible for re-appointment.
5. To appoint a Director in place of Mr. H.C.Asher, who retires by rotation under Article 122 of the Articles of Association of the Company and is eligible for re-appointment.
6. To consider, and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:  
**"RESOLVED that** M/s Deloitte Haskins & Sells, Chartered Accountants, Secunderabad be and are hereby appointed Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be negotiated and fixed by the Audit Committee/Board of Directors of the Company in addition to actual out-of-pocket expenses incurred by them for the purpose of audit."
7. To consider, and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
**"RESOLVED that** M/s. Shah & Co., Chartered Accountants, Mumbai be and are hereby appointed as Branch Auditors of the Company for its Lubricants Division at Mumbai from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be negotiated and fixed by the Audit Committee / Board of Directors of the Company in addition to actual out-of-pocket expenses incurred by them for the purpose of audit."

### SPECIAL BUSINESS:

8. To consider, and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
**"RESOLVED THAT** pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr.Ashok Kini, who was appointed as Additional Director of the Company and who, under Section 260 of the Companies Act, 1956 holds office only upto the date of this Annual General Meeting and being eligible, offers himself for appointment and in respect of whom the Company has received notice in writing from a Member, pursuant to the provisions of Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Mr. Ashok Kini for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."
9. To consider, and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:  
**"RESOLVED THAT** pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr.Vinod K Dasari, who was appointed as Additional Director of the Company and who, under Section 260 of the Companies Act, 1956 holds office only upto the date of this Annual General Meeting and being eligible, offers himself for appointment and in respect of whom the Company has received notice in writing from a Member, pursuant to the provisions of Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Mr. Vinod K Dasari for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."
10. To consider, and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:  
**"RESOLVED THAT** pursuant to the provisions of the Listing Agreement and other provisions, if any, as may be applicable, the Company be and is hereby authorized to make voluntary delisting of the equity shares of the Company from the Hyderabad Stock Exchange Limited, Hyderabad, without giving an exit option to the shareholders of the region where the said stock exchange is situated."
11. To consider, and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:  
**"RESOLVED THAT** pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, the Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment thereof for the time being in force), and the applicable laws, Rules, Guidelines, Regulations, Notifications and Circulars, if any, issued by the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), the Government of India (GOI), the Foreign Investment Promotion Board (FIPB), and other concerned and relevant authorities, and other applicable Indian laws, rules and regulations, if any, and relevant provisions of Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the Stock Exchanges where the Shares of the Company are listed and subject to such approval(s), consent(s) permission(s)

and sanctions(s) as may be required from GOI, FIPB, RBI, SEBI and any other appropriate authorities, institutions or bodies, as may be necessary and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission or sanction which may be agreed by the Board of Directors of the Company ("the Board") (which term shall be deemed to include 'Offering Committee' or any other Committee constituted or hereafter be constituted for the time being exercising the powers conferred on the Board by this Resolution), which the Board be and is hereby authorized to accept, if it thinks fit in the interest of the Company, the consent and approval of the Company be and is hereby accorded to the Board to issue Securities (as defined below) by way of a direct issuance and allotment of Shares in the form of Equities, Shares, Warrants, Bonds or Debentures, Depository Receipts, (whether Global Depository Receipts (GDRs), American Depository Receipts (ADRs) or any other form of Depository Receipts), or any other debt instrument either convertible or nonconvertible into Equity Shares whether optionally or otherwise, including Foreign Currency Convertible Bonds (FCCBs), whether expressed in Foreign Currency or Indian Rupees (all of which are hereinafter collectively referred to as "Securities") whether secured or unsecured, and further the Board of Directors be and are authorized, subject to applicable laws and regulations, to issue the Securities to investors (including but not limited to Foreign Banks, Financial Institutions, Foreign Institutional Investors, Qualified Institutional Buyers, Mutual Funds, Companies, other Corporate Bodies, Non- Resident Indians, Foreign Nationals and other eligible investors as may be decided by the Board (hereinafter referred to as "Investors") whether or not such Investors are members, promoters, directors or their relatives, of the Company by way of one or more private or public offerings (and whether in any domestic or international markets), through a public issue(s), private placement(s), Qualified Institutions Placement(s), preferential issue(s) or a combination thereof in such manner and on such terms and conditions as the Board deems appropriate at their absolute discretion. Provided that the issue size shall not exceed US\$100 million or Rs.450 crores inclusive of such premium as may be payable on the Equity Shares, at such time or times and at such price or prices and in such tranche or tranches as the Board in its absolute discretion deems fit.

**RESOLVED FURTHER THAT** without prejudice to the generality of the above, the aforesaid issuance of the Securities may have to be subject to such terms or conditions as are in accordance with prevalent market practices and applicable Laws and Regulations, including but not limited to, the terms and conditions relating to payment of interest, dividend, premium on redemption, the terms for issue of additional Shares or variations in the price or period of conversion of Securities into Equity Shares or terms pertaining to voting rights or options for redemption of Securities.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to seek, at their absolute discretion, listing of Securities issued and allotted in pursuance of this resolution, listed on any Stock Exchanges in India, and/or Luxembourg/London/Nasdaq/New York Stock Exchanges and/or any other Overseas Stock Exchanges.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted upon conversion of any Securities referred above as may be necessary in accordance with the terms of offering, and that the Equity Shares so allotted shall rank in all respects pari passu with the existing Equity Shares of the Company.

**RESOLVED FURTHER THAT** subject to the approvals stated above, the Company be also permitted to retain oversubscription upto 25% of the amount issued and the Board of Directors or Committee of Directors constituted for the purpose be authorised to decide the quantum of oversubscription to be retained.

**RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorised to do all such acts, deeds, matters and changes as it may at its discretion deem necessary or desirable for such purpose including, if necessary, creation of such mortgages and/or charges in respect of the Securities on the whole or any part of the undertaking of the Company under Section 293(1)(a) of the Companies Act, 1956 and to execute such documents or writing as they may consider necessary or proper and incidental to this Resolution.

**"RESOLVED FURTHER THAT** the Board of Directors or any Committee thereof be and is hereby authorised to do all such acts, deeds, matters and things as it may at its discretion deem necessary, expedient or desirable for such purpose including without limitation to the utilization of issue proceeds, finalizing the pricing, terms and conditions relating to the issue of aforesaid Securities including amendments or modifications thereto as may be deemed fit by them, to sign, execute and issue consolidated receipt/s for the Securities, listing application, various agreements such as Subscription Agreement, Depository Agreement, Trustee Agreement, undertakings, deeds, declarations, Letters and all other documents and to do all such acts, deeds, matters and things, and to comply with all the formalities as may be required in connection with and incidental to the aforesaid offering of Securities, including but not limited to the post issue formalities and with power on behalf of the Company to settle any question, difficulties or doubts that may arise in regard to any such issue or allotment of the Securities as it may in its absolute discretion deem fit.

**"RESOLVED FURTHER THAT** the Board of Directors or any Committee thereof be and are hereby authorized to enter into and execute all such arrangements/agreements as may be required for appointing Managers (including Lead Managers), Merchant Bankers, Underwriters, Financial and/or Legal Advisors, Tax Advisors, Consultants, Depositories, Custodians, Principal Paying/Transfer/Conversion agents, Listing Agents, Registrars, Trustees and all

such agencies as may be involved or concerned in such offerings of Securities, whether in India or abroad, and to remunerate all such agencies including the payment of commissions, brokerage, fees or the likes, and also to seek the listing of such Securities or Securities representing the same in one or more stock exchanges whether in India or outside India, as may be required by applicable laws."

12. To consider, and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company (which term shall include any duly constituted committee of directors thereof) for mortgaging and/or charging on such terms and conditions for borrowing upto Rs.1000 crores (Rupees one thousand crores) at such time or times and from time to time and in such form or manner, as they may think fit, the whole or substantially the whole of the Company's any one or more of the undertakings including the present and/or future properties, whether moveable or immoveable comprised in any or new undertaking(s) of the Company as the case may be, in favour of financial institutions, corporations, banks, mutual funds, government / other agencies or any other person(s), entities which give, provide or extend loans to the Company or in favour of trustees of such lenders to secure the said amount of loans / debentures together with interest thereon, commitment charges, liquidated damages, premia on redemptions, trustee remuneration, costs, charges, expenses and all other moneys payable under the agreement(s)/arrangement(s) entered into/to be entered into by the Company in respect of the said loans as the Board may deem fit in the best interests of the Company."

13. To consider, and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

**"RESOLVED THAT** in addition to sitting fees, there shall be paid to such directors who are neither in whole-time employment of the company nor the Managing Director and whose remuneration does not include anything by way of monthly payment, commission on net profits of the company for the year 31<sup>st</sup> March, 2008 and four years thereafter, to the extent permitted under the provisions of Section 309 and other applicable provisions, if any, computed in the manner referred to in Section 198 of the Companies Act, 1956, to be distributed amongst such Directors in the manner as may be decided by the Board of Directors from time to time."

14. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **Special Resolution**:

**"RESOLVED** pursuant to Section 94(1)(d) and all other applicable provisions of the Companies Act, 1956, that each of 2,50,00,000 equity shares of Rs. 10/- each of the Company be and are hereby sub-divided into 5 equity shares of Rs. 2/- each.

**RESOLVED FURTHER THAT** Clause V of the Memorandum of Association of the Company be and is hereby altered to read as follows:

"The Share Capital of the Company shall be Rs. 25,00,00,000/- divided into 12,50,00,000 Equity shares of Rs. 2/- each, subject to the provisions of the Companies Act, 1956 with the rights, privileges and conditions attaching thereto, as are provided by the Articles of Association of the Company for the time being, with power to the Board of Directors to divide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or provided by the Articles of Association of the Company for the time being."

**FURTHER RESOLVED THAT** Article 3 of the Articles of Association of the Company be and is hereby altered to read as follows:

"The Share Capital of the Company consists of Rs. 25,00,00,000/- (Rupees Twenty Five crores) divided into 12,50,00,000 (Twelve crore Fifty lakh) Equity shares of Rs. 2/- each."

**FURTHER RESOLVED THAT** the Board of Directors of the Company be and is hereby authorized, in respect of physical shares, to issue new Share Certificates in lieu of the existing Share Certificates, in the aforesaid proportion subject to the Rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960 and the Articles of Association of the Company.

**FURTHER RESOLVED THAT** the Board of Directors of the Company be and is hereby authorised, in respect of demat shares, to sub-divide the existing shares in the aforesaid proportion in consultation with the respective Depositories.

**FURTHER RESOLVED THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts and deeds as may be necessary to give effect to the aforesaid Resolution."

The Board recommends this resolution for your approval."

By Order of the Board

HYDERABAD  
17<sup>th</sup> August, 2007

S.Subramanian  
Chief Financial Officer &  
Company Secretary





**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.  
Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
3. The Register of Members and Share Transfer Books will be closed from 18<sup>th</sup> September, 2007 to 28<sup>th</sup> September, 2007 (both days inclusive) in connection with the ensuing Annual General Meeting and the payment of Dividend.
4. Dividend recommended by the Board and approved by the Members at the AGM, will be paid on or before October 27, 2007. In respect of shares held in physical form, the dividend will be payable to those members whose names appear on the Register of Members on September 28, 2007. In respect of shares held in electronic form, dividend will be payable to beneficial owners of the shares as on September 28, 2007 as per details furnished by the Depositories for this purpose.
5. In terms of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund. Accordingly, in the year 2007-08, the Company would be transferring the unclaimed dividend for the year 1999-2000 to the Investor Education and Protection Fund. Members who have not encashed their dividend warrant for the year ended March 31, 2000 or thereafter are requested to write to the Company/Registrars and Share Transfer Agents.
6. Members holding shares in dematerialized mode are requested to instruct their respective Depository Participants regarding Bank Accounts in which they wish to receive the dividend. However, the Bank details as furnished by the respective Depositories to your Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Stock Exchanges. Your Company/Registrar and Share Transfer Agents will not act on any direct request from Members holding shares in dematerialized form for change/deletion of such Bank details.
7. Members holding shares in physical form are requested to inform the Company of any change in their addresses immediately for future communication at their correct addresses and Members holding shares in demat form are requested to notify to their Depository Participants.
8. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Share Transfer Agents to enable them to consolidate their holdings into one folio.
9. As required under Clause 49 of the Listing Agreement, brief information of Directors, being appointed/reappointed, is given in the Directors' Report.
10. Members requiring any clarification/information on any report/statement, are requested to send their queries to the Registered Office of the Company, at least 10 days before the date of the AGM.

**ANNEXURE TO THE NOTICE****Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.****Item No.8**

The Board had appointed Mr.Ashok Kini as an Additional Director on the Board, on 27<sup>th</sup> September 2006. Pursuant to Section 260 of the Companies Act, 1956, Mr.Ashok Kini ceases to be a Director at this Annual General Meeting.

A notice has been received along with the requisite deposit from a Member signifying his intention to propose Mr.Ashok Kini as a Director of the Company. Mr.Ashok Kini graduated from Mysore University in 1965 majoring in Science and obtained a Master's degree in English Literature from Madras Christian College, Chennai before joining State Bank of India (SBI) as Probationary Officer in 1967 and reached the position of Managing Director (National Banking).

During his career with the SBI, Mr.Ashok Kini was responsible for the Bank's IT plans, from concept and RFP to execution and vendor management, domestic distribution, retail business, consumer banking, marketing/brand management, etc. He had also implemented various projects including core banking, asset-liability management, ATMs, Intranet, IT security policy, trade finance, corporate network, internet banking, corporate mail, data center.

No Director of the Company, except Mr.Ashok Kini, is interested in the resolution.

The Board recommends this Resolution for your approval.

**Item No.9**

The Board had appointed Mr.Vinod K Dasari as an Additional Director on the Board, on 27<sup>th</sup> September 2006. Pursuant to Section 260 of the Companies Act, 1956, Mr. Vinod K Dasari ceases to be a Director at this Annual General Meeting.

A notice has been received along with the requisite deposit from a Member signifying his intention to propose Mr.Vinod K Dasari as a Director of the Company. Mr. Vinod K Dasari is Chief Operating Officer of Ashok Leyland Ltd., heading manufacturing, domestic marketing, strategic sourcing and corporate quality engineering divisions.

Mr.Vinod K Dasari commenced his career with General Electric Company in 1986 and worked for companies such as Timken USA, Timken India, Cummins India Limited and is credited with bringing about significant changes in these organizations and leading them into profitability after a period of sustained losses.

No Director of the Company, except Mr.Vinod K Dasari, is interested in the resolution.

The Board recommends this resolution for your approval.

Your Directors are of the opinion that the Company will greatly benefit from the association of Mr. Ashok Kini and Mr. Vinod K. Dasari on the Board and it would be in the interest of the Company to continue to have them on the Board and accordingly recommend the acceptance of the Resolutions set out in the Notice convening the meeting.

**Item No.10**

The Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 provide for delisting of securities of a body corporate voluntarily.

At present, the equity shares of the Company are listed on the Bombay Stock Exchange Limited and the Hyderabad Stock Exchange Limited and can be settled only in demat form for the trades carried on the stock exchanges.

With the extensive network of BSE, investors have access to online trading in equity shares of the Company across the country. Further, not many trades in the equity shares of the Company were recorded on the Hyderabad Stock Exchange Ltd. during the last few years.

Accordingly, it is proposed to delist the Company's equity shares from the Hyderabad Stock Exchange Ltd. Consent of the members is being sought by a Special Resolution to authorize delisting. The proposed delisting, as and when takes place, will not affect the investors adversely. The Company's equity shares will continue to be listed on the Bombay Stock Exchange.

The Company has no intention to give an exit option to those shareholders of the region where the Hyderabad Stock Exchange is situated, from which delisting is sought.

No Director of the Company, is interested in the resolution.

The Board recommends this Resolution for your approval.

**Item No.11**

With a view to augment long term financial resources of the Company and to meet costs in connection with the expansion, diversification projects and other permissible uses, it is proposed to raise an amount not exceeding US\$ 100 millions or Rs.450 crores through issue of Foreign Currency Convertible Bonds (FCCBs) and / or American Depositary Receipts (ADRs) or Global Depositary Receipts (GDRs) and/or Qualified Institutions Placement and/or any other suitable financial instruments as contained in the Resolution.



The salient features are mentioned in the resolution and will be issued on such terms and conditions as may be appropriate at the time of issue.

The FCCBs/ADRs/GDRs/any other financial instruments including Qualified Institutions Placement, would be listed on the London and/or any other Stock Exchange within or outside India.

The Special Resolution gives adequate flexibility and discretion to the Board to finalise the terms of the issue in consultation with the lead managers, underwriters, legal advisers and experts or such other authorities as need to be consulted including in relation to the pricing of the issue.

The consent of the shareholders, is therefore, sought to authorise the Board of Directors as set out in the Resolution to issue in one or more tranches, the securities referred to therein in the international market to Foreign Financial Institutions, to Foreign Investors/Collaborators/Companies and/or to Foreign Investment Institutions operating in India, whether shareholders of the Company or not, through a public issue or private placement basis and/or preferential basis or Qualified Institutions Placement.

None of the Directors is as such concerned or interested in the resolution.

The Board recommends this Resolution for your approval.

**Item No.12**

For the purpose of effective utilisation of the borrowing powers upto Rs.1000 crores approved in the AGM held on 1<sup>st</sup> August, 2005 and considering that projects are under finalisation, it may be necessary to pass an enabling resolution to mortgage and/or charge the properties of the Company in favour of the Banks and/or Financial Institutions, etc. for securing the requisite finance upto the said amount.

Since mortgaging and/or charging of the assets, properties and/or undertakings of the Company may be regarded as disposal thereof, consent of the Members of the Company is necessary under Section 293 (1)(a) of the Companies Act 1956.

No Director of the Company, is interested in the resolution.

The Board recommends this Resolution for your approval.

**Item No. 13**

The Company has been paying commission out of net profits to the Directors who are neither in the whole-time employment of the Company nor the Managing Director and whose remuneration does not include anything by way of monthly payment nor commission out of net profits of the Company. The Company proposes to continue the payment of this remuneration at a rate as may be decided by the Board of Directors in accordance with the applicable percentages under the law prevailing from time to time under Section 309, for a further period of five years, commencing from the accounting year of the Company from 1<sup>st</sup> April, 2007.

All Directors of the Company except Mr Subhas S Pramanik, Managing Director, are interested in the resolution.

The Board recommends this Resolution for your approval.

**Item No.14**

The present Authorised Share Capital of the Company is Rs.25.00 crores consisting of 2,50,00,000 Equity Shares of Rs.10/- each and the Issued and Paid-up Capital is Rs.14,87,17,470 consisting of 1,48,71,747 Equity Shares of Rs.10/- each.

The market price of the equity shares of the Company has appreciated considerably over the last 5 years. In order to make the shares of the Company, affordable for small shareholders, the Board of Directors of the Company vide its Resolution passed at its Meeting held on 17<sup>th</sup> August 2007, has recommended to sub-divide the equity shares of the Company from the present face value of Rs.10/- each to Rs.2/- each. Consequently, the number of shares will increase from the present 1,48,71,747 Equity Shares of Rs.10/- each to 7,43,58,735 Equity Shares of Rs.2/- each. However, the total paid-up capital of the Company would remain the same. The Resolution, if passed, will have the effect of entitling the holders of Equity Shares, to receive five Equity Shares of Rs.2/- each against every Equity Share held.

None of the Directors of the Company is interested in this Resolution, except to the extent of their shareholding in the Company.

The Board recommends this Resolution for your approval."

By Order of the Board

Hyderabad,  
17<sup>th</sup> August, 2007.

S.Subramanian  
**Chief Financial Officer &  
Company Secretary**



## REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT DISCUSSION AND ANALYSIS TO SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2007

Your Directors have pleasure in presenting their Forty Sixth Annual Report and Audited Accounts for the year ended 31st March 2007.

### 1. FINANCIAL RESULTS

	2006-07 Rupees Lakhs	2005-06 Rupees Lakhs
Profit after providing for Depreciation of Rs. 1002.14 lakhs (Rs.701.57 lakhs) and before extraordinary items and taxation	3645.69	2887.78
Extraordinary Items:		
Compensation under Voluntary Retirement Scheme	462.32	344.35
Profit Before Taxation	3183.37	2543.43
Taxation:		
Current	354.00	135.00
Tax provision of earlier years written back	(59.32)	
Deferred	468.00	20.00
FBT	120.10	109.83
Profit After Taxation	2300.59	2278.60
Balance brought forward from previous year	3108.07	2436.68
Balance available for appropriation	5408.66	4715.28
Appropriations:		
Proposed Dividend	1115.38	971.02
Provision for additional tax on proposed dividend	189.56	136.19
Transfer to General Reserve	250.00	500.00
Balance carried to Balance Sheet	3853.72	3108.07
EPS	16.58	16.43

### 2. DIVIDEND

The Directors recommend the payment of Dividend of Rs. 7.50 Per share ( Rs. 7.00 per share ) on the paid up capital of the Company. The dividend of Rs. 11.16 crores ( Rs. 9.71 crores ), if approved by the Shareholders at the Forty-sixth Annual General Meeting, will be paid out of the profits for the current year to all Shareholders of the Company whose names appear on the Register of Members as on date of Book Closure.

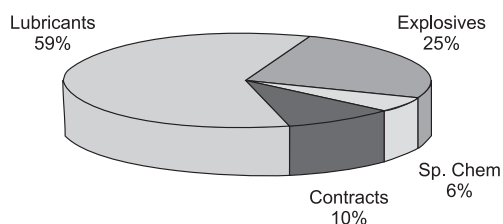
The Company has allotted 10,00,000 equity shares subsequent to the date of the balance sheet on conversion of warrants allotted in the year 2005 to persons other than promoters on preferential basis. As per the applicable regulations, these additional shares rank pari passu, in all respects, with the existing shares of the Company. Hence, the proposed dividend of Rs. 11.16 crores includes dividend on the additional shares

### 3. OPERATIONS

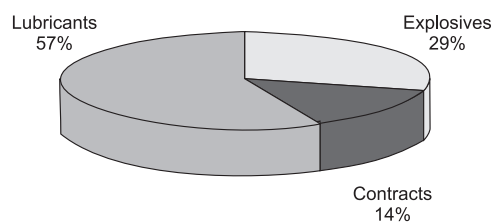
The total revenue of the Company increased to Rs. 668.66 crores ( Rs. 507.25 crores ). The profit before extraordinary items and taxation was Rs. 36.46 crores ( Rs. 28.88 crores ). The profit before tax was Rs. 31.83 crores ( Rs. 25.43 crores ) after making a higher provision for VRS spend in the current year. The profit after the provision of tax of Rs. 2.95 crores, Fringe Benefit Tax of Rs. 1.20 crores and deferred tax of Rs. 4.68 crores, was Rs. 23.01 crores ( Rs. 22.79 crores ) resulting in an EPS of Rs. 16.58 for the year ( Rs.16.43 ).

## DIVISIONAL PERFORMANCE

### 3.1 Business Operations



**2006-07 Total Revenue: Rs. 668.66 crores**



**2005-06 Total Revenue: Rs. 507.25 crores**

### 3.2 Industrial Explosives

The Explosives Division is the leading manufacturer of a full range of commercial explosives and blasting accessories for mining, infrastructure, space, defence and special applications. The Division manufactures small and large diameter cartridge slurry explosives, pumpable emulsion explosives, detonators of various types, PETN, detonating fuse of varying core loads, special application initiating devices and pyrotechnic products besides metal clads.

The turnover of the Division for the year was Rs. 168.31 crores ( Rs.147.87 crores ) representing a growth of 14% in spite of drastic reduction in orders for the year from Coal India Limited ( CIL ), a major customer of the Company. The business continued to witness intense competition and prices remained unremunerative for explosive products for the second year in succession.

The Division has restructured its total business mix to achieve the above growth through specific strategies in expanding non-CIL, defence and metal cladding segments. It has further expanded the bulk explosives business in the iron ore sector by entering into more intense servicing in certain targeted mining regions.

The electronic detonator ( e-Det ) was evaluated by several discerning customers and the response for changeover to more precise and accurate blast performance, especially in critical sites close to habitats, has been extremely encouraging.

The Company is one of the few and leading companies in the world offering EXPLOBOND ( GOCL registered trade mark ) clad products for over two decades to the chemical equipment and metal processing in industries and has recorded constant growth every year. The group posted a turnover of Rs. 7.07 crores ( Rs.6.04 crores ) representing a growth of 17%.

The Special Product Group, engaged in manufacturing of special purpose products for space and defence applications, executed several prestigious orders meeting the stringent "six-sigma" criteria. The Group has posted a turnover of Rs. 4.71crores ( Rs.2.75 crores ) representing a growth of 71%.

### 3.3 Mining & Infrastructure (IDLconsult)

The turnover of the Division was Rs 64 cr (Rs 72 cr). The reduction in revenue is due to the Koyagudem project being completed in the middle of the year and three new projects at Manuguru ( for SCCL ), Dudhichua ( for NCL a Coal India subsidiary ) and Donimalai ( for NMDC ) started only at the end of the F 2007.

The Division is growing as per plan and bagged prestigious mining services orders in the coal sector from large mining companies such as Coal India Ltd., Singareni Collieries Co. Ltd., National Mineral Development Corporation Ltd. Due to the excellent execution of projects in the iron ore sector, the Company has been able to expand its operations to 5 other iron ore mining organisations in Orissa and Jharkhand offering mining services, including crushing and screening services.

Besides total mining services, the Division has taken up a few assignments with plans to increase business in the fast growing infrastructure sector based on the successful execution of contract in the Delhi Metro Rail Project. Currently, it has taken up work for Reliance at Jamnagar under its plant expansion program and some structural works in the Outer Ring Road of Hyderabad.

### 3.4 Lubricants

The automotive industry continued to grow during the year 2006-07 with the Commercial Vehicle segment registering an impressive growth rate. This helped Lubricants Division to realize higher volumes from its key business segment of Diesel Engine Oils and 4-stroke motorcycle oils.

During the year, the Lubricants Division had embarked on the twin strategies of growing its top-end Diesel Engine Oils and obtaining a strong foothold in the Motorcycle Oils segment. A number of new products, which were introduced during the year such as the Ashok Leyland-Gulf Oil co-branded oils and Gulf Pride 4T Plus found excellent response from the customers. The Division undertook new initiatives in the retail channel resulting in