

NILKANTH ENGINEERING LIMITEDRegd. Office : 407, Kalbadevi Road, Daulat Bhawan, 3rd Floor, Mumbai – 400 002**DIRECTORS' REPORT TO THE SHARE HOLDERS**

Dear Shareholders,

Yours Directors have pleasure in presenting to you the 25th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

Particulars	2006-07 Rs.	2005-06 Rs.
Income	55,68,175	20,93,241
Expenditure	2,20,587	1,33,319
Profit / (Loss) before Tax	53,47,588	19,59,922
Add / (Less) : Provision for Taxes		
Current Tax	(7,00,000)	(2,75,000)
Income Tax Adjustments for earlier years	71,776	
Profit / (Loss) after Tax	47,19,364	16,84,922
Add / (Less) : Excess Provision for Earlier Years	Nil	NIL
Less : Transfer to Special Reserve u/s 45 IC of Reserve Bank of India Act, 1934	9,43,873	3,36,984
Add : Profit / (Loss) brought forward from earlier years	22,27,93,787	2,14,45,849
Balance of Profit / (Loss) carried to Balance Sheet	2,65,69,279	2,27,93,787

DIVIDEND

With a view to conserve the resources of the Company, your Directors do not recommend any dividend for the year under review.

DIRECTORS

Shri L P Goenka retire by rotation from the Board and being eligible offer himself for reappointment.

DIRECTOR RESPONSIBILITY STATEMENT

Your Directors confirm that :

i in the preparation of the Annual Accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any;

ii. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year ended on 31st March, 2007 and of the profit of the Company for that year;

iii. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. the Directors have prepared the annual accounts on a going concern basis.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

EMPLOYEES

The Company had no employees of the category specified in Section 217(2A) of the Companies Act, 1956.

AUDITORS

M/s M K Sureka & Co., Chartered Accountants, the Statutory Auditors of the Company retire and being eligible offer themselves for re- appointment.

AUDITORS REPORT

The observations made in the Auditors Report regarding no provision for diminution in the value of investments have been duly explained in Note No. 2 in Schedule 10 to the accounts.

Other observations are self explanatory and therefore, do not call for any further comments on the Auditors Report under Section 217 of the Companies Act, 1956.

COMPLIANCE CERTIFICATE

Pursuant to the proviso to Section 383A (1) of the Companies Act, 1956 read with the Companies (Compliance Certificates) Rules, 2001 framed thereunder, your Company has obtained a Compliance Certificate from Girish Murarka and Company, Company Secretaries, Mumbai for the financial year ended 31st March, 2007 confirming that the Company has complied with all the provisions of the Companies Act, 1956. A copy of such certificate is attached with this Report and forms an integral part. The observations made in the Compliance Certificate are self explanatory and therefore do not call for any comments.

REPORT ABOUT CONSERVATION OF ENERGY

Since the Company is not having any manufacturing activity, Directors have nothing to report on conservation of energy, research and development and technology absorption.

FOREIGN EXCHANGE EARNINGS AND OUTGO

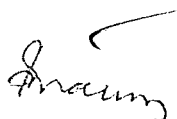
Foreign Exchange earned during the year under review - Rs. Nil

Foreign Exchange spent during the year under review - Rs. Nil

APPRECIATION

Your Directors place on record their deep appreciation of the assistance and contribution received from their bankers, employees, etc.

For and on behalf of Board of Directors



Director



Director

Place : Mumbai

Date : 03/09/07

M. K. SUREKA & CO.,
CHARTERED ACCOUNTANTS.

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REPORT OF AUDITORS' TO THE MEMBERS OF NILKANTH ENGINEERING LIMITED

We have audited the attached Balance Sheet of Nilkanth Engineering Limited as at 31st March, 2007 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 (as amended), issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (the Act) and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards to the extent applicable referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) Based on the representations made by the Directors of the Company and taken on record by the Board of Directors and the information and explanations given to us, we report that none of the Directors is, as on 31st March, 2007, prima-facie disqualified from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;



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(f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to Note No.2 in Schedule 10 relating to non-provision for diminution in value of investments by Rs. 58,02,666/- aggregate effect of which has resulted in the profit for the year being higher by Rs.58,02,666/-, resulting in the loss for the year at Rs.10,83,302/- as against the reported profit for the year at Rs.47,19,364/- and aggregate Credit balance in the Profit & Loss A/c carried to Balance Sheet would be Rs. 2,07,66,612/- as against the reported credit balance in the Profit & Loss A/c carried to Balance Sheet of Rs. 2,65,69,278/- read together with other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
- ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date;

and

- iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.



FOR M. K. SUREKA & CO.,
CHARTERED ACCOUNTANTS.

(M. K. SUREKA),
PROPRIETOR,
MEMBERSHIP NO. 10147.

PLACE: MUMBAI

DATED: 3 SEP 2007

M. K. SUREKA & CO.,
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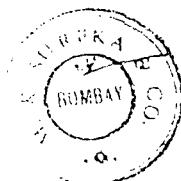
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ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 2 of Auditors' Report of even date to the members of Nilkanth Engineering Limited on the accounts for the year ended 31st March, 2007.

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that :-

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) As explained to us, all the assets have been physically verified by the management during the year and no discrepancy has been noticed on such verification.
- (c) The company has not disposed off any substantial part of its Fixed Assets so as to effect its going concern.
- ii. Since there are no Inventories, para 4 (ii) (a), (b) & (c) of the Order is not applicable.
- iii. (A) The company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register Section 301 of the Companies Act, 1956. Accordingly para 4(iii) (a) to (d) of the order is not applicable.
- (B) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, para 4 (iii) (e) to (g) of the Order is not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the provision of services. Further, on the basis of our examinations and information and according to the explanations given to us, we have neither come across nor have been informed of any instances of major weakness in the aforesaid internal control system.
- v. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act, transactions that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, since the company has not entered into any transactions, exceeding Rs. 5 lakhs, in respect of any party during the financial year that need to be entered in the register



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- maintained under section 301 of the Companies Act, 1956, para 4 (v) (b) of the Order is not applicable.
- vi. The company has not accepted any deposits from the public within the purview of the directives issued by the Reserve Bank of India and the provisions of Section 58A & 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under.
 - vii. The company does not have any formal internal audit system during the year under review. According to the information and explanations given to us by the management, the company is yet to set up formal internal audit system. The company, however, has adequate internal control procedures commensurate with the size and nature of the business of the company.
 - viii. The Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for any of the products of the company.
 - ix. (a) According to the information and explanation given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of Provident Fund, Investor Education & Protection Fund, Employees State Insurance, Income-tax, Wealth-tax, Service Tax, Sales-tax, Custom duty, Excise duty, Cess and other material statutory dues, as applicable, have been generally regularly deposited by the company during the year with the appropriate authorities and there are no undisputed statutory dues payable for a period of more than six months from the date they became payable as on 31st March, 2007.
 - (b) According to the information and explanation given to us, on the basis of our examination of documents and records, there are no disputed dues in respect of Income-tax, Wealth-tax, Service Tax, Sales-tax, Custom duty, Excise duty, Cess and other statutory dues which have not been deposited with the appropriate authorities as at the last date of the financial year.
 - x. The company has neither accumulated losses at the end of the financial year nor it has incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
 - xi. According to the records of the company examined by us and information and explanations given to us, since the company has not borrowed from financial institutions/ banks/ by issue of debentures, para 4 (xi) of the Order is not applicable to the company.



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- xii. According to the information and explanation given to us, the Company has not granted any loans and advances, on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, considering the nature of activities carried on by the company during the year, the provisions of any special statute, applicable to Chit Fund/Nidhi/Mutual benefit fund/Societies are not applicable to the company.
- xiv. In our opinion, the company has maintained proper records of transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year and timely entries have been made therein. Further, such securities have been held by the company in its own name or are in the process of transfer in its name, except to the extent of exemption granted under Section 49 of the Act.
- xv. According to the information and explanations given to us and the representations made by the Management, since the company has not given any guarantee for loans taken by others from bank or financial institutions, para 4(xv) of the Order is not applicable.
- xvi. In our opinion, on the basis of information and explanations given to us, since there are no term loans obtained by the company during the year, para 4 (xvi) of the Order is not applicable..
- xvii. In our opinion, on the basis of information and explanations given to us, since there are no short-term funds raised by the company during the year, para 4 (xvii) of the Order is not applicable to the Company.
- xviii. In our opinion, on the basis of information and explanations given to us, since the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year, para 4 (xviii) of the Order is not applicable.
- xix. In our opinion, on the basis of information and explanations given to us, since the company has not issued any debenture during the year, para 4(xix) of the Order is not applicable.
- xx. In our opinion, on the basis of information and explanations given to us, since the company has not raised any money by public issue during the year, para 4(xx) of the Order is not applicable.

