

A n n u a l R e p o r t 2 0 0 7 - 2 0 0 8

BOARD OF DIRECTORS	P. KRISHNAMURTHY ASHOK J. PATEL PETER C. WALLACE KEVIN J. BROWN DR. S. SIVARAM DARIUS C. SHROFF TARAK A. PATEL CHRISTOPHER M. HIX	Chairman Managing Director Director Director Director Director Executive Director Alternate to Kevin J. Brown
CHIEF OPERATING OFFICER	ASHOK C. PILLAI	
FINANCIAL CONTROLLER	AMAR NATH MOHANTY	
COMPANY SECRETARY	Ms. MITTAL MEHTA	
STATUTORY AUDITORS	KALYANIWALLA & MISTRY, CHARTERED ACCOUNTANTS, MUMBAI.	
INTERNAL AUDITORS	KANTILAL PATEL & CO., CHARTERED ACCOUNTANTS, AHMEDABAD.	
SOLICITORS	VIGIL JURIS	
BANKERS	STATE BANK OF INDIA	
REGISTERED OFFICE	VITHAL UDYOGNAGAR, ANAND-SOJITRA ROAD, KARAMSAD – 388 325, GUJARAT.	Phone : 02692 - 230516, 230416, 236562 Fax : 02692 - 236467 / 236570
REGISTRAR AND TRANSFER AGENT	INTIME SPECTRUM REGISTRY LTD. C-13, PANNALAL SILK MILLS COMPOUND, L.B.S. MARG, BHANDUP (WEST), MUMBAI - 400 078.	Phone : 022 - 25963838 Fax : 022 - 25946969

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GMM PFAUDLER LIMITED

Annual Report 2007 - 2008

NOTICE:

NOTICE is hereby given that the Forty-Fifth Annual General Meeting of the Company will be held on Thursday, September 25, 2008 at 10.00 a.m. at Sardar Vallabhbhai Patel and Veer Vithalbhaji Patel Memorial, Anand-Sojitra Road, Karamsad - 388 325, Gujarat to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2008 and Profit & Loss Account for the year ended March 31, 2008 together with the reports of the Board of Directors and the Auditors thereon.
2. To confirm the payment of four interim dividends paid during the year ended March 31, 2008.
3. To appoint a Director in place of Mr. Darius C. Shroff, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Tarak A. Patel, who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED THAT M/s. Kalyaniwalla & Mistry, Chartered Accountants, Mumbai, ("the retiring Auditors") be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and they may be paid such remuneration as may be mutually agreed between the Board of Directors and the Auditors including reimbursement of out of pocket and traveling expenses subject to service tax as may be applicable".

**By Order of the Board of Director
For GMM Pfaudler Limited**

**Mittal Mehta
Company Secretary**

Mumbai, July 28, 2008

Registered Office:
Vithal Udyognagar,
Anand-Sojitra Road,
Karamsad - 388 325, Gujarat

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 MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE ANNUAL GENERAL MEETING.
2. The Register of Members and Share Transfer Books of the Company will be closed from Friday, September 19, 2008 to Thursday, September 25, 2008 (both days inclusive) for annual closure as per the Listing Agreements.
3. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance, so as to enable the Company to keep the information ready at the Meeting.
4. As required under Clause 49 of the Listing Agreement with the Bombay Stock Limited, the details of Directors appointed during the year and proposed to be re-appointed at the ensuing Annual General Meeting are provided in the Corporate Governance Report forming part of the Annual Report.

5. Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, amounts of dividend remaining unclaimed for a period of 7 years from the date of its transfer to the Unpaid Dividend Account of the Company are to be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India and no payments shall be made in respect of any such claims to any shareholder from the Fund.

The details of dividend declared / paid from the year 2000-01 upto 2002-03 proposed to be transferred to IEPF are given below:

Date of declaration	Dividend for the year	Dividend Rs. per share	Due date of the proposed transfer to IEPF
26.09.2001	Final Dividend (2000-01)	Rs.5.00	31.10.2008
26.09.2002	Final Dividend (2001-02)	Rs.2.50	31.10.2009
29.04.2003	Interim Dividend (2002-03)	Rs.2.50	03.06.2010
25.09.2003	Final Dividend (2002-03)	Rs.2.50	30.10.2010

Members, who have not encashed the Dividend Warrants for the year 2000-01 and/ or any subsequent year(s) are requested to write to the Company for revalidation of Dividend Warrants before transfer by the Company of unclaimed amounts to the Investor Education and Protection Fund.

6. Members are requested to notify immediately any change in their address and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents (RTA) for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
7. Listing fees to the Bombay Stock Exchange Limited has been paid upto March 31, 2009.
8. Payment of dividend through Electronic Clearing Service (ECS):

As per current SEBI Regulations, dividend is required to be credited to shareholders Bank Account through Electronic Clearing Service (ECS) wherever the facility is available and the requisite details/mandate have been provided by the Shareholders. Shareholders desirous of availing of this facility may send the ECS form (available on the website of the Company), along with a Xerox copy of the cheque pertaining to the bank account where the shareholders like the payment to be credited to their Depository Participants (in case of shares held in dematerialized form) or to the RTA (in case of shares held in physical form) at the following address:

Intime Spectrum Registry Limited (Unit: GMM Pfaudler Limited)
C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai - 400 078
Phone: 2596 3838, Fax: 2594 6969, email: isrl@intimespectrum.com
Kind Attn: Mr. N. Mahadevan Iyer / Mr. Sharad Patkar.

9. Nomination of Shares:

Every individual shareholder of the Company may at any time, nominate in the prescribed manner a person to whom his / her shares shall vest in the event of death. The Nomination Form is available with the RTA. In case shares are held in joint names, all the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares of the Company shall vest in the event of death of all the joint holders.

10. Matters relating to Transfer / Transmission / Dematerialization of Shares:

Members are requested to correspond with RTA of the Company, Intime Spectrum Registry Limited, at the address mentioned earlier in this Annual Report for the matters relating to transfers, transmission, dematerializations, nomination of shares and other shareholding matters.

11. Auditor's appointment requires Special Resolution:

As per Article 60 of the Articles of Association of the Company, Members will be required to appoint the Auditors by a Special Resolution at the Annual General Meeting for the current financial year.

GMM PFAUDLER LIMITED

Annual Report 2007 - 2008

REPORT OF THE DIRECTORS

To the Members:

The Directors have pleasure in presenting their Forty-Fifth Annual Report and the Audited Statement of Accounts of the Company for the year ended March 31, 2008.

FINANCIAL RESULTS:

	Year ended 31.03.08	Year ended 31.03.07
		(Rs. '000')
SALES & OTHER INCOME	1,473,759	1,176,306
PROFIT BEFORE TAX	223,035	189,814
PROFIT AFTER TAX	155,583	128,425
Provision for Exceptional Item (APSEB Claim) net of tax	-	7,562
NET PROFIT	155,583	120,863
Surplus brought forward	402,577	334,077
AMOUNT AVAILABLE FOR APPROPRIATION	558,160	454,940
APPROPRIATIONS:		
Interim dividend	40,929	35,082
Tax on distributed Profit	6,956	5,181
	47,885	40,263
Transfer to General Reserve	15,600	12,100
Surplus Carried Forward to Profit & Loss Account	494,675	402,577
	558,160	454,940
PER SHARE DATA (Rs.)		
Face value of Equity Share	2.00	2.00
Dividend per share	2.80	2.40
Market price of shares		
High	174.90	*1,044.40
Low	82.10	107.00
Close on March 31	91.35	137.35
Earnings per share	10.64	8.27

*Before Stock Subdivision from Rs. 10/- per share to Rs. 2/- per share

FINANCIAL REVIEW:

The Company achieved Sales and Other Income of Rs. 1,473.7 million, an increase of 25% over the previous years Sales and Other Income of Rs. 1,176.3 million. Profit before tax increased by 18% to Rs. 223.0 million from Rs. 189.8 million in the previous year. Profit after tax increased by 21 % to Rs. 155.6 million over the previous year's net profit of Rs. 128.4 million. Earnings per share improved by 29 % to Rs. 10.64 as compared to Rs. 8.27 in the previous year.

The Company has initiated legal action against Kerala Minerals & Metals Ltd. (KMML) for the breach of contract and the refusal by KMML to take delivery of the glasslined and Inconel equipment worth Rs. 89.9 million ordered by them. However, after a long silence a letter has been received from KMML by the Company on April 1, 2008 for the first time requesting the Company to keep the order under abeyance.

DIVIDEND:

The Board of Directors have approved the payment of four interim dividends of Rs. 0.70 per share, aggregating to Rs. 2.80 per share at their meetings held on April 24, 2007, July 31, 2007, October 30, 2007 and January 31, 2008. The total dividend distributed for the year of Rs. 40.93 million was 17% higher than the previous year.

The Directors propose that the interim dividends paid so far be considered as the final dividend for the year under review.

FIXED DEPOSITS:

The Company has not accepted Fixed Deposits from the public since 1999-2000. Unclaimed Fixed Deposits as on March 31, 2008 was Rs. 35,698.

INVESTMENTS:

During the year the Company acquired Mavag AG of Switzerland a leading supplier of highly engineered critical equipment for the pharmaceutical, bio engineering and fine chemicals industries. The acquisition was completed on January 11, 2008 at a cost of CHF 5.0 million through the Company's wholly owned Swiss subsidiary GMM Mavag AG which was established in December 2007 for the purpose of acquisition of businesses. Both the companies are located in Neunkirch, Schaffhausen, Switzerland. The acquisition was fully funded by the company from its own cash reserves.

Mavag products have good brands and state-of-art technologies both of which are well recognized in Europe. With the Indian Pharma Industry upgrading to meet the stringent requirements of Western World, the technologies and products would be very welcome. The Directors feel that there is perfect fit between Mavag AG and GMM with the high Swiss technology and engineering at Mavag complementing the low cost manufacture at GMM. The new products and technologies would be available in the Indian market, while Mavag will be made more competitive in the European and US Markets by sourcing key components and assemblies from GMM.

The major part of the Company's investments in listed equity shares and mutual funds were liquidated during the year to fund the acquisition of Mavag AG. The Company's remaining investments in listed equity shares and mutual funds stands at a book value of Rs. 16.1 million as at end of March 31, 2008.

The Company has investments in equity shares of Skyline Millars Ltd. (formerly Millars India Limited) which are long-term investments and strategic in nature. The Company and its wholly owned subsidiaries had purchased 620,095 Equity Shares of Nile Ltd. being 20.74% of Nile's equity capital. Nile has refused to register the transfer of shares in the name of our Company and its subsidiaries.

Observations made by the Auditors in paragraph 4(e) of their report regarding refusal of registration of transfer by Nile Ltd. has been clarified in the relevant Note No. 4(a) of Schedule 17 of 'Notes Forming Part of Accounts'.

CONSERVATION OF ENERGY:

The particulars 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 is attached as Annexure "A" forming part of this Report.

FOREIGN EXCHANGE:

Information on foreign exchange earnings and expenses is provided in Notes 17 to 19 of Schedule 17, 'Notes Forming Part of Accounts'.

SUBSIDIARY COMPANIES:

In December 2007 the Company established GMM Mavag AG in Switzerland as it's wholly owned subsidiary for the purpose of acquisition of Mavag AG as aforesaid. The Company invested CHF 1.5 million for 100% of the share capital of GMM Mavag AG and provided an interest bearing loan of CHF 3.5 million.

The Company has two other subsidiary companies, namely, Karamsad Holdings Limited and Karamsad Investments Limited. In compliance with the provisions of Section 212 of the Companies Act, 1956 the Audited Statement of Accounts along with Directors and Auditors Report for the year ended March 31, 2008 of Karamsad Holdings Limited, Karamsad Investments Limited and for the three months period ended March 31, 2008 of GMM Mavag AG and for the fifteen months period ended March 31, 2008 of Mavag AG, are annexed hereto and form part of the Directors Report.

PARTICULARS OF EMPLOYEES:

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 ("the Act") read with the Companies (Particulars of Employees) Rules, 1975, the name and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per provisions of Section 219(1)(b)(iv) of the Act, the information relating to employees is not included in the Reports and Accounts sent to shareholders of the Company. Any shareholder interested in obtaining such particulars may write to Secretary of the Company at the Registered Office address.

DIRECTORS:

During the year under review, Mr. Christopher M. Hix was appointed as Alternate Director to Mr. Kevin Brown w.e.f. December 7, 2007.

Mr. Ramesh L. Dalal resigned from the Board on April 14, 2008. The Board of Directors wish to place on record their sincere appreciation to the professional guidance and support extended by Mr. Dalal during his tenure as Director and Chairman of the Company. Mr. P. Krishnamurthy was appointed as a Director on April 14, 2008 to fill the vacancy caused by resignation of Mr. Dalal. He has also been appointed as Chairman w.e.f. April 14, 2008.

Mr. Darius C. Shroff and Mr. Tarak A. Patel will be retiring at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The background of the Directors appointed during the year and proposed to be re-appointed at the ensuing Annual General Meeting are incorporated in the Corporate Governance Report forming part of this Directors' Report.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Management's Discussion & Analysis Report is attached and forms part of this Directors' Report.

CORPORATE GOVERNANCE:

As per Clause 49 of the Listing Agreement with 'The Bombay Stock Exchange Limited', a Report on Corporate Governance together with a Certificate from the Company's Auditors are presented separately and forms part of this Report.

DIRECTORS RESPONSIBILITY STATEMENT:

To the best of the knowledge and belief, and according to the information and explanations provided to them, the Directors make the following statement pursuant to Section 217(2AA) of the Companies Act, 1956:

1. that in the preparation of the annual accounts for the year ended March 31, 2008, the applicable accounting standards have been followed along with proper explanations in case of material departures;
2. that such accounting policies as mentioned in Schedule 17 of the Annual Accounts have been applied consistently and judgments and estimates that are made 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 said financial year ended March 31, 2008 and of the Profit & Loss Account of the Company for that period;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. that annual accounts for the year ended March 31, 2008 have been prepared on a 'going concern' basis.

AUDITORS:

M/s. Kalyaniwalla & Mistry, Chartered Accountants, retiring as the Statutory Auditors of the Company at the conclusion of ensuing Annual General Meeting and offer themselves for reappointment. The requisite certificate has been received from them to the effect that their reappointment as Statutory Auditors, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

For and on behalf of the Board of Directors

P. KRISHNAMURTHY
CHAIRMAN

ASHOK J. PATEL
MANAGING DIRECTOR

Neunkirch, Switzerland, July 24, 2008

'ANNEXURE A' TO DIRECTORS' REPORT**1. Conservation of Energy:**

- I. The Company consistently pursues various avenues to conserve energy used in the factory in various forms like electricity, natural gas and other gases. Energy Audits are carried out at interval of three years with the help of Electrical Research & Development Association of Gujarat (ERDA) to ascertain area of energy conservations.
- II. As an energy saving major, the Company has completed installation & commissioning of a new state of the art radiant tube furnace in its Enameling Plant which runs on natural gas instead of electricity. This switching has resulted in a significant savings in cost of electricity.
- III. The Company keeps its focus on conserving the electricity consumed in electric furnaces in Enameling Plant which accounts for most of electricity consumed in the factory. Performance of these furnaces is strictly monitored to ensure optimal batching in order to economize consumption of electricity.
- IV. Continuous glass lining of agitators, baffles and other parts in the parts facility thru state-of-the-art 300 KW furnace installed by the Company has been showing significant saving in electrical energy.

V. The Company continues to use natural gas consistently in its manufacturing operations which has been giving savings in cost of energy.

VI. The Company has replaced old reciprocating compressors with current technology screw compressors which has given us significant electrical energy savings.

2. Research & Development:

The Company has a R&D centre which is approved by the Department of Science & Technology of the Government of India. The Company carries out continuously R&D in several areas in the process of manufacturing glass lined vessels and developing the quality of its product employing new and advanced technology.

Areas where specific R&D was successfully carried out during the year are as follows.

- I. Developed and manufactured laboratory scale reactors of 2 litre & 5 liter capacity for R & D in Pharma units.
- II. Developed and manufactured 100 liter laboratory scale reactor suitable for 21 bar pressure having Inconel faced nozzles with up-down arrangement of pan to enhance the R & D activities for Pharma, Chemicals and Fertilizer industries.
- III. Introduced diaphragm type actuators on BOV for glass lined reactor to overcome height constraints at installation site.
- IV. Developed and manufactured 20KL Glasslined vessel first time in two piece construction, which will provide process flexibility to Pharma, Chemicals and Fertilizer industries.
- V. Obtained PED certification from TUV Nord, Germany which will further improve the quality process of manufacturing glasslined vessels.
- VI. Developed manufacturing capability of heat exchangers with 2RE69 (UNS No. 531050) tubes & 2RE69 overlay on tube sheets for fertilizer units.
- VII. Developed manufacturing capabilities for jacketed vessels and Agitated Nutsche filter in cladded Hastelloy C276.
- VIII. Developed manufacturing capabilities of SS316L cladded 24KL reactor.
- IX. Developed glass lined ANF/ANFD with Hastelloy base and cladded WFE in 904 L.

3. Technology:

Expenditure in R&D :

(Rs. '000')
Year ended 31.03.08

I) Capital	142
II) Recurring	2,954
III) Total R&D expenditure as % of total turn over .	0.22%

For and on behalf of the Board of Directors

P. KRISHNAMURTHY
CHAIRMAN

ASHOK J. PATEL
MANAGING DIRECTOR

Neunkirch, Switzerland, July 24, 2008

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

COMPANY OVERVIEW:

The Company has a modern manufacturing facility on a 20 acre plot of land located at Karamsad in Gujarat State, about 45 km from Vadodara. The Company designs, manufactures and markets GMM Pfaudler glass-lined reactor vessels, storage tanks, valves, pipe & fittings and other chemical process equipment such as agitated nutsche filters & filter dryers, wiped film evaporators, mixing systems, thermal control units and PTFE lined pipes & fittings. The Company also undertakes design and fabrication of specialized chemical process equipment in alloy steel. With the acquisition of Mavag AG the Company has access to the technology for top driven spherical dryers, agitated nutsche filters & filter dryers for sterile applications and magnetic drive agitators suitable for fermentors for Biotech plants.

INDUSTRY STRUCTURE AND DEVELOPMENT:

Company's domestic business is focused on the chemical processing industry, which includes pharmaceutical, agro chemicals, fine chemical and petro chemical segments.

The Indian pharmaceutical and fine chemical segment has been witnessing a strong growth for the past few years. The steady stream of drugs that are getting off patent protection will provide Indian generic manufacturers new products to manufacture for several years to come. We believe that capital expenditure in this segment will continue in the medium to long term. With newer capacities being added by established companies and new companies being formed to manufacture generic active pharmaceutical ingredients and to offer contract manufacturing for both domestic and overseas companies, the potential for our equipment remains strong.

OPPORTUNITIES & THREATS:

The Chemical Processing Industry (CPI) is moving from the West to Asia in a substantive way. We see a strong interest from overseas customers, especially those putting plants in Asia, for our equipment. Protection of our domestic market share and maintaining growth in profitability in face of increasing raw material prices and other input costs are perceived as threats. As an ongoing process, steps are taken to tackle and mitigate these threats.

FINANCIAL PERFORMANCE:

The market environment remained strong and competitive during the year. Business from Pharmaceutical and Specialty Chemicals Segments of the CPI showed very good growth during the year. The Company made modest improvement in its business from Refinery & Petrochemicals and Rubber & Polymer Chemicals. Fertilizer segment showed a significant growth during the year. However, Agro Chemical segments showed moderate growth. The continuous investments made in plant up-gradation and expansion in the previous years enabled the Company to take full advantage of the strong demand from the CPI thereby reporting 24% growth in Sales for the year with a healthy backlog of orders of Rs. 872.5 million on June 30, 2008.

Sharp increase in input material prices caused by the increase in the cost of steel materials adversely impacted the year's profit.

SEGMENT WISE OPERATIONAL PERFORMANCE:

Company's New Logo

The Company in the past has predominantly been engaged in the manufacture of Glasslined equipment with the glasslined business accounting for more than 80% of the total business. Over the last few years the company has moved from being only a glasslined manufacturer to a solution provider for the chemical process industry with a wide range of products that include Economix mixing systems, agitated nutsche filters, wiped film evaporators, thermal control units and tailor made equipment. The acquisition of Mavag AG has also further increased in the Company's product range. The Company also believes that the growth from the non glasslined segment will be significant in the near future. Keeping this in mind it is felt appropriate to modify the company's logo from "GMM Pfaudler Reactor Systems" to "GMM Pfaudler Process Solutions." This new logo will also compliment the "Process Solution Group" business segment of Robbins & Myers Inc.

● Chemical Process Equipment

This Division of the Company designs manufactures and markets GMM Pfaudler Reactor Systems product line which primarily includes glass-lined corrosion resistant reactors, storage vessels and alloy steel equipment.

This Division reported sales of Rs. 1,249.9 million; a growth of 26% over the previous year contributing 88% to the total sales of the company. This Division of the Company continues to be the number one manufacturer of glass-lined equipment in India. The profit from this segment was Rs. 224.4 million an increase of 19% over the previous year. The capital employed for this division was Rs. 584.4 million.

The Company has a long term supply agreements with original equipment manufacturers in Japan and United Kingdom for supply of glass-lined reactors and diaphragm valves.

● Mixing System

This Division designs, manufactures and markets EconoMix Agitators which provide solutions to customer's mixing requirements In addition to serving the CPI this Division also caters to the bio-technology, mining and waste water treatment industry. Sales of this Division of the Company grew by 6% to Rs. 91.4 million. The profit from this segment was Rs. 11.7 million a decrease of 11% over the previous year. This segment was most affected by the rise in input cost of drive arrangements. Capital employed for this Division was Rs. 21.6 million.

● Filtration & Separation

This Division's primary business is design, manufacture and marketing of agitated nutsche filter & filter dryers and wiped film evaporators for separation of solids & liquid and liquids & liquids respectively.

This Division of the Company reported sales of Rs. 78.8 million, a growth of 13% over previous year. Profits however were higher by 42% at Rs. 10.4 million. Capital employed for this Division was Rs. 31.1 million.

OUTLOOK:

Demand for company's product and services continue to be strong. This is reflected in the healthy back log of Rs. 872.5 million as at end June 2008 compared to Rs. 695.8 million as at end June 2007. This strong position is the result of several initiatives taken by the Company in strengthening its sales and marketing organization and after sales service set up. The Company has installed a Radiant Tube Furnace utilizing natural gas at a cost of Rs. 41 million which has helped in reducing the cost of energy and has significant potential to reduce energy costs in the future.

RISKS AND CONCERNS:

The Company's export business is growing. As such we have market risk exposure to foreign exchange rates. Due to unprecedented fall of US Dollar against Rupee and the volatility in other currencies, the export realizations were adversely impacted. The unprecedented rise in rate of inflation and the consequent increase in the cost of input materials pose some risk on the future profitability in view of the competitive situation prevailing in the domestic market.

The Company's surplus funds are invested in fixed deposits with banks and in different mutual funds. Income from these investments has market risk exposure to the extent of interest rates fluctuations, short term debt and the equity market.

The Company is impacted during summer period by Gujarat State's difficult power supply situation leading to power cuts and load shedding. Further, the power tariffs in Gujarat State are one of the highest in India. Continuous rise in the oil price in India and abroad has the effect of further increasing the cost of electricity. All these factors effect output and profitability. Company's investment in the natural gas furnace will help overcome the bottleneck caused by the power supply situation.

Finally, the Company's primary raw material is steel. In recent years price of steel has increased significantly, especially stainless and other alloy steels. Certain orders with long manufacturing cycle time may be exposed to the risk of material price increase.

The Company had carried out a Risk Assessment exercise with the help of an outside Consulting Agency and developed a Risk Management Policy framework for continuous identification, assessment and measurement of all significant risks.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company works with an established framework of internal controls for ensuring optimal use of resources. Clear and well defined policies have been laid down for approval and control of expenditure. Investment decisions involving capital expenditure are subject to formal detailed appraisal and review by approved levels of authority. Capital and Revenue expenditure are monitored and controlled with reference to pre-approved budgets and forecasts.

A firm of Chartered Accountants ensures adequacy of the internal control systems, adherence to company's policies and procedures, ensures statutory and other compliances through periodical checks and internal audits.

The Audit Committee and the Board of the Company periodically review the reports submitted by the Internal Auditors and corrective steps taken by the Company.

The Company had carried out a review of its internal control procedures and developed a frame work with the help of an outside Consultant. The suggestions made by them have been implemented.

As regard the observation made by the Auditors in paragraph 2 (c) of the annexure to the Auditors report on inventory records, the company is monitoring these records on a monthly basis and there has been significant improvement in this area.

As the Company manufactures certain equipment which are classified as 'Dual Use' equipment, the Company has put in place 'Know Your Customer' procedure and a system of controls to ensure that the entire process from handling of enquiries to dispatch and service is carefully monitored and controlled to prevent unauthorized sale or diversion of our products.

HUMAN RESOURCES & INDUSTRIAL RELATIONS:

Relations with the employees of the Company continue to be harmonious. Training workshops and seminars are regularly conducted for workers, staff and managers of the Company. On March 31, 2008 the Company's total strength was 338 permanent employees against 325 as on March 31, 2007. The three year long term agreement with the workmen which expired on January 1, 2008 has been renegotiated and renewed for a further period of three year which is valid till January 1, 2011.

CAUTIONARY NOTE:

Certain statements in the "Management Discussion and Analysis" section may be forward-looking. Such forward looking statements are subject to risks and uncertainties and therefore actual results could be different from what the Directors envisage in terms of the future performance and outlook.

REPORT ON CORPORATE GOVERNANCE**1. COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE**

Corporate Governance primarily involves transparency, full disclosure, independent monitoring of the state of affairs and being fair to all stakeholders. The Corporate Governance Code has also been incorporated in Clause 49 of the Listing Agreements with the Bombay Stock Exchange Limited.

The Company endeavors not only to meet the statutory requirements in this regard but also to go well beyond them by instituting such systems and procedures as are in accordance with the latest global trends of making management completely transparent and institutionally sound.

Your Company has always believed in the concept of good Corporate Governance involving transparency, empowerment, accountability and integrity with a view to enhance stakeholder value. The Company has professionals on its Board of the Directors who are actively involved in the deliberations of the Board on all important policy matters.

Your Company, as part of Robbins & Myers, Inc. (R&M Group), follows the Code of Conduct and Corporate Governance norms adopted by the R&M Group.

It has been, and continues to be, the policy of your Company to comply with all laws governing its operations, to adhere to the highest standard of business ethics and to maintain a reputation for honest and fair dealings. Your Board of Directors recognizes its responsibility to oversee and monitor management and the Company's activities to reasonably assure that these objectives are achieved.

Your Directors view good Corporate Governance as the foundation for honesty and integrity and recognize their fiduciary accountabilities to the shareholders. They are committed to continue the vigilance on these matters to maintain your trust.

It is paramount that GMM Pfaudler's reputation for integrity and credibility remain at the highest standards for the benefits of all stakeholders, employees, customers and suppliers.

Declaration under Clause 49 of the Listing Agreement

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, I hereby declare that the Board Members and Senior Management Personnel have confirmed compliance with the Code of Conduct for Board Members and Senior Management Personnel for the year ended March 31, 2008.

For GMM Pfaudler Limited

Ashok J. Patel
Managing Director (CEO)

Neunkirch, Switzerland, July 24, 2008

2. BOARD OF DIRECTORS**Composition and Status of Directors:**

The Board Directors of the Company comprises of seven Directors, i.e., two executive and five non-executive Directors. Four of the seven are Promoter Directors and three are Independent Directors.

Mr. P. Krishnamurthy, who is a non-executive and independent Director, is the Chairman of the Board of Directors of the Company.

Mr. Ashok J. Patel is the Managing Director and Mr. Tarak A. Patel is the Executive Director of the Company.

Mr. Christopher M. Hix was appointed as Alternate Director to Mr. Kevin Brown w.e.f. December 7, 2007.

Mr. Ramesh L. Dalal resigned from the Board and Mr. P. Krishnamurthy was appointed as a Director to fill the vacancy caused by resignation of Mr. Dalal w.e.f. April 14, 2008.

Attendance at the Board Meetings and last Annual General Meeting

There were six Board meetings held during the year under review. First on April 24, 2007, Second on July 31, 2007, Third on October 30, 2007, Fourth on December 7, 2007, Fifth on December 25, 2007 and Sixth on January 31, 2008. Your Company continued the practice of providing Conference Call facility to enable all the Foreign Directors and Executives to participate and discuss at the Board Meetings. Details of attendance of Directors and Directorships in other Public Limited Companies are as under:

Name of Director	Number of Board Meeting Attended	Annual General Meeting
Mr. Ramesh L. Dalal	6	No
Mr. Ashok J. Patel	4	Yes
Mr. Peter C. Wallace	2	No
Mr. Kevin J. Brown	2	No
Mr. Christopher M. Hix	1	N. A.
Dr. S. Sivaram	3	No
Mr. Darius C. Shroff	6	No
Mr. Tarak A. Patel	5	Yes

Mr. Peter C. Wallace and Mr. Kevin J. Brown each participated in two Board Meetings. Mr. Ashok J. Patel and Mr. Christopher M. Hix each participated in one Board Meeting through tele conference

Board Members and their Directorships in other Public Companies:

Name of Director	Status	Directorship in other Public Ltd. Companies	No. of Memberships / Chairmanships of other committees	
			Member	Chairman
Mr. P. Krishnamurthy	Non Executive & Independent	5	Nil	Nil
Mr. Ashok J. Patel*	Executive	5	1	Nil
Mr. Peter C. Wallace**	Non Executive	Nil	Nil	Nil
Mr. Kevin J. Brown**	Non Executive	Nil	Nil	Nil
Mr. Christopher M. Hix**	Non Executive (Alternate to Mr. Kevin Brown)	Nil	Nil	Nil
Dr. S. Sivaram	Non Executive & Independent	3	Nil	Nil
Mr. Darius C. Shroff	Non Executive & Independent	7	2	3
Mr. Tarak A. Patel*	Executive	2	Nil	Nil

* Indian Promoter

** Representing Foreign Promoter, viz., Pfaudler Inc. (R&M Group)

Remuneration and Shareholding of Directors:

Mr. Ashok J. Patel is an Indian Promoter / Managing Director of the Company. Mr. Tarak A. Patel is an Indian Promoter / Executive Director of the Company. Their remuneration structure is as under:

(Rs. '000')

Sr. No.	Particulars	Ashok J. Patel	Tarak A. Patel
1.	Salary and allowances	3,300	1,666
2.	Provident Fund & other funds	1,028	277
3.	Perquisites	181	62
4.	Commission	4,200	-
	Total	8,709	2,005

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Non-Executive Director's Compensation:

Non-Executive and Independent Directors on the Board of the Company are being paid sitting fees as under.

- (a) Rs. 20,000 as sitting fees for each meeting of the Board of Directors and
- (b) Rs. 5,000 as sitting fees for each meeting of Committees of Directors.

Independent Directors are not paid any other remuneration / fees apart from sitting fees paid during the year under review. The Company does not have any stock option scheme provided to Directors of the Company.

Non-Executive Director's Shareholding:

The Non-Executive Directors do not hold any shares in the Company.

3. AUDIT COMMITTEE:

The Audit Committee of the Company is duly constituted in accordance Clause 49(II) of The Listing Agreement. Mr. P. Krishnamurthy (Chairman), Dr. S. Sivaram and Mr. Darius Shroff are the Members of the Committee as on date. Mr. Ramesh Dalal ceased to be member and Mr. P. Krishnamurthy became a member of the Committee w.e.f. April 14, 2008.

Members of the Audit Committee are Non-Executive Directors of the Company and possess knowledge of Accounts, Audit and Finance. The Company Secretary is acting as Secretary to the Audit Committee. The Audit Committee met on four occasions viz. April 24, 2007, July 31, 2007, October 30, 2007 and January 31, 2008. The attendance at these meetings was as under:

Name of Director	Designation	No. of Meetings Attended
Mr. Ramesh L. Dalal	Chairman	4
Dr. S. Sivaram	Member	2
Mr. Darius C. Shroff	Member	4

Terms of Reference of the Audit Committee of the Board of Directors are as under:

- Review the quarterly, half yearly and annual financial accounts of the Company.
- To review with Statutory and Internal Auditors about the internal control systems and its compliances.
- To consider the appointment of the Statutory Auditors, the audit fee, and any matters of resignation or dismissal.
- To investigate matters referred to it by the Board or as specified.
- To review the Statutory Auditor's Audit Reports and management's response.
- To review matters as required under the terms of the Listing Agreement.
- To access information contained in the records of the Company, and
- Refer to external professionals for advice, if necessary.

4. REMUNERATION COMMITTEE:

Remuneration Committee of Board of Directors of the Company consists of Mr. P. Krishnamurthy (Chairman), Dr. S. Sivaram, Mr. Darius C. Shroff and Mr. Peter C. Wallace as on date. Mr. Ramesh Dalal ceased to be member and Mr. P. Krishnamurthy became a member of the Committee w.e.f. April 14, 2008.

The Remuneration Committee met on four occasions viz. July 31, 2007, October 30, 2007, December 25, 2007 and January 31, 2008. The attendance at these meetings was as under:

Name of Director	Designation	No. of Meetings Attended
Mr. Ramesh L. Dalal	Chairman	4
Dr. S. Sivaram	Member	3
Mr. Darius C. Shroff	Member	4
Mr. Peter Wallace	Member	2

Remuneration of Directors

Details of Remuneration paid/ payable to Directors for the year ended March 31, 2008 are as follows:

Director	Relationship with other Directors	Sitting Fees (Rs.)	Salary, Perquisites & Commission (Rs.)	Total Amount (Rs.)
Mr. Ramesh L. Dalal	None	180,000	Nil	180,000
Mr. Ashok J. Patel	Father of Mr. Tarak Patel	Nil	8,709,000	8,709,000
Mr. Peter C. Wallace	None	50,000	Nil	50,000
Mr. Kevin J. Brown	None	40,000	Nil	40,000
Mr. Christopher M. Hix	Alternate to Mr. Kevin Brown	20,000	Nil	20,000
Dr. S. Sivaram	None	95,000	Nil	95,000
Mr. Darius C. Shroff	None	1,80,000	Nil	1,80,000
Mr. Tarak A. Patel	Son of Mr. Ashok Patel	Nil	2,005,000	2,005,000

Remuneration policy to Non-Executive Independent Directors of the Company has been disclosed in the earlier part of the Corporate Governance Report.

5. SHAREHOLDERS & INVESTORS GRIEVANCE COMMITTEE:

Shareholders & Investors Grievance Committee of the Company inter-alia reviews and considers the report of RTA regarding various types of complaints / requests received, handled and balances if any. Members of the Committee are Mr. P. Krishnamurthy (Chairman), Dr. S. Sivaram and Mr. Darius Shroff as on date. Mr. Ramesh Dalal ceased to be member and Mr. P. Krishnamurthy became a member of the Committee w.e.f. April 14, 2008.

The Shareholder and Investors Grievance Committee met on four occasions viz. April 27, 2007, July 31, 2007, October 30, 2007 and January 31, 2008. The attendance at these meetings was as under:

Name of Director	Designation	No. of Meetings Attended
Mr. Ramesh L. Dalal	Chairman	4
Dr. S. Sivaram	Member	2
Mr. Darius C. Shroff	Member	4

Ms. Mittal Mehta, Company Secretary is the Compliance Officer of the Company.

During the year the Company received 23 complaints and the same were disposed off. All complaints / queries are disposed of within one week of receipt of the complaint / query. The Company does not have any pending transfers / non- attended complaint at the closure of the year under review.

As provided under Clause 47(f) of the Listing Agreement, with the Stock Exchange, the Company has designated an email id exclusively for the purpose of redressal of investors' grievances: investorservices@gmmpfaudler.co.in

6. GENERAL BODY MEETING:

Last three Annual General Meetings were held at Sardar Vallabhbhai Patel and Veer Vithalbhai Patel Memorial, Anand-Sojitra Road, Karamsad - 388 325. Details are as under:

YEAR	ANNUAL GENERAL MEETING	DATE OF MEETING	TIME OF MEETING	NUMBER OF SPECIAL RESOLUTIONS PASSED
2004-05	Forty-second	September 30, 2005	10.00 a.m.	2
2005-06	Forty-third	September 26, 2006	10.00 a.m.	3
2006-07	Forty-fourth	September 25, 2007	10.00 a.m.	1

All resolutions including the special resolutions at the above General Meetings were passed by way of show of hands. No postal ballots were used for voting at these meetings.

7. DETAILS OF DIRECTORS APPOINTED DURING THE YEAR / SEEKING RE- APPOINTMENT:

- a) Mr. Darius C. Shroff (63) is a Non-Executive Independent Director on the Board of the Company. He is a Solicitor and Advocate. He is a Senior Partner of Crawford Bayley and is having over 38 years of experience in the legal profession. In his professional practice, Mr. Shroff covers a wide range of legal services and has specialized in Employment and Industrial Law. Mr. Shroff is a Director in the following Companies (excluding Private Companies, Foreign Companies and registered under Section 25 of the Companies Act, 1956) :

Bayer Polychem (India) Ltd., Ingersoll-Rand (India) Ltd., Kulkarni Power Tools Ltd., Siemens Ltd., SKF India Ltd., Unifrax India Ltd. and UTV Software Communications Ltd.

- b) Mr. Tarak A. Patel (32) is an Executive Director on the Board of the Company.

Mr. Tarak Patel is a graduate from the University of Rochester, USA with a Bachelor degree in Economics with a certificate in Management Studies. Prior to joining GMM Pfaudler Limited, he was working with Universal Consulting of Mumbai as one of the senior member of the Core Improvement Team, which plays the role of internal consultants for exciting and challenging opportunities of transforming the Companies into a high performance organization. Mr. Tarak Patel is a Director in the following Companies (excluding Private Companies, Foreign Companies and registered under Section 25 of the Companies Act, 1956) :

Skyline Millars Ltd. and Ready Mix Concrete Ltd.

- c) Mr. Christopher Hix (46) is a Non-Executive Director (Alternate to Mr. Kevin Brown) on the Board of the Company.

Mr. Christopher Hix is the Vice President and Chief Financial Officer of Robbins & Myers Inc. Prior to joining Robbins & Myers, Mr. Hix served for fifteen years at Roper Industries, Inc. as Vice President, Business Development and Assistant Secretary. His career of nearly 24 years includes experience in finance, operations, acquisitions, capital markets and strategy in global manufacturing and engineering companies.

- d) Mr. P. Krishnamurthy (59) is the Non-Executive Chairman of the Board of Directors of the Company.

Mr. Krishnamurthy has over 25 years of experience in Corporate Management and Strategy, Restructuring, M&A, Internal Business and Joint Ventures, Financial Management & Banking including managing and supervising business units in India and abroad. He was involved in financial services for the last nine years as Vice Chairman of JM Morgan Stanley, Director of JM Financial and Former Director of IL & FS Asset Management. He has also three years experience in Management Consultancy, twelve years with a Swedish Multinational Group and eleven years with two very large Indian Industrial groups. He has worked at the Group Management / Board level of several multinational companies and large Indian Industrial Groups having listed companies in India and abroad. Mr. Krishnamurthy is a Director in the following Companies (excluding Private Companies, Foreign Companies and registered under Section 25 of the Companies Act, 1956) :

SKIL Infrastructure Ltd., Mumbai SEZ Ltd., Urban Infrastructure Venture Capital Ltd., Pipavav Shipyard Ltd. – Alternate Director, Retro India Ltd.

8. DISCLOSURES:

- (a) Details on materially significant transactions with related parties, viz. Promoters, Directors or the Management, their subsidiaries or relatives conflicting with Company's interest are given / appended in Schedule 25 of 'Notes Forming Parts of the Accounts'.
- (b) The Company has complied with the mandatory requirements of the Corporate Governance Clause of Listing Agreement. The Company has implemented some of the non-mandatory requirements enlisted by way of annexure to Clause 49 of the Listing Agreement including the constitution of Remuneration Committee.

9. MEANS OF COMMUNICATION:

The Company publishes its Quarterly, Half-yearly and Annual results in the Economics Times (Mumbai and Ahmedabad) and Naya Padkar (Anand) newspapers. The said results are also available at the website of the Company. Quarterly Results are also posted to all the shareholders.

During the year, the Company has not released any official news of the Company or any presentation to institutional investor / analysts.

CEO / CFO Certificate:

A certificate from the Managing Director (CEO) and Financial Controller (CFO) in terms of Clause 49(V) of the Listing Agreement was placed before the Board, at the Meeting held on July 24, 2008 to approve the Audited Annual Accounts for the year ended March 31, 2008.

10. GENERAL SHAREHOLDER INFORMATION:

(a) Annual General Meeting :

The Forty-fifth Annual General Meeting of the Company will be held on Thursday, September 25, 2008 at 10.00 a.m. at the Sardar Vallabhbhai Patel and Veer Vithalbhai Patel Memorial, Karamsad, Gujarat 388 325.

(b) Financial year of the Company : April to March

- Financial reporting for the quarter ended June 30, 2008 : End July, 2008
- Financial reporting for the quarter ended September 30, 2008 : End October, 2008
- Financial reporting for the quarter ended December 31, 2008 : End January, 2009
- Financial reporting for the quarter ended March 31, 2008 : End April, 2009
- Annual General Meeting for the year ended March 31, 2008 : End September, 2009

(c) Date of Book Closure : Friday, September 19, 2008 to Thursday, September 25, 2008 (Both days inclusive)

(d) Dividend Payment Date : No final dividend

(e) Listing of Stock Exchange : The Bombay Stock Exchange Limited

(f) Stock Code : 505255

(g) Dematerialization : ISIN Number 541A01015

(h) Registrar & Transfer Agents :

Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078.
 Phone 2596 3838, Fax 2594 6969 Contact Person: Mr. Sharad Patkar Email: sharad.patkar@intimespectrum.com

(i) Share Transfer System :

Transfers are registered and returned within a period of 30 days from the date of receipt. The requests for dematerialization of shares are confirmed within 15 days from the date of receipt.

(j) Stock Market Price for the year :

Month		Market Price		BSE - Sensex	
		High	Low	High	Low
April	2007	158.45	111.10	14,383.72	12,425.52
May	2007	145.00	115.00	14,576.37	13,554.34
June	2007	154.45	118.00	14,683.36	13,946.99
July	2007	144.50	120.00	15,868.85	14,638.88
August	2007	129.80	109.00	15,542.40	13,779.88
September	2007	140.00	115.15	17,361.47	15,323.05
October	2007	135.00	111.00	20,238.16	17,144.58
November	2007	152.45	110.90	20,204.21	18,182.83
December	2007	174.90	135.00	20,498.11	18,886.40
January	2008	170.00	95.00	21,206.77	15,332.42
February	2008	126.70	103.10	18,895.34	16,457.74
March	2008	119.40	82.10	17,227.56	14,677.24

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(k) Shareholding Pattern as on March 31, 2008:

Category	No. of shares	Percent
Foreign Promoters - Pfaudler Inc.	7,454,400	51.00
Indian Promoters Group	3,609,110	24.69
NRI/OCB	22,644	0.15
Financial Institution, Nationalized Bank, Insurance Companies	416,500	2.85
Domestic Companies	381,830	2.61
Individuals	2,733,016	18.70
Total	14,617,500	100.00

(l) Distribution of Shareholding as on March 31, 2008:

Sr. No	Slab of shareholding		Shareholders		Shareholders	
	No. of Equity shares held		Nos.	%	Nos.	%
	From	To				
1	1	500	5,346	96.8480	678,637	4.6430
2	501	1,000	96	1.7390	391,671	2.6790
3	1,001	2,000	35	0.6340	388,080	2.6550
4	2,001	3,000	10	0.1810	166,872	1.1420
5	3,001	4,000	7	0.1270	109,194	0.7470
6	4,001	5,000	3	0.0540	151,868	1.0390
7	5,001	10,000	4	0.0720	236,459	1.6180
8	10,001	Above	19	0.3440	12,494,719	85.4780
Total			5,520	100.0000	14,617,500	100.0000

(m) Dematerialization:

As on March 31, 2008, 40.65% of the Company's total shares representing 5,944,085 shares are held in dematerialized form and the balance 8,673,415 shares representing 59.35% shares (including 51% representing 7,454,400 shares held by Pfaudler Inc.) are in Physical Form.

(n) Outstanding GDRs / ADRs / Warrants or any convertible instruments:

There has been no issue of GDR/ADRS warrants or any convertible instruments hence there is no question of outstanding of any such instruments.

(o) Plant Location:

Manufacturing Plant of the Company is situated at Vithal Udyognagar, Anand-Sojitra Road, Karamsad, Anand 388 325, in the State of Gujarat.

(p) Shareholders & Investors Correspondence:

Shareholders should address their correspondence to the Company's Registrar and Transfer Agent:

Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (West), Mumbai 400 078.
Phone 2596 3838, Fax 2594 6969. Contact Person: Mr. Sharad Patkar. Email: sharad.patkar@intimespectrum.com

To the Members of

GMM Pfaudler Limited

Auditors' Certificate on Corporate Governance

We have examined the compliance of condition of Corporate Governance by GMM Pfaudler Limited for the year ended March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta
Partner
M. No. F 32083
Mumbai: July 28, 2008

REPORT OF THE AUDITORS**TO THE MEMBERS OF GMM PFAUDLER LIMITED**

1. We have audited the attached Balance Sheet of GMM Pfaudler Limited, as at March 31, 2008 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, both 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.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 purpose 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 such books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
 - e) *As stated in Note 3(a) of Schedule 17 to the Accounts, Investments amounting to Rs.12,565 thousand made by the Company and Rs.19,559 thousand by its subsidiaries in the shares of Nile Ltd. during 1998-99 are not registered in the name of the investing companies as registration of transfer of the said shares was rejected by the Board of Directors of Nile Ltd. The petitions filed by the Company and its subsidiaries before the H'onble Andhra Pradesh High Court has been dismissed in part and the matter remanded back to the Company Law Board for further evidences. The Company, its subsidiaries and Nile Ltd. have all preferred further appeals before the Division Bench of the Andhra Pradesh High Court. In view thereof, the value of the Company's investment in Nile Ltd. amounting to Rs.12,565 thousand and the advances amounting to Rs. 13,768 thousand given by the Company to its subsidiaries from which the shares of Nile Ltd. were acquired may not have a value on realisation at which they are stated. No provision has been made in the accounts in respect of the loss, if any, that may arise if the shares are not transferred in the name of the company.*
 - f) In our opinion and to the best of our information and according to the explanations given to us the said accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and subject to para (e) above, 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 March 31, 2008;
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
- 5) On the basis of written representations received from the directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008, from being appointed as director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Viraf R. Mehta
Partner
M. No. F32083

Mumbai: July 28, 2008

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of GMM Pfaudler Limited for the year ended March 31, 2008.

- 1) (a) The Company is generally maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) The Company has a program for physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material and the same have been properly dealt with in the books of account.
(c) In our opinion, the fixed assets disposed off during the year were not substantial, and do not affect the going concern assumption.
- 2) (a) The Management has conducted physical verification of inventory at reasonable intervals.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The records of inventory maintained by the Company need to be improved with respect to timeliness of entries and adjustments, location, and reconciliation of stocks at third party locations. The discrepancies noticed on verification between physical inventories and book records have been properly dealt with in the books of account.
- 3) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act.
(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 Act.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Other than the weakness reported in para 2(c) above, there is no continuing failure to correct major weaknesses in internal control.
- 5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register in pursuance of section 301 of the Act have been so entered.
(b) In our opinion and according to the information and explanation given to us, having regard to the explanation that many of the items are of a special nature and their prices cannot be compared with alternative quotations, the transactions made in pursuance of such contracts or arrangements and exceeding rupees five lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A, 58AA or any other relevant provision of the Act and the rules framed there under in respect of the deposits accepted from the public.
- 7) The Company has an internal audit system, which in our opinion, is commensurate with the size of the Company and the nature of its business.
- 8) As informed to us, the maintenance of cost records has not been prescribed by the Company under Section 209(1) (d) of the Companies Act, 1956 in respect of the activity carried on by the company.
- 9) (a) According to the records examined by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.

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- (b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service tax, Excise Duty or cess outstanding on account of any dispute, other than those stated hereunder:

Name of Statute	Nature of Dues	Amount (Rs. '000')	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise duty demands including cenvat credit disputes	2,146	1996-97 to 2004-05	Appellate Commissioner
	Service Tax on services not eligible for Cenvat	514	2003-04	Appellate Commissioner
Central Excise Act, 1944	Excise duty demands including cenvat credit disputes	110	1996-97 to 2004-05	Assistant Commissioner
	Service Tax on Technical Know How Fees	1,053	2001-02 to 2005-06	Assistant Commissioner
Income tax	Assessment of taxable income	5,757	2001-02 & 2002-03	Income Tax Appellate Tribunal
Income tax	Assessment of taxable income	7,081	2003-04	Commissioner of Income Tax (Appeal) III

- 10) The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- 11) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- 12) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
- 13) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund/ societies.
- 14) In our opinion, the Company has maintained proper records of the transactions and contracts in respect of investments purchased and sold during the year and timely entries have been made therein. *The investments made by the Company are held in its own name except for the shares purchased in Nile Limited which have been refused registration of transfer, as stated in Note 3(a) of Schedule 17 to the Accounts.*
- 15) According to the information and explanations given to us and the records examined by us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16) According to the information and explanations given to us and the records examined by us, the Company has not obtained any term loans.
- 17) On the basis on an overall examination of the balance sheet and cash flows of the Company and the information and explanations given to us, we report that the Company has not utilized the funds raised on short-term basis for long-term investment.
- 18) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 19) The Company did not issue any debentures during the year.
- 20) The Company has not raised any money through a public issue during the year.
- 21) Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta
 Partner
 M. No. F 32083

Mumbai, July 28, 2008

GMM Pfaudler Limited acquires Mavag AG

In January 2008, GMM Pfaudler Limited acquired Mavag AG of Switzerland from Scherrer AG.

Mavag, located in Neunkirch, which is about 50 kilometers from Zurich, specializes in drying, filtration, mixing and fermentation technologies. The company is recognized throughout

Europe as a supplier of high quality sterile equipment for the pharmaceutical and biotechnology industries. Mavag's customers include Europe's leading pharmaceutical companies such as Lonza, Roche, Novartis, Bayer and others.



"Mavag has excellent brand value, outstanding products and innovative technologies, all of which are well recognized in Europe. With the Indian Pharma industry upgrading to meet the stringent requirements of the western world, these technologies and products will be very welcome" said Ashok Patel, Managing Director of GMM Pfaudler. "The acquisition of Mavag will propel GMM's growth in the non-glass-lined business with new products and technologies for the Indian market as well as provide a well-established channel for exports"



Ashok Patel, MD of GMM Pfaudler Limited with Hans Stalder, President of Scherrer AG

PRODUCT RANGE



MAGNETIC DRIVE AGITATORS

The patented Mavag double acting impeller is designed to reduce wear & tear of the bearings. Other features include:

- No contamination, no emission and no sealing problems
- No maintenance required, trouble free operation for longer periods of time
- Multiple stage impellers are available for cell culture and microbial fermentation
- Easy to clean and sterilise (CIP/SIP)



FUNDA® FILTER

Funda® Filtration is the separation of solid particles from a liquid with the help of porous layers that allow the liquid to pass through but retain the solid matter. Main features include:

- Totally enclosed vessel without any risk for people / environment.
- Rotation of the filter assembly discharges the cake in dry / slurry form.
- Self-cleaning system
- Suitable for both batch and continuous processes



MAVASPHERE®

The MAVASPHERE® Spherical Dryer, introduced just two years ago, is a better option to conventional Conical Screw Dryers and Pan Dryers. These come with special features like:

- Highly efficient and uniform drying
- Minimal product hold-up and efficient CIP
- High working capacity and good turndown ratio
- Optimal mixing of product
- Complete product discharge



MAVAZWAG® AGITATED NUTSCHE FILTERS

Pressure nutsches are available with centrally mounted and height adjustable agitator:

- To distribute, smooth, reslurry, suspend and discharge of the filter cake
- For the separation of suspensions with relatively high solid content
- For the solid separation with intensive cake washing

Typical filter parameters are:

- Filter area 0,17 – 15 m²
- Vessel volume 100 – 15'000 liters
- Cake height 50 – 500 mm

FIVE YEAR FINANCIAL HIGHLIGHTS
(Rs. '000')

Description	2007-08	2006-07	2005-06	2004-05	2003-04
OPERATING RESULTS					
Income from Operations	1,420,059	1,149,491	1,017,640	805,359	589,707
Other Income	53,700	29,186	27,404	18,754	48,804
Profit before Depreciation, Interest & Tax	267,153	225,848	214,039	141,248	97,876
Interest	16,719	12,203	8,625	5,575	4,605
Depreciation	27,399	23,831	23,286	20,378	19,438
Profit before Tax	223,035	189,814	182,128	115,295	73,833
Profit after Tax	155,583	120,863	122,202	76,163	62,122
Dividends	40,929	35,082	35,082	29,236	21,927
Dividend per share (Rs.)	*2.80	*2.40	12.00	10.00	7.50
Earning per share (Rs.)	*10.64	*8.27	41.80	26.20	21.25
Book value per share (Rs.)	274.45	237.61	210.04	181.93	167.27

FINANCIAL SUMMARY
ASSETS EMPLOYED :

Fixed Assets (Net)	298,040	264,060	270,428	268,791	203,423
Investments	89,552	192,914	172,876	143,495	161,714
Net Working Capital	521,594	364,756	192,889	182,553	123,623
Miscellaneous Expenditure	-	-	-	-	4,676
Total	909,186	821,730	636,193	594,839	493,436

FINANCED BY

Share Capital	29,235	29,235	29,235	29,235	29,235
Reserves & Surplus	773,137	665,438	584,838	502,638	459,781
Loan Funds	106,814	127,057	22,120	62,966	4,420
Total	909,186	821,730	636,193	594,839	493,436

* Calculated based on revised number of shares after the stock sub-division from Rs. 10/- per share to Rs. 2/- per share.

GMM PFAUDLER LIMITED

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BALANCE SHEET AS AT MARCH 31, 2008

	Schedule	As at 31.03.08 Rs.'000'	As at 31.03.07 Rs.'000'
SOURCES OF FUNDS			
1 Shareholders' Funds			
Share Capital	1	29,235	29,235
Reserves & Surplus	2	773,137	665,438
		<u>802,372</u>	<u>694,673</u>
2 Loan Funds			
Secured Loans	3	106,814	127,057
3 Deferred Tax Liability		<u>37,607</u>	<u>25,234</u>
		<u>946,793</u>	<u>846,964</u>
APPLICATION OF FUNDS			
4 Fixed Assets	4		
Gross Block		571,920	519,505
Less: Depreciation		<u>278,144</u>	<u>255,445</u>
Net Block		293,776	264,060
Capital Work-in-progress		<u>4,264</u>	-
		<u>298,040</u>	<u>264,060</u>
5 Investments	5	89,552	192,914
6 Current Assets, Loans and Advances			
Inventories	6	457,875	363,151
Sundry Debtors	7	279,675	249,245
Cash and Bank Balances	8	17,112	20,216
Loans and Advances	9	229,153	82,054
		<u>983,815</u>	<u>714,666</u>
Less: Current Liabilities and Provisions			
Liabilities	10	404,592	297,052
Provisions	11	<u>20,022</u>	<u>27,624</u>
		<u>424,614</u>	<u>324,676</u>
Net Current Assets		<u>559,201</u>	<u>389,990</u>
		<u>946,793</u>	<u>846,964</u>
Notes to Accounts	17		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report attached.

For and on behalf of

KALYANIWALLA & MISTRY
Chartered Accountants**Viraf Mehta**

Partner

M. No. : F 32083

Mumbai, July 28, 2008

Mittal Mehta

Company Secretary

Mumbai, July 28, 2008

Signatures to Balance sheet and
Schedules 1 to 11 and 17

For and on behalf of the Board

P. Krishnamurthy**A. J. Patel****Peter Wallace****Christopher Hix****Darius C. Shroff****Tarak Patel****A. N. Mohanty**

Neunkirch, Switzerland, July 24, 2008

Chairman

Managing Director

Director

Director

Director

Executive Director

Financial Controller

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

		Year ended 31.03.08 <u>Rs. '000'</u>	Year ended 31.03.07 <u>Rs. '000'</u>
	Schedule		
INCOME			
Turnover (Gross)		1,562,421	1,281,877
Less: Excise Duty		142,362	134,757
Turnover (Net)		1,420,059	1,147,120
Other Income	12	53,700	29,186
		<u>1,473,759</u>	<u>1,176,306</u>
EXPENDITURE			
Cost of production	13	983,532	765,817
Operating expenses	14	113,180	95,180
Selling, general and administrative expenses	15	109,894	89,461
Depreciation		27,399	23,831
Interest and Financial Charges	16	16,719	12,203
		<u>1,250,724</u>	<u>986,492</u>
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		223,035	189,814
Provision for Taxation			
Current		52,500	62,000
Deferred		12,373	(2,863)
Fringe Benefit Tax		2,579	2,252
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS		155,583	128,425
APSEB Calims (Exceptional Item) Net of Tax		-	7,562
NET PROFIT FOR THE YEAR		155,583	120,863
Surplus brought forward		402,577	334,077
AMOUNT AVAILABLE FOR APPROPRIATION		558,160	454,940
APPROPRIATIONS:			
Interim Dividends		40,929	35,082
Tax on distributed profits		6,956	5,181
Transfer to General Reserve		15,600	12,100
Surplus carried forward		494,675	402,577
		<u>558,160</u>	<u>454,940</u>
Basic and diluted earnings per share of Rs. 2 each			
- Before exceptional items		10.64	8.79
- After exceptional items		10.64	8.27

Notes to Accounts

17

The Schedules referred to above form an integral part of the Profit and Loss account

As per our report attached.

 Signatures to Profit and Loss Account
and Schedules 12 to 17

For and on behalf of

For and on behalf of the Board

KALYANIWALLA & MISTRY
Chartered Accountants
Viraf Mehta
 Partner
 M. No. : F 32083
 Mumbai, July 28, 2008

Mittal Mehta
 Company Secretary
 Mumbai, July 28, 2008

P. Krishnamurthy Chairman
A. J. Patel Managing Director
Peter Wallace Director
Christopher Hix Director
Darius C. Shroff Director
Tarak Patel Executive Director
A. N. Mohanty Financial Controller
 Neunkirch, Switzerland, July 24, 2008

GMM PFAUDLER LIMITED

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STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2008

	Year ended 31.03.08 Rs. '000'	Year ended 31.03.07 Rs. '000'
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	223,035	189,814
Adjustments to reconcile profit before tax to cash provided by operations		
Depreciation	27,399	23,831
Net (gain) / loss on sale of fixed assets	503	259
Net (gain) / loss on sale of Investment	(32,749)	(14,377)
Interest income	(2,961)	(1,724)
Interest expense	16,719	12,203
Dividend Income	(4,884)	(4,935)
Provision for doubtful debts, liquidated damages and advances	5,777	8,165
Dimutation in value of Investment written back	(481)	501
Unrealised foreign exchange fluctuation loss / (gain)	(14,411)	1,475
Operating profit before working capital changes	217,947	215,212
Adjustments for :		
Inventories	(94,723)	(90,508)
Trade and other receivables	(44,129)	(130,792)
Trade payables and other liabilities	108,212	40,095
Cash generated from operations	187,307	34,007
Direct Taxes paid	(66,070)	(56,130)
Net cash from/ (used in) operating activities	121,237	(22,123)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(63,575)	(23,967)
Proceeds from sale of assets	1,695	534
Purchase of investments	(113,450)	(141,648)
Proceeds from sale of investments	250,043	135,508
Loan given to subsidiary	(123,970)	-
Interest received	2,961	1,724
Dividend received	4,884	4,935
Net cash from/ (used in) investing activities	(41,413)	(22,914)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	106,814	127,057
Repayment of borrowings	(127,057)	(22,120)
Interest paid	(16,719)	(12,203)
Dividend paid	(39,258)	(34,954)
Tax on distributed profits	(6,707)	(4,920)
Net cash (used in) / from financing activities	(82,927)	52,860
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	(3,104)	7,823
Cash and Cash equivalents, beginning of the year	20,216	12,393
Cash and Cash equivalents, end of the year	17,112	20,216

Note: The Company has been sanctioned credit facilities for working capital of Rs.1,000 lakhs, of which facilities utilised as on March 31, 2008 were Rs. 877 lakhs.

As per our report attached.

For and on behalf of

KALYANIWALLA & MISTRY
Chartered Accountants

Viraf Mehta

Partner

M. No. : F 32083

Mumbai, July 28, 2008

Mittal Mehta

Company Secretary

Mumbai, July 28, 2008

For and on behalf of the Board

P. Krishnamurthy**A. J. Patel****Peter Wallace****Christopher Hix****Darius C. Shroff****Tarak Patel****A. N. Mohanty**

Neunkirch, Switzerland, July 24, 2008

Chairman

Managing Director

Director

Director

Director

Executive Director

Financial Controller

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2008

	As at 31.03.08 Rs.'000'	As at 31.03.07 Rs.'000'
SCHEDULE 1		
SHARE CAPITAL		
Authorised:		
25,000,000 Equity shares of Rs. 2 each	50,000	50,000
Issued, Subscribed and Paid-up:		
14,617,500 Equity shares of Rs. 2 each fully paid	29,235	29,235
	29,235	29,235
Of the above shares:		
7,454,400	Equity shares are held by Pfaudler Inc. USA, the holding company.	
122,400	Equity Shares have been issued for consideration other than cash.	
8,586,500	Equity shares have been issued as bonus shares, by capitalisation of reserves and share premium account	

SCHEDULE 2
RESERVES AND SURPLUS

Capital Reserve		
Balance as per last balance sheet	17	17
Cash Subsidy Reserve		
Balance as per last Balance Sheet	695	695
Share Premium Account		
Balance as per last Balance Sheet	149,285	149,284
General Reserve		
Balance as per last Balance Sheet	112,865	100,765
Transfer from Profit and Loss account	15,600	12,100
	128,465	112,865
Profit and Loss Account	494,675	402,577
	773,137	665,438

SCHEDULE 3
SECURED LOANS
From Banks:

Buyers Credit	19,142	-
Cash Credit	87,672	127,057
	106,814	127,057

Note: The credit facilities from a bank are secured by hypothecation of inventories and book debts and first charge over fixed assets situated at the Company's factory at Karamsad.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2008

SCHEDULE 4

FIXED ASSETS

(Rs. '000')

ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As on 01.04.07	Additions	Deductions	As on 31.03.08	Upto 01.04.07	For the Year	On Deductions	Upto 31.03.08	As on 31.03.08	As on 31.03.07
Freehold land	2,316	-	-	2,316	-	-	-	-	2,316	2,316
Leasehold land	1,154	-	-	1,154	-	-	-	-	1,154	1,154
Lease improvement	5,430	212	-	5,642	1,635	614	-	2,249	3,393	3,795
Buildings	122,350	-	-	122,350	26,478	2,743	-	29,221	93,129	95,872
Plant & machinery	347,856	58,300	2,975	403,181	211,721	20,652	2,270	230,103	173,078	136,135
Furniture & Fixtures	16,264	466	-	16,730	10,050	583	-	10,633	6,097	6,214
Vehicles	19,594	334	305	19,623	3,212	2,430	152	5,490	14,133	16,382
Assets acquired under finance lease:										
Vehicles	4,541	-	3,617	924	2,349	377	2,278	448	476	2,192
Total	519,505	59,312	6,897	571,920	255,445	27,399	4,700	278,144	293,776	264,060
Previous Year Total	497,822	23,967	2,284	519,505	233,105	23,831	1,491	255,445	-	-
Capital work-in-progress									4,264	-
									298,040	264,060
Notes : The estimated amount of contracts remaining to be extended on capital account, net of advances paid, is Rs. 3,711 thousand (previous year Rs. Nil thousand).										

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2008

SCHEDULE 5

INVESTMENTS

	Face value Rupees	Number		Cost	
		As At 31.03.08	As At 31.03.07	As At 31.03.08 Rs. '000'	As At 31.03.07 Rs. '000'
1. Long Term Investments (Fully paid)					
(a) Trade Investments					
Quoted Equity shares					
Abbott India Ltd.	10	100	100	5	5
BASF India Ltd.	10	245	245	12	12
Bayer (India) Ltd.	10	50	50	4	4
Ciba Specialty Chemicals (India) Ltd.	10	35	35	-	-
Clariant Chemical (India) Ltd. - (Formerly Colour Chem Ltd.)	10	50	50	3	3
Dharamshi Morarji Chemicals Co. Ltd.	10	100	100	4	4
Excel Crop Care Ltd.	5	112	112	-	-
Excel Industries Ltd.	5	112	112	10	10
Futura Polyster Ltd. (Formerly Indian Organic Chemicals Ltd.)	10	100	100	1	1
Glaxo Smithkline Pharmaceuticals Ltd.	10	122	122	7	7
Gujarat Heavy Chemicals Ltd.	10	100	100	2	2
Gujrat Glass Ltd	10	19	19	-	-
Hico Products Ltd.	10	625	625	6	6
IDI Ltd	10	66	66	3	3
Kansai Nerolac Paints Ltd.	10	333	333	10	10
Nestle India Ltd.	10	93	93	6	6
Nicholas Piramal Ltd.	2	390	390	-	-
Novartis (India) Ltd.	5	70	70	7	7
Peninsula Land Ltd. *	2	1,040	208	4	4
Pfizer Ltd.	10	135	135	11	11
Shubh Shanti Services Ltd.	10	39	25	-	-
SI Group - India Ltd (Formerly Herdillia Chemicals Ltd.)	10	50	50	5	5
Syngenta India Ltd	5	-	70	-	-
Tata Chemicals Ltd.	10	161	161	7	7
United Phosphorus Ltd	2	3,750	3,750	405	405
Wyeth Ltd.	10	50	50	6	6
				518	518
Less :- Provision for diminution in the value of Investments				19	22
				499	496
* Equity shares of face value of Rs. 10 each split into 5 equity shares of Rs. 2 each during the year.					
(b) Other Investments					
Quoted Equity shares					
Millars India Ltd. (a company under the same management)	10	140,600	140,600	1,933	1,933
Nile Ltd. (refer note 4)	10	286,200	286,200	12,565	12,565
				14,498	14,498
Unquoted Non convertible debentures					
Hico Products Ltd.	150	125	125	-	-
Balance carried forward				14,997	14,994

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SCHEDULE 5

INVESTMENTS (Continued)

	Face value Rupees	Number		Cost	
		As At 31.03.08	As At 31.03.07	As At 31.03.08 Rs. '000'	As At 31.03.07 Rs. '000'
Balance brought forward				14,997	14,994
(c) Subsidiary Companies					
Unquoted Equity shares					
GMM Mavag Ag	CHF 1,000	1,500	-	52,275	-
Karamsad Investments Ltd.	10	260,000	260,000	2,600	2,600
Karamsad Holdings Ltd.	10	350,000	350,000	3,500	3,500
				58,375	6,100
(d) Shares in Co-operative Societies Unquoted					
Karamsad Urban Co-op. Bank Ltd.	10	1,200	1,200	12	12
Charotar Gas Sahakari Mandli Ltd.	500	10	10	5	5
				17	17
2. Current Investments					
Unquoted Mutual Funds					
Redeemed during the year:					
DSP Merrill Lynch Savings Plus Aggressive - Growth	10	-	228,749	-	3,000
DSPML Balanced Fund - Dividend	10	-	444,247	-	10,000
Franklin Templeton Fixed Tenure Fund Series V 13 Months Plan Growth	10	-	2,000,000	-	20,000
Grindlays Fixed Maturity 22nd Plan - Growth	10	-	1,000,000	-	10,000
HDFC Cash Management Fund - Saving Plan - Daily Dividend Reinvest	10	-	1,634,129	-	17,381
HDFC Equity Fund Growth	10	-	15,506	-	2,175
HDFC FMP 17M November 2006 - Wholesale Plan Growth	10	-	1,500,000	-	15,000
HDFC Prudence Fund - Growth	10	-	87,300	-	8,000
JM Balanced Fund - Dividend Plan (03)	10	-	659,856	-	10,000
Prudential ICICI Balanced Fund - Growth	10	-	276,563	-	8,000
Prudential ICICI Equity & Derivatives Fund					
- Income Optimiser - Retail Growth	10	-	200,000	-	2,000
Prudential ICICI Equity & Derivatives Fund					
- Wealth Optimiser - Regular Growth	10	-	221,467	-	2,264
Prudential ICICI Blended Plan A - Dividend Option	10	-	264,662	-	2,647
Prudential ICICI FMP Series 34 - 1Year Plan A - Retail - Growth	10	-	1,500,000	-	15,000
Prudential ICICI Liquid Plan - Weekly Dividend Option	10	-	1,109,708	-	13,143
Reliance Equity Fund - Dividend Plan	10	-	500,000	-	5,000
Reliance Long Term Equity Fund - Growth Option	10	-	300,000	-	3,000
Templeton India Treasury Management Account Regular					
- Weekly Dividend Plan	10	-	5,229	-	6,509
Templeton Monthly Income Plan - Growth	10	-	159,014	-	3,000
Acquired during the year:					
DWS Fixed Term Fund-Series 18 - Regular Plan	10	250,000	250,000	2,500	2,500
Prudential ICICI FMP Series 34-17 Months Plan-Retail-Growth	10	1,000,000	1,000,000	10,000	10,000
Prudential ICICI Fusion Fund Series - II Retail Growth	10	366,269	366,269	3,663	3,663
				16,163	172,282
Less : Provision for diminution in value of Investments				-	479
				16,163	171,803
Total Investments				89,552	192,914
Note : Aggregate book value of investments					
Quoted				14,997	14,498
Unquoted				74,555	178,416
				89,552	192,914
Market value of quoted investments				60,153	45,550

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2008

	As at 31.03.08 Rs. '000'	As at 31.03.07 Rs. '000'
SCHEDULE 6		
INVENTORIES		
(at lower of cost and net realisable value)		
Stores and spares	22,876	19,940
Raw materials	160,663	212,819
Work-in-progress	268,785	129,991
Finished goods	5,551	401
	<u>457,875</u>	<u>363,151</u>
SCHEDULE 7		
SUNDRY DEBTORS		
(Unsecured and considered good)		
Debts outstanding over six months		
- Considered good	15,938	27,624
- Considered doubtful	31,224	20,844
	<u>47,162</u>	<u>48,468</u>
Other debts		
- Considered good	263,737	221,621
- Considered doubtful	6,416	11,019
	<u>270,153</u>	<u>232,640</u>
Less : Provision for doubtful debts	37,640	31,863
	<u>279,675</u>	<u>249,245</u>
SCHEDULE 8		
CASH AND BANK BALANCES		
Cash and cheques on hand	562	321
Balances with scheduled banks		
- in current accounts	15,125	18,475
- in deposit accounts	1,425	1,417
Balance with Karamsad Urban Co-operative Bank Ltd.		
- In current account	-	3
(Maximum balance during the year Rs. Nil thousand, previous year Rs. 3 thousand)		
	<u>17,112</u>	<u>20,216</u>

GMM PFAUDLER LIMITED

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2008

	As at 31.03.08 <u>Rs. '000'</u>	As at 31.03.07 <u>Rs. '000'</u>
SCHEDULE 9		
LOANS AND ADVANCES		
(Unsecured and considered good)		
Loans to subsidiaries	152,087	13,768
Advances recoverable in cash or in kind or for value to be received (including Rs. 4,797 thousand, previous year Rs. 4,323 thousand considered doubtful)	37,992	32,203
Deposits (including Rs. 1,473 thousand, previous year Rs. 583 thousand considered doubtful)	34,474	34,725
Balance with central excise authorities	10,074	6,264
Advance payment of taxes (Net of Provision for tax Rs. 248,984 thousand)	795	-
	<u>235,423</u>	<u>86,960</u>
Less: Provision for doubtful advances/deposits	6,270	4,906
	<u>229,153</u>	<u>82,054</u>
SCHEDULE 10		
CURRENT LIABILITIES		
Sundry creditors		
- Outstanding dues of micro enterprises and small enterprises	5,979	7,778
- Other creditors	174,347	116,280
Advances from customers	130,028	93,624
Investor Education and Protection Fund *		
- Unclaimed dividend	1,179	970
- Unclaimed matured deposits	36	36
Other liabilities	82,790	69,593
Interim dividend payable	10,232	8,771
	<u>404,592</u>	<u>297,052</u>
* The said fund will be credited with the amounts outstanding and unclaimed on the respective due dates.		
SCHEDULE 11		
PROVISIONS		
Provision for tax on distributed profits	1,739	1,491
Provision for Compensated absences	3,505	3,504
Provision for unexpired warranty	14,778	12,434
Provision for taxes (previous year net off advance tax Rs. 18,788 thousand)	-	10,195
	<u>20,022</u>	<u>27,624</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Year ended 31.03.08 Rs. '000'	Year ended 31.03.07 Rs. '000'
SCHEDULE 12		
OTHER INCOME		
Dividend	4,884	4,935
Interest *		
- On deposits	-	184
- Others	2,961	1,540
Bad and doubtful debts recovered	382	1,648
Provision for diminution in value of Investments written back	481	-
Profit on sale of long term Investments	32,698	14,377
Profit on sale of current Investments	51	-
Miscellaneous Income	8,298	6,502
Foreign exchange gain	3,945	-
	53,700	29,186

(*) Tax deducted at source Rs. 110 thousand, previous year Rs. 44 thousand.

SCHEDULE 13

COST OF PRODUCTION

Materials consumed:		
Stocks as at the commencement of the year	212,818	152,925
Add : Purchases during the year	775,130	615,783
	987,948	768,708
Less : Stocks as at the close of the year	160,663	212,818
	827,285	555,890
Employee costs:		
- Wages	35,915	29,317
- Contribution to provident and other funds	2,163	2,674
Labour charges	107,733	87,778
Power and fuel	73,751	64,202
Stores and spares consumed	80,629	53,784
(Increase)/ Decrease in stock of finished goods and work in progress	(143,944)	(27,828)
	983,532	765,817

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Year ended 31.03.08 <u>Rs. '000'</u>	Year ended 31.03.07 <u>Rs. '000'</u>
SCHEDULE 14		
OPERATING EXPENSES		
Employee costs:		
- Salaries and allowances	71,733	51,001
- Contribution to provident and other funds	5,912	6,526
- Staff welfare	10,090	8,403
Repairs and maintenance:		
- Plant and machinery	10,231	10,148
- Buildings	197	1,014
- Others	166	858
Insurance	4,656	4,962
Rent	6,795	6,570
Rates and taxes	3,400	5,698
	<u>113,180</u>	<u>95,180</u>

SCHEDULE 15**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Royalty	8,380	7,480
Travel and conveyance	19,464	17,344
Communication	5,760	4,982
Bad debts written off	6,610	3,391
Provision for doubtful debts, advances and liquidated damages	1,313	8,656
Provision for Warranty expenses	2,343	(1,682)
Advertisement and sales promotion	3,500	7,129
Commission	3,747	1,058
Legal and professional fees	20,684	7,590
Auditors' remuneration	2,411	2,049
Freight outward	13,427	11,371
Dimunation in value of Investment	-	479
Foreign exchange loss	-	1,475
Loss on sale of fixed assets	503	259
Other expenses	21,752	17,880
	<u>109,894</u>	<u>89,461</u>

SCHEDULE 16**INTEREST AND FINANCIAL CHARGES**

Interest on cash credit etc.	12,621	7,089
Other interest and financial charges	4,098	5,114
	<u>16,719</u>	<u>12,203</u>

SCHEDULE 17: NOTES FORMING PART OF THE ACCOUNTS

1. BACKGROUND

GMM Pfaudler Limited, formerly Gujarat Machinery Manufacturers Limited, ("the Company") was incorporated in India on November 17, 1962. The Company's manufacturing unit is located at Karamsad, Gujarat. The Company's principal activity is the manufacture of corrosion resistant glass-lined equipment used primarily in the chemical, pharmaceutical and allied industries. The Company also manufactures fluoro-polymer products and other chemical process equipment such as agitated nutsche filters, filter driers and wiped evaporators.

The Company has entered into an investment and technical know-how agreement with Pfaudler Inc. USA ('Pfaudler') a Company incorporated in the United States of America, which owns 51 percent of the total issued share capital of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting Convention

The financial statements are prepared under the historical cost convention using the accrual method of accounting, in accordance with generally accepted accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

b) Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities as of the date of the financial statements and reported amounts of income and expense during the period. Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from the estimates.

c) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes all expenses related to the acquisition and installation of fixed assets.

Assets acquired under finance lease are capitalized at the lower of the fair value of the leased assets and the present value of the minimum lease payments as at the inception of the lease.

Depreciation is provided pro rata to the period of use, on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956.

Leasehold land and lease improvements are amortised equally over the period of lease.

d) Asset Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value based on appropriate discount rates.

e) Investments

(i) Investments are classified into long term and current investments.

(ii) Long-term investments are carried at cost. Provision for diminution, if any, in the value of each long-term investment is made to recognise a decline, other than of a temporary nature.

(iii) Current investments are stated at lower of cost and fair value and the resultant decline, if any, is charged to revenue.

f) Inventories

Inventories are stated at lower of cost and net realizable value. Cost is determined on the weighted average method and is net of modvat credits. Cost of work-in-progress and finished goods includes conversion cost and appropriate production overheads. Excise duty is provided on finished goods held in stock at the end of the year.

g) Foreign Exchange Transactions

Transactions in foreign currency are recorded at rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the period end exchange rates. Exchange gains / losses are recognized in the profit and loss account. Non monetary foreign currency items are carried at cost and expressed in Indian currency at the rate of exchange prevailing at the time of transactions.

h) Revenue Recognition

Sales of products and services are recognized on dispatch / delivery of the goods or when services are rendered. Sales are recorded net of trade discounts, sales tax and excise duties.

Dividend income is recognized when the right to receive the same is established.

Interest income is recognized on the time proportion method.

i) Product Warranty Expenses

Provision has been made in the financial statements for the estimated liability on account of costs that may be incurred on products sold under warranty. The costs to be incurred for providing free service under warranty are determined based on past experience and are provided for in the year of sale.

j) Employee Benefits

Employee benefits in the form of provident fund, family pension fund and superannuation scheme which are defined contribution schemes are charged to the Profit and Loss account of the year when the contributions accrue.

The liability for Gratuity, a defined benefits scheme and provision for Leave Encashment is accrued and provided for in the accounts on the basis of actuarial valuation as at the year end.

Actuarial gains and losses comprising of experience adjustments and the effects of changes in actuarial assumptions are recognised in the Profit and Loss account for the year as income or expense.

k) Provisions and Contingent Liabilities

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

l) Taxation

Tax expense comprises of both current and deferred tax.

Provision for current income tax is made on the basis of assessable income under the Income Tax Act, 1961.

Deferred income tax arising on account of timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods is accounted for by applying the income tax rates and laws enacted or substantially enacted on the Balance Sheet date. Deferred tax assets, other than un-absorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

m) Segment Reporting

The Accounting Policies adopted for segment reporting are in line with the Accounting Policies of the Company. Segment assets include all operating assets used by the business segments and consist principally of fixed assets, debtors and inventories. Segment liabilities include the operating liabilities that result from operating activities of the business segment. Assets and Liabilities that cannot be allocated between the segments are shown as part of unallocated corporate assets and liabilities respectively. Income / Expenses relating to the enterprise as a whole and not allocable on a reasonable basis to business segments are reflected as unallocated corporate income / expenses.

3. INVESTMENTS

- a) The Company had during the year 1998-99 acquired 286,200 equity shares of the face value of Rs. 10 each in the capital of Nile Limited ("Nile"), which represents 9.57% of the paid-up capital of Nile for an amount of Rs. 12,565 thousand. The company's wholly owned subsidiaries have also acquired 333,895 equity shares (11.17% of the paid-up share capital) of Nile for an amount of Rs. 19,559 thousand. The Board of Directors of Nile has rejected the registration of transfer of the said shares.

The petitions filed by the Company and its subsidiaries before the Company Law Board, Southern Region Bench at Chennai, for registering the transfer of the said shares were dismissed. The Company and its subsidiaries had preferred separate appeals before the Hon'ble Andhra Pradesh High Court. The Learned Judge of the Andhra Pradesh High Court vide order dated August 16, 2001 held that the Company had not violated the provisions of Section 108A of the Companies Act 1956 in so far as the acquisition of the said shares by the Company was concerned. As regards Regulation 7 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 it was held that the violation, if any, on the part of the Company did not affect the legality of the acquisition, but the failure on its part, if any, to comply with an obligation created under Regulation 7 might expose the Company to penalties contemplated under Regulation 45 and nothing more. However, as regards the acquisition of the shares by the Company's subsidiaries, it was held that the acquisition was in violation of the provisions of Section 108A of the Act. The other matters covered in the appeals were remanded back to the Company Law Board for recording of further evidences. The Company and its subsidiaries as well as Nile Ltd. have all preferred further appeals to the Division Bench of the Andhra Pradesh High Court, which have been admitted.

Earlier, the Department of Company Affairs, Government of India, vide its letter dated July 24, 1998 had opined that the provisions of Section 108-A of the Companies Act, 1956 were applicable to the Company and its subsidiary in respect of the acquisition of said shares of Nile Ltd. The Company and its subsidiary have also filed a writ petition in the Bombay High Court challenging the ruling of the Department of Company Affairs as also the constitutional validity of section 108A of the Act. The said writ has been admitted and is pending for hearing.

- b) The Company has purchased and sold the following investments during the year:

Name of the investment	Current year		Previous year	
	No. of Units	Amount Rs. '000'	No. of Units	Amount Rs. '000'
DSP Merrill Lynch Liquid Fund - Dividend Reinvestment	2,222,572	22,248	-	-
Franklin India Prima Plus - Growth	50,628	8,144	-	-
HDFC Cash management Fund Savings Plan -Dividend	55,603	591	1,143,871	12,167
HDFC Equity fund - Growth Option	28,022	4,333	15,506	2,167
HSBC Cash fund - Dividend Option	-	-	1,668	17
Prudential ICICI Indo Asia Fund	977,995	10,000	-	-
Prudential ICICI - Liquid Plan - Weekly Dividend	46,920	555	-	-
Prudential ICICI - Monthly Income -Dividend	-	-	857,510	10,163
Reliance Interval Fund	1,000,000	10,000	-	-
Reliance Vision Fund - Growth	20,783	5,000	-	-
Templeton India Treasury Management Account Regular Plan - Weekly Dividend Reinvestment	243	302	-	-

4. LOANS AND ADVANCES

- a) Advances to subsidiaries

Advances to subsidiaries include advances granted by the Company to its subsidiaries aggregating to Rs. 13,768 thousand (previous year Rs. 13,768 thousand) which have been utilized for acquisition of the shares of Nile Ltd. The said shares have not been transferred in the name of the subsidiary companies as stated in Note "3(a)" above.

- b) Deposits include earnest deposit of Rs. 16,961 thousand (Previous year Rs. 16,961 thousand) paid to Millars India Limited and Rs. 9,871 thousand (Previous year Rs. 9,871 thousand) to Ready Mix Concrete Limited, being companies in which directors are interested. The deposit of Rs. 16,961 thousand (Previous year Rs. 16,961 thousand) paid to Millars India Limited is pursuant to a Memorandum of Understanding for the purchase of a factory shed at Karamsad along with land appurtenant thereto and certain plant and machinery. The purchase agreement has not been executed till date.

5. Balances of loans and advances are subject to confirmation.

6. CURRENT LIABILITIES

- a) The micro and small scale enterprises to whom the Company owes an amount outstanding for more than 30 days as at March 31, 2008 are as under:

Contra Engineering Works	Coss Engineers India Ltd.
Ganesh Paper Products	Glasslined Equipment Co. Ltd.
Jay Engineering Enterprise	Krishna Machinery Manufacturers Pvt. Ltd.
Maxwell Engineering Company	Parkage Industries
Rajesh Engineering Works	Trupti Tools and Dyes
Unique Forgings	Vikas Industries

The information regarding micro and small scale enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company, which has been relied upon by the auditors.

- b) No amount has been claimed from the Company under the Interest on delayed payment to Small Scale and Ancillary Industrial Undertakings Act, 1993.

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7. PROVISIONS

(Rs. '000')

	Opening Balance	Additions	Reversals	Closing Balance
Provision for compensated absences	3,505	3,757	3,757	3,505
Provision for unexpired warranty	12,434	2,344	-	14,778
Total	15,939	6,101	3,757	18,283

8. OPERATING LEASE

The company's significant leasing arrangements are in respect of operating leases for factory shed/premises and guesthouse. These lease agreements, which are not non-cancellable, range up to 120 months and are usually renewable by mutual consent on mutually agreeable terms. The gross lease rental for the year ended March 31, 2008 was Rs. 6,066 thousand (previous year Rs. 6,066 thousand).

The total future minimum lease payments under non-cancelable operating lease are as under:

(Rs. '000')

Period	As at 31.03.08	As at 31.03.07
Payable within one year	6,066	5,027
Payable later than one year and not later than five year	14,492	6,671
Payable later than five year	1,964	3,647

9. DEFERRED TAX LIABILITY

The break up of deferred tax liability arising due to the tax effect of timing differences between taxable income and accounting income, is as under:

	As at 31.03.08 Rs. '000'	As at 31.03.07 Rs. '000'
Deferred Tax Liability		
Depreciation	47,413	41,798
Lease rentals	162	689
	47,575	42,487
Deferred Tax Assets		
Technical know how fees	263	396
Provision for doubtful debts / advances	9,705	10,260
Provision for diminution in value of investments	-	87
Others	-	6,510
	9,968	17,253
Net deferred tax liability	37,607	25,234

10. CONTINGENT LIABILITIES

a) Claims against the Company not acknowledged as debts:

i) Dispute relating to Cenvat Credit	4,105	2,971
ii) Disputed Income Tax demands	9,145	13,316

b) Guarantees issued by bank **107,581** 131,973

11. Turnover includes sales commission Rs. 1,118 thousand (previous year Rs. 612 thousand)

12. LICENSED AND INSTALLED CAPACITIES AND PRODUCTION

	Unit	Installed Capacity per annum		Production	
		As at 31.03.08	As at 31.03.07	Year ended 31.03.08	Year ended 31.03.07
1. Enameled acid alkali resistant chemical equipment consisting of a. Autoclaves suitable for 3.5 atmosphere working pressure having capacity up to 10,000 litres. b. Distilling plant varying in capacity from 100/1,000 to 5,000/10,000 litres c. Evaporating pans varying in capacity from 100 ltrs. to 20,000 litres, crystallizing pressure filters, valves and condensers.	Litres (in '000)	6,000	6,000	3,487	3,117
2. Mild Steel equipment such as reaction vessels, storage tanks, fractionation towers, driers, heat exchangers, condensers, ducting blenders and pressure vessels. 3. Stainless steel equipment such as reaction vessels, storage tanks, evaporating pans, absorption towers, fractionation towers, driers, heat exchangers, condensers, ducting blenders and pressure vessels.	MT	*	*	337	247
4. Fusion seamed products and Isostatic moulded products consist of a. Carbon Steel PTFE pipe b. Dip pipe and sparger	Mtr. Nos.	7,500 750	7,500 750	177 68	1,619 46

Notes:

- (i) Licensed capacity is not applicable in terms of Government of India's Notification No. S.O.477(E) dated 25th July ,1991.
- (ii) Installed capacities have been certified by the management of the Company and not verified by the auditors.
- (iii) Installed capacities in respect of products not currently manufactured have not been given.
- (iv) Production quantities in items 2 and 4 include job orders subcontracted to third parties and broad-banding of installed capacities.
- (v) The installed capacity of Mild Steel equipments and Stainless steel equipment is not determined and therefore not included in the above table.

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13. INVENTORIES

Items	Units	As at 31.03.08		As at 31.03.07		As at 31.03.06	
		Qty.	Value Rs.'000'	Qty.	Value Rs.'000'	Qty.	Value Rs.'000'
1. Enameled acid & alkali and chemical equipment	Litres (in '000)''	10	1,832	-	-	26	2,562
2. Mild steel and stainless steel equipment	MT	6	3,563	1	202	51	3,436
3. Fusion seamed products and Isostatic moulded products - Carbon steel PTFE pipes - Dip pipes and sparger	Meters Nos.	- -	- -	- -	- -	- -	- -
4. Others			1,478		199		2,314
Total			6,873		401		8,312

14. SALES

Items	Units	Year ended 31.03.08		Year ended 31.03.07	
		Qty.	Value Rs.'000'	Qty.	Value Rs.'000'
1. Enameled acid & alkali and chemical equipment	Litres (in '000)	3,477	819,471	3,143	740,987
2. Mild steel and stainless steel equipment	MT	317	407,292	297	259,818
3. Fusion seamed products and Isostatic moulded products - Carbon steel PTFE pipes - Dip pipes and sparger	Meters Nos.	177 68	656 4,204	1,619 46	3,098 2,567
4. Others			188,435		140,650
Total			1,420,059		1,147,120

15. RAW MATERIALS AND COMPONENTS CONSUMED

Items	Units	Year ended 31.03.08		Year ended 31.03.07	
		Qty.	Value Rs.'000'	Qty.	Value Rs.'000'
Mild steel	MT	5,184	259,690	4,299	189,701
Stainless steel, brass and copper	MT	352	119,380	300	85,940
Pipes	Meters	79,686	63,698	31,377	28,378
Teflon Powder	KG	8,026	4,159	11,071	5,382
Motors, gears, mechanical seals		-	90,527	-	89,461
Others		-	289,831	-	157,028
Total			827,285		555,890

16. IMPORTED AND INDIGENOUS RAW MATERIALS (INCLUDING COMPONENTS) AND SPARES CONSUMED.

Item	Year ended 31.03.08		Year ended 31.03.07	
	Percent	Value Rs. '000'	Percent	Value Rs. '000'
Raw materials (including components)				
- Imported (at landed cost)	8	62,746	3	15,334
- Indigenous	92	764,706	97	540,557
	<u>100</u>	<u>827,451</u>	<u>100</u>	<u>555,891</u>
Stores and spare parts				
- Imported (at landed cost)	1	933	1	704
- Indigenous	99	79,696	99	53,079
	<u>100</u>	<u>80,629</u>	<u>100</u>	<u>53,783</u>

17. VALUE OF IMPORTS ON CIF BASIS

	Year ended 31.03.08 Rs. '000'	Year ended 31.03.07 Rs. '000'
Raw material and components	104,811	49,536
Stores and spares	49,610	2,768
	<u>154,421</u>	<u>52,304</u>

18. EXPENDITURE IN FOREIGN CURRENCY

Royalty	8,380	7,480
Foreign travel	2,775	2,792
Consultancy, Subscription and Commission	14,853	1,180
	<u>26,008</u>	<u>11,452</u>

19. DIVIDEND REMITTED IN FOREIGN CURRENCY

4th Interim Dividend for 2005-06 on 1,490,880 Shares of Rs. 10/- each.	-	4,473
1st Interim Dividend for 2006-07 on 1,490,880 Shares of Rs. 10/- each.	-	4,473
2nd Interim Dividend for 2006-07 on 1,490,880 Shares of Rs. 10/- each.	-	4,472
3rd Interim Dividend for 2006-07 on 7,454,400 Shares of Rs. 2/- each.	-	4,473
4th Interim Dividend for 2006-07 on 7,454,400 Shares of Rs. 2/- each.	4,473	-
1st Interim Dividend for 2007-08 on 7,454,400 Shares of Rs. 2/- each.	5,218	-
2nd Interim Dividend for 2007-08 on 7,454,400 Shares of Rs. 2/- each.	5,218	-
3rd Interim Dividend for 2007-08 on 7,454,400 Shares of Rs. 2/- each.	5,218	-
Number of (non-resident) shareholders	1	1

20. EARNINGS IN FOREIGN CURRENCY

FOB value exports	218,464	145,589
Commission	7,916	6,122
	<u>226,380</u>	<u>151,711</u>

21. AUDITORS REMUNERATION

Audit fees	850	850
Tax audit fees	125	125
Other Services		
- Certification	844	485
- Consultation and management services	500	500
Reimbursement of out-of-pocket expenses	92	89
	<u>2,411</u>	<u>2,049</u>

22. MANAGERIAL REMUNERATION

Salary and allowances	4,966	3,438
Provident and other funds	1,306	1,194
Perquisites (estimated monetary value)	243	126
Commission	4,200	4,168
	<u>10,714</u>	<u>8,926</u>

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23. Computation of net profits in accordance with Section 349 of the Companies Act, 1956 and the remuneration payable to Managing Director and Executive Director.

	Year ended 31.03.08 Rs. '000'	Year ended 31.03.07 Rs. '000'
Profit before tax as per statement of profit and loss	223,035	189,814
Add : Managerial Remuneration	10,714	8,758
Directors' fees	550	395
Depreciation as per accounts	27,399	23,831
Provision for diminution in value of investment	(481)	479
Provision for doubtful debts/advances	1,313	8,656
	<u>262,530</u>	<u>231,933</u>
Less : Profit/(Loss) on sale of fixed assets as per books	(503)	(259)
Profit on sale of investments	32,749	14,377
Depreciation under Section 350	27,399	23,831
Net profit under Section 198 of the Companies Act, 1956	<u>202,885</u>	<u>193,984</u>
Remuneration payable @ 10% on the above	18,444	9,699
Managerial remuneration to Managing Director and Executive Director	<u>10,714</u>	<u>8,758</u>

24. EMPLOYEE BENEFITS

The amounts recognised in the company's financial statements as at the year end are as under:

	As at 31.03.08 (Rs. '000')
a) Assumptions :	
Discount Rate	8.00%
Salary Escalation	4.50%
b) Table showing changes in Benefit Obligation:	
Liability at the beginning of the year	25,092
Interest cost	1,937
Current service cost	1,478
Benefit paid	(1,490)
Actuarial (gain)/loss on obligations	203
Liability at the end of the year	<u>27,220</u>
c) Amount Recognised in the Balance Sheet:	
Liability at the end of the year	27,220
Difference	(27,220)
Amount Recognised in the Balance Sheet	<u>(27,220)</u>
d) Expenses Recognised in the Income Statement	
Current Service cost	1,478
Interest Cost	1,937
Actuarial Gain or Loss	203
Expense Recognised in P&L	<u>3,618</u>
e) Balance Sheet Reconciliation	
Opening Net Liability	25,092
Expenses as above	3,618
Employers Contribution	(1,490)
Amount Recognised in Balance Sheet	<u>27,220</u>
f) Other Details	

Gratuity is payable at the rate of 15 days salary for each year of service subject to a maximum of Rs. 350 thousand.

Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees.

25. BASIC AND DILUTED EARNING PER SHARE

	Year ended 31.03.08 Rs. '000'	Year ended 31.03.07 Rs. '000'
(a) Net profit for the year available to equity shareholders	155,583	120,865
Profit for the year before exceptional items	155,583	128,425
Weighted average number of Equity Shares during the year	14,617,500	14,617,500
(b) Face value of Equity Share in Rs.	2	2
(c) Basic and diluted earnings per share before exceptional item	10.64	8.79
(d) Basic and diluted earnings per share after exceptional item	10.64	8.27

26. RELATED PARTY DISCLOSURES

- (I) List of Related parties
- (a) Parties where control exists
- (i) Ultimate Holding Company : Robbins & Myers Inc.
 - (ii) Holding Company : Pfaudler Inc.
 - (iii) Subsidiary Companies : Karamsad Holding Ltd.
Karamsad Investments Ltd.
GMM Mavag AG
Mavag AG
- (b) Related parties with whom transactions have taken place during the year:
- (i) Fellow Subsidiaries: : Pfaudler Werke GmBh
Pfaudler Balfour Ltd.
Edlon PSI Inc.
Chemineer Inc.
Suzhou Pfaudler Glass Lined Equipment Co. Limited
Robbins & Myers Singapore Private Limited
Glass Steel Parts and Services
 - (ii) Key management personnel : Mr. Ashok J. Patel – Managing Director
Mr. Tarak A. Patel – Executive Director
Mr. Ashok C. Pillai – Chief Operating Officer
 - (iii) Relative of Key management personnel : Mrs. Urmi A. Patel (Wife of Ashok J. Patel)
Mrs. Uttara G. Gelhaus (Daughter of Ashok J. Patel)
Mr. Tarak A. Patel (Son of Ashok J. Patel)
 - (iv) Enterprises over which persons in (b)(ii) or (b)(iii) are able to exercise significant influence. : Millars India Limited
Glass Lined Equipment Co. Ltd.
Ready Mix Concrete Ltd.
Dietrich Engineering Consultants India Pvt. Ltd.
J.V. Patel & Co.

26. Related Party Disclosures (Continued)

(II) Transactions with related parties

(Rs.'000')

Transaction	Ultimate Holding Company		Holding Company		Subsidiary Companies		Fellow Subsidiaries		Key Management Personnel		Relative of Key Management Personnel		Other related parties	
	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07
Purchase of goods	-	-	-	1,405	-	-	9,403	3,466	-	-	-	-	8,598	4,020
Sale of goods	-	-	230	-	1,300	-	2,184	15,662	-	-	-	-	199	91
Purchase of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	5,262
Receiving of services	-	-	-	-	-	-	-	-	-	-	-	-	12,829	19,319
Sales commission received	-	-	-	-	-	-	-	478	-	-	-	-	-	-
Royalty paid	-	-	8,353	7,480	-	-	-	-	-	-	-	-	-	-
Lease Rent paid	-	-	-	-	-	-	-	-	-	-	-	-	6,305	5,724
Remuneration paid	-	-	-	-	-	-	-	-	14,406	10,725	-	804	-	-
Interest received	-	-	-	-	1,587	-	-	-	157	-	-	-	-	-
Dividend paid	-	-	20,127	17,891	-	-	-	-	3,386	1,882	841	1,135	-	-
Deposit given	-	-	-	-	-	-	-	-	-	-	-	-	-	1,730
Commission received on services provided	5,743	5,214	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses	1,056	717	-	-	-	-	-	-	-	-	-	-	-	-
Balance outstanding as on March 31, 2008	-	-	13,668	11,000	-	-	12,343	3,163	5,047	8,817	210	284	3,978	2,935
Payables	-	-	164	-	153,805	13,768	14,536	12,635	1,925	2,282	-	-	-	-
Receivables	11,150	4,351	-	-	-	-	-	-	-	-	-	-	-	-
Deposit outstanding	-	-	-	-	-	-	-	-	-	-	-	-	26,832	26,832

26 (III) The significant Related Party Transactions are as under:

(Rs. '000')

Nature of transactions	Names	Year Ended 31.03.08	Year Ended 31.03.07
Purchase of goods	Pfaudler Balfour Ltd Glass Lined Equip. Co. Ltd.	7,642 8,482	1,405 4,019
Sale of goods	Pfaudler Balfour Ltd Mavag AG	1,907 1,300	- -
Receiving Services	Ready Mix Concrete Ltd. Millars India Ltd.	10,765 2,064	6,787 4,211
Lease rent paid	Millars India Ltd Ready Mix Concrete Ltd.	4,586 1,719	4,176 1,530
Royalty paid	Pfaudler Inc	8,353	7,480
Remuneration paid	Mr. Ashok J. Patel Mr. Ashok Pillai Mr. Tarak A. Patel	8,709 3,692 2,005	8,757 2,108 955
Interest Received	GMM Mavag AG	1,587	-
Dividend paid	Pfaudler Inc Mr. Ashok J. Patel	20,127 2,905	17,891 1,883
Commission on services provided	Robbins & Myers Inc.	5,743	5,214
Reimbursement of claim / expenses	Robbins & Myers Inc.	1,056	717
Balances outstanding as on March 31, 2008			
Payables	Pfaudler Inc. Pfaudler Balfour Ltd. Mr. Ashok J. Patel	13,668 9,711 4,926	11,000 2,069 8,817
Receivables	GMM Mavag AG	139,907	4,351
Deposit outstanding	Millars India Ltd. Ready Mix Concrete Ltd.	16,961 9,871	16,961 9,871

27. SEGMENT REPORTING

(a) Primary Segment reporting by business segment

Particulars	Chemical Processing Equipment		Mixing Systems		Filtration/Separation Equipment & Others		Total	
Year Ended	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07
Revenue:								
Total External sales	1,249,877	993,340	91,383	86,401	78,799	69,750	1,420,059	1,149,491
Segment Results:								
Profit/(Loss) before Tax and Interest	224,385	189,161	11,746	13,287	10,479	7,389	246,610	202,017
Unallocated income /(Expense) (Net)							(6,856)	(7,820)
Less: Interest		-		-		-	16,719	12,203
Profit Before Tax and Exceptional Items		-		-		-	223,035	189,814
Taxes		-		-		-	67,452	61,389
Profit after Taxes and before Exceptional Items		-		-		-	155,583	128,425
APSEB Claim (Exceptional Item)		-		-		-	-	7,562
Net of tax		-		-		-	155,583	120,863
Net Profit		-		-		-	1,028,234	871,613
Segment Assets	924,938	763,332	47,793	55,293	55,503	52,988	343,173	303,637
Unallocated Assets							1,371,407	1,175,250
Total Assets	340,518	246,722	26,229	22,407	24,050	17,939	390,797	287,068
Segment liabilities							71,424	193,509
Unallocated Liabilities							462,221	480,577
Total Liabilities							59,312	23,967
Capital Expenditure	59,012	20,804	300	240	-	1,006	27,399	23,831
Depreciation	23,782	20,686	274	238	1,151	1,000		

(Rs. '000')

27. Continued

(b) Secondary segment reporting by geographical segment

(Rs. '000')

Particulars	Within India		Outside India		Total	
Year Ended	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07
Revenue	1,201,595	997,780	218,464	151,711	1,420,059	1,149,491

Notes:

- 1) The Business segments have been identified in line with the Accounting Standard 17 on "Segment Reporting", taking into account the nature of product, the nature of manufacturing process, the class of customers, the organization structure and the internal financial reporting system.
- 2) Segment revenue, results, assets and liabilities include amounts that are directly attributable to the respective segments. Amounts not directly attributable have been allocated to the segments on the best judgment of the management in the absence of detailed internal financial reporting system. Expenses not directly allocable to the segments are treated as "Unallocated Expenses".

28. Prior year's figures have been regrouped where necessary.

29. Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(a) Registration details

Registration number	:	1,171
State code	:	04
Balance sheet date	:	March 31, 2008

(b) Capital raised during the year

Public issue	:	NIL
Right issue	:	NIL
Bonus issue	:	NIL
Private Placement	:	NIL

(c) Position of mobilization and deployment of funds

Total Liabilities	:	946,793
Total Assets	:	946,793

Sources of funds

Paid-up Capital	:	29,235
Reserve and surplus	:	773,137
Secured Loans	:	106,814
Deferred Tax Liability	:	37,607

Application of funds

Net fixed assets	:	298,040
Investments	:	89,552
Net Current Assets	:	559,201
Miscellaneous Expenditure	:	-

(d) Turnover

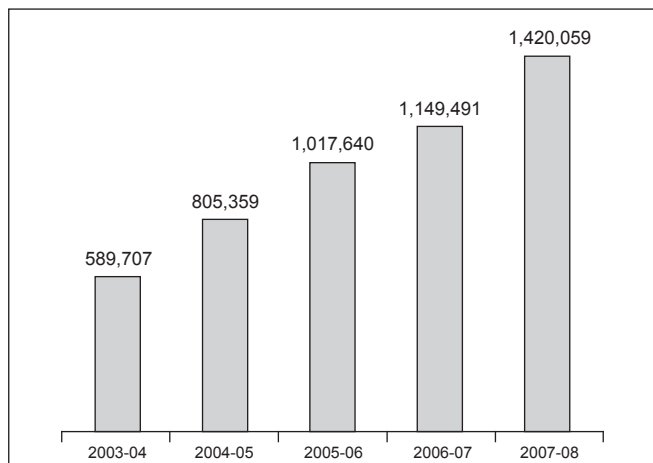
Total Expenditure (net of other income)	:	1,420,059
Profit/(Loss) before tax	:	1,197,023
Profit/(Loss) after tax	:	223,036
Earning per share in Rs.	:	155,583
Dividend rate %	:	10.64
	:	140%

(e) Generic names of the three principal product/services of the company

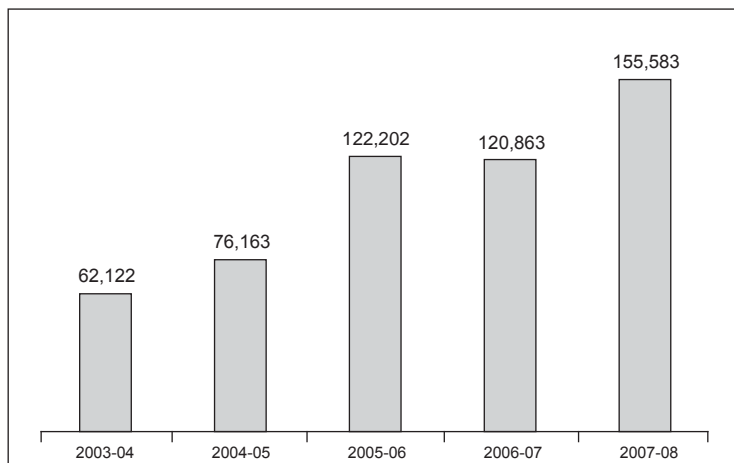
Item Code No. (ITC Code)	:	8419
Product Description	:	Glasslined equipment and Wiped film evaporators
Item Code No. (ITC Code)	:	390460
Product Description	:	Fluro-polymer Products
Item Code No. (ITC Code)	:	8421
Product Description	:	Nutsche Filters

5 - YEARS FINANCIAL HIGHLIGHTS 2003-04 TO 2007-08

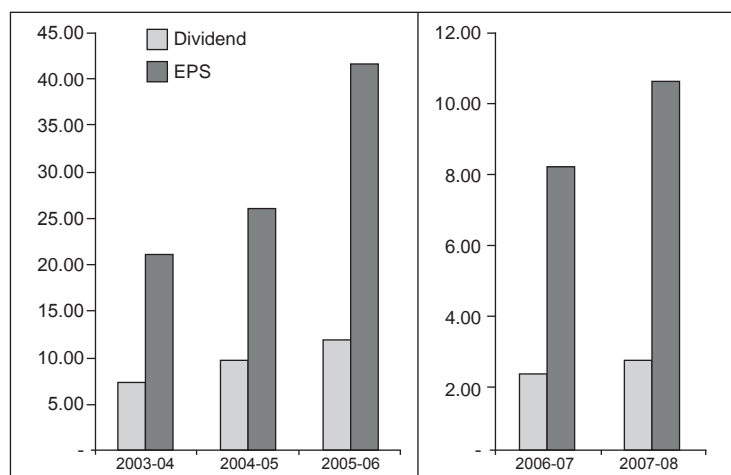
Income from Operation (Rs. '000')



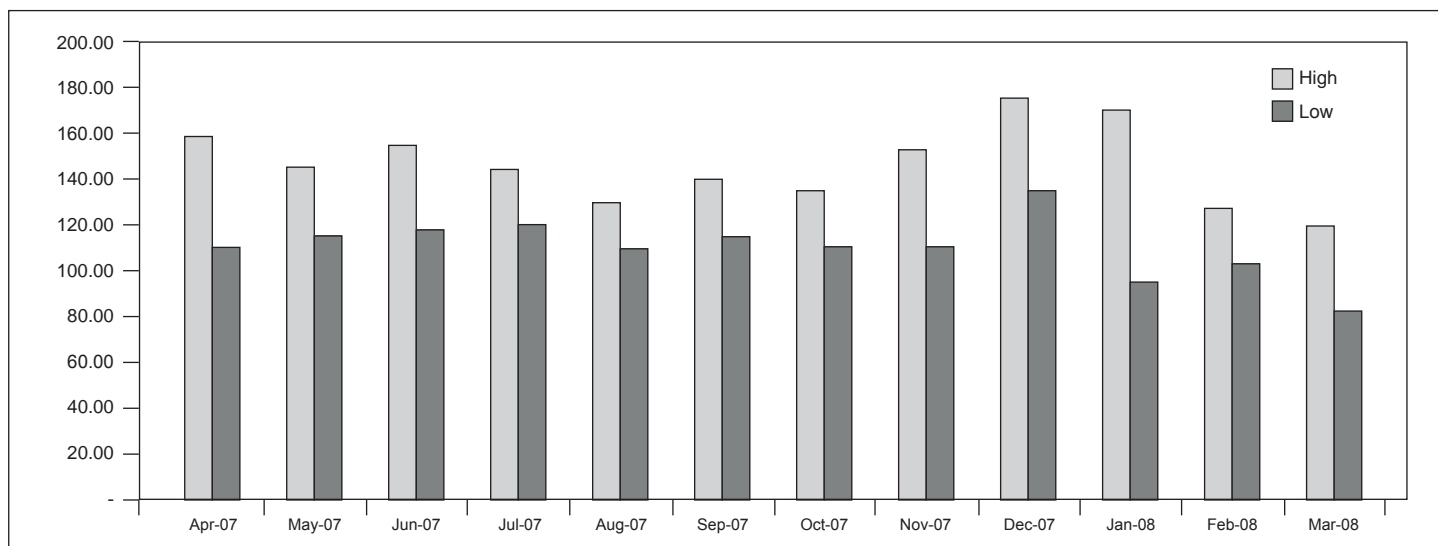
Profit After Tax (Rs. '000')



Dividends (Rs.) & Earning per share (Rs.)



Market Price (Rs.)



REPORT OF THE AUDITORS

TO THE BOARD OF DIRECTORS OF GMM PFAUDLER LIMITED

1. We have examined the attached Consolidated Balance Sheet of GMM Pfaudler Limited and its subsidiaries (GMM Pfaudler Limited Group) as at March 31, 2008 and the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of GMM Pfaudler Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance 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.
3. We did not audit the financial statements of the subsidiary companies, whose financial statements reflect the Group's share of total assets of Rs. 23,209 thousand as at March 31, 2008, Group's share of total revenues of Rs. Nil and net cash outflow of Rs. 24 thousand for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
4. As stated in Note 3(b) of Schedule 17 to the Consolidated Financial Statements, a subsidiary company, whose financial statements reflect the Group's share of total assets of Rs. 342,507 thousand as at March 31, 2008 and the Group's share of total revenues of Rs. 140,471 thousand and net cash outflow of Rs. 11,517 thousand for the three month period ended on that date has not been audited, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the management.
5. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, on the basis of the separate audited financial statements of GMM Pfaudler Limited and its subsidiaries included in the consolidated financial statements.
6. As stated in Note 5 of Schedule 17 to the Consolidated Financial Statements, investments amounting to Rs. 32,124 thousand made by the Group in the shares of Nile Limited during 1998-99 are not registered in the name of the investing companies as registration of transfer of the said shares was rejected by the Board of Directors of Nile Ltd. The petitions filed by the Company and its subsidiaries before the Hon'ble Andhra Pradesh High Court has been dismissed in part and the matter remanded back to the Company Law Board for further evidences. The Company, its subsidiaries and Nile Ltd. Have all preferred further appeals before the Division Bench of the Andhra Pradesh High Court. In view thereof, the value of the Group's investments in Nile Ltd. amounting to Rs.32,124 thousand may not have a value on realisation at which they are stated. No provision has been made in the accounts in respect of the loss, if any, that may arise if the shares are not transferred in the name of the company and its subsidiaries.
7. Based on the audit and on consideration of the reports of other auditors on separate financial statements and to the best of our information and explanations given to us, in our opinion the consolidated financial statements subject to para 6 above, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the GMM Pfaudler Limited Group as at March 31, 2008;
 - (b) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations for the year ended on that date and
 - (c) in the case of the Consolidated Cash Flows Statement, of the consolidated cash flows for the year then ended.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Viraf Mehta
Partner
M. No. F 32083
Mumbai, July 28, 2008

GMM PFAUDLER LIMITED

Annual Report 2007 - 2008

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

	Schedule	As at 31.03.08 Rs. '000'	As at 31.03.07 Rs. '000'
SOURCES OF FUNDS			
1. Shareholders' Funds			
Share Capital	1	29,235	29,235
Reserves & Surplus	2	784,061	665,158
		<u>813,296</u>	<u>694,393</u>
2. Loan Funds			
Secured Loans	3	106,814	127,057
3. Deferred Tax Liability		<u>37,607</u>	<u>25,234</u>
		<u>957,717</u>	<u>846,684</u>
APPLICATION OF FUNDS			
4. Goodwill on Consolidation		69,855	-
5. Fixed Assets	4		
Gross Block		589,107	519,505
Less: Depreciation		<u>279,640</u>	<u>255,445</u>
Net Block		309,467	264,060
Capital Work-in-progress		<u>4,264</u>	-
		<u>313,731</u>	<u>264,060</u>
6. Investments	5	52,416	206,373
7. Current Assets, Loans and Advances			
Inventories	6	521,651	363,151
Sundry Debtors	7	434,731	249,245
Cash and Bank Balances	8	37,297	20,265
Loans and Advances	9	91,442	68,286
		<u>1,085,121</u>	<u>700,947</u>
Less: Current Liabilities and Provisions			
Liabilities	10	524,810	297,072
Provisions	11	<u>38,596</u>	<u>27,624</u>
		<u>563,406</u>	<u>324,696</u>
Net Current Assets		<u>521,715</u>	<u>376,251</u>
		<u>957,717</u>	<u>846,684</u>
Notes to Accounts	17		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report attached.

For and on behalf of

KALYANIWALLA & MISTRY
Chartered Accountants**Viraf Mehta**

Partner

M. No. : F 32083

Mumbai, July 28, 2008

Mittal Mehta

Company Secretary

Mumbai, July 28, 2008

Signatures to Consolidated Balance sheet and
Schedules 1 to 11 and 17

For and on behalf of the Board

P. Krishnamurthy**A. J. Patel****Peter Wallace****Christopher Hix****Darius C. Shroff****Tarak Patel****A. N. Mohanty**

Neunkirch, Switzerland, July 24, 2008

Chairman

Managing Director

Director

Director

Director

Executive Director

Financial Controller

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedule	Year ended 31.03.08 Rs. '000'	Year ended 31.03.07 Rs. '000'
INCOME			
Turnover (Gross)		1,701,541	1,281,876
Less: Excise Duty		142,362	134,756
Turnover (Net)		1,559,179	1,147,120
Other Income	12	52,283	29,187
		<u>1,611,462</u>	<u>1,176,307</u>
EXPENDITURE			
Cost of production	13	1,100,178	765,817
Operating expenses	14	116,852	95,180
Selling, general and administrative expenses	15	120,428	89,498
Depreciation and amortisation		28,895	23,831
Interest and Financial Charges	16	18,127	12,203
		<u>1,384,480</u>	<u>986,529</u>
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		226,982	189,778
Provision for Taxation			
Current		52,572	62,000
Deferred		12,373	(2,863)
Fringe Benefit Tax		2,579	2,252
PROFIT AFTER TAXATION & BEFORE EXCEPTIONAL ITEMS		159,458	128,389
APSEB Claim (Net of Tax) - Exceptional Item		-	7,562
NET PROFIT FOR THE YEAR		159,458	120,827
Surplus brought forward		402,297	333,833
AMOUNT AVAILABLE FOR APPROPRIATION		561,755	454,660
APPROPRIATIONS:			
Interim Dividend		40,929	35,082
Tax on distributed profit		6,956	5,181
Transfer to General Reserve		15,600	12,100
Surplus carried forward		498,270	402,297
		<u>561,755</u>	<u>454,660</u>
Basic and diluted earnings per share of Rs. 2 each (Rs.)			
- Before exceptional items		10.91	8.78
- After exceptional items		10.91	8.27

Notes to Accounts

17

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached.

For and on behalf of

KALYANIWALLA & MISTRY
 Chartered Accountants

Viraf Mehta
 Partner
 M. No. : F 32083
 Mumbai, July 28, 2008

Mittal Mehta
 Company Secretary
 Mumbai, July 28, 2008

 Signatures to Consolidated Profit and Loss Account
 and Schedules 12 to 17

For and on behalf of the Board

P. Krishnamurthy Chairman
A. J. Patel Managing Director
Peter Wallace Director
Christopher Hix Director
Darius C. Shroff Director
Tarak Patel Executive Director
A. N. Mohanty Financial Controller
 Neunkirch, Switzerland, July 24, 2008

GMM PFAUDLER LIMITED

Annual Report 2007 - 2008

STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED MARCH 31, 2008

	Year ended 31.03.08 Rs. '000'	Year ended 31.03.07 Rs. '000'
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	226,982	189,777
Adjustments to reconcile profit before tax to cash provided by operations		
Depreciation	28,895	23,831
Net (gain) / loss on sale of fixed assets	503	259
Net (gain) / loss on sale of Investment	(32,749)	(14,377)
Interest income	(1,544)	(1,724)
Interest expense	18,127	12,203
Dividend Income	(4,884)	(4,935)
Provision for doubtful debts, liquidated damages and advances	5,777	8,165
Diminuation in value of Investment written back	(481)	501
Unrealised foreign exchange fluctuation loss/(gain)	(14,365)	1,475
Operating profit before working capital changes	226,261	215,175
Adjustments for :		
Inventories	(87,564)	(90,508)
Trade and other receivables	(81,004)	(130,792)
Trade payables and other liabilities	120,558	40,098
Cash generated from operations	178,250	33,973
Direct Taxes paid	(66,070)	(56,130)
Net cash from/ (used in) operating activities	112,181	(22,158)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(67,411)	(23,967)
Proceeds from sale of assets	1,695	533
Purchase of investments	(61,175)	(141,648)
Proceeds from sale of investments	250,043	135,508
Investment in subsidiary company	(186,421)	-
Interest received	1,544	1,724
Dividend received	4,884	4,935
Net cash from/ (used in) investing activities	(56,841)	(22,914)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	121,163	127,057
Repayment of borrowings	(127,057)	(22,120)
Interest paid	(18,127)	(12,203)
Dividend paid	(39,258)	(34,954)
Tax on distributed profits	(6,707)	(4,920)
Net cash (used in)/from financing activities	(69,986)	52,860
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	(14,646)	7,789
Cash and Cash equivalents, beginning of the year	20,265	12,477
Add: Cash acquired on acquisition of subsidiaries	31,678	-
Cash and Cash equivalents, end of the year	37,297	20,265

Note: The company has been sanctioned credit facilities for working capital of Rs. 1,000 lacs, of which facilities utilised as on March 31, 2008 were Rs. 877 lacs.

As per our report attached.

For and on behalf of

KALYANIWALLA & MISTRY
Chartered Accountants

Viraf Mehta
Partner
M. No. : F 32083
Mumbai, July 28, 2008

Mittal Mehta
Company Secretary
Mumbai, July 28, 2008

For and on behalf of the Board

P. Krishnamurthy Chairman
A. J. Patel Managing Director
Peter Wallace Director
Christopher Hix Director
Darius C. Shroff Director
Tarak Patel Executive Director
A. N. Mohanty Financial Controller
Neunkirch, Switzerland, July 24, 2008

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

	As at 31.03.08 Rs.'000'	As at 31.03.07 Rs.'000'
SCHEDULE 1		
SHARE CAPITAL		
Authorised:		
25,000,000 Equity shares of Rs. 2 each	<u>50,000</u>	<u>50,000</u>
Issued, Subscribed and Paid-up:		
14,617,500 Equity shares of Rs. 2 each fully paid	<u>29,235</u>	<u>29,235</u>
	<u>29,235</u>	<u>29,235</u>
Of the above shares:		
7,454,400 Equity shares are held by Pfaudler Inc. USA, the holding company.		
122,400 Equity Shares have been issued for consideration other than cash.		
8,586,500 Equity shares have been issued as bonus shares, by capitalisation of reserves and share premium account.		
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital Reserve		
Balance as per last Balance Sheet	17	17
Cash Subsidy Reserve		
Balance as per last Balance Sheet	695	695
Share Premium Account		
Balance as per last Balance Sheet	149,285	149,284
Foreign Exchange Translation Reserve	7,329	-
General Reserve		
Balance as per last Balance Sheet	112,865	100,765
Transfer from Profit and Loss account	<u>15,600</u>	<u>12,100</u>
	<u>128,465</u>	<u>112,865</u>
Profit and Loss Account	<u>498,270</u>	<u>402,297</u>
	<u>784,061</u>	<u>665,158</u>
SCHEDULE 3		
SECURED LOANS		
Buyers Credit	19,142	-
Cash Credit accounts	<u>87,672</u>	<u>127,057</u>
	<u>106,814</u>	<u>127,057</u>

Note: The credit facilities from a bank are secured by hypothecation of inventories and book debts and first charge over fixed assets situated at the Company's factory at Karamsad.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

SCHEDULE 4

FIXED ASSETS

(Rs. '000')

ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As on 01.04.07	Additions	Deductions	As on 31.03.08	Upto 01.04.07	For the Year	On Deductions	Upto 31.03.08	As on 31.03.08	As on 31.03.07
Freehold land	2,316	-	-	2,316	-	-	-	-	2,316	2,316
Leasehold land	1,154	-	-	1,154	-	-	-	-	1,154	1,154
Lease improvement	5,430	212	-	5,642	1,635	614	-	2,249	3,393	3,795
Buildings	122,350	-	-	122,350	26,478	2,743	-	29,221	93,129	95,872
Plant & machinery	347,856	70,454	2,975	415,335	211,721	21,621	2,270	231,072	184,263	136,135
Furniture & Fixtures	16,264	1,454	-	17,718	10,050	1,031	-	11,081	6,637	6,214
Vehicles	19,594	4,379	305	23,668	3,212	2,509	152	5,569	18,099	16,382
Assets acquired under finance lease:										
Vehicles	4,541	-	3,617	924	2,349	377	2,278	448	476	2,192
Total	519,505	76,499	6,897	589,107	255,445	28,895	4,700	279,640	309,467	264,060
Previous Year Total	497,822	23,967	2,284	519,505	233,105	23,831	1,491	255,445	-	-
Capital work-in-progress									4,264	-
									313,731	264,060

Note: Additions to Gross Block includes the book value of assets added on acquisition of the subsidiary company, Mavag AG w.e.f. January 11, 2008.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

SCHEDULE 5

INVESTMENTS	Face value Rupees	Number		Cost	
		As At 31.03.08	As At 31.03.07	As At 31.03.08 Rs. '000'	As At 31.03.07 Rs. '000'
1. Long Term Investments (Fully paid)					
(a) Trade Investments					
Quoted Equity shares					
Abbott India Ltd.	10	100	100	5	5
BASF India Ltd.	10	245	245	12	12
Bayer (India) Ltd.	10	50	50	4	4
Ciba Speciality Chemicals (India) Ltd.	10	35	35	-	-
Clariant Chemical (India) Ltd. (Formerly Colour Chem Ltd.)	10	50	50	3	3
Dharamshi Morarji Chemicals Co. Ltd.	10	100	100	4	4
Excel Crop Care Ltd.	5	112	112	-	-
Excel Industries Ltd.	5	112	112	10	10
Futura Polyster Ltd. (Formerly Indian Organic Chemicals Ltd.)	10	100	100	1	1
Glaxo Smithkline Pharmaceuticals Ltd.	10	122	122	7	7
Gujarat Heavy Chemicals Ltd.	10	100	100	2	2
Gujrat Glass Ltd.	10	19	19	-	-
Hico Products Ltd.	10	625	625	6	6
IDI Ltd.	10	66	66	3	3
Kansai Nerolac Paints Ltd.	10	333	333	10	10
Kojam Fininvest Ltd.	10	19	19	-	-
Nestle India Ltd.	10	93	93	6	6
Nicholas Piramal Ltd.	2	390	390	-	-
Novartis (India) Ltd.	5	70	70	7	7
Peninsula Land Ltd. *	2	1,040	208	4	4
Pfizer Ltd.	10	135	135	11	11
Shubh Shanti Services Ltd.	10	39	25	-	-
SI Group - India Ltd. (Formerly Herdillia Chemicals Ltd.)	10	50	50	5	5
Syngenta India Ltd.	5	-	70	-	-
Tata Chemicals Ltd.	10	161	161	7	7
United Phosphorus Ltd.	2	3,750	3,750	405	405
Wyeth Ltd.	10	50	50	6	6
				518	518
Less :- Provision for diminution in the value of Investments				19	22
				499	496
(b) Other Investments					
Quoted Equity Shares					
Millars India Ltd. (a company under the same management)	10	140,600	140,600	1,933	1,933
Nile Ltd. (refer note 4)	10	620,095	620,095	32,124	32,124
				34,057	34,057
Unquoted Non convertible debentures					
Hico Products Ltd.	150	125	125	-	-
Balance carried forward				34,556	34,553

* Equity shares of face value of Rs. 10 each split into 5 equity shares of Rs. 2 each during the year.

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INVESTMENTS (Continued)

	Face value Rupees	Number		Cost	
		As At 31.03.08	As At 31.03.07	As At 31.03.08 Rs. '000'	As At 31.03.07 Rs. '000'
Balance brought forward				34,556	34,553
(c) Unquoted Shares in Co-operative Societies					
Karamsad Urban Co-op. Bank Ltd.	10	1,200	1,200	12	12
Charotar Gas Sahakari Mandli Ltd	500	10	500	5	5
				17	17
2. Current Investments					
Unquoted Mutual Funds					
Redeemed during the year:					
DSP Merrill Lynch Savings Plus Aggressive - Growth	10	-	228,749	-	3,000
DSPML Balanced Fund - Dividend	10	-	444,247	-	10,000
Franklin Templeton Fixed Tenure Fund Series					
- V 13 Months Plan - Growth	10	-	2,000,000	-	20,000
Grindlays Fixed Maturity 22nd Plan - Growth	10	-	1,000,000	-	10,000
HDFC Cash Management Fund Saving Plan Daily Div. Reinvestment	10	-	1,634,129	-	17,381
HDFC Equity Fund Growth	10	-	15,506	-	2,175
HDFC FMP 17M November 2006 - Wholesale Plan Growth	10	-	1,500,000	-	15,000
HDFC Prudence Fund - Growth	10	-	87,300	-	8,000
JM Balanced Fund - Dividend Plan (03)	10	-	659,856	-	10,000
Prudential ICICI Balanced Fund - Growth	10	-	276,563	-	8,000
Prudential ICICI Equity & Derivatives Fund					
- Income Optimiser - Retail Growth	10	-	200,000	-	2,000
Prudential ICICI Equity & Derivatives Fund -					
- Wealth Optimiser - Regular Growth	10	-	221,467	-	2,264
Prudential ICICI Blended Plan A - Dividend Option	10	-	264,662	-	2,647
Prudential ICICI FMP Series 34 - 1Year Plan A - Retail - Growth	10	-	1,500,000	-	15,000
Prudential ICICI Liquid Plan - Weekly Dividend Option	10	-	1,109,708	-	13,143
Reliance Equity Fund - Dividend Plan	10	-	500,000	-	5,000
Reliance Long Term Equity Fund - Growth Option	10	-	300,000	-	3,000
Templeton India Treasury Management Account Regular					
- Weekly Dividend Plan	10	-	5,229	-	6,509
Templeton Monthly Income Plan - Growth	10	-	159,014	-	3,000
Acquired during the year:					
DWS Fixed Term Fund - Series 18 - Regular Plan	10	250,000	250,000	2,500	2,500
Prudential ICICI FMP Series 34 - 17 Months Plan - Retail - Growth	10	1,000,000	1,000,000	10,000	10,000
Prudential ICICI Fusion Fund Series - II Retail Growth	10	366,269	366,269	3,663	3,663
Swisscanto (CH) Bond Fund CHF	CHF 85	500	-	1,680	-
				17,843	172,282
Less : Provision for diminution in value of Investments				-	479
				17,843	171,803
Total Investments				52,416	206,373
Note : Aggregate book value of investments					
Quoted				34,556	34,553
Unquoted				17,860	171,820
				52,416	206,373
Market value of quoted investments				107,299	77,520

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

	As at 31.03.08 Rs. '000'	As at 31.03.07 Rs. '000'
SCHEDULE 6		
INVENTORIES		
(at lower of cost and net realisable value)		
Stores and spares	22,876	19,940
Raw Materials	218,144	212,819
(including in transit Rs. Nil thousand, previous year Rs. 329 thousand)		
Work-in-progress	275,080	129,991
Finished goods	5,551	401
	<u>521,651</u>	<u>363,151</u>

SCHEDULE 7
SUNDRY DEBTORS
(Unsecured and considered good)

Debts outstanding over six months

- Considered good	15,808	27,624
- Considered doubtful	31,224	20,694
	<u>47,032</u>	<u>48,318</u>

Other debts

- Considered good	418,923	221,621
- Considered doubtful	14,320	11,169
	<u>433,243</u>	<u>232,790</u>

Less : Provision for doubtful debts	45,544	31,863
	<u>434,731</u>	<u>249,245</u>

SCHEDULE 8
CASH AND BANK BALANCES

Cash and cheques on hand	561	321
Balances with banks		
- in current accounts	35,311	18,528
- in deposit accounts	1,425	1,417
	<u>37,297</u>	<u>20,266</u>

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SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

	As at 31.03.08 Rs.'000'	As at 31.03.07 Rs.'000'
SCHEDULE 9		
LOANS AND ADVANCES		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received (including Rs. 4,797 thousand, previous year Rs. 4,323 thousand considered doubtful)	52,369	32,203
Deposits (including Rs. 1,473 thousand, previous year Rs. 583 thousand considered doubtful)	34,474	34,725
Balance with central excise authorities	10,074	6,264
Advance payment of taxes (Net of Provision for tax Rs. 248,984 thousand)	795	-
	<u>97,712</u>	<u>73,192</u>
Less: Provision for doubtful advances / deposits	6,270	4,906
	<u>91,442</u>	<u>68,286</u>
SCHEDULE 10		
CURRENT LIABILITIES		
Sundry creditors		
- Outstanding dues of micro enterprises and small enterprises	5,979	7,778
- Other creditors	240,399	116,301
Advances from customers	130,028	93,624
Investor Education and Protection Fund *		
- Unclaimed dividend	1,179	970
- Unclaimed matured deposits	36	36
Other liabilities	136,956	69,593
Interim dividend payable	10,233	8,771
	<u>524,810</u>	<u>297,072</u>
* The said fund will be credited with the amounts outstanding and unclaimed on the respective due dates.		
SCHEDULE 11		
PROVISIONS		
Provision for tax on distributed profits	1,739	1,491
Provision for compensated absences	3,505	3,504
Provision for unexpired warranty	33,352	12,434
Provision for taxes (previous year net off advance tax Rs. 18,788 thousand)	-	10,195
	<u>38,596</u>	<u>27,624</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Year ended 31.03.08 Rs.'000'	Year ended 31.03.07 Rs.'000'
SCHEDULE 12		
OTHER INCOME		
Dividend	4,884	4,935
Interest *		
- On deposits	-	184
- Others	1,544	1,540
Bad and doubtful debts recovered	382	1,648
Provision for dimution on value of Investments written back	481	-
Profit on sale of long term Investments	32,698	14,377
Profit on sale of current Investments	51	-
Miscellaneous Income	8,298	6,502
Foreign exchange gain	3,945	-
	<u>52,283</u>	<u>29,186</u>

* Tax deducted at source Rs. 110 thousand, previous year Rs. 44 thousand.

SCHEDULE 13

COST OF PRODUCTION

Materials consumed:		
Stocks as at the commencement of the year	268,202	152,925
Add : Purchases during the year	836,302	615,784
	<u>1,104,504</u>	<u>768,709</u>
Less : Stocks as at the close of the year	218,144	212,819
	<u>886,360</u>	<u>555,890</u>
Employee costs:		
- Wages	76,446	29,317
- Contribution to provident and other funds	9,069	2,674
Labour charges	107,733	87,778
Power and fuel	74,199	64,202
Stores and spares consumed	80,629	53,784
(Increase) / Decrease in stock of finished goods and work in progress	(134,258)	(27,828)
	<u>1,100,178</u>	<u>765,817</u>

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SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Year ended 31.03.08 <u>Rs.'000'</u>	Year ended 31.03.07 <u>Rs.'000'</u>
SCHEDULE 14		
OPERATING EXPENSES		
Employee costs:		
- Salaries and allowances	71,733	51,001
- Contribution to provident and other funds	5,912	6,526
- Staff welfare	10,090	8,403
Repairs and maintenance:		
- Plant and machinery	11,593	10,148
- Buildings	197	1,014
- Others	166	858
Insurance	4,993	4,962
Rent	8,768	6,570
Rates and taxes	3,400	5,698
	<u>116,852</u>	<u>95,180</u>

SCHEDULE 15**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Royalty	8,380	7,480
Travel and conveyance	19,466	17,344
Communication	5,760	4,982
Bad debts written off	6,610	3,391
Provision for doubtful debts, advances & liquidated damages	1,313	8,656
Provision for Warranty expenses	2,343	(1,682)
Advertisement and sales promotion	3,500	7,129
Commission	3,747	1,058
Legal and professional fees	20,885	7,615
Auditors' remuneration	2,448	2,061
Freight outward	13,427	11,371
Dimunation on value of Investments	-	479
Foreign exchange loss	-	1,475
Loss on sale of fixed assets	503	259
Other expenses	32,046	17,880
	<u>120,428</u>	<u>89,498</u>

SCHEDULE 16**INTEREST AND FINANCIAL CHARGES**

Interest on cash credit, etc.	12,621	7,089
Other interest and financial charges	5,506	5,114
	<u>18,127</u>	<u>12,203</u>

SCHEDULE 17: NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS

1. BASIS OF CONSOLIDATION:

The consolidated financial statements relate to GMM Pfaudler Ltd., the holding company and its wholly owned subsidiaries (collectively referred to as Group). The consolidation of the accounts of the holding company with the subsidiaries is prepared in accordance with Accounting Standard (AS) 21 – 'Consolidated Financial Statements'. The financial statements of the parent company and its subsidiaries are combined on line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealized profits or losses are fully eliminated.

2. The subsidiary companies considered in the consolidated financial statements are:

Sr. No.	Name of Company	Country of Incorporation	% of Holding	
			Current Year	Previous Year
1.	GMM Mavag AG	Switzerland	100%	-
2.	Mavag AG (Subsidiary of GMM Mavag AG)	Switzerland	100%	-
3.	Karamsad Holdings Ltd.	India	100%	100%
4.	Karamsad Investments Ltd.	India	100%	100%

3. (a) The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Holding Company i.e. year ended March 31, 2008.

- (b) The financial statements of Mavag AG from January 11, 2008, the date of acquisition upto March 31, 2008 have not been audited and have been incorporated in the consolidated financial statements on the basis of accounts certified by the management.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting Convention

The financial statements are prepared under the historical cost convention using the accrual method of accounting, in accordance with generally accepted accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as applicable.

b) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affects the reported balances of assets and liabilities as of the date of the financial statements and reported amounts of income and expense during the period. Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Actual results could differ from the estimates.

c) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes all expenses related to the acquisition and installation of fixed assets.

Assets acquired under finance lease are capitalized at the lower of the fair value of the leased assets and the present value of the minimum lease payments as at the inception of the lease.

Depreciation is provided pro rata to the period of use, on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956 in respect of the assets situated in India and on the written down value method at the rates prescribed under Swiss law in respect of the assets of the foreign subsidiaries. The value of fixed assets in the foreign subsidiary not being significant, there is no material impact on account of depreciation on the consolidated financial statements.

Leasehold land and lease improvements are amortised equally over the period of lease.

d) Asset Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value based on appropriate discount rates.

e) Investments

- (i) Investments are classified into long term and current investments.
- (ii) Long-term investments are carried at cost. Provision for diminution, if any. In the value of each long-term investment is made to recognise a decline, other than of a temporary nature.
- (iii) Current investments are stated at lower of cost and fair value and the resultant decline, if any, is charged to revenue.

f) Inventories

Inventories are stated at lower of cost and net realizable value. Cost is determined on the weighted average method and is net of modvat credits. Cost of work-in-progress and finished goods includes conversion cost and appropriate production overheads. Excise duty is provided on finished goods held in stock at the end of the year.

g) Foreign Exchange Transactions

Transactions in foreign currency are recorded at rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the period end exchange rates. Exchange gains / losses are recognized in the profit and loss account. Non monetary foreign currency items are carried at cost and expressed in Indian currency at the rate of exchange prevailing at the time of transactions.

h) Revenue Recognition

Sales of products and services are recognized on dispatch/delivery of the goods or when services are rendered. Sales are recorded net of trade discounts, sales tax and excise duties.

Dividend income is recognized when the right to receive the same is established.

Interest income is recognized on the time proportion method.

i) Product Warranty Expenses

Provision has been made in the financial statements for the estimated liability on account of costs that may be incurred on products sold under warranty. The costs to be incurred for providing free service under warranty are determined based on past experience and are provided for in the year of sale.

j) Employee Benefits

Employee benefits in the form of provident fund, family pension fund and superannuation scheme which are defined contribution schemes are charged to the Profit and Loss account of the year when the contributions accrue.

The liability for Gratuity, a defined benefits scheme and provision for Leave Encashment is accrued and provided for in the accounts on the basis of actuarial valuation as at the year end.

Actuarial gains and losses comprising of experience adjustments and the effects of changes in actuarial assumptions are recognised in the Profit and Loss account for the year as income or expense.

k) Provisions and Contingent Liabilities

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

l) Taxation

Tax expense comprise of both current and deferred tax.

Provision for current income tax is made on the basis of assessable income under the Income Tax Act, 1961.

Deferred income tax arising on account of timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods is accounted for by applying the income tax rates and laws enacted or substantially enacted on the Balance Sheet date. Deferred tax assets, other than un-absorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

m) Segment Reporting

The Accounting Policies adopted for segment reporting are in line with the Accounting Policies of the Company. Segment assets include all operating assets used by the business segments and consist principally of fixed assets, debtors and inventories. Segment liabilities include the operating liabilities that result from operating activities of the business segment. Assets and Liabilities that cannot be allocated between the segments are shown as part of unallocated corporate assets and liabilities respectively. Income / Expenses relating to the enterprise as a whole and not allocable on a reasonable basis to business segments are reflected as unallocated corporate income / expenses.

5. INVESTMENTS

The Group had during the year 1998-99 acquired 620,095 equity shares of the face value of Rs. 10 each in the capital of Nile Limited ("Nile"), which represents 20.74% of the paid-up capital of Nile for an amount of Rs. 32,124 thousand. The Board of Directors of Nile has rejected the registration of transfer of the said shares.

The petitions filed by the Company and its subsidiaries before the Company Law Board, Southern Region Bench at Chennai, for registering the transfer of the said shares were dismissed. The Company and its subsidiaries had preferred separate appeals before the Hon'ble Andhra Pradesh High Court. The Learned Judge of the Andhra Pradesh High Court vide order dated 16th August, 2001 held that the Company had not violated the provisions of Section 108A of the Companies Act 1956 in so far as the acquisition of the said shares by the Company was concerned. As regards Regulation 7 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 it was held that the violation, if any, on the part of the Company did not affect the legality of the acquisition, but the failure on its part, if any, to comply with an obligation created under Regulation 7 might expose the Company to penalties contemplated under Regulation 45 and nothing more. However, as regards the acquisition of the shares by the Company's subsidiaries, it was held that the acquisition was in violation of the provisions of Section 108A of the Act. The other matters covered in the appeals were remanded back to the Company Law Board for recording of further evidences. The Company and its subsidiaries as well as Nile Ltd. have all preferred further appeals to the Division Bench of the Andhra Pradesh High Court, which have been admitted.

Earlier, the Department of Company Affairs, Government of India, vide its letter dated July 24, 1998 had opined that the provisions of Section 108-A of the Companies Act, 1956 were applicable to the Company and its subsidiary in respect of the acquisition of said shares of Nile Ltd. The Company and its subsidiary have also filed a writ petition in the Bombay High Court challenging the ruling of the Department of Company Affairs as also the constitutional validity of section 108A of the Act. The said writ has been admitted and is pending for hearing.

6. LOANS AND ADVANCES

Deposits include earnest deposit of Rs. 16,961 thousand (Previous year Rs. 16,961 thousand) paid to Millars India Limited and Rs. 9,871 thousand (Previous year Rs. 9,871 thousand) to Ready Mix Concrete Limited, being companies in which a director is interested. The deposit of Rs. 16,961 thousand (Previous year Rs. 16,961 thousand) paid to Millars India Limited is pursuant to a Memorandum of Understanding for the purchase of a factory shed at Karamsad along with land appurtenant thereto and certain plant and machinery. The purchase agreement has not been executed till date.

7. PROVISIONS**(Rs. '000')**

	Opening Balance	Additions	Reversals	Closing Balance
Provision for compensated absences	3,505	3,757	3,757	3,505
Provision for unexpired warranty	12,434	20,917	-	33,351
Total	15,939	24,674	3,757	36,856

8. OPERATING LEASE

The Group's significant leasing arrangements are in respect of operating leases for factory shed/premises and guesthouse. These lease agreements, which are not non-cancellable, range up to 120 months and are usually renewable by mutual consent on mutually agreeable terms. The gross lease rental for the year ended March 31, 2008 was Rs. 8,038 thousand (previous year Rs. 6,066 thousand).

The total future minimum lease payments under non-cancelable operating lease are as under:

(Rs. '000')

Period	As at 31.03.08	As at 31.03.07
Payable within one year	13,954	5,027
Payable later than one year and not later than five year	38,156	8,354
Payable later than five year	7,880	1,964

9. DEFERRED TAX LIABILITY

The break up of deferred tax liability arising due to the tax effect of timing differences between taxable income and accounting income, is as under

	As at 31.03.08 Rs. '000'	As at 31.03.07 Rs. '000'
Deferred Tax Liability		
Depreciation	47,413	41,798
Lease rentals	162	689
	47,575	42,487
Deferred tax assets		
Technical know how fees	263	396
Provision for doubtful debts / advances	9,705	10,260
Provision for diminution in value of investments	-	87
Others	-	6,510
	9,968	17,253
Net deferred tax liability	37,607	25,234

10. CONTINGENT LIABILITIES

	As at 31.03.08 Rs. '000'	As at 31.03.07 Rs. '000'
a) Claims against the Company not acknowledged as debts:		
i) Dispute relating to Cenvat Credit	4,105	2,971
ii) Disputed Income Tax demands	9,145	13,316
b) Guarantees issued by bank	107,581	131,973

11. BASIC AND DILUTED EARNING PER SHARE

a) Net profit for the year available to equity shareholders	159,458	120,827
Profit for the year before exceptional items	159,458	128,389
Weighted average number of Equity Shares during the year	14,617,500	14,617,500
b) Face value of Equity Share in Rs.	2	2
c) Basic and diluted earnings per share before exceptional item	10.91	8.78
d) Basic and diluted earnings per share after exceptional item	10.91	8.27

12. EMPLOYEE BENEFITS

The amounts recognised in the company's financial statements in respect of employee benefits under defined benefit plan as at March 31, 2008 are as under:

	As at 31.03.08 (Rs. '000)'
a) Assumptions :	
Discount Rate	8.00%
Salary Escalation	4.50%
b) Table showing changes in Benefit Obligation:	
Liability at the beginning of the year	25,092
Interest cost	1,937
Current service cost	1,478
Benefit paid	(1,490)
Actuarial (gain)/loss on obligations	203
Liability at the end of the year	27,220
c) Amount Recognised in the Balance Sheet:	
Liability at the end of the year	27,220
Difference	(27,220)
Amount Recognised in the Balance Sheet	(27,220)

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	As at 31.03.08 (Rs. '000')
d) Expenses Recognised in the Income Statement	
Current Service cost	1,478
Interest Cost	1,937
Acturial Gain or Loss	203
Expense Recognised in P&L	3,618
e) Balance Sheet Reconciliation	
Opening Net Liability	25,092
Expenses as above	3,618
Employers Contribution	(1,490)
Amount Recognised in Balance Sheet	27,220
f) Other Details	
Gratuity is payable at the rate of 15 days salary for each year of service subject to a maximum of Rs. 350 thousand.	
Salary escalation is considered as advised by the company which is in line with the industry practice considering promotion and demand and supply of the employees.	
13. RELATED PARTY DISCLOSURES	
(I) List of Related parties	
(a) Parties where control exists:	
(i) Ultimate Holding Company	: Robbins & Myers Inc.
(ii) Holding Company:	: Pfaudler Inc.
(b) Related parties with whom transactions have taken place during the year:	
(i) Fellow Subsidiaries:	: Pfaudler Werke GmBh Pfaudler Balfour Ltd. Edlon PSI Inc. Chemineer Inc. Suzhou Pfaudler Glasslined Equipment Co. Limited Robbins & Myers Singapore Private Limited Glass Steel Parts and Services
(ii) Key management personnel	: Mr. Ashok J. Patel – Managing Director Mr. Tarak A. Patel – Executive Director Mr. Ashok C. Pillai – Chief Operating Officer
(iii) Relative of Key management personnel	: Mrs. Urmi A. Patel (Wife of Ashok J. Patel) Mrs. Uttara G. Gelhaus (Daughter of Ashok J. Patel) Mr. Tarak A. Patel (Son of Ashok J. Patel)
(iv) Other related parties (Enterprises over which persons in (b)(ii) or (b)(iii) are able to exercise significant influence.)	: Millars India Limited Glass Lined Equipment Co. Ltd. Ready Mix Concrete Ltd. Dietrich Engineering Consultants India Pvt. Ltd. J.V. Patel & Co.

13. Related Party Disclosures (Continued)

(II) Transactions with related parties

(Rs. '000')

Transaction	Ultimate Holding Company		Holding Company		Fellow Subsidiaries		Key Management Personnel		Relative of Key Management Personnel		Other related parties	
	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07
Purchase of goods	-	-	-	1,405	9,403	3,466	-	-	-	-	8,598	4,020
Sale of goods	-	-	230	-	2,184	15,662	-	-	-	-	199	91
Purchase of fixed assets	-	-	-	-	-	-	-	-	-	-	-	5,262
Receiving of services	-	-	-	-	-	-	-	-	-	-	12,829	19,319
Sales commission received	-	-	-	-	-	478	-	-	-	-	-	-
Royalty paid	-	-	8,353	7,480	-	-	-	-	-	-	-	-
Lease Rent paid	-	-	-	-	-	-	-	-	-	-	6,305	5,724
Remuneration paid	-	-	-	-	-	-	14,406	10,725	-	804	-	-
Interest received	-	-	-	-	-	-	157	-	-	-	-	-
Dividend paid	-	-	20,127	17,891	-	-	3,386	1,882	841	1,135	-	-
Deposit given	-	-	-	-	-	-	-	-	-	-	-	1,730
Commission received on services provided	5,743	5,214	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses	1,056	717	-	-	-	-	-	-	-	-	-	-
Balance outstanding as on March 31, 2008												
Payables	-	-	13,668	11,000	12,343	3,163	5,047	8,817	210	284	3,978	2,935
Receivables	11,150	4,351	164	-	14,536	12,635	1,925	2,282	-	-	-	-
Deposit outstanding	-	-	-	-	-	-	-	-	-	-	26,832	26,832

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13 (III) The significant Related Party Transactions are as under:**(Rs. '000')**

Nature of transactions	Names	Year Ended 31.03.08	Year Ended 31.03.07
Purchase of goods	Pfudler Balfour Ltd. Glass Lined Equip. Co. Ltd.	7,642 8,482	1,405 4,019
Sale of goods	Pfudler Balfour Ltd. Suzhou Pfudler Glasslinad Equipment Co. Ltd.	1,907 277	- 939
Receiving Services	Ready Mix Concrete Ltd. Millars India Ltd.	10,765 2,064	6,787 4,211
Lease rent paid	Millars India Ltd. Ready Mix Concrete Ltd.	4,586 1,719	4,176 1,530
Royalty paid	Pfudler Inc.	8,353	7,480
Remuneration paid	Mr. Ashok J. Patel Mr. Ashok Pillai Mr. Tarak A. Patel	8,709 3,692 2,005	8,757 2,108 955
Interest Received	Mr. Ashok Pillai	157	-
Dividend paid	Pfudler Inc. Mr. Ashok J. Patel	20,127 2,905	17,891 1,883
Commission on services provided	Robbins & Myers Inc.	5,743	5,214
Reimbursement of claim / expenses	Robbins & Myers Inc.	1,056	717
Balances outstanding as on March 31, 2008			
Payables	Pfudler Inc. Pfudler Balfour Ltd. Mr. Ashok J. Patel	13,668 9,711 4,926	11,000 2,069 8,817
Receivables	Robbins & Myers Inc. Pfudler Balfour Ltd.	11,150 13,129	- 11,266
Deposit outstanding	Millars India Ltd. Ready Mix Concrete Ltd.	16,961 9,871	16,961 9,871

14. SEGMENT REPORTING

(a) Primary segment reporting by business segment

(Rs. '000')

Particulars	Chemical Processing Equipment		Mixing Systems		Filtration/Separation Equipment & Others		Total	
	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07
Year Ended								
Revenue:								
Total External sales	1,249,877	993,340	93,507	86,401	215,795	69,750	1,559,179	1,149,491
Segment Results:								
Profit/(Loss) before Tax and Interest	224,385	189,161	12,780	13,287	16,247	7,389	253,412	202,017
Unallocated Income/(Expense) (Net)							(8,303)	(7,820)
Less: Interest		-		-		-	18,127	12,203
Profit Before Tax and Exceptional Items		-		-		-	226,982	189,814
Taxes		-		-		-	67,524	61,389
Profit after Taxes and before Exceptional Items		-		-		-	159,458	128,425
APSEB Claim (Exceptional Item) Net of tax		-		-		-	-	7,562
Net Profit		-		-		-	159,458	120,863
Segment Assets	924,938	763,332	51,891	55,293	302,217	52,988	1,279,046	871,613
Unallocated Assets							242,077	303,637
Total Assets							1,521,123	1,175,250
Segment liabilities	340,518	246,722	28,329	22,407	162,400	17,939	531,247	287,068
Unallocated Liabilities							69,766	193,509
Total Liabilities							601,013	480,577
Capital Expenditure	59,012	20,804	300	240	4,065	1,006	76,499	23,967
Depreciation	25,974	20,686	274	238	2,647	1,000	28,895	23,831

14. Segment Reporting (Continued)

(b) Secondary segment reporting by geographical segment

(Rs. '000')

Particulars	Within India		Outside India		Total	
	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07
Revenue	1,340,715	997,780	218,464	151,711	1,559,179	1,149,491

Notes:

- 1) The Business segments have been identified in line with the Accounting Standard 17 on "Segment Reporting", taking into account the nature of product, the nature of manufacturing process, the class of customers, the organization structure and the internal financial reporting system.
- 2) Segment revenue, results, assets and liabilities include amounts that are directly attributable to the respective segments. Amounts not directly attributable have been allocated to the segments on the best judgment of the management in the absence of detailed internal financial reporting system. Expenses not directly allocable to the segments are treated as "Unallocated Expenses".

15. Prior year's figures have been regrouped where necessary.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES AS ON MARCH 31, 2008

	KARAMSAD HOLDINGS LTD.	KARAMSAD INVESTMENTS LTD.	GMM MAVAG AG	MAVAG AG
1. The Financial Year ending of the subsidiary	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008
2. Fully Paid-Up shares held by holding company in subsidiary company at the end of Financial Year of the subsidiary companies				
(a) Number	3,50,000 Equity Shares of Rs. 10/- each fully paid up	2,60,000 Equity Shares of Rs. 10/- each fully paid up	1,500 Equity Shares of CHF 1,000 each fully paid up	1,500 Equity Shares of CHF 1,000 each fully paid up
(b) Extent of holding	100%	100%	100%	100%
3. Changes in the interest of the holding company in the subsidiary companies at the end of financial year of the subsidiary companies	Nil	Nil	Nil	Nil
4. The net aggregate of (Loss) Profit for the current year of the subsidiary company so far as it concerns the members of the holding company.				
(a) Dealt with in the accounts of holding company	Nil	Nil	Nil	Nil
(b) Not dealt with in the accounts of holding company for the Year ended March 31, 2008	(15,823)	(15,763)	(1,677,113)	5,582,758
5. The net aggregate Profit / (Loss) of the subsidiary companies for the previous financial years, so far as they concern the Members of the holding company.				
(a) Dealt with in the accounts of holding company	Nil	Nil	Nil	Nil
(b) Not dealt with in the accounts of holding company for the Year ended March 31, 2008	(82,458)	(1,96,635)	Nil	Nil
6. Material Changes between the end of the Financial Year of the subsidiaries and the holding company as the case may be as on 31st March, 2008.				
(a) Fixed Assets	Nil	Nil	Nil	Nil
(b) Investments	Nil	Nil	Nil	Nil
(c) Moneys lent by the Subsidiary Company	Nil	Nil	Nil	Nil
(d) Moneys borrowed by the Subsidiary Company other than for meeting Current Liabilities.	Nil	Nil	Nil	Nil

For and on behalf of the Board

P. Krishnamurthy
A. J. Patel
Peter Wallace
Christopher Hix
Darius C. Shroff
Tarak Patel
A. N. Mohanty

Chairman
 Managing Director
 Director
 Director
 Director
 Executive Director
 Financial Controller

Mittal Mehta
 Company Secretary
 Mumbai, July 28, 2008

Neunkirch, Switzerland, July 24, 2008

Report of the Statutory Auditors to the general meeting of GMM MAVAG AG

25th June 2008

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of GMM Mavag AG for the period from January 4, 2008 to March 31, 2008.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with the auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with the Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Thomas Wildberger
Swiss Certified Public Accountant

Urs Heierle
Swiss Certified Public Accountant

Enclosures:- Financial statements 2008 (balance sheet, income statement and notes)
Cash flow statement 2008

Balance Sheet as at March 31, 2008

	CHF	Rs.
Assets		
Bank Account	3,114.50	123,085.04
Investment in Mavag AG	5,000,000.00	197,600,000.00
Assets	5,003,114.50	197,723,085.04
Liabilities and Shareholder's Equity		
Other short-term liabilities holding company	5,750.00	227,240.00
Accrued liabilities	40,076.00	1,583,803.52
Long-term loan holding company	3,500,000.00	138,320,000.00
Liabilities	3,545,826.00	140,131,043.52
Share Capital	1,500,000.00	59,280,000.00
Balance brought forward	-	-
Net loss	(42,711.50)	(1,687,958.48)
Unappropriated losses	(42,711.50)	(1,687,958.48)
Shareholder's Equity	1,457,288.50	57,592,041.52
Liabilities and Shareholder's Equity	5,003,114.50	197,723,085.04
Income Statement 04.01.08 - 31.03.08 (3 Months)		
Administration expenses	(1,862.00)	(73,586.24)
Audit expenses	(500.00)	(19,760.00)
Earnings before interests and taxes	(2,362.00)	(93,346.24)
Financial expenses	(40,148.50)	(1,586,668.72)
Operating profit	(42,510.50)	(1,680,014.96)
Taxes	(201.00)	(7,943.52)
Net loss	(42,711.50)	(1,687,958.48)

Notes to the Financial Statements 2008

	CHF	Rs.
1. Investments		
Mavag AG, Neunkirch		
Share capital of CHF	1,500,000.00	59,280,000.00
Cash Flow Statement 04.01.08 - 31.03.08		
	CHF	Rs.
Net loss	(42,711.50)	(1,687,958.00)
Change in net current assets items		
Increase (Decrease) other current liabilities	45,826.00	1,811,044.00
Cash flow from operating activities	3,114.50	123,085.00
Investment in Mavag AG	(5,000,000.00)	(197,600,000.00)
Cash flow used for investing activities	(5,000,000.00)	(197,600,000.00)
Increase (Decrease) loan holding company	3,500,000.00	138,320,000.00
Increase (Decrease) share capital	1,500,000.00	59,280,000.00
Cash flow used for financing activities	5,000,000.00	197,600,000.00
Increase (Decrease) Cash and cash equivalents	3,114.50	123,085.00
Cash and cash equivalents at 4 January	-	-
Increase (Decrease) Cash and cash equivalents	3,114.50	123,085.00
Cash and cash equivalents at 31 March	3,114.50	123,085.00

Note : The figures of GMM Mavag AG in CHF have been translated in to Indian Rupees using the year end exchange rate.

Report of the Statutory Auditors to the general meeting of MAVAG AG

26th May 2008

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Mavag AG for the period from 1st January 2007 to 31st March 2008.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with the auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings, comply with the Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Thomas Wildberger
Swiss Certified Public Accountant

Markus Dubler
Swiss Certified Public Accountant

Enclosures:- Financial statements 2007/2008 (balance sheet, income statement and notes)
Proposed appropriation of available earnings.

Balance Sheet as at March 31, 2008	31.03.2008	31.12.2006	31.03.2008	31.12.2006
	CHF	CHF	Rs.	Rs.
Assets				
Cash and cash equivalents	507,005.87	1,075,739.09	20,036,871.98	38,942,185.35
Marketable securities	42,500.00	42,500.00	1,679,600.00	1,538,517.00
	<u>549,505.87</u>	<u>1,118,239.09</u>	<u>21,716,471.98</u>	<u>40,480,702.35</u>
Trade accounts receivable	4,126,771.84	3,307,337.09	163,090,023.12	119,726,925.59
Allowance for doubtful accounts	(200,000.00)	(270,000.00)	(7,904,000.00)	(9,774,108.00)
	<u>3,926,771.84</u>	<u>3,037,337.09</u>	<u>155,186,023.12</u>	<u>109,952,817.59</u>
Other accounts receivable	30,173.20	37,140.40	1,192,444.86	1,344,497.34
Material	1,454,462.00	1,877,396.00	57,480,338.24	67,962,486.16
Work in progress	159,320.00	(405,924.00)	6,296,326.40	(14,694,611.17)
	<u>1,613,782.00</u>	<u>1,471,472.00</u>	<u>63,776,664.64</u>	<u>53,267,874.99</u>
Prepaid expenses	378,734.00	2,670.15	14,967,567.68	96,660.50
Current Assets	<u>6,498,966.91</u>	<u>5,666,858.73</u>	<u>256,839,172.28</u>	<u>205,142,552.77</u>
Financial assets	1.00	1.00	39.52	36.20
Machinery, equipments, other tangible assets	397,006.00	414,007.00	15,689,677.12	14,987,219.00
Intangible assets	1.00	140,001.00	39.52	5,068,092.20
Non-current assets	<u>397,008.00</u>	<u>554,009.00</u>	<u>15,689,756.16</u>	<u>20,055,347.40</u>
Assets	<u>6,895,974.91</u>	<u>6,220,867.73</u>	<u>272,528,928.44</u>	<u>225,197,900.17</u>
Liabilities and Shareholder's Equity				
Trade accounts payable	1,674,657.50	1,069,593.20	66,182,464.40	38,719,701.68
Short-term financial liabilities	5,797.84	-	229,130.64	-
Other Short term liabilities group company	-	294,149.90	-	10,648,344.04
Short-term loan third	500,000.00	-	19,760,000.00	-
Accrued liabilities	863,374.95	619,007.93	34,120,578.02	22,408,334.67
Current Liabilities	<u>3,043,830.29</u>	<u>1,982,751.03</u>	<u>120,292,173.06</u>	<u>71,776,380.39</u>
Long-term loan shareholders	-	1,500,000.00	-	54,300,600.00
Provision	470,000.00	470,000.00	18,574,400.00	17,014,188.00
Non-current liabilities	470,000.00	1,970,000.00	18,574,400.00	71,314,788.00
Liabilities	<u>3,513,830.29</u>	<u>3,952,751.03</u>	<u>138,866,573.06</u>	<u>143,091,168.39</u>
Share Capital	1,500,000.00	1,500,000.00	59,280,000.00	54,300,600.00
General Legal reserve	140,000.00	114,000.00	5,532,800.00	4,126,845.60
Balance brought forward	628,116.70	188,315.36	24,823,171.98	6,817,091.36
Net income for the year	1,114,027.92	465,801.34	44,026,383.40	16,862,194.83
Unappropriated earnings	1,742,144.62	654,116.70	68,849,555.38	23,679,286.19
Shareholder's equity	<u>3,382,144.62</u>	<u>2,268,116.70</u>	<u>133,662,355.38</u>	<u>82,106,731.79</u>
Liabilities and Shareholder's Equity	<u>6,895,974.91</u>	<u>6,220,867.73</u>	<u>272,528,928.44</u>	<u>225,197,900.17</u>

Note : The figures of Mavag AG in CHF have been translated in to Indian Rupees using the year end exchange rate.

Income statement for the period from January 1, 2007 to March 31, 2008

	01.01.07 - 31.03.08 (15 months) CHF	01.01.06 - 31.12.06 (12 months) CHF	01.01.07 - 31.03.08 (15 months) Rs.	01.01.06 - 31.12.06 (12 months) Rs.
Income from sales and services	19,368,598.90	11,133,285.05	765,447,028.53	403,029,372.12
Less : sales deductions	(141,204.50)	(219,393.86)	(5,580,401.84)	(7,942,145.49)
Net turnover	19,227,394.40	10,913,891.19	759,866,626.69	395,087,226.63
Raw material expenses	(9,898,290.97)	(4,029,825.90)	(391,180,459.13)	(145,881,309.51)
Merchandise expenses	(13,578.55)	(80,524.00)	(536,624.30)	(2,915,001.01)
Purchase expenses	(174,067.35)	(138,101.45)	(6,879,141.67)	(4,999,327.73)
Expenses for third party services	(335,619.45)	(56,049.85)	(13,263,680.66)	(2,029,026.99)
Costs of goods sold	(10,421,556.32)	(4,304,501.20)	(411,859,905.77)	(155,824,665.24)
Gross Profit	8,805,838.08	6,609,389.99	348,006,720.92	239,262,561.39
Salaries	(4,670,140.63)	(3,730,168.83)	(184,563,957.70)	(135,033,603.71)
Social security expenses	(839,844.35)	(715,439.60)	(33,190,648.71)	(25,899,199.70)
Other personnel expenses	(318,720.85)	(206,131.75)	(12,595,847.99)	(7,462,051.80)
Personnel expenses	(5,828,705.83)	(4,651,740.18)	(230,350,454.40)	(168,394,855.21)
Gross Profit II	2,977,132.25	1,957,649.81	117,656,266.52	70,867,706.18
Rental expenses	(280,151.55)	(272,576.15)	(11,071,589.26)	(9,867,365.66)
Maintenance and cost of repair	(204,666.90)	(156,560.05)	(8,088,435.89)	(5,667,536.43)
Vehicle expenses	(52,312.75)	(50,769.05)	(2,067,399.88)	(1,837,859.92)
Insurance expenses	(42,267.25)	(33,103.65)	(1,670,401.72)	(1,198,365.37)
Energy expenses	(43,151.80)	(38,805.30)	(1,705,359.14)	(1,404,767.38)
Administration expenses	(394,497.50)	(270,738.77)	(15,590,541.20)	(9,800,851.77)
Promotion expenses	(30,729.75)	(49,487.45)	(1,214,439.72)	(1,791,465.48)
Other operating expenses	(494,824.10)	(381,673.45)	(19,555,448.43)	(13,816,731.56)
Operating expenses	(1,542,601.60)	(1,253,713.87)	(60,963,615.23)	(45,384,943.58)
Earnings before interests, taxes, depreciation and amortization	1,434,530.65	703,935.94	56,692,651.29	25,482,762.60
Earnings before interests, taxes, depreciation and amortization	1,434,530.65	703,935.94	56,692,651.29	25,482,762.60
Depreciation	(333,613.30)	(356,607.30)	(13,184,397.62)	(12,909,326.90)
Earnings before interests and taxes	1,100,917.35	347,328.64	43,508,253.67	12,573,435.70
Financial expenses	(126,806.65)	(99,854.82)	(5,011,398.81)	(3,614,784.43)
Financial income	279,871.52	129,153.97	11,060,522.47	4,675,425.38
	153,064.87	29,299.15	6,049,123.66	1,060,640.95
Income resulting from another period	-	85,000.00	-	3,077,034.00
Expenses resulting from another period	(127,976.00)	-	(5,057,611.52)	-
Operating profit	1,126,006.22	461,627.79	44,499,765.81	16,711,110.65
Taxes	(11,978.30)	4,173.55	(473,382.42)	151,084.18
Net Income	1,114,027.92	465,801.34	44,026,383.40	16,862,194.83

Note : The figures of Mavag AG in CHF have been translated in to Indian Rupees using the period end exchange rate.

Notes to the Financial Statements 2007-08

	2007-08 CHF	2006-07 CHF	2007-08 Rs.	2006-07 Rs.
1. Fire insurance value of PPE (incl. Goods)	8,550,000.00	8,550,000.00	337,896,000.00	309,510,000.00
2. Amounts due to pension funds	99,846.65	212,624.25	3,945,939.61	7,696,997.85
3. Investments				
Mavag Verfahrenstechnik GmbH, Sprendlingen				
GmbH-Kapital EUR 511'291.88 (DEM 1'000'000.--)				
Anteil / Shares of 90% EUR 460'162.69 (DEM 900'000.--)	1.00	1.00	39.52	36.20

Proposed appropriation of the available earnings

	Proposition of the Board of Directors	Resolution of the General Meeting	Proposition of the Board of Directors	Resolution of the General Meeting
Balance brought forward	628,116.70	188,315.36	24,823,171.98	6,817,016.03
Net income for the year	1,114,027.92	465,801.34	44,026,383.40	16,862,008.51
Available unappropriated earnings to the General Meeting	1,742,144.62	654,116.70	68,849,555.38	23,679,024.54
Transfer to general legal reserve	(56,000.00)	(26,000.00)	(2,213,120.00)	(941,200.00)
Transfer to free reserve	-	-	-	-
Payment of a dividend	-	-	-	-
Balance to be carried forward	1,686,144.62	628,116.70	66,636,435.38	22,737,824.54

Note : The figures of Mavag AG in CHF have been translated in to Indian Rupees using the period end exchange rate.

DIRECTORS REPORT

To the Members,

Your Directors submit the Eleventh Annual Report together with Audited Statement of Accounts for the year ended March 31, 2008.

FINANCIAL RESULTS

During the year under review, your company has made loss of Rs. 15,823/- In view of loss no dividend has been recommended.

INVESTMENTS

There is no change in the Investments made by the Company.

AUDITORS REMARK

As regards the observations made by the Auditors in their report (paragraph vi) regarding non registration of investment in name of the Company, the said matters has been clarified in the relevant notes forming part of the accounts which are self explanatory. Hence does not call for any further comments under Section 217 of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- 1] That in the preparation of the annual accounts for the Financial Year ended March 31, 2008, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- 2] That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review.
- 3] That 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.
- 4] That the Directors have prepared the accounts for the financial year ended March 31, 2008 on a 'going concern' basis.

SECRETARIAL AUDIT

Your Directors wish to state that pursuant to Section 383A of the Companies Act, 1956, the Company has complied with all the provisions of the Act and a certificate to that effect has been obtained from a Company Secretary in whole time practice.

PARTICULARS OF EMPLOYEES

As there are no employees, the particulars prescribed Under Section 217 (2A) of the Companies Act, 1956 are not applicable.

PARTICULARS UNDER SECTION 217 (1) (e)

In view of the nature of business carried on by the company, the particulars required to be furnished pursuant to Section 217 (1) (e) of the Companies Act, 1956 are not applicable.

DIRECTOR

Mr. Ashok C. Pillai, a Director of the Company retires by rotation and being eligible, offers himself for re-appointment.

AUDITORS

M/s. Kantilal Patel & Co. Chartered Accountants, Ahmedabad shall hold office up to this ensuing Annual General Meeting. Your directors recommend their re-appointment. Their eligibility certificate has been received for the next financial year.

For and on behalf of the Board of Director

Place : Mumbai
Date : July 1, 2008

N. H. Bhatt
Director

Ashok C. Pillai
Director

COMPLIANCE CERTIFICATE U/S. 383A(1) OF COMPANIES ACT, 1956.

Registration No. 04 - 32514

Authorized Capital Rs. 100 Lakhs

The Members
Karamsad Holdings Ltd.
Vithal Udyognagar,
Karamsad – 388325
Gujarat.

We have examined all the registers, records, books and papers of Karamsad Holdings Ltd. as required to be maintained under the Companies Act, 1956 (The Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on March 31, 2008 in our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us, by the Company, its officers and agents, we certify that in respect of the aforesaid financial year.

- 1] The Company has kept and maintained all registers as stated in Annexure "A" to this certificate as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
- 2] The Company has duly filled the forms and returns as stated in Annexure "B" to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
- 3] The Company, being a public limited Company, comments are not required.
- 4] The Board of Directors duly met four times on April 24, 2007, July 14, 2007, October 30, 2007 and January 31, 2008 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed including the circular resolution passed, in the Minutes Book maintained for the purpose.
- 5] The Company was not required to close its Register of Members during the financial year under review.
- 6] The Annual General Meeting for the financial year ended on March 31, 2007 was held on August 31, 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- 7] No Extraordinary General Meeting was held during the financial year.
- 8] The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Companies Act, 1956.
- 9] The Company had not entered into any contracts falling within the purview of Section 297 of the Companies Act, 1956.
- 10] The Company was not required to make any entries in the register maintained under Section 301 of the Companies Act, 1956.
- 11] As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Boards of directors, members or Central Government.
- 12] The Company has not issued any duplicate share certificates during the financial year.
- 13] The Company has
 - (i) Delivered all the certificates on lodgement thereof for transfer in accordance with the provisions of the Companies Act, 1956.
 - (ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - (iii) The Company was not required to post warrant to any member of the Company as no dividend was declared during the financial year.
 - (iv) The Company was not required to transfer any unpaid dividend matured deposits/matured debentures, as the same is not applicable to the Company since the Company has not declared any dividend or accepted any deposits or issued any debentures at any time.
 - (v) Duly complied with the requirements of Section 217 of the Act.

- 14] The Board of Directors is duly constituted and there were no resignation or appointment of additional director during the year.
- 15] The Company has not appointed any Managing Director/Whole Time Director/Manager during the financial year.
- 16] The Company has not appointed any sole-selling agents during the financial year.
- 17] The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and or such authorities prescribed under the various provisions of Act during the financial year.
- 18] The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act, and the rules made thereunder.
- 19] The Company has not issued any shares, debentures or other securities during the financial year.
- 20] The Company has not bought back any shares during the financial year.
- 21] The Company has no redemption of preference shares or debentures during the financial year.
- 22] There were no transaction necessitating the Company to keep in abeyance the right to dividend, rights shares and bonus shares pending registration of transfer of shares.
- 23] The Company has not invited public deposits falling within the purview of Section 58A of the Act, during the financial year. However the holding Company GMM Pfadler Ltd. has given an advance to the Company, which is exempted.
- 24] The Company being a public Company, the provisions of section 293(1)(d) of the Act, are applicable to the Company. However there are no borrowings from any Bank/Financial Institution/Others.
- 25] The Company has not made any loans or Investments during the financial year and hence no entries are made in the register kept for the purpose.
- 26] The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
- 27] The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the year under scrutiny.
- 28] The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the year under scrutiny.
- 29] The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
- 30] The Company has not altered its articles of association during the financial year.
- 31] There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
- 32] The Company has not received any money as security from its employee during the financial year since the Company has no employee.
- 33] The Company has not deducted any contribution towards provident fund or ESI during the financial year since the Company has no employees.

ANNEXURE - A

The Company has maintained the following Registers:

- 1] Register of Investment U/s. 49
- 2] Register of Members U/s. 150
- 3] Register & Returns U/s. 163
- 4] Minutes Book of Board & General Meetings.
- 5] Books of Accounts U/s. 209
- 6] Register of Directors, Managing Directors, Manager and Secretary U/s. 303.
- 7] Register of Transfers.
- 8] Register of Documents Sealed.

ANNEXURE – B

Forms and Returns as filed by the Company during the financial year ended March 31, 2008 with Registrar of Companies, Regional Director, Central Government or other authorities.

Sr. No	Form No.	Section	As on	Date of filing	Approval Status
1	Annual Accounts	220	31.03.2007	14.09.2007	Approved
2	Annual Return	159	30.09.2007	28.09.2007	Approved
3	Compliance Certificate	383	31.03.2007	14.09.2007	Approved

Place : Mumbai
Date : July 1, 2008

V. Sundaram & Co.
Company Secretary
CP No: 3373

Place : Mumbai
Date : July 1, 2008

V. Sundaram & Co.
Company Secretary
CP No: 3373

AUDITORS' REPORT

To,

The Members of
Karamsad Holdings Limited

1. We have audited the attached Balance Sheet of Karamsad Holdings Limited as at March 31, 2008 and the related Profit & Loss Account 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.
2. 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.
3. As required by the Companies [Auditors' Report] Order, 2003 issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :
 - (i) 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.
 - (ii) 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 the books.
 - (iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of the written representations received from directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
 - (vi) *The Investment in Equity shares of Nile Ltd. are not registered in the name of the company. The company's investment in Nile Ltd. amounting to Rs.11,84,342 may not have a value on realization at which they are stated. No provision has been made in the accounts in respect of the loss, if any that may arise in case the shares are not transferred in the name of the company (Please refer note-- 2 of Schedule-- 7).*
 - (vii) **Subject to para-vi above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:**
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008.
 - (b) In the case of the Profit & Loss Account, of the 'Loss' of the Company for the year ended on that date.
 - and
 - (c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For KANTILAL PATEL & CO.,
CHARTERED ACCOUNTANTS

ARPIT K. PATEL
Partner
M. No.: 34032

Place : Ahmedabad
Date : July 1, 2008

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF KARAMSAD HOLDINGS LIMITED, ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008.

1. (a) The Company has granted an interest free unsecured loan of Rs.36,25,000 to a company covered in the register maintained under Section 301 of the Companies Act, 1956.

The company has taken unsecured interest free loan of Rs.14,03,321 from its holding company covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company has taken and given interest free unsecured loan. The other terms and conditions of the said unsecured loan are also not prima facie prejudicial to the interest of the Company.
- (c) The terms of repayment of interest free loan taken from holding Company and recovery of interest free loan given are not stipulated and we are not offering any comments there under and in respect of whether there are any overdue amounts of such loans.
2. The Company has not entered into any transaction that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956 and hence sub-clause (b) of the clause is not applicable.
3. The company has not accepted deposits from public during the year under audit hence the provisions of section 58A & 58AA or any relevant provisions of the act and the rules framed there under are considered as not applicable.
4. We have no comments to make under clause (vii) of Paragraph 4 of the Order as the paid-up capital and reserves of the Company did not exceed Rs. 50 lakhs as at the commencement of the financial year nor the average annual turnover of the Company exceeded Rs. 5 Crores for the period of three consecutive financial years immediately preceding the financial year under review.
5. During the year there are no disputed or undisputed income tax dues which need to be deposited and also we have been informed that provisions of other Laws under which other statutory dues mentioned in the clause (ix) are covered, are not applicable to the Company.
6. The company has been registered for a period, which is not less than five years and it has losses at the end of the financial year which are less than fifty per cent of its net worth. Further, the Company has incurred cash losses in the financial year under review and in the immediately preceding financial year.
7. To the best of our knowledge and as confirmed to us by the management, no special statutes are applicable to the company.
8. The company has maintained proper records of the transactions and contracts in respect of investments and has also made timely entries therein. *As mentioned in note no 2 of Schedule – 7, Investments (18,300 Equity Shares of Rs.10 each fully paid-up in Nile Ltd.) are not registered in the name of the company.*
9. As informed to us by the management and on the basis of review of utilisation of funds on an overall basis, no funds were raised on short term basis.
10. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.
11. In our opinion and according to the information and explanations given to us, the nature of the company's business/activities during the year are such and as the company is neither engaged in the business activity of manufacturing or trading nor it has any fixed assets or inventory, nor it has obtained any borrowing facility from any bank or financial institution, nor it has granted loans and advances on the basis of security by way of pledge of shares and debentures and other security nor it has given guarantee for loans taken by others from bank or financial institutions and hence clauses (i), (ii), (iv), (viii), (xi), (xii), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company

For KANTILAL PATEL & CO.,
CHARTERED ACCOUNTANTS

ARPIT K. PATEL
Partner
M. No.: 34032

Place : Ahmedabad
Date : July 1, 2008

BALANCE SHEET AS AT MARCH 31, 2008

Particulars	Schedule	As at 31.03.08 (Rupees)	As at 31.03.07 (Rupees)
SOURCES OF FUNDS:			
1. Shareholders' Funds:			
a) Share Capital	1	3,500,000	3,500,000
b) Reserves & Surplus Profit & Loss a/c		-	-
		<u>3,500,000</u>	<u>3,500,000</u>
2. Loan Funds:			
a) Unsecured Loans	2	1,403,321	1,403,321
Total Rs.		<u>4,903,321</u>	<u>4,903,321</u>
APPLICATION OF FUNDS:			
1. Fixed Assets		-	-
2. Investments	3	1,184,342	1,184,342
3. Current Assets,			
Loans & Advances:			
a) Cash & Bank Balances	4	9,573	21,734
b) Loans & Advances	5	3,625,000	3,625,000
Sub total : A		<u>3,634,573</u>	<u>3,646,734</u>
Less : Current Liabilities & Provisions :			
Current Liabilities	6	13,875	10,213
Provisions		-	-
Sub total : B		<u>13,875</u>	<u>10,213</u>
Net Current Assets (A-B)		<u>3,620,698</u>	<u>3,636,521</u>
4. Miscellaneous Expenditure (To the extent not written off or adjusted)			
Profit & Loss Account		98,281	82,458
Total Rs.		<u>4,903,321</u>	<u>4,903,321</u>
Significant Accounting Policies with Notes to the accounts	7		

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON
MARCH 31, 2008

Particulars	Schedule	01.04.07 31.03.08 (Rupees)	01.04.06 31.03.07 (Rupees)
INCOME:			
Dividend Income - long term investments		-	-
Total Rs.		<u>Nil</u>	<u>Nil</u>
EXPENDITURE:			
Auditors' Remuneration		8,989	5,612
Bank Charges		160	120
Conveyance Expenses		848	-
Filing Fees		1,500	5,060
Professional charges		4,326	7,439
Total Rs.		<u>15,823</u>	<u>18,231</u>
Profit/(Loss) Before Tax		(15,823)	(18,231)
Profit/(Loss) after tax		(15,823)	(18,231)
Add : Balance brought forward from last year		(82,458)	(64,227)
Balance carried to Balance Sheet		<u>(98,281)</u>	<u>(82,458)</u>
Basic and diluted earning per share of Rs. 10 each (refer note no. 3)		(0.045)	(0.052)
Significant Accounting Policies with Notes to the accounts	7		

This is the Balance Sheet referred as per our report of even date

This is the Profit & Loss Account referred as per our report of even date

For KANTILAL PATEL & CO.
CHARTERED ACCOUNTANTS

For and on behalf of the Board

For KANTILAL PATEL & CO.
CHARTERED ACCOUNTANTS

For and on behalf of the Board

ARPIT K. PATEL
Partner
M. No. : 34032N. H. Bhatt Chairman
Ashok C. Pillai DirectorARPIT K. PATEL
Partner
M. No. : 34032N. H. Bhatt Chairman
Ashok C. Pillai DirectorPlace : Ahmedabad
Date : July 1, 2008Place : Mumbai
Date : July 1, 2008Place : Ahmedabad
Date : July 1, 2008Place : Mumbai
Date : July 1, 2008

KARAMSAD HOLDINGS LIMITED

CASH FLOW AS ON MARCH 31, 2008

Particulars	31.03.08	31.03.07
A. Cash Flow from Operating Activities		
Net Profit / Loss before tax and extra-ordinary items, adjusted for	(15,523)	(18,231)
Operating Profit / Loss before working capital changes, adjusted for	(15,763)	(18,111)
Add: Decrease in Loans & Advances	-	35,527
Increase in Current Liabilities	3,662	1,401
Net cash from Operating Activities (A)	(12,161)	(18,697)
B. Cash Flow from Investing Activities		
Net cash from Investing Activities (B)	-	-
C. Cash Flow from Financing Activities		
Net cash from Financing Activities (C)	-	-
Net Increase / Decrease in Cash & Cash equivalents (A+B+C)	(12,161)	(18,697)
Cash and Cash equivalents, beginning of the year	(21,734)	(3,037)
Cash and Cash equivalents, beginning of the year	9,573	21,734
	(12,161)	(18,697)

Note : The above Cash Flow Statement has been prepared under the Indirect Method as set out in "Accounting Standard - 3" issued by The Institute of Chartered Accountants of India

This is the Cash Flow Statement referred to in our report of even date

For KANTILAL PATEL & CO.
CHARTERED ACCOUNTANTS

For and on behalf of the Board

ARPIT K. PATEL
Partner
M. No. : 34032

N. H. Bhatt Chairman
Ashok C. Pillai Director

Place : Ahmedabad
Date : July 1, 2008

Place : Mumbai
Date : July 1, 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2008

Particulars	As at 31.03.08	As at 31.03.07
SCHEDULE - 1		
SHARE CAPITAL		
Authorised: 1,000,000 Equity Shares of Rs.10/- each	10,000,000	10,000,000
Total Rs.	10,000,000	10,000,000
Issued, Subscribed & Paid-up: 350,000 Equity Shares of Rs.10/- each fully paid up (All the above 350,000 shares are held by GMM Pfadler Ltd., the holding company & its nominee)	3,500,000	3,500,000
Total Rs.	3,500,000	3,500,000
SCHEDULE - 2		
UNSECURED LOAN		
From Holding Company (GMM Pfadler Ltd.)	1,403,321	1,403,321
Total Rs.	1,403,321	1,403,321
SCHEDULE - 3		
INVESTMENTS (LONG TERM, TRADE)		
Quoted 18,300 (P.Y.18300) Equity Shares of Rs.10/- each fully paid up in Nile Ltd. (Refer Note No. 2) (Market value Rs. 25,83,960/- P.Y. Rs. 17,52,225/-)	1,184,342	1,184,342
Total Rs.	1,184,342	1,184,342
SCHEDULE - 4		
CASH & BANK BALANCES:		
Cash on hand	75	75
With Scheduled Banks : In Current Account	9,498	21,659
Total Rs.	9,573	21,734
SCHEDULE - 5		
LOAN & ADVANCES :		
Loans to a body corporate (Karamsad Investments Ltd.)	3,625,000	3,625,000
Total Rs.	3,625,000	3,625,000
SCHEDULE - 6		
CURRENT LIABILITIES & PROVISIONS :		
CURRENT LIABILITIES		
Creditors for Expenses	13,875	10,213
Total Rs.	13,875	10,213

SCHEDULE – 7

SIGNIFICANT ACCOUNTING POLICIES WITH NOTES TO THE ACCOUNTS:

1. Accounting Policies:

- a) The financial statements are prepared under the historical cost convention, in accordance with the general accepted accounting principles accepted in India and comply with the Companies (Accounting Standards) Rules, 2006 issued by the Central Government and relevant provisions of Companies Act, 1956 to the extent possible.
- b) Investments are considered as long term investments and include cost of acquisition and other related expenses. Provision for diminution in value of Investments is made if the fall in value is other than temporary nature.
- c) The Company has from April 1, 2001, decided to comply with the requirements of Accounting Standard 22 (AS-22) on accounting for taxes on income. Income Tax expense will henceforth comprises current tax and deferred tax charged or release. Where there is carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.
- d) Revenue Recognition
- Dividend income is recognised when the right to receive the same is established.
2. The company during 1998-99 acquired 18,300 equity shares in the capital of Nile Ltd. for total consideration of Rs.1,184,342. Nile Ltd. had rejected the registration of transfer of the said shares. Petition filed by the Company before Company Law Board, Chennai was dismissed. Thereafter, the company's appeal before Andhra Pradesh High Court was dismissed by a single judge in 2001. There against, the Company preferred appeal before division bench, which has been admitted.
3. Earnings per share :
- a) The amount used as numerator in calculating basic and diluted earning per share is the net profit/(loss) for the year disclosed in the Profit and Loss Account.
- b) The weighted average number of equity share used as denominator in calculating both basic and diluted earnings per share is 350,000.
4. Company's operates in one segment i.e. investment. Hence, segment reporting as required under Accounting Standard 17 is not disclosed.
5. The details in terms of Accounting Standard 18 regarding Related Party disclosure, are provided here below:

Particulars	Nature of Relationship
GMM Pfadler Limited	Holding Company
Karamsad Investments Limited	Fellow Subsidiary

Note : No transaction have been carried out with above referred Related parties during the year, except the opening balances continue to remain as closing balances.

6. Auditors' Remuneration :	2007-2008 Rupees	2006-2007 Rupees
a) Statutory Audit Fees	8,989	5,612
b) Tax matters	3,933	3,741
c) Out of Pocket Expenses	848	300

7. The Company has been legally advised that it is not a non-banking financial company within the meaning of Reserve Bank of India Act, 1934.

8. Since the company is not carrying out manufacturing activities, the details prescribed under the provisions of Paragraph 4 (c), Part II, Schedule VI of the Companies Act, 1956, are not presented.

9. Particulars :	2007-2008	2006-2007
a) C.I.F. value of imports	Nil	Nil
b) Expenditure in foreign currencies	Nil	Nil
c) Earning in foreign currencies	Nil	Nil

10. Previous year figures have been re-grouped, wherever necessary to make them comparable with current year.

11. BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE.

I Registration Details			
Registration No.	04-32514	State Code	04
Balance Sheet Date	31.03.2008		
II Capital raised during the year:			
Public Issue	Nil	Private Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
III Position of Mobilisation & Deployment of Funds (Rupees in Thousand)			
Total Liabilities	4,903	Total Assets	4,903
Sources of Funds :			
Paid up Capital	3,500	Reserves & Surplus	(-) 98
Secured Loans	Nil	Unsecured Loans	1,403
Application of Funds :			
Net Fixed Assets	Nil	Investments	1,184
Net Current Assets	3,621	Miscellaneous Exp.	Nil
IV Performances of Company (Rupees in Thousands)			
Turnover	Nil	Total Expenditure	(-) 16
Profit (+)/ Loss (-)		Profit (+) / Loss (-)	
before Tax	(-) 16	after Tax	(-) 16
Earning per share in Rs. (-)	0.045		
V Generic names of three principal products/services of company.			
The clause is considered as not applicable.			

As per our report of even date

For KANTILAL PATEL & CO.
CHARTERED ACCOUNTANTS

ARPIT K. PATEL
Partner
M. No. : 34032

Place : Ahmedabad
Date : July 1, 2008

For and on behalf of the Board

N. H. Bhatt Chairman
Ashok C. Pillai Director

Place : Mumbai
Date : July 1, 2008

DIRECTORS REPORT

To the Members,

Your Directors submit the Eleventh Annual Report together with Audited Statement of Accounts for the year ended March 31, 2008.

Financial Results:

During the year under review, your company has made loss of Rs. 15,763/- In view of loss no dividend has been recommended.

Investments:

There is no change in the Investments made by the Company.

Auditors Remark:

As regards the observations made by the Auditors in their report (paragraph vi) regarding and non registration of investment in name of the Company, the said matters has been clarified in the relevant notes forming part of the accounts which are self explanatory. Hence does not call for any further comments under section 217 of the Companies Act, 1956.

Directors Responsibility Statement:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- 1] That in the preparation of the annual accounts for the Financial Year ended March 31, 2008, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- 2] That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review.
- 3] That 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.
- 4] That the Directors have prepared the accounts for the financial year ended March 31, 2008 on a 'going concern' basis.

Secretarial Audit:

Your Directors wish to state that pursuant to Section 383 A of the Companies Act, 1956, the Company has complied with all the provisions of the Act and a certificate to that effect has been obtained from a Company Secretary in whole time practice.

Particulars of Employees:

As there are no employees, the particulars prescribed Under Section 217 (2A) of the Companies Act, 1956 are not applicable.

Particulars Under Section 217 (1) (e):

In view of the nature of business carried on by the company, the particulars required to be furnished pursuant to Section 217 (1) (e) of the Companies Act, 1956 are not applicable.

Directors:

Mr. A. N. Mohanty, a Director of the Company retires by rotation and being eligible offers himself for re-appointment.

Auditors:

M/s Kantilal Patel & Co., Chartered Accountants, Ahmedabad shall hold office upto this ensuing Annual General Meeting. Your directors recommend their re-appointment. Their eligibility certificate has been received for the next financial year.

For and on behalf of the Board of Directors

Place : Mumbai
Date : July 1, 2008

Ashok C. Pillai
Director

A. N. Mohanty
Director

COMPLIANCE CERTIFICATE U/S. 383A(1) OF COMPANIES ACT, 1956

Registration No. 04 – 32513

Authorised Capital Rs. 100 Lakhs

The Members
Karamsad Investments Ltd.
Vithal Udyognagar,
Karamsad – 388325
Gujarat

We have examined all the registers, records, books and papers of Karamsad Investments Ltd. as required to be maintained under the Companies Act, 1956 (The Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on March 31, 2008 in our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us, by the Company, its officers and agents, we certify that in respect of the aforesaid financial year.

- 1] The Company has kept and maintained all registers as stated in Annexure "A" to this certificate as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
- 2] The Company has duly filled the forms and returns as stated in Annexure "B" to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
- 3] The Company, being a public limited Company, comments are not required.
- 4] The Board of Directors duly met four times on April 24, 2007, July 31, 2007, October 30, 2007 and January 31, 2008 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed including the circular resolution passed, in the Minutes Book maintained for the purpose.
- 5] The Company was not required to close its Register of Members during the financial year under review.
- 6] The Annual General Meeting for the financial year ended on March 31, 2007 was held on August 31, 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- 7] No Extraordinary General Meeting was held during the financial year.
- 8] The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Companies Act, 1956.
- 9] The Company had not entered into any contracts falling within the purview of Section 297 of the Companies Act, 1956.
- 10] The Company was not required to make any entries in the register maintained under Section 301 of the Companies Act, 1956.
- 11] As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the Boards of directors, members or Central Government.
- 12] The Company has not issued any duplicate share certificates during the financial year.
- 13] The Company has
 - (i) Delivered all the certificates on lodgement thereof for transfer in accordance with the provisions of the Companies Act, 1956.
 - (ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - (iii) The Company was not required to post warrant to any member of the Company as no dividend was declared during the financial year.
 - (iv) The Company was not required to transfer any unpaid dividend/ matured deposits/matured debentures, as the same is not applicable to the Company since the Company has not declared any dividend or accepted any deposits or issued any debentures at any time.
 - (v) Duly complied with the requirements of section 217 of the Act.

- 14] The Board of Directors is duly constituted and there were no resignation or appointment of additional director during the year.
- 15] The Company has not appointed any Managing Director/Whole Time Director/Manager during the financial year.
- 16] The Company has not appointed any sole-selling agents during the financial year.
- 17] The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and or such authorities prescribed under the various provisions of Act during the financial year.
- 18] The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act, and the rules made thereunder.
- 19] The Company has not issued any shares, debentures or other securities during the financial year.
- 20] The Company has not bought back any shares during the financial year.
- 21] The Company has no redemption of preference shares or debentures during the financial year.
- 22] There were no transaction necessitating the Company to keep in abeyance the right to dividend, rights shares and bonus shares pending registration of transfer of shares.
- 23] The Company has not invited public deposits falling within the purview of Section 58A of the Act, during the financial year. However the holding Company GMM Pfaudler Ltd. has given an advance to the Company which is exempted.
- 24] The Company being a public Company, the provisions of Section 293(1)(d) of the Act, are applicable to the Company. However there are no borrowings from any Bank/Financial Institution/Others.
- 25] The Company has not made any loans or Investments during the financial year and hence no entries are made in the register kept for the purpose.
- 26] The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
- 27] The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the year under scrutiny.
- 28] The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the year under scrutiny.
- 29] The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
- 30] The Company has not altered its articles of association during the financial year.
- 31] There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
- 32] The Company has not received any money as security from its employee during the financial year since the Company has no employee.
- 33] The Company has not deducted any contribution towards provident fund during the financial year since the Company has no employee.

Place : Mumbai
Date : July 1, 2008

V. Sundaram & Co.
Company Secretary
CP No: 3373

ANNEXURE - A

The Company has maintained the following Registers:

- 1] Register of Investment U/s. 49
- 2] Register of Members U/s. 150
- 3] Register & Returns U/s. 163
- 4] Minutes Book of Board & General Meetings.
- 5] Books of Accounts U/s. 209
- 6] Register of Directors, Managing Directors, Manager and Secretary U/s. 303.
- 7] Register of Transfers.
- 8] Register of Documents Sealed.

ANNEXURE - B

Forms and Returns as filed by the Company during the financial year ended 31st March, 2008 with Registrar of Companies, Regional Director, Central Government or other authorities.

Sr. No	Form No.	Section	As on	Date of filing	Approval Status
1	Annual Accounts	220	31.03.2007	14.09.2007	Approved
2	Annual Return	159	30.09.2007	28.09.2007	Approved
3	Compliance Certificate	383	31.03.2007	14.09.2007	Approved

Place : Mumbai
Date : July 1, 2008

V. Sundaram & Co.
Company Secretary
CP No: 3373

AUDITORS' REPORT

To,

The Members of
Karamsad Investments Limited

1. We have audited the attached balance sheet of Karamsad Investments Limited as at 31st March, 2008 and the related profit & loss account 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.
2. 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.
3. As required by the Companies [Auditors' Report] Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 1 above, we report that :
 - (i) 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.
 - (ii) 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 the books.
 - (iii) The balance sheet and profit & loss account dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the balance sheet and profit & loss account dealt with by this report comply with accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956.
 - (v) On the basis of the written representations received from directors, as on 31st March, 2008 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - (vi) *The investment in equity shares of Nile Ltd. are not registered in the name of the company. The company's investment in Nile Ltd. amounting to Rs.1,83,74,247 may not have a value on realization at which they are stated. No provision has been made in the accounts in respect of the loss, if any that may arise in case the shares are not transferred in the name of the company (Please refer note -- 2 of schedule -- 6).*
5. **Subject to para-vi above**, in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - (a) In the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2008.
 - (b) In the case of the profit & loss account, of the 'Loss' of the company for the year ended on that date.
and
 - (c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For KANTILAL PATEL & CO.,
CHARTERED ACCOUNTANTS

Arpit K. Patel
Partner
M. No. : 34032

Place : Ahmedabad
Date : July 1, 2008

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF KARAMSAD INVESTMENTS LIMITED, ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008.

1. (a) The company has not granted any loan, secured or unsecured to any company, firm or party.
- (b) The company has taken interest free unsecured loans from two companies covered in the register maintained under section 301 of the Companies Act, 1956. The company has taken loan from the holding company (Rs.1,23,64,291) and from other body corporate (Rs.36,25,000).
- (c) The other terms and conditions of the said unsecured loans are also not prima facie prejudicial to the interest of the company.
- (d) The terms of repayment of interest free loans taken from holding company and the other body corporate are not stipulated and hence we have no comments for repayment.
2. The company has not entered into any transaction that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 and hence sub-clause (b) of the clause is not applicable.
3. The company has not accepted deposits from public during the year under audit hence the provisions of section 58A & 58AA of the Companies Act, 1956 or any relevant provisions of the act and the rules framed there under are considered as not applicable.
4. We have no comments to make under clause (vii) of paragraph 4 of the order as the paid-up capital and reserves of the company did not exceed Rs.50 lakhs as at the commencement of the financial year nor the average annual turnover of the company exceeded Rs.5 crores for the period of three consecutive financial years immediately preceding the financial year under review.
5. During the year there are no disputed or undisputed income tax dues which need to be deposited and also we have been informed that provisions of other Laws under which other statutory dues mentioned in the clause (ix) are covered, are not applicable to the company.
6. The company has been registered for a period, which is not less than five years, and it has losses at the end of the financial year which are less than fifty per cent of its net worth. Further, the company has incurred cash losses in the financial year under review and in the immediately preceding financial year.
7. To the best of our knowledge and as confirmed to us by the management, no special statutes are applicable to the company.
8. The company has maintained proper records of the transactions and contracts in respect of investments and has also made timely entries therein. *As mentioned in note no. 2 of schedule -- 6, Investments (3,15,595 equity shares of Rs.10 each fully paid-up in Nile Ltd.) are not registered in the name of the company.*
9. As informed to us by the management and on the basis of review of utilization of funds on an overall basis, no funds were raised on short term basis.
10. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.
11. In our opinion and according to the information and explanations given to us, the nature of the company's business/activities during the year are such and as the company is neither engaged in the business activity of manufacturing or trading nor it has any fixed assets or inventory, nor it has obtained any borrowing facility from any bank or financial institution, nor it has granted loans and advances on the basis of security by way of pledge of shares and debentures and other security nor it has given guarantee for loans taken by others from bank or financial institutions and hence, clauses (i), (ii), (iv), (viii), (xi), (xii), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

For KANTILAL PATEL & CO.,
CHARTERED ACCOUNTANTS

Arpit K. Patel
Partner
M. No. : 34032

Place : Ahmedabad
Date : July 1, 2008

BALANCE SHEET AS AT MARCH 31, 2008

Particulars	Schedule	As at 31.03.08 (Rupees)	As at 31.03.07 (Rupees)
SOURCES OF FUNDS:			
1. Shareholders' Funds:			
a) Share Capital	1	2,600,000	2,600,000
b) Reserves & Surplus Profit & Loss A/c		-	-
		<u>2,600,000</u>	<u>2,600,000</u>
2. Loan Funds:			
a) Secured Loans		-	-
b) Unsecured Loans	2	15,989,291	15,989,291
		<u>18,589,291</u>	<u>18,589,291</u>
Total Rs.		<u>18,589,291</u>	<u>18,589,291</u>
APPLICATION OF FUNDS:			
1. Fixed Assets		-	-
2. Investments	3	18,374,247	18,374,247
3. Current Assets, Loans & Advances:			
a) Cash & Bank Balances	4	16,521	28,622
		<u>16,521</u>	<u>28,622</u>
Sub Total A		<u>16,521</u>	<u>28,622</u>
Less : Current Liabilities & provisions :			
Current liabilities	5	13,875	10,213
Provision		-	-
		<u>13,875</u>	<u>10,213</u>
Sub Total B		<u>13,875</u>	<u>10,213</u>
Net Current Assets (A-B)		<u>2,646</u>	<u>18,409</u>
4. Miscellaneous Expenditure (To the extent not written off or adjusted)			
Balance of profit and loss account		212,398	196,635
		<u>212,398</u>	<u>196,635</u>
Total Rs.		<u>18,589,291</u>	<u>18,589,291</u>
Significant Accounting Policies with Notes to the accounts	6		

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON
MARCH 31, 2008

Particulars	Schedule	01.04.07 31.03.08 (Rupees)	01.04.06 31.03.07 (Rupees)
INCOME:			
Dividend Income - long term investments		-	-
Total Rs.		<u>Nil</u>	<u>Nil</u>
EXPENDITURE:			
Bank Charges		100	-
Audit Fees & Expenses		8,989	5,612
Professional charges		4,326	7,439
Filing Fees		1,500	5,060
Conveyance Expenses		848	-
		<u>15,763</u>	<u>18,111</u>
Total Rs.		<u>15,763</u>	<u>18,111</u>
Profit/(Loss) Before Tax		(15,763)	(18,111)
Profit/(Loss) After Tax		(15,763)	(18,111)
Add : Balance brought forward from last year		(196,635)	(178,524)
Balance carried to Balance Sheet		<u>(212,398)</u>	<u>(196,635)</u>
Basic and Diluted earnings per share of Rs. 10 each (refer note no. 3)		(0.061)	(0.070)
Significant Accounting Policies with Notes to the accounts	6		

This is the Balance Sheet referred as per our report of even date

This is the Profit and Loss Account referred as per our report of even date

For KANTILAL PATEL & CO.
CHARTERED ACCOUNTANTS

For and on behalf of the Board

Arpit K. Patel
Partner
M. No. : 34032Ashok C. Pillai Chairman
A. N. Mohanty DirectorFor KANTILAL PATEL & CO.
CHARTERED ACCOUNTANTS

For and on behalf of the Board

Arpit K. Patel
Partner
M. No. : 34032Ashok C. Pillai Chairman
A. N. Mohanty DirectorPlace : Ahmedabad
Date : July 1, 2008Place : Mumbai
Date : July 1, 2008Place : Ahmedabad
Date : July 1, 2008Place : Mumbai
Date : July 1, 2008

KARAMSAD INVESTMENTS LIMITED

CASH FLOW AS ON MARCH 31, 2008

Particulars	31.03.08	31.03.07
A. Cash Flow from Operating Activities		
Net Profit / Loss before tax and extra-ordinary items, adjusted for	(15,763)	(18,111)
Operating Profit / Loss before working capital changes, adjusted for	(15,763)	(18,111)
Add: Increase in Current Liabilities	3,662	1,401
Net cash from Operating Activities (A)	(12,101)	(16,710)
B. Cash Flow from Investing Activities		
Net cash from Investing Activities (B)	-	-
C. Cash Flow from Financing Activities		
Repayment of Borrowing	-	(35,527)
Net cash from Financing Activities (C)	-	(35,527)
Net Increase / Decrease in Cash & Cash equivalents (A+B+C)	(12,101)	(52,237)
Cash and Cash equivalents, beginning of the year	(28,622)	(80,859)
Cash and Cash equivalents, beginning of the year	(16,521)	(28,622)
	(12,101)	(52,237)

Note : The above Cash Flow Statement has been prepared under the Indirect Method as set out in "Accounting Standard - 3" issued by The Institute of Chartered Accountants of India

This is the Cash Flow Statement referred to in our report of even date

For KANTILAL PATEL & CO.
CHARTERED ACCOUNTANTS

For and on behalf of the Board

ARPIT K. PATEL
Partner
M. No. : 34032

Ashok C. Pillai Chairman
A. N. Mohanty Director

Place : Ahmedabad
Date : July 1, 2008

Place : Mumbai
Date : July 1, 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2008

Particulars	As at 31.03.08	As at 31.03.07
SCHEDULE - 1 SHARE CAPITAL		
Authorised: 1,000,000 Equity Shares of Rs.10/- each	10,000,000	10,000,000
Total Rs.	10,000,000	10,000,000
Issued, Subscribed & Paid-up: 260,000 Equity Shares of Rs.10/- each fully paid up (All the above 260,000 shares are held by GMM Pfaudler Ltd., the holding company & its nominee)	2,600,000	2,600,000
Total Rs.	2,600,000	2,600,000
SCHEDULE - 2 UNSECURED LOAN		
From Holding Company (GMM Pfaudler Ltd.)	12,364,291	12,364,291
From Other Body Corporate (Karamsad Holdings Ltd.)	3,625,000	3,625,000
Total Rs.	15,989,291	15,989,291
SCHEDULE - 3 INVESTMENTS (LONG TERM, TRADE)		
Quoted 315,595 (P.Y 315,595) Equity Shares of Rs.10/- each fully paid up in Nile Limited (Market value Rs. 44,562,014/-) (P.Y.Rs. 30,218,221/-)	18,374,247	18,374,247
Total Rs.	18,374,247	18,374,247
SCHEDULE - 4 CASH & BANK BALANCES:		
Cash on hand	50	50
With Scheduled Banks: In Current Account	16,471	28,572
Total Rs.	16,521	28,622
SCHEDULE - 5 CURRENT LIABILITIES & PROVISIONS : CURRENT LIABILITIES :		
Sundry Creditors	13,875	10,213
Total Rs.	13,875	10,213

SCHEDULE – 6**SIGNIFICANT ACCOUNTING POLICIES WITH NOTES TO THE ACCOUNTS:****1. Accounting Policies:**

a) The financial statements are prepared under the historical cost convention, in accordance with the generally accepted accounting principles accepted in India and comply with the Companies (Accounting Standard) Rules, 2006 issued by the Central Government and relevant provisions of Companies Act, 1956 to the extent possible.

b) Investments are considered as long-term investments and include cost of acquisition and other related expenses. Provision for diminution in value of investments is made if the fall in value is other than of a temporary nature.

c) The company has from 01-04-2001, decided to comply with the requirements of Accounting Standard 22 (AS-22) on Accounting for taxes on Income. Income tax expense will henceforth comprises current tax and deferred tax charge or release. Where there is carry forward losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Other deferred tax assets are recognized only to the extent there is reasonable certainty of realisation in future.

d) Revenue Recognition

Dividend income is recognized when the right to receive the same is established.

2. The company during 1998-99 acquired 3,15,595 equity shares in the capital of NILE LIMITED for a total consideration of Rs.1,83,74,247/- NILE Ltd. has rejected the registration of transfer of the said shares. Petition filed by the company before Company Law Board, Chennai was dismissed. Thereafter, the company's appeal before Andhra Pradesh High Court was dismissed by a single judge in 2001. There against, the company preferred appeal before divisional bench, which has been admitted.

The company has also filed writ petition in the Bombay High Court, challenging the ruling of Department of Company Affairs, which had opined that the provisions of Section 108-A of the Companies Act, 1956 are applicable to the company. The said writ has been admitted and is pending for hearing.

3. Earnings per share :

a) The amount used as numerator in calculating basic and diluted earning per share is the net profit/(loss) for the year disclosed in the Profit and loss account.

b) The weighted average number of equity share used as denominator in calculating both basic and diluted earnings per share is 2,60,000.

4. Company's operates in one segment i.e. investment. Hence, segment reporting as required under Accounting Standard 17 is not disclosed.

5. The details in terms of Accounting Standard 18 regarding Related Party disclosure are provided here below:

Particular	Nature of Relationship
GMM Pfadler Ltd.	Holding Company
Karamsad Holdings Ltd.	Fellow Subsidiary

Note: No transaction have been carried out with above referred Related parties during the year, except the opening balances continue to remain as closing balances.

6. Auditors' Remuneration :	2007-2008 Rupees	2006-2007 Rupees
a) Statutory Audit Fees	8,989	5,612
b) Tax matters	3,933	3,000
c) Out of Pocket Expenses	848	200

7. The company has been legally advised that it is not a non-banking financial company within the meaning of Reserve Bank of India Act, 1934.

8. Since the company is not carrying out manufacturing activities, the details prescribed under the provisions of paragraph 4 (c) of Part II of Schedule VI of the companies Act, 1956 are not presented.

9. Particulars :	2007-2008	2006-2007
a) C.I.F. value of imports	Nil	Nil
b) Expenditure in foreign currencies	Nil	Nil
c) Earning in foreign currencies	Nil	Nil

10. Previous year figures have been re-grouped, wherever necessary to make them comparable with current year.

11. BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE.

I Registration Details			
Registration No.	04-32513	State Code	04
Balance Sheet Date	31.03.2008		

II Capital raised during the year:			
Public Issue	Nil	Private Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III Position of Mobilisation & Deployment of Funds (Rupees in Thousand)			
Total Liabilities	18,589	Total Assets	18,589
Sources of Funds :			
Paid up Capital	2,600	Reserves & Surplus	(-) 212
Secured Loans	Nil	Unsecured Loans	15,989
Application of Funds :			
Net Fixed Assets	Nil	Investments	18,374
Net Current Assets	2	Miscellaneous Exp.	Nil

IV Performances of Company (Rupees in Thousands)			
Turnover	Nil	Total Expenditure	(-) 16
Profit (+)/ Loss (-)		Profit (+) / Loss (-)	
before Tax	(-) 16	after Tax	(-) 16
Earning per share in Rs. (-) 0.061			

V Generic names of three principal products/services of company.
The clause is considered as not applicable.

As per our report of even date

For KANTILAL PATEL & CO.
CHARTERED ACCOUNTANTS

For and on behalf of the Board

Arpit K. Patel
Partner
M. No. : 34032

Ashok C. Pillai Chairman
A. N. Mohanty Director

Place : Ahmedabad
Date : July 1, 2008

Place : Mumbai
Date : July 1, 2008

GMM PFAUDLER LIMITED

Annual Report 2007 - 2008

REGISTERED OFFICE & WORKS

Vithal Udyognagar,
Anand Sojitra Road,
Karamsad - 388 325.
Gujarat.
Tel: (02692) 230 416, 230 516, 236 562
Fax: (02692) 236 570, 236 467
Email: worksko@gmmpfaudler.co.in

CORPORATE OFFICE

1001, Peninsula Towers,
Peninsula Corporate Park,
Ganpatrao Kadam Marg,
Lower Parel (West),
Mumbai - 400 013.
Tel: (+ 91 - 022) 6650 3900
Fax: (+ 91 - 022) 6650 3939
Email: corporate@gmmpfaudler.co.in

SALES OFFICES

Ahmedabad

2, B Jadhav Chambers,
3rd Floor, Ashram Road,
Ahmedabad - 380 009.
Tel: (079) 2754 6822, 2754 6924
Fax: (079) 2754 6894
Email: sales.ahmd@gmmpfaudler.co.in

Hyderabad

Plot No. 53 A, 1st Floor, Paigah Colony,
Opp. Professional Courier,
Hyderabad - 500 003.
Tel: (040) 2772 1008
Fax: (040) 2784 6646
Email: sales.hyd@gmmpfaudler.co.in

Bangalore

2312, C/o Pan Asia Business Services,
Vittal Mallya Road,
Bangalore - 560 001.
Tel: (080) 2227 5308
Fax: (080) 2227 5604
Email: sambarish@gmmpfaudler.co.in

New Delhi

210, 2nd Floor,
Pragati Tower, 26, Rajendra Place,
New Delhi - 110 008.
Tel: (011) 2572 1566
Fax: (011) 2581 4913
Email: sales.del@gmmpfaudler.co.in

Chennai

"City Center" No. 4,
No. 39, Ground Floor,
Thirumallai Pillai Road, T. Nagar,
Chennai - 600 017.
Tel: (044) 2815 7906
Fax: (044) 2815 8249
Email: sales.chn@gmmpfaudler.co.in

Vadodara

227, Sidharth Complex,
R. C. Dutta Road,
Alkapuri,
Vadodara - 390 005.
Tel: (0265) 235 4790
Fax: (0265) 231 1482
Email: sales.vad@gmmpfaudler.co.in

GMM PFAUDLER LIMITED

Registered Office : Vithal Udyog Nagar, Karamsad 388 325

Please complete the attendance slip and hand over at the entrance of the meeting hall. Please also bring along your copy of the Annual Report.

ATTENDANCE SLIP

I / We hereby record my / our presence at the 45th Annual General Meeting of the Company at Sardar Patel Memorial, Anand- Sojitra Road, Karamsad 388 325, Gujarat on Thursday, September 25, 2008 at 10.00 am.

For Physical Holding LF No.	For Electronic Form (Demat) NSDL/CDSL		No. of Shares
	DP ID	CLIENT ID	
NAME OF THE MEMBER / JOINT MEMBERS (S) (IN BLOCK CAPITALS):			

SIGNATURE OF THE MEMBER/
JOINT MEMBER(S) / PROXY

GMM PFAUDLER LIMITED

Registered Office : Vithal Udyog Nagar, Karamsad 388 325

PROXY FORM

For Physical Holding LF No.	For Electronic Form (Demat) NSDL/CDSL		No. of Shares
	DP ID	CLIENT ID	

I/We _____
of _____
being a member/members of GMM Pfaudler Limited hereby appoint _____
of _____ or failing him _____
of _____ as my/our Proxy to attend and vote for me/us on my/our behalf at
the 45th Annual General Meeting of the Company to be held on September 25, 2008 and at any adjournment thereof.
Signed this _____ day of September, 2008.

Affix
One Rupee
Revenue
Stamp

- Notes:**
1. Proxy form must reach the Company's Registered office not less than 48 hours before the Meeting.
 2. The form should be signed across the stamp as per specimen signature registered with the Company.
 3. A Proxy need not be a member.



GMM PFAUDLER LIMITED

Corporate & Sales Office:
1001, Peninsula Towers,
Peninsula Corporate Park,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai - 400 013
Tel.: +91- 22 6650 3900
Fax.: +91- 22 6650 3939
E - mail : corporate@gmmpfaudler.co.in

Registered Office & Works:
Vithal Udyognagar, Anand - Sojitra Road
KARAMSAD - 388 325
Tel.: (02692) 230416 / 230516
Fax.: (02692) 236467
E - mail : worksko@gmmpfaudler.co.in

Registered Sales Offices:
Ahmedabad: Tel.; (079) 2754 6924, 2754 6822, Fax: (079) 2754 6894
E - mail: sales.ahmd@gmmpfaudler.co.in
Bangalore: Tel.; (080) 2227 5308, Fax: (080) 2227 5604
E - mail: sambarish@gmmpfaudler.co.in
Chennai: Tel.; (044) 2815 7906, Fax: (044) 2815 8249
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