

Board of Directors

(As on July 30, 2008)

Prabhakar Ram Tripathi	Chairman
E. Sudhir Reddy	Vice Chairman
E. Sunil Reddy	Managing Director
S. C. Sekaran	Executive Director
R. Balarami Reddy	Director
K.H.K. Prasad	Director
T.N. Chaturvedi	Director
Shailendra Kumar Tamotia*	Director
<i>*(Appointed w.e.f. March 1, 2008)</i>	
M. L. Majumdar*	Director
<i>*(Appointed w.e.f. July 30, 2008)</i>	

Company Secretary

Pragya Kaul

Auditors

Chaturvedi & Partners

Internal Auditors

Aneja & Associates

Registrar and Transfer Agents

Karvy Computershare Pvt. Ltd.
Karvy House 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500 034

Registered Office

Dorr- Oliver House,
Chakala, Andheri (East)
Mumbai – 400 099

Solicitors & Advocates

Kanga & Co.
Crawford Bayley & Co.
Little & Co.

Works

5/1/2 G.I.D.C., Vatva, Ahmedabad 382 445

Bankers

Bank of India

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Annual General Meeting will be held on Monday, September 1, 2008 at 3:00 p.m. at The Mirador, New Link Road, Chakala, Andheri East, Mumbai-400 099. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies to the meeting.

Chairman's Message

Dear Shareholders,

It gives me a great pleasure to present the annual report of the company for the financial year 2007-08 and share with you the success of our organization. The initiatives conceived under our strategic plan have yielded positive results. No wonder then that the year that went by has been a successful one in terms of overall growth and profitability.

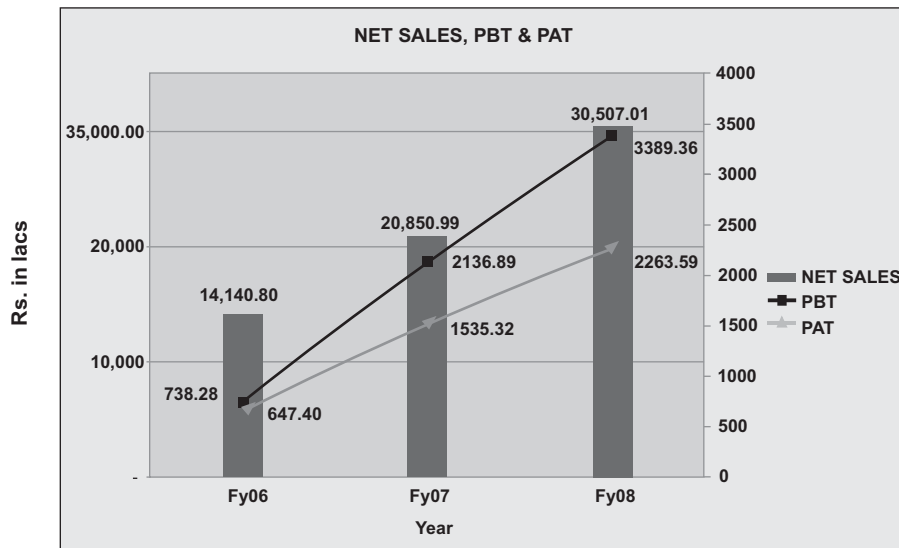
You may appreciate the fact that India, during the last year, has drawn the world's attention as an emerging economy with a promising future. It is seen as a knowledge driven economy with a new breed of entrepreneurs and professionals aspiring to take the big leap. The spirit of entrepreneurship, mentorship and positive attitude of the Company today is symbolic of the emerging India.

This spirit has seen your Company grow into a preferred technology partner for global players. In this enabling business environment, we expect to continue with our robust performance, supported strongly by our EPC capabilities, engineering technology, huge manufacturing set-up, extensive network of marketing, competitive cost structure and reduced response time to business turns and committed employees.

On Financial Front

The financial performance of your Company for the year ended March 31, 2008 was as follows:

The Profit after Tax was up at Rs. 2263 lacs for FY08 as against Rs. 1535 lacs for FY07. This is on a Revenue of Rs. 30507 lacs for FY08 when compared to Rs 20851 lacs for Fy07. The EBIDTA for the year was Rs. 4012 lacs as against Rs. 2370 lacs for Fy07.



A stimulating business environment coupled with a slew of measures taken by the Company for improvement of operational efficiency, introduction of risk management framework and adoption of well-researched methodology when it comes to selection of projects have led to impressive performance.

We are now seeking out growth opportunities by taking a multi-pronged approach of mapping our best strengths and the best opportunities available. We at HDO believe that the Company is ready to deliver certainty and confidence to the investment community that our growth will be in line with the market potential and I am confident that your Company will continue to be a key player in this arena in the years ahead.

With bestwishes,

P.R. Tripathi
Chairman

Vice-Chairman's Message

Dear Shareholders,

The year 2007-08 has been a momentous transformational year in the history of your Company. It has been proved that the Company has in its DNA to learn and assimilate best practices for rapid and broad based growth to realize its vision of becoming a world class leader in creation of shareholder value.

Your Company performed well on all the financial parameters and recorded substantial growth driven by an all round performance by most of our businesses and the mega orders that propelled our growth forward. We continually remember and reinforce the basis of executing effectively and excellently. With this consistent growth, I believe that we have been successful in building a strong foundation on which we can now build a solid and stronger organization.

To build further on the successes achieved by the Company and given our commitment to becoming a knowledge based premium conglomerate, we have embarked on increased investments in all aspects - engineering, manufacturing, people, capacity expansion both domestically and internationally, brand building and various other projects. We are confident that these spends will enable us to maintain our growth trajectory in the future.

During the year, your Company was accredited with ISO 9001:2000, ISO 14001:2004 and OHSAS certification which are validation of your Company's commitment as a corporate citizen towards the environment.

OUR AXIS OF GROWTH

Employee Excellence

- Employ talented and skilled workers
- Create a strong pool of engineers to handle turnkey solutions in various disciplines.
- Allow teams to have their marketing set-ups for increasing business.

Business Verticals

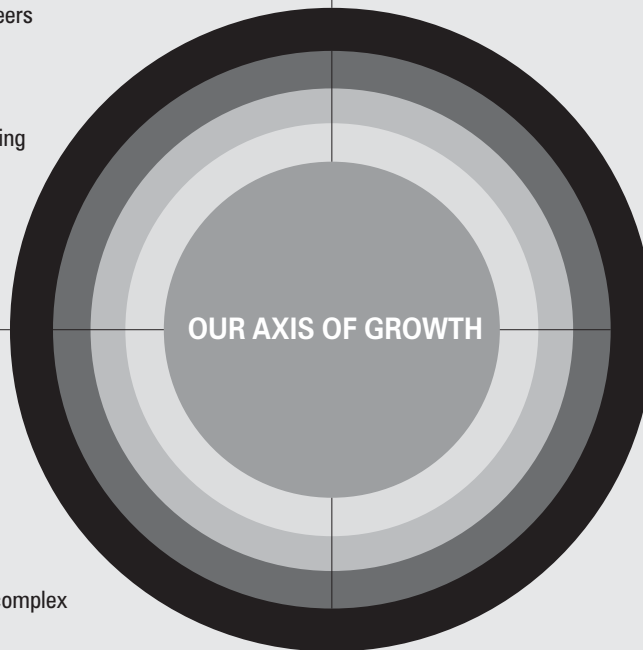
- Manufacturing
- EPC Projects
- Knowledge Process
- Outsourcing

Operational Strengths

- Research & Development
- Facility certified by Dept. of Science & Technology, Govt. of India.
- Facility is equipped with all Analytical Equipment for conducting tests on various complex pollutants.
- Capability of conducting pilot plant test works as per the requirements of clients at their sites.

Cordial Relations with Investors

- Dissemination of vital information to shareholders.
- Stay connected to investors.
- 24/7 Constantly take feedback form investors



Vice-Chairman's Message

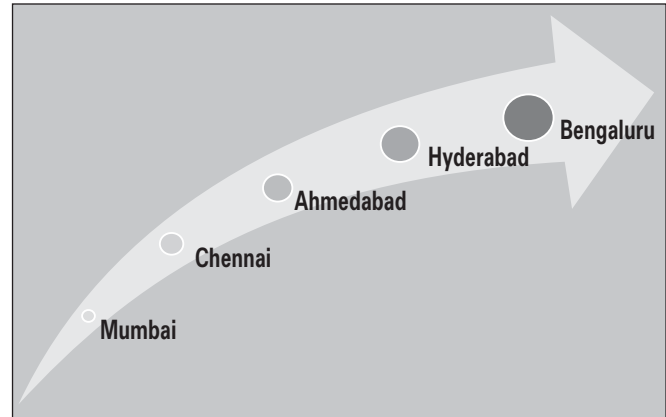
Cashing in on KPO Wave

This year around, we have decided to cash in on the Knowledge Process Outsourcing (KPO) wave. Be assured that this is a well thought out move from the stables of your company.

According to a report of National Association of Software and Services Companies (NASSCOM), KPO business is expected to reach USD\$ 17 billion by 2010, of which US\$ 12 billion would be outsourced to India. Another report predicts that India will capture more than 70 percent of the KPO sector by 2010. Apart from India, countries such as Russia, China, Czech Republic, Ireland, and Israel are also expected to join the KPO industry.

At HDO our strategy is to pursue engineering services opportunities in KPO in general with special emphasis on various business verticals that your company is already into.

As you are aware, we have forayed into KPO business by making a start from Mumbai. This fiscal, we have successfully added Chennai and Ahmedabad and we are going to add Hyderabad and Bengaluru to our list of KPO centers in the next fiscal.



Human Centric approach

To sustain the momentum of your Company, we realize the need to lay a solid foundation of people, processes and system. Employees have been a key pillar in our successes. None of this would have occurred without the dedication and effort of your Company's employees. They have performed magnificently on all fronts and deserve all the thanks.

For our HR team, talent acquisition and retention is always a challenging task. To ensure existence of vibrant and motivated workforce, the company's HR Division often renews, rejuvenates, and keeps upgrading its recruitment procedures.

Road Ahead

Having tasted success, we are becoming more and more demanding and hungry for growth. Towards this end, we shall keep looking around for new opportunities emerging from hydrocarbon, infrastructure, power, oil & gas, minerals & metals and other industrial sectors.

Powered by the talent of our people and vesting reaffirmed faith in the resilience of our business, we look forward to overcoming any challenges that may lie ahead of us.

I wish to express my appreciation to my colleagues on the Board and our employees for their dedication and commitment. We thank our investors, employees and all our stakeholders as we enter a new phase of our journey with determination and optimism.

Warm Regards

E. Sudhir Reddy

Vice-Chairman



Boring machine



A view of fabrication facility

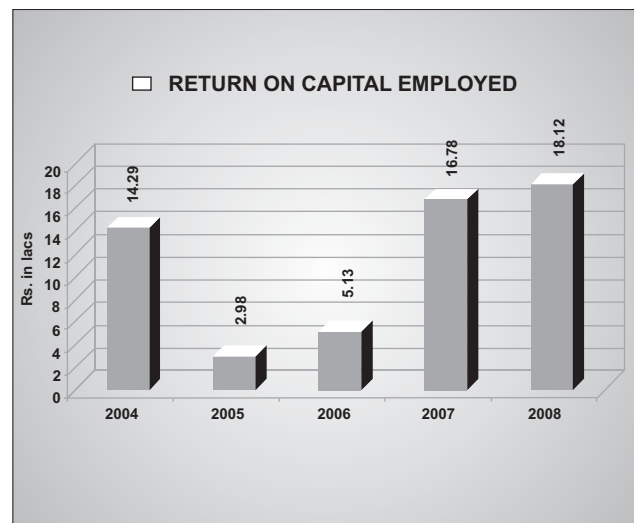
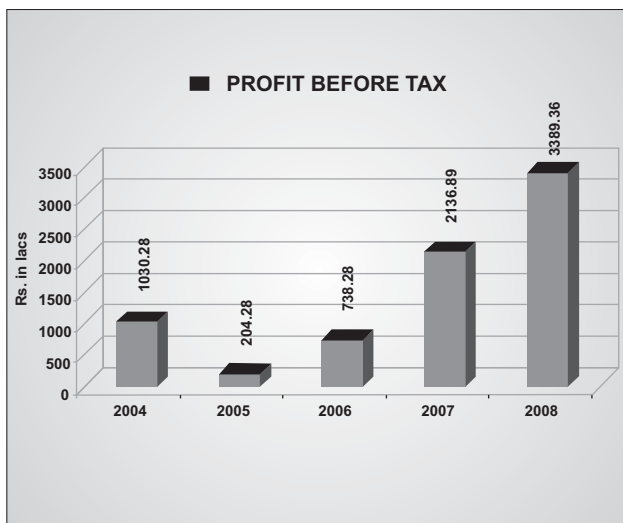
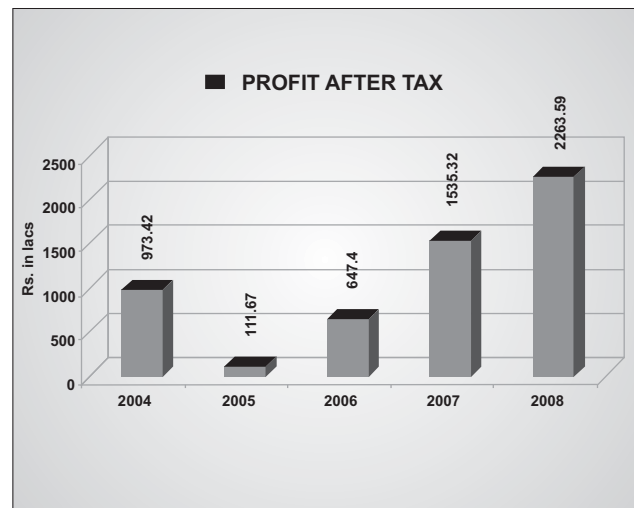
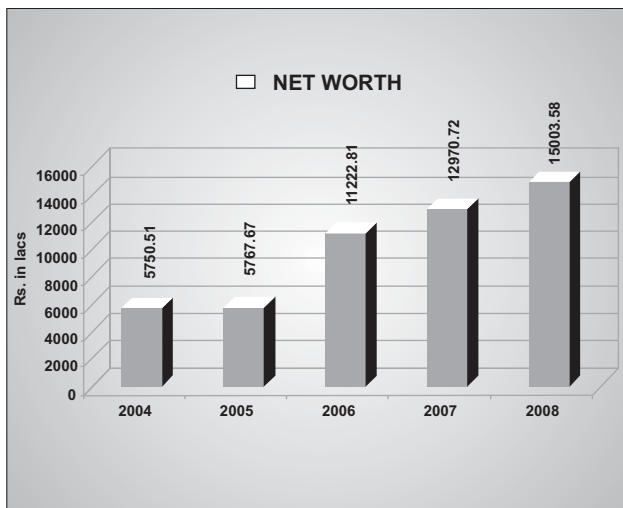
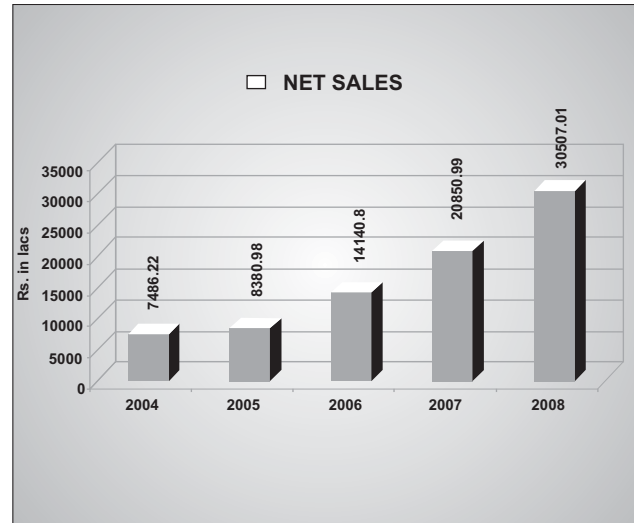
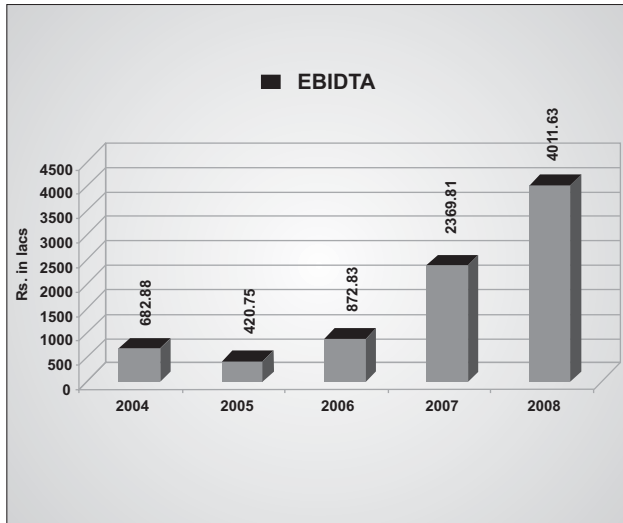
Financial Highlights

	31.03.08	31.03.07	31.03.06	31.03.05	31.03.04
CAPITAL ACCOUNTS: (Rs.in Lacs)					
Net Worth*					
(including Revaluation Reserve)	15,003.58	12,970.72	11,222.81	5,767.67	5,750.51
Borrowings	4,071.92	-	3,415.40	1,336.95	1,716.52
Gross Block	6,239.46	5,382.55	4,992.57	4,662.67	4,638.44
Net Block	4,321.48	3,533.00	3,188.72	2,595.87	2,654.94
Net Current Assets	14,384.74	9,205.41	11,198.48	4,254.85	4,555.58
REVENUE ACCOUNTS: (Rs. in Lacs)					
Sales	30,507.01	20,850.99	14,140.80	8,380.98	7,486.22
Other Income	598.50	508.65	246.90	297.65	124.45
Profit from Operations	3,771.69	2,212.25	798.42	402.77	1,212.20
Interest	382.33	75.36	60.14	198.49	181.92
Profit before tax	3,389.36	2,136.89	738.28	204.28	1,030.28
Profit after tax	2,263.59	1,535.32	647.40	111.67	973.42
Net Earning for Appropriations	4,068.32	2,715.33	1,512.29	942.29	1,011.69
Dividend (Excluding Corporate Dividend Tax)	216.02	180.01	116.01	50.77	50.77
Retained Earnings	3,815.59	2,504.73	1,380.01	884.89	850.12
SELECTED INDICATORS:					
Return on Capital Employed (%)	18.12	16.78	5.13	2.98	14.29
Current Ratio	1.63:1	1.58:1	2.82:1	1.65:1	2.01:1
Borrowing/Shareholders' Funds	032:1	0.0:1	0.38:1	0.38:1	0.50:1
Sales/Shareholders' Funds (times)	2.36	1.92	1.58	2.41	2.18
Earning per share (Rupees)**	6.29	4.32	2.61	0.53	3.57
Dividend per share (Rupees)**	0.60	0.50	0.40	0.24	0.24
Book Value per share* (Rupees)**	41.67	36.03	38.48	27.27	27.19
Market Value per share - High (Rupees)**	199.00	200.83	179.54	22.00	9.78
- Low (Rupees)**	56.55	57.00	22.21	4.55	2.75

*After Revaluation of Assets in the year 1989-90, 1992-93 and 1995-96.

** Adjusted to the face value of R.s 2/- each.

Performance Indicators



Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 33rd Annual Report and the audited accounts for the financial year ended March 31, 2008.

FINANCIAL RESULTS

The financial performance of the Company for the financial year ended March 31, 2008 is summarised below:

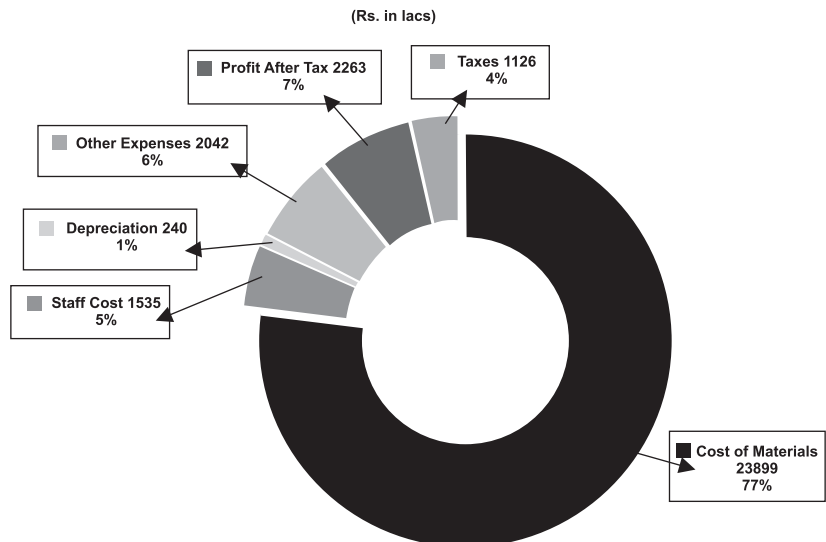
Particulars	(Rs. In Lacs)	
	Year ended March 31, 2008	Year ended March 31, 2007
Net Sales	30,507.01	20,850.99
Other Income	598.50	508.65
Total Income	31,105.51	21,359.64
Profit from Ordinary Activities before Tax	3389.36	2136.89
Provision for taxation	1,120.19	689.29
Tax adjustments for earlier years	5.58	-87.72
Profit after taxation	2,263.59	1,535.32
Balance brought forward from previous year	1,804.73	1,180.01
Balance available for appropriation	4,068.32	2,715.33
Appropriations		
Proposed dividend for the financial year at the rate of 30% @ Rs. 0.60 per share	216.02	180.01
Corporate Dividend Tax	36.71	30.59
Transfer to General Reserve	1,200.00	700.00
Retained profits carried forward to Balance Sheet	2,615.59	1,804.73

PERFORMANCE

The Financial Year 2007-08 can indeed be termed as a landmark year for your company both in terms of financial and operational performance. Your Company has achieved excellent results amidst challenging and volatile market conditions.

While Turnover increased by 46% and rose to Rs. 30507.01 lacs, your Company has turned in an impressive operational performance with Profit before Tax standing at Rs. 3389.36 lacs, a healthy rise of 59% over the previous year, whereas Profit after Tax increased by 47%. The EBIDTA rose by 69% to Rs. 4011.63 lacs as compared to Rs. 2369.89 lacs for the previous year.

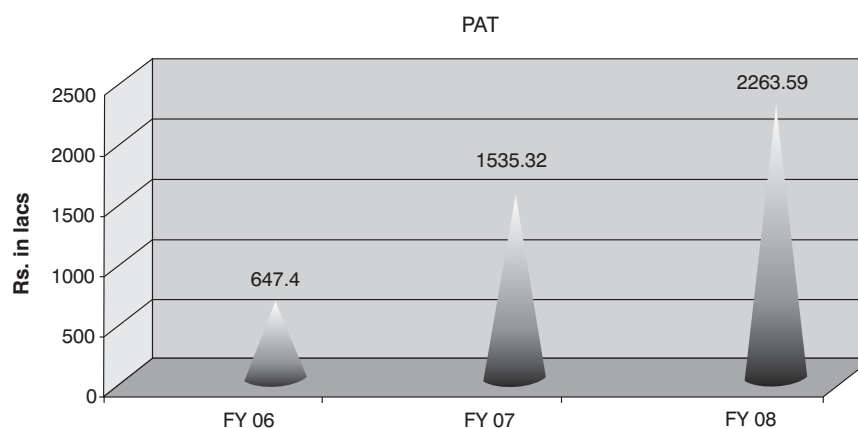
Distribution of Revenue 2008



Directors' Report contd.

Your Company undertook major initiatives at improving productivity, Systems & Practices, throughout its entire range of operations. In an effort to usher in transparency, reduce paper work, and enhance MIS control, your Company has opted for ERP solution and since the Company has multiple plant locations with several product divisions, we are in the process of implementing SAP systems on single Server Platform for authenticity of data and management reporting.

Further, your Company's timely decision to diversify into manufacture of pressure vessels/ heat exchangers in Oil & Gas and Power Sector (in view of emerging market opportunities) will have far reaching positive consequences as far as the operating margins are concerned.



DIVIDEND

The Company aims at creating shareholders wealth. Towards this end, the dividend policy has been structured with a view to effectively balance the twin objectives of appropriately rewarding the shareholders with cash dividend and to plough back a portion of the earnings to meet company's future investment needs.

Keeping in view the overall performance of your Company, your Directors are pleased to recommend a dividend of 30% i.e. Rs. 0.60 per Equity Share of Rs.2/- each for the year 2007-08. (2006-07: 25%).

TRANSFER TO RESERVES

The Company proposes to transfer Rs. 1200 lacs to the General Reserve out of the amount available for appropriations and an amount of Rs. 2615.59 lacs is proposed to be retained in the Profit & Loss Account.

FUTURE PROSPECTS

Your Company will continue to pursue its strategy to achieve faster growth through both organic and inorganic route options.

Shareholders wealth shall be created with focussed efforts on business development and mutually rewarding partnerships.

Your Company is focusing in high growth sectors of Oil business, in Manufacturing, Design & Engineering activities of KPO and large scale EPC Projects in Mineral Beneficiation & Environment Sectors.

Leveraging on its core competency in Design & Engineering, Manufacturing & EPC superior project capabilities, your Company has uniquely positioned itself to take advantage of all emerging opportunities in the field of Alumina & Steel industry. This makes your Company a preferred partner for major Alumina expansion projects with Vedanta, Utkal, Anrakal and Jindal grass root refinery. These projects with huge capital expenditure are under advanced stage of finalization.

In Mineral Beneficiation sector, Company has tied-up with global market leaders like M/s Bateman Minerals & Metals, South Africa for Uranium Alkali Bleaching Technology, M/s Alfa Laval, Denmark for Evaporation Technology and M/s Bokela, Germany for security filtration Technology.

In these changing times where there is a seemingly global manufacturing shift to Asia owing to Quality and Cost Competitiveness, it heralds new opportunity to exploit manufacture of pressure vessels and heat exchangers. The expansion-cum-modernization of manufacturing facility of your Company is at an advanced stage of completion and HDO has orders from Companies of the likes of MRPL, IOCL, Reliance Jamnagar Refinery, and host of others. This clearly goes to show that your company has been listed under the approved vendors by EIL for manufacture of major process plant equipments for chemical industries.

Directors' Report contd.

HDO TECHNOLOGIES LIMITED – AN EMERGING SUBSIDIARY

Your Company's newly formed subsidiary - HDO Technologies Limited is well positioned to rapidly expand its existing business of Knowledge Process Outsourcing (KPO) with sufficient provision for future growth and expansion.

The subsidiary has inducted qualified talented engineers of multi disciplines with proven domain expertise at KPO centers at Chennai, Mumbai and Ahmedabad. HDO is geared to capture overseas companies eyeing Indian Market for outsourcing their high-tech knowledge based jobs.

In compliance with the provisions of Section 212 of the Companies Act, 1956, copies of the Balance Sheet, Profit & Loss Accounts, Reports of the Directors and Auditors and other relevant statements in respect of HDO Technologies Limited, a wholly owned subsidiary of our Company are attached to the Balance Sheet of your Company as on March 31, 2008.

EMPLOYEE STOCK OPTION SCHEME

The Company granted 1,43,750 Options during the year to the eligible employees of the Company. It is proposed to extend the Scheme to employees of your subsidiary and to evaluate the grants on the basis of intrinsic value subject to the compliance of the provisions of the Guidelines for which the shareholders consent is being sought.

Information relating to stock option in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme) and (Employee Stock Purchase Scheme) Guidelines, 1999, as amended is annexed to this Report marked Annexure I.

PUBLIC DEPOSITS

The Company did not accept any fixed deposits from public during the year. 19 depositors had not claimed their deposits amounting to Rs. 2.85 lacs as on March 31, 2008.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance. The Report on Corporate Governance and Auditors' Certificate regarding compliance with conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges forms part of the Annual Report.

The declaration regarding compliance with Code of Business Conduct and Ethics for Directors and Senior Management forms part of Report on Corporate Governance.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion & Analysis Report for the year under review as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is presented separately in the Annual Report.

DIRECTORS

Mr. Prabhakar Ram Tripathi and Mr. T. N. Chaturvedi retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Dr. Shailendra Kumar Tamotia was appointed as Additional Director of the Company w.e.f March 1, 2008 and is eligible for appointment at the ensuing Annual General Meeting.

Mr. M. L. Majumdar was appointed as Additional Director of the Company w.e.f. July 30, 2008 and is eligible for appointment at the ensuing Annual General Meeting.

AUDITORS

M/s. Chaturvedi & Partners, Chartered Accountants, Statutory Auditors of the the Company will retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment .

The Company has received a confirmation from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

INTERNAL AUDITORS

M/s Aneja & Associates, Chartered Accountants, Mumbai are the Internal Auditors of the Company and they monitor the internal control system of the Company at its works at Vatwa , Ahmedabad and Mumbai office.

Directors' Report contd.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION ETC.

Your Company's new Research & Development centre at Vatva, Ahmedabad has been commissioned and is running successfully.

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo as required to be disclosed under the Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed to this report marked Annexure II.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees are set out in the Annexure – III to the Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended on March 31, 2008 and of the profit of the Company for that year;
- (iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The Directors have prepared the annual accounts on a going concern basis.

INDUSTRIAL RELATIONS

The Company continued to have cordial and harmonious relations with its employees.

HEALTH, SAFETY & ENVIRONMENT

HDO firmly believes that healthy mind leads to healthy body, thereby improving the overall productivity. Based on this premise, topmost priority has been given to Health and Safety of the employees.

The Health & Safety Policy of the Company aims to achieve global safety and health standards. Non-polluting manufacturing processes, scrupulous compliance with environmental norms and development of environmental products form the cornerstone of the Company's commitment to environment protection.

The Environmental management initiative saw your Company being accredited with ISO 9001:2000, ISO 14001: 2004 and OHSAS 18001:2007 certification. This reaffirms your Company as a responsible corporate citizen.

The Company conducts on-going safety awareness programmes which together with safety audits and continual safety training strengthen the processes and systems in this area. The Company also conducts continuous training of the staff at all levels regarding SHE issues, with experts being invited to train the senior management.

A Company wide programme has been initiated to upgrade current systems and policies with the prime focus of setting quantifiable and measurable quality objectives to achieve business goals and enhance client satisfaction. Process improvements arising out of this are regularly monitored.

Upgradation of safety procedures at project sites and training has been of prime importance as a part of workplace safety.

As a part of its commitment to environment, which has always been in the forefront, your Company has taken up several environmental management initiatives and remains committed to clean environment.

As a leader in waste management technology market, HDO provides complete solutions for waste reduction and water conservation for broad spectrum of industries like refineries, minerals, pulp and paper, sugar, etc. Negotiations are being held with various State Government organisations to provide fluoride free water in fluoride prone villages.

Directors' Report contd.

ACKNOWLEDGEMENT

The Directors would like to express their appreciation for support and cooperation received from the holding company, bankers, financial institutions, suppliers, associates sub-contractors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services provided by the executives, staff and workers of the Company. The Board of Directors also thank all the employees for their contribution and continued cooperation throughout the year and is confident that new heights can be reached in improving the stakeholder value in the Company.

For and on Behalf of the Board

E . Sunil Reddy
Managing Director

S.C. Sekaran
Executive Director

July 30, 2008

Hyderabad

Directors' Report contd.

ANNEXURE I

The following table sets forth the particulars of the options under HDO:ESOP Scheme, 2005.

Particulars	HDO:ESOP – 2005
<i>Options approved by Members Of which:</i>	5,00,000
a) <i>Options Granted</i>	1,43,750
b) <i>The Pricing Formula</i>	Rs. 48/-
c) <i>Options vested</i>	1,43,750
d) <i>Options exercised</i>	Nil
e) <i>Option lapsed</i>	Nil
f) <i>Options re-issued</i>	Nil
g) <i>Options outstanding during the year</i>	3,56,250
h) <i>Options exercisable at the end of the year</i>	1,43,750
i) <i>Employee wise details of options granted to:</i> (Convertible into shares of Rs. 2/- each)	
(i) <i>Senior Managerial Personnel:</i>	
<i>Mr. P.K. Mishra</i>	1275
<i>Mr. M.G. Sahani</i>	1430
<i>Mr. S. Jawahar</i>	65
<i>Mr. K.P. Ghaisas</i>	2320
<i>Mr. V.R. Oza</i>	2100
<i>Mr. D.R. Char</i>	560
<i>Mr. P.D. Nathani</i>	1820
<i>Mr. P. Gopalakrishnan</i>	1365
<i>Mr. Saxena Mukesh</i>	980
<i>Mr. S.K. Mukherjee</i>	455
<i>Mr. Bhel Subodh</i>	420
<i>Mr. Niraj Narayan</i>	140
<i>Mr. R. Subramanian</i>	65
<i>Mr. T.N. Merchant</i>	1625
<i>Mr. K.S. Yadav</i>	780
(ii) <i>Any other employee who receives grants in any one year of option amounting to 5% or more of options granted during the year.</i>	Nil
(iii) <i>Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants/ conversions) of the Company at the time of grant.</i>	Nil
j) <i>Diluted earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with the International Accounting Standard (IAS) 33.</i>	Rs. 6.29 per share of Rs. 2/- each for 2007-08
k) <i>Employees Compensation Cost as per Intrinsic Value</i>	Rs. 57.09 lacs
<i>Employees Compensation Cost as per Fair Value</i>	Rs. 56.86 lacs
<i>Impact on Profits</i>	Rs. 0.23 lacs
<i>Impact on EPS</i>	Nil
l) <i>Weighted average exercise price</i>	Rs.48/- per share
<i>Weighted average fair value</i>	Rs. 143.42
	<i>Exercise Price is less than the Market Price for all options.</i>
m) <i>Assumptions used during the year to estimate the Fair value of options</i>	1. Risk-free interest rate - 5.98% 2. Expected life - 1 year 3. Expected volatility - 4.22% 4. The price of the underlying share in market at the time of option grant Rs.144/-per share

Directors' Report contd.

ANNEXURE II

Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

FORM A (See Rule 2)

Form for Disclosure of Particulars with respect to Conservation of Energy

	Year ended March 31, 2008	Year ended March 31, 2007
A. Power and fuel consumption		
1. Electricity		
(a) Purchased Unit (in lacs)	9.73KW	8.88KW
Total amount (Rs. In lacs)	45.74	40.04
Rate/unit (Rs.)	4.70	4.51
(b) Own Generation Unit (in lacs)	0.22KW	0.29KW
Total amount (Rs. In lacs)	2.36	3.02
Rate/unit (Rs.)	10.72	10.41
2. Coal (specify quality and where used)	Nil	Nil
3. Furnace oil	Nil	Nil
4. Others/internal generation (Diesel)	6600 Litres	8600 Litres
B. Consumption per unit of production		
Electricity (Per M.T.)	384.33 KW	389.64 KW
(Total Unit/total Production)		

FORM B

RESEARCH AND DEVELOPMENT

1. Specific areas in which R & D was carried out by the company.

Comprehensive laboratory and pilot plant studies conducted for beneficiation of uranium ore by a novel pressure alkaline leaching process at AMD facility at Hyderabad and UCIL Jaduguda

Detailed flowsheet developed for efficient and economical handling of copper tailings slurries for Hindustan Copper Limited, Khetri

Extensive studies done for optimizing various options for the dewatering of iron powder for Sundaram Fasteners Ltd

2. Benefits derived as a result of above R & D efforts.

Following the laboratory and pilot plant trials conducted for uranium ore beneficiation, BARC has recognized our testwork and developed the basic process submitted to UCIL. Based on this, a tender using Alkali Leaching process was floated by UCIL in the market. HDO has submitted Technical/Price bid for the same to Uranium Corporation of India.

Based on earlier laboratory testwork on red mud slurry, an order worth 70 crores was received from NALCO for a Red Mud Settler Washer system in their expansion activities.

The testwork helped establish design parameters resulting in bagging order from M/s Sundaram Fasteners for an Iron Dewatering System for supply of a Horizontal Belt Filter

3. Future Plan of action

The Company has started its new R&D laboratory at the factory site and plans to undertake laboratory and pilot scale studies on Mineral Beneficiation, Environment and in the Pulp & Paper field. Apart from this, it is also planned to create an accredited facility for the testing of water and wastewater with the approval of the Gujarat State Pollution Control Authority.

HDO is also seriously contemplating establishment of a metal testing facility to cater to its captive needs and at a later stage for external needs as well

Directors' Report contd.

4. Expenditure on R & D.

Capital	:	Nil
Recurring	:	Rs. 120.08 lacs
Total	:	Rs. 120.08 lacs
Total R & D expenditure as		
Percentage of total turnover.	:	Rs. 0.39 %

Technology absorption, adaptation and innovation.

1. Efforts, in brief, made towards technology absorption, adoption and innovation.

Ongoing Cooperation Agreement with Central Pulp and Paper Research Institute, Saharanpur and NEERI , Nagpur to work jointly and obtain research on technological developments in the fields of Pulp & Paper and Environment .

Tie-ups have been entered for Technology absorption and innovation with the following companies:

- GE Water & Process Technologies for Membrane Bioreactor technology.
- SFCU, Austria for Sequential Batch Reactor technology for effluent treatment.
- Meridith/Chemtex for Flue Gas Desulphurization technology in oil refineries.
- Bateman Minerals & Metals, South Africa for Alkali Pressure Leaching technology for uranium ore processing.
- Alfa Laval for evaporation plant technology in the alumina industry.
- Prayon, Belgium for phosphoric acid plants.
- Incro, Spain for fertilizer DAP/Nitro phosphate/NPK for Pipe Reactor technology.
- Technology tie-up with Prayon, Belgium for Phosphoric Acid Technology to keep in trends with concurrent Technologies.

2. Benefits as a result of the above efforts.

R & D Efforts coupled with acquisition of new technology have helped the company become a leading technology provider in various areas and enabled it to bid for projects in India as well as overseas. Due to our sustained efforts and improvements in technology, we could succeed in bagging three big ETP orders worth Rs 400 crores from leading public sector undertakings - HPCL, IOCI and BORL .

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.

Technology Imported	Year of Import	Has technology been fully Absorbed.
Membrane Bio-Reactor technology	2007 - 08	In progress
Sequencing Batch Reactor technology		
Flue Gas Desulphurization in oil refineries	2007 - 08	In progress
DAP/Nitro Phosphate/NPK for Pipe Reactor technology	2007 - 08	In progress
Phosphoric Acid Plant technology	2007 - 08	In progress
Alkali Leach Pressure Leaching technology	2007 - 08	In progress
Evaporation Plant in Alumina Refinery	2007 - 08	In progress

Foreign Exchange Earnings and Outgo

	(Rs. in lacs)	
	2007-08	2006-07
(i) Foreign Exchange earned	773.43	1314.51
(ii) Foreign Exchange used	2269.29	558.39

Directors' Report contd.

ANNEXURE III

Information as per section 217 (2A) read with the Companies (Particulars of Employees) Rules , 1975 and forming part of Directors' Report

for the year April 1, 2007 to March 31, 2008

Name	Age (In Years)	Qualification	Experience (In Years)	Date of Joining	Description & nature of duties	Gross Remuneration (Rs in lacs)	Last Employment Held
Mr. S. C. Sekaran	53	Masters in Statistics	30	8/9/2005	Executive Director	29.86	Ballarpur Industries Limited

Notes :

- (1) Gross remuneration as shown above includes Salary, Performance Incentive, House rent allowance and other allowances, Company's contribution to Provident Fund and Superannuation Scheme, Leave Travel Assistance, Medical Expenses reimbursed as per terms of appointment
- (2) Mr. S. C. Sekaran is not a relative of any Director of the Company.

For and on Behalf of the Board

E. Sunil Reddy
Managing Director

S.C. Sekaran
Executive Director

July 30, 2008
Hyderabad

Management Discussion & Analysis

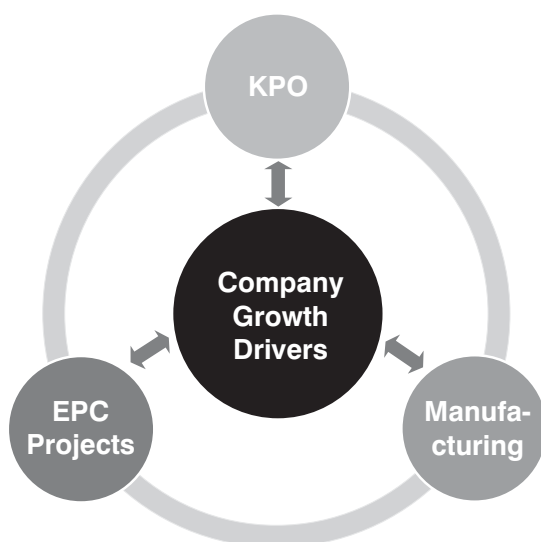
Overview

For the fiscal year ended March 2008, the Indian economy, characterized by strong macro-economic fundamentals, has grabbed the world's attention as one of the fastest growing economies with future promise. The nation has continued on its high growth trajectory registering an impressive GDP growth of 9% for 2007-08.

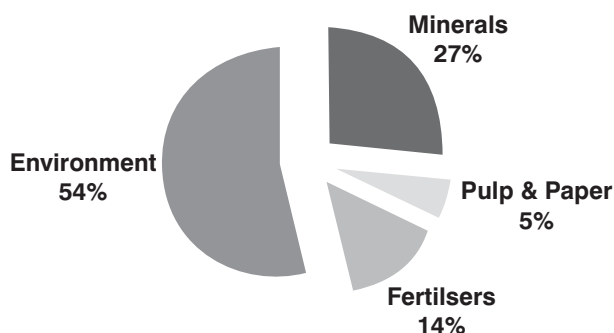
India is globalizing rapidly and is today a force to reckon with in the marketplace. India's rapid growth is creating wealth and jobs across the world. Your Company is an integral part of this evolution and has the social responsibility to accelerate India's growth by re-investing its cash flows in its business towards building better infrastructure.

Following the similar trend and buoyed by economic growth, within India and outside, all the business divisions of the Company have registered impressive performance in 2007-08. Manufacturing, Mineral Beneficiation and Environment business were the major contributing areas for the overall growth of your Company. The robust economic performance in the global manufacturing sector is leading to rebound in investment that will further sustain the growth of your Company.

Review of Business Divisions



Sectorwise orders booked for FY 2007-08



The outlook of your Company continues to be bright. It is expected that growth in Mining, Mineral Processing, Pulp and Paper, and Environmental Infrastructure Projects will continue to contribute towards growth of your Company in terms of volume and profitability. During first quarter of 2008-09, the order book position has improved to Rs. 1000 crores inclusive of orders booked this year.

The future of Knowledge Process Outsourcing (KPO) business in India presents an encouraging picture. The global KPO market is expected to grow at a cumulative annual growth rate of 46 percent and is expected to reach US\$ 17 billion by 2010. India is emerging as a global design and engineering hub as MNCs increasingly outsource industrial and engineering tasks for diverse industrial sectors to India. Your Company maintains the competitive advantage for providing the most cost effective and complete Engineering Solutions to all industrial sectors. Your Company has recruited trained and specialized professionals with diverse expertise and software like MS-Projects, PDIS and Microprotol for computer aided design to deliver shortened time scale, greater productivity and better quality.

Environment Management

As the water crisis deepens globally, the need for water and environment management is intensifying and increasingly water is becoming the focus of government, municipalities, industries and consumers.

Awareness of water contamination and the need for efficient water management, introduction of increasingly stringent regulations on rainwater harvesting, water recycle, water consumption & discharge and public litigation continue to drive the water and environment industry.

Management Discussion & Analysis Contd.

The huge investment in infrastructure development by government and private sector is another major factor driving this industry's growth and industry initiatives in developing innovative and cost-effective technologies that will address rising environmental concerns.

Companies are also increasingly adopting an environmentally sustainable approach in their production processes as well as intermediate and end products. All this augurs well for the water and environment industry in which your company is a leading player.

Your Company had already made the strategic move from water to the broader environment domain. The Company has established itself as a favored EPC partner for various multinational Companies like GE Water, USA, Cairn Energy, UK and Befesa, Spain for their projects in India and has secured orders for supply of Filters, Clarifiers & other pre-treatment systems and also for Design & Engineering services.



RO Plant at TCL-Mithapur



STP Plant at Jaipur

We now offer a complete portfolio of advanced environmental solutions for infrastructure, industrial, municipal and household applications spanning water, liquid & gaseous effluents, solid waste and generation of energy from waste. This is opening new vistas and business opportunities for your Company.

The following developments took place during the year:

Execution of seawater desalination project at Tata Chemicals – Mithapur along with a multinational Company which is recycling 10 MLD of fresh water back into the process plant.

Supply of crucial filtration equipment for 100 MLD capacity seawater desalination project being put up at Minjur in Tamil Nadu.

Received mega projects from IOCL-Haldia Refinery amounting to approximately Rs. 90 crores, Bharat Oman Refiners Ltd., amounting to Rs. 70 crores, and from Hindustan Petroleum Corporation Ltd., Mumbai, amounting to Rs. 115 crores.

Received an order from Coimbatore Municipal Corporation amounting to Rs. 40 crores, which shall again provide latest technologies in the municipal market and an order worth Rs. 51 crores from BPCL – Cochin for their new ETP facility at refinery.

Management Discussion & Analysis Contd.

Minerals & Metals Industry

Minerals & Metals industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

The country is set to grow at 11% industrial growth during 2008-09, thanks to major initiatives in power deregulation, infrastructure development, and faster industrialization. Estimates goes to show that an additional 12MTPA of aluminum is required to keep the metal growth story intact. This goes in favor of your Company's initiatives too.



Fume Treatment Plant at Vedanta site, Jharsuguda, Orissa

Minerals and metal sector continues to do better and more activities are expected in the coming years. Minerals & metals being the core business sectors for HDO, we are well positioned to seize the opportunities offered by Indian & Global market.

Since we offer engineering, procurement and construction services, we shall be associated with various projects starting from site fabrication and equipment fabrication. We have already carried out various projects in fields of iron & steel, aluminium, coal, zinc, copper, and others.

The major achievements of the Company during the year are as under:

bagged a prestigious order worth Rs. 76 Crs. from NALCO – Orissa for the expansion of capacity and the mechanical work is under progress.

major projects expected in the current financial year are Utkal Alumina Refinery of 1.5 MTPA, JSW Ltd, Alumina Refinery of 1.4 MTPA, Anrag Alumina Refinery, Order from Vedanta Aluminium Ltd. for expansion to 5 MTPA worth Rs. 250 crores.

technical tie up with Ms. Alfa Laval, Denmark for evaporation plant technology and secured order worth Rs. 105 crores for execution of evaporation package for their expansion in association with Alfa Laval.

technology tie up with Bateman for Alkali Pressure Leaching and submitted Bid worth Rs. 600 Crs. for their upcoming project of UCIL at Andhra Pradesh on EPC basis.

Fertilizers - Making Land More Fertile

The Indian fertilizer industry has come a long way since its early days post independence. India today is one of the largest producer and consumer of Fertilizers in the world.

The Fertilizer industry, given its strategic importance in ensuring self – sufficiency of food grain production in the country has for decades been under Government control. The Government has over the years, provided subsidies/concessions through the fertilizer companies to farmers and the manufacturers have been compensated through various schemes.

Management Discussion & Analysis Contd.

With the burgeoning subsidy bill and the need to focus on fiscal prudence, Government policies in recent times are aimed at encouraging efficiencies in the sector. Policy measures like the new pricing scheme have made the operations of less efficient players unviable. The Government policies today are oriented towards achieving the stated objective of total deregulation in the sector.

In the field of phosphates, on account of the limited availability of phosphoric acid and rock phosphate in the country, domestic units are dependent to a large extent on imports. In view of the limited availability of the main feedstock within the country, some fertilizer companies are exploring the possibility of setting up joint ventures abroad.

Your company's achievements during the year are as under:

Bagged order worth Rs. 82.00 crores from RCF, Mumbai for expansion of ANP granulation plant during the year.

Technical tie-up with M/s. Incro Spain for Pipe Reactor Technology

Technology tie-up with Prayon, Belgium for Phosphoric Acid Technology to keep in trends with concurrent Technologies and your company is regional licensee of Prayon, Belgium in India.

Pulp and Paper

The Indian paper consumption is presently less than 7 kg per capita, one of the lowest in the world. Hence, there is ample space to add weight. The Paper Industry is growing fast, with the current paper consumption of approx 8 million tones. An increase in consumption by 1 kg per capita will lead to an increase in demand of one million tones.



Recaust Plant Built for BILT

With the growing demand of Paper, your company is poised to make headway in the Fibreline area. Your Company has bagged orders worth Rs. 26 Crs. during the year from major market leaders like J.K. Paper, BILT for their recaust Plant augmentation and new Fiberline based on agro waste from K.R. Papers, Bindal Agro Ltd., ABC Papers and Satia Paper.

Your company is well equipped with the technology of the future in India, namely the TCF & ECF bleaching system wherein the hazardous pollutant such as Chlorine is eliminated thereby bringing down tremendous pollution load on the environment besides improving properties of the end product.

Your Company is currently working on the EPC tender from Nagaland Pulp & Paper Ltd. for their expansion cum modernization along with Tata Consulting Engineers at Tuli. With environmental norms getting stringent by the day, your company has gained strength in design, supply and setting up Reausticizing plant which helps in reuse of spent black liquor generated during the cooking process, converting it into useful white liquor thereby curbing pollution.



Fiberline at ABC Papers

Management Discussion & Analysis Contd.

Manufacturing – rolling out engineering products from World-Class Facility

Manufacturing products for in-house requirements is old-fashioned, rolling out engineering products from our new world-class facility to outsiders is where the action is.

The Company has the wherewithal to manufacture various kinds of industrial filters for industries of the likes of Pulp and Paper, Chemical Process and Minerals. This apart, we also make fabricated equipment like Pressure Vessels, Heat Exchangers, Rotary Dryers, Granulators so on and so forth.

At the manufacturing facility in Vatva, Ahmedabad, your company shall cater to outsourced manufacturing requirements of global multinationals apart from Indian customers. Your Company is focusing its attention on strengthening the manufacturing facility to leverage its competitive cost and core competence in Solid Liquid separation equipments.

Capital investment to the tune of Rs. 45.00 crores has been earmarked for expansion of facility at your works, inclusive of new equipments and expansion of covered area from 6250 sq.mt. to 13,500 sq.mts.

Critical Machineries like –

Products	Sourced From
CNC Drilling Machine	Dae-Yang, Korea.
CNC Profile Cutting Machine	L & T.
Plate Rolling Machine – 104 mm	Serton, Italy.
Shot blasting facility	Mac Shot.
VTL – Webster Bemet – 3 Mtrs .	twin table dia.

are being procured to make this facility of world-class standards.

Global leaders like Bokela-Germany, Alfa-Laval – Denmark and Alfa-Italy, are impressed with your manufacturing facility at Ahmedabad and they are desirous of outsourcing the manufacture of their non-critical components to HDO. This would be a win-win situation for both the parties. International companies can make themselves cost competitive and HDO can in turn gain the reputation of becoming a world class manufacturing facility.

In a bid to nurture your company's vision to create awareness about this world-class facility, your company has established a separate marketing setup to handle inquiries on process plant equipments like Pressure Vessels and Heat Exchangers.



Management Discussion & Analysis Contd.

This facility also hopes to cash in on the potential growth opportunities in oil & gas and power sector. During the year under review, orders worth Rs. 25 crore were booked for manufacturing of heat exchangers and pressure vessels in oil & gas and power sector.

Our clientele includes the key players in the industry right from L & T, HINDALCO and the names go up to BORL and several others for manufacture of pressure vessels/heat exchangers. Your company has executed 5.2 mtrs. dia Knock out Drum for Bharat Oman Refinery in single piece of manufacturing and it has also executed single largest pressure decanters of 6.5 mtrs. Dia for Hindalco.

INTEGRATED MANGEMENT SYSTEMS

Having laid down a well structured plan, your company is confident of achieving the goals in the years to come. With an intention to become globally competitive, HDO has embarked on IMS initiative to ensure QHSE – a way of life in all our activities. Health, Safety and Environment (HSE) is a high priority issue at Hindustan Dorr-Oliver Ltd.

HDO is now QES certified organization by M/s. International Standards Certification body, Australia.

To establish a direction towards attaining world-class environmental management, the Company has identified key performance indicators such as material consumption, energy efficiency, GHG emission, air quality, ozone depleting substances, water consumption. This truly puts your company into the leagues of a world-class environmentally managed company.

INTERNATIONAL BUSINESS

Your Company has dedicated International Business Group, which caters to global markets by providing electro-mechanical packages and EPC installations for its core business. Through its network of local business agents, your Company keeps close coordination with its overseas customers and provides sales and service. Your Company is in advanced stage of signing an MOU with global players for marketing and manufacturing. This is expected to open up new export opportunities for your company.

HUMAN RESOURCES

One of the “Key” reasons for the growth of HDO is undoubtedly its “people”. Given the right environment and nurturing that is provided, time and time again seemingly “Ordinary” people surprise the Company as they deliver “Extraordinary” results. This has indeed been the cornerstone of HDO's resounding success. While continuing to harness the limitless potential and capability of the Human Mind, Spirit and Energy, the Company constantly endeavours to provide a platform for individual opportunities and growth of its people across diverse businesses, manufacturing sites and services in multiple locations.

Talent acquisition and retention is therefore a focal point at all levels of management. The Company has launched many initiatives for its talent management viz. leadership development, sharpening performance management, revamping training & development and higher emoluments through compensation restructuring.

Major Initiatives:

ESOS (Employee Stock Option Scheme) – One of the widest programs of its kind in the Indian Corporate Sector, was introduced in the previous year, covering under its ambit as many as 400 employees. Keeping in view the Organisation's value and belief of creating “Owner Managers”, this program has helped achieve that vision in no uncertain terms with not just giving the people higher order responsibilities but returns as well to go with it. Such a wide spectrum, broad-based coverage of creating “entrepreneurs” has rarely been seen in Corporate India.

Job evaluation – HDO engaged a leading consulting firm in the area of Job evaluation and completed the “End – to – End” Job Evaluation exercise for its business. The Company now plans to roll this out to the rest of the organization. This would help the Company in building a platform for various initiatives – organization structuring, career planning, compensation and benefits planning – to name a few.

INTERNAL CONTROLS

The Company maintains a system of internal controls designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls, and compliance with applicable laws and regulations.

The organization is well structured and the policy guidelines are well documented with pre-defined authority. The Company has also implemented suitable controls to ensure that all resources are utilized optimally, financial transactions are reported with accuracy and there is strict compliance with all applicable compliance with all applicable laws and regulations.

The Company has put in place sufficient systems to ensure that assets are safeguarded against loss from unauthorized use of disposition and that transactions are authorized and reported. The Company also has an exhaustive budgetary control system to monitor all expenditures against approved budgets on an ongoing basis.

Management Discussion & Analysis Contd.

Your Company has in place an adequate and appropriate system of internal control to ensure efficacy of operations and compliance with applicable legislation. Towards achieving the same, your company has in place the following mechanisms:

Monthly Business Reviews for each Division by Senior Management

Comprehensive Compliance Framework with reporting from accountability levels to the Division and onwards to Senior Management and the Board.

Comprehensive Internal Audit Plans and regular Internal Audits of the Division with concentration on review of audit findings by the Audit Committee in addition to other business areas

Regular reporting to the Board on investor related matter as well as fulfillment of SEBI, listing Agreements requirements and other corporate laws.

Your Company is in the process of implementing SAP System on a single Server Platform for authenticity of data and management reporting.



Pressure vessel

RISK MANAGEMENT

While the businesses of the Company continue to expand, the attention of the management is increasingly being focused on risk management. Adhering to the stringent time and cost targets in executing mega projects is of critical significance. The Company has taken steps for establishing an effective risk management mechanism for monitoring the status of the significant risks and reviewing mitigation effectiveness.

CAUTIONARY STATEMENT

Statements in this Management discussion and analysis describing the company's objectives, projections, estimates and expectations may constitute "Forward Looking Statements" within the meaning of applicable laws and regulations. Actual results might defer materially from those either expressed or implied.

Management Discussion & Analysis Contd.

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Over View:

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The management of HDO accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein.

The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the state of affairs on the Balance Sheet date and profits of the Company for the year ended on that date.

The Company maintained its continual growth in terms of revenue and profitability in Fiscal 2008 also. The Company's total revenue increased to 31,105.51 lacs i.e. increased by 46% over fiscal 2007 and Net income (PAT) to 2,263.59 lacs, increased by 47% over fiscal 2007.

The revenues have grown substantially and the growth have been funded mainly through equity, debt and reinvestment of profits.

Financial Performance:

The state of the financial position, presented in the Balance Sheet as at March 31, 2008 are discussed below:

1. SHARE CAPITAL

At present, the Company has only one class of shares equity shares of par value of Rs 2/- each. The authorized share capital of the Company consists of 50,000,000 equity shares of Rs 2/- each amounting to Rs 1000 lacs.

The total paid up share capital as at March 31, 2008 stood at Rs 720.06 lacs.

A statement showing movement of share capital is given below:

	2008		2007	
	Equity Shares (No.)	(Rs. in lacs)	(Equity Shares (No.))	(Rs. in lacs)
Balance at the beginning	36,002,904	720.06	29,002,420	580.05
Shares issued - Bonus shares	-	-	6,000,484	120.01
Shares issued - Conversion of share warrants	-	-	1,000,000	20.00
Balance at the end	36,002,904	720.06	36,002,904	720.06

2. RESERVES AND SURPLUS

Revaluation Reserve:

The revaluation reserve amount of Rs 2089.74 lacs as on March 31, 2008 represents revaluation of some land and buildings carried out during 1989, 1993 and 1996 by certified valuers giving rise to addition of Rs 2756.92 lacs as reduced by depreciation on revalued portion of these assets up to March 31, 2008 Rs. 667.18. lacs.

General Reserve:

Out of the profits for the year Rs 1200 lacs has been transferred to general reserve and balance of Rs 810.86 lacs (after providing for dividend) has been retained in the profit and loss account.

The total Shareholder funds of the Company stood at Rs 15,003.58 lacs as on March 31, 2008 as compared to Rs 12,970.72 lacs (excluding share application) as on March 31, 2007. The book value per share having face value of Rs 2 is Rs 41.67 for the year ended March 31, 2008 as compared to Rs 36.03 as of the previous year end.

3. SECURED LOAN

The details of Secured Loans are discussed below:

	March 31, 2008 (Rs. in lacs)	March 31, 2007 (Rs. in lacs)
Term Loan	-	-
Working Capital Loans	4071.92	-
Total	4071.92	-

Management Discussion & Analysis Contd.

The Company has availed working capital loan from bank to finance its operations. The limit is optimally operated duly meeting the requirements of the bank in compliance with the terms of the loan agreement. The Company had to utilise the limit to the extent of Rs 4071.92 lacs during the year due to increased operations.

4. FIXED ASSETS

	March 31, 2008 (Rs. in lacs)	March 31, 2007 (Rs. in lacs)
Gross book value -		
Land	2126.02	1923.01
Buildings	1243.34	1110.17
Plant & Machinery	1153.30	1016.68
Vehicles	170.17	94.43
Other Assets	1379.52	1071.15
Intangible Assets	167.11	167.11
	6239.46	5382.55
Less: Depreciation and amortisation	2255.38	1998.95
Net Block	3984.08	3383.60
Add: Capital Work-in-progress	337.40	149.40
Net Fixed Assets	4321.48	3533.00
Depreciation		
as a % of revenue	0.77%	0.74%
as a % of gross block	3.85%	2.93%
Accumulated depreciation as a % to gross block	36.15%	37.14%

During the year, the Company has invested Rs 856.91 lacs (net) towards the addition to fixed assets. The additions are mainly in Leasehold Land Rs. 203.01 lacs, Building Rs. 133.17 lacs, Plant & machinery Rs. 145.38 lacs, Computers Rs. 154.91 lacs, Furniture & Fixtures Rs. 113.39 and vehicle Rs. 78.67 lacs. The deletions are mainly in Plant & machinery Rs. 8.76 lacs office equipment Rs. 5.66 lacs and vehicles Rs. 2.93 lacs. The entire capital expenditure was funded out of internal accruals.

6. DEFERRED TAX ASSETS & LIABILITIES

The Company accounts for deferred tax in compliance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India. The Company has recognised deferred tax expenses of Rs 40.43 lacs during the year. Net deferred tax asset has decreased from Rs 60.53 lacs as on March 31, 2007 to Rs 20.10 lacs as on March 31, 2008 due to increase in timing difference of depreciation charged to fixed assets.

7. INVESTMENTS

During the year, the Company invested Rs 190.23 lacs in HDFC Cash Management Saving Plus daily dividend plan. Total outstanding investment net of provisioning as at March 31, 2008 stood at Rs.349.18 lacs. The corresponding number as at March 31, 2007 was Rs. 171.78 lacs.

8. SUNDRY DEBTORS

Sundry debtors amount to Rs 11691.42 lacs as at March 31, 2008 as compared to such receivable amount of Rs 10253.73 lacs as at March 31, 2007. All these debtors are considered good and realisable including the overdue amount of Rs. 588.37 lacs. The management is making concerted efforts to recover the overdue receivables and hence no provision is considered necessary.

Debtors are 37.67% of revenues for the year ended March 31, 2008, as compared to 47.78% for the previous year, representing an outstanding of 138 days and 175 days of revenues for the respective years.

Management Discussion & Analysis Contd.

9. CASH & CASH EQUIVALENTS

	March 31, 2007 (Rs. in lacs)	March 31, 2008 (Rs. in lacs)
Cash & cheques on hand	27.83	63.58
Bank balances:		
Current accounts	79.83	616.79
Fixed deposit accounts	3612.58	3421.39
	3720.24	4101.76

Cash on hand and balance in current accounts comprises cash and bank balances in project sites, plant location and head office required to meet day to day needs of the growing business.

Major portion of the fund raised through equity-private placement have been kept in fixed deposit till the money is utilised for the specific purpose.

10. OTHER CURRENT ASSETS

The amount under this heading mainly consist of:

Unbilled Revenue Rs 4720.48 lacs (Rs 1821.77 lacs)

This represents amounts to be billed to some of the contractee clients in respect of revenue earned under the percentage completion method, followed by the Company, as reduced by that portion of such revenue already billed and receivable from those clients.

This unbilled revenue recoverable is a dynamic figure every quarter in as much as the revenue earned is arrived at every quarter under the same method duly adjusting in those quarters the billed revenue as well as the unbilled revenue carried over from the corresponding previous quarter.

Retention Money Rs 8251.89 lacs (Rs 4569.39 lacs)

The account represents the amounts retained by the clients towards performance security as a guarantee for satisfactory performance of the projects executed by the Company. All these amounts are regular except Rs. 252.47 lacs which is overdue. No provision has been made for the overdue amount since the Company is making concerted efforts for recovery.

11. LOANS AND ADVANCES

Advance income tax net of provisions Rs 362.19 lacs (Rs 277.20 lacs).

This mainly consists of tax deducted at source from contract revenue by the clients as per the provisions of the Income Tax Act, 1961 and advance tax paid as reduced by the income tax provisions made and/or assessed (undisputed). All undisputed liabilities have been fully adjusted against this account.

Advances recoverable in cash or in kind or for value to be received Rs. 2593.12 lacs (Rs. 797.56 lacs).

The account represents advances paid to various suppliers, sub-contractors etc., which are partly adjusted in the subsequent periods and the balance would also be recovered from their bill of services or otherwise. Hence all these amounts outstanding are considered realisable.

12. CURRENT LIABILITIES

Customers' advance payments Rs. 2121.86 lacs (Rs. 1665.39 lacs).

These advances, provided to the Company in the nature of short-term liabilities, are recovered from client bills. Some of the advances bear an interest cost and others are interest free. The Company has also provided bank guarantees for some of these advances.

Sundry Creditors and accrued expenses Rs. 18874.40 lacs (Rs. 12786.17 lacs).

This represents amount due to suppliers, sub-contractors and other service providers. This also includes amounts accrue for other operational expenses and cost on long term contracts. Through confirmation of account balances and a system of reconciliation of supplies and services to the Company, all known liabilities incurred to earn the gross revenue have been fully captured and accounted for during the year under discussion.

Other current liabilities represent all statutory dues such as PF, ESI, TDS, Sales Tax etc payable by the Company relating to the month of March 2008. The Company has remitted the statutory liabilities on or before the respective due dates.

Management Discussion & Analysis Contd.

13. PROVISIONS

Proposed dividend of Rs. 216.02 lacs (Rs.180.01 lacs) represents the dividend recommended to the shareholders by the Board of Directors. This will be paid after the Annual General Meeting, upon approval by the shareholders.

Provision for tax on dividend Rs 36.71 lacs (Rs. 30.59 lacs) denotes taxes payable on dividends declared for the year ended March 31, 2008.

Gratuity provision has been made as per the actuarial estimation and certification by an independent Actuary as per the requirement under Accounting Standard 15 (revised). Provision for Leave Encashment has also been made on the basis of estimation prescribed under the revised accounting standard.

Operational Performance:

(Rs in lacs)

	March 31, 2008	March 31, 2007	March 31, 2006
Income from Sales and Services	31,035.25	21,459.26	14,564.94
Other Income	598.50	508.65	246.90
Total Income	31633.75	21,967.91	14,811.84
Less: Excise Duty	528.24	608.27	424.14
Net total Income	31105.51	21,359.64	14,387.70
Cost of sales and services (net of inventories)	23,898.62	16,393.55	11,507.38
Cost of sales and services as a percentage to total income	75.55%	74.62%	77.69%
Operating and administration expenses	3,195.26	2,596.28	2,007.49
Operating and administration expenses as a percentage to total income	10.10%	11.82%	13.55%
EBITDA	4,011.63	2,369.81	872.83
EBITDA - percentage to total income	12.68%	10.79%	5.89%
Interest and finance charges	382.33	75.36	60.14
Interest and finance charges as a percentage to total income	1.21%	0.34%	0.41%
Depreciation	239.94	157.56	74.41
Depreciation as a percentage to total income	0.76%	0.72%	0.50%
Profit before tax (PBT)	3389.36	2,136.89	738.28
PBT - percentage to total income	10.71%	9.73%	4.98%
Provision for taxation	1125.77	601.57	90.88
Provision for taxation as a percentage to total income	3.56%	2.74%	0.61%
Profit after tax (PAT)	2263.59	1,535.32	647.40
PAT - percentage to total income	7.16%	6.99%	4.37%

14. INCOME RECOGNISED

The growth of revenue in the fiscal 2008 as compared to fiscal 2007 have been from both the sources of revenue i.e. sale of manufacturing equipments and sale & services contracts.

Other income mainly comprises of Interest earned on bank deposits and rental income on lease of office premises.

15. EXPENDITURE

Cost of sales & services:

	Year ended March 31, 2008 (Rs. in lacs)	Year ended March 31, 2007 (Rs. in lacs)	Growth (%)
Cost of systems, equipment, Spares and services	21994.92	13899.79	58.24
Raw materials/components consumed	2241.84	2505.13	(10.51)
Total	24236.76	16404.92	47.74
Increase/Decrease in Inventories	(338.14)	(11.37)	
Total	23898.62	16393.55	45.78
Gross income from sales & services	31035.25	21459.26	44.62

Management Discussion & Analysis Contd.

The increase in cost of sales and services by 45.78% as compared to increase in gross income by 44.62% is mainly due to marginal increase in the input cost.

16. OPERATING PROFIT

	Year ended March 31, 2008 (Rs. in lacs)	Year ended March 31, 2007 (Rs. in lacs)	Growth (%)
Total net revenue	31105.51	21359.64	45.63
Cost of sales and services	23898.62	16393.55	45.78
Gross margin	7206.89	4966.09	45.12
Manufacturing expenses	382.10	416.27	(8.21)
Other expenses	1308.31	988.45	32.36
Employees cost	1504.85	1191.56	26.29
EBITDA	4011.63	2369.81	69.28
Finance cost	382.33	75.36	407.33
Depreciation	239.94	157.56	52.28
Profit before Tax(PBT)	3389.36	2136.89	58.61
Provision for Tax	1120.19	689.29	62.51
Extra-ordinary item	5.58	(87.72)	-
Profit after Tax (PAT)	2263.59	1535.32	47.43

Manufacturing expenses consists of stores and spares consumed, power charges and processing charges. Other expenses include Travelling, Repair charges, Professional and consultancy, commission etc.

The increase in Earnings before interest, depreciation and tax by 69.28% as compared to increase in Total net revenue by 45.63% is due to higher operating leverage in fiscal 2008.

Profit after tax (PAT) for the year increased by 47.43%. The disproportioned increase in PAT as compared to the increase in EBITDA is mainly because of the increase in finance cost and provision for taxation.