



**SOLAR  
EXPLOSIVES  
LIMITED**

**13th Annual Report - 2007-2008**

## BOARD OF DIRECTORS

SHRI SATYANARAYAN NUWAL	Chairman and Executive Director
SHRI KAILASHCHANDRA NUWAL	Executive Director
SHRI KUNDAN SINGH TALESRA	Executive Director
SHRI ROOMIE DARA VAKIL	Executive Director
SHRI RAMESH CHANDRA TRIPATHI	Non-Executive Independent Director
SHRI ANANT SAGAR AWASTHI	Non-Executive Independent Director
DR. R SRINIVASAN	Non-Executive Independent Director
DR. JAI PRAKASH AGRAWAL	Non-Executive Independent Director
SHRI DILIP PATEL	Non-Executive Independent Additional Director
DR. RISHI NARAIN SINGH	Non-Executive Independent Additional Director

### REGISTERED AND CORPORATE OFFICE

11, Zade Layout, Bharat Nagar  
Nagpur-440033  
Ph: + 91-712-2561000  
e-mail: solar@solarexplosives.com

### COMPLIANCE OFFICER

SHRI NILESH PANPALIYA  
Vice President (Finance)

### COMPANY SECRETARY

MRS. KHUSHBOO ANISH PASARI

### STATUTORY AUDITORS

M/s GANDHI RATHI & CO.  
Chartered Accountants, Nagpur

### BANKERS

STATE BANK OF INDIA  
BANK OF INDIA

### REGISTRAR AND SHARE TRANSFER AGENTS & DEPOSITORY REGISTRAR

Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound  
LBS Marg, Bhandup (W), Mumbai - 400078  
Ph: 022-25963838  
e-mail: solar@intimespectrum.com

### GRIEVANCE REDRESSAL DIVISION

investor.relations@solarexplosives.com

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## CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Dear Shareholders

The year 2007-08 was in many ways a year of all round growth for your company. Over the last three years, your Company has achieved a top line CAGR of 29%, making it amongst the fastest growing explosive companies in India. Our businesses, those of industrial explosive and accessories, in India and in the international markets have contributed to the growth.

The robust growth in mining, infrastructure and power front has proved to be the strong growth accelerator for the explosive industry. Further the Union Government is giving more emphasis on indigenous energy resource development and utilization i.e. of coal for power generation which is expected to accelerate further coal mining activities by the PSU and the private coal block holders. Moreover, apart from the upcoming ultra **Mega Power projects, the Coal to liquid (CTL) projects** which are being taken up by large Indian corporates are expected to open up massive coal mining activities in the country. This will help your company immensely in expanding its business activities in near future.

Your company has been continuously identifying expansion and diversification avenues. The company has established a strong foothold in Africa in explosive market and is now looking forward for establishing manufacturing units in African continent.

Now I would like to briefly inform you of the new developments:

As you are aware, we are not only striving to maintain the highest standards of quality and reliability in our manufacturing but we are also committed to improve the blasting technology at our user end.

In pursuance of this, our R&D has developed the Electronic Detonators namely **MICRODET** which is a state of the art technology and would revolutionise the complete blasting science. I am happy to inform you that this product has now been approved by the Chief Controller of Explosives and Coal India Ltd., our major consumer.

Having long association with the Mining Industry, we have seen that one of the major health hazards is the dust generated in the mining haul roads which is a main cause of respiratory diseases like Asthama, Bronchitis, Emphysema, Hayfever, Pneumoconiosis, silicosis and other allergies. I am happy to inform you that our R&D has now developed a Dust Suppressant Chemical namely **SOLARPRIDE** which will suppress the dust and reduce air borne dust particles substantially at minimal cost. **SOLARPRIDE** has been approved by the Director General Mines Safety. While this will be a great boon to the lakhs of workmen in the mines, it opens a huge business opportunity for us.

I am pleased to inform you that we have acquired a 74% stake in Navbharat Coal Fields Ltd., which has an allotment of 36 Million Tons coal in the Chattisgarh State. We hope to start the mining operations in the next two years and we expect this to substantially add to our shareholders value. Your company is also vigorously exploring coal mining and processing activities within and outside the country.

It will be our endeavors to maintain the leadership in the country and become a truly transnational company supplying entire range of Explosives and Accessories to global markets. I am sure with the unquestioned dedication of production and marketing teams, the company will keep on attaining newer heights with every passing year.

Thank you for reposing your faith in the company. I also thank the very committed members of the Solar team and the company's business associates for their continued support. My team and I look forward to the challenges of delivering sustainable and profitable growth in the years ahead with confidence.

I look forward to your continued support.

With warm regards,

**Satyanarayan Nuwal**

Chairman

## NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Shareholders of Solar Explosives Limited, Nagpur, will be held on Wednesday the 24<sup>th</sup> day of September, 2008 at 11.00 a.m at Udyam Hall, Udyog Bhavan, Civil Lines, Nagpur, Maharashtra – 440 010, to transact the following businesses:

### ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2008 , the Profit and Loss Account for the year ended on that date and the Report of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended 31<sup>st</sup> March, 2008.
3. To appoint a Director in the place of Shri Satyanarayan Nuwal, who retires by rotation and being eligible, offers himself for re- appointment.
4. To appoint a Director in the place of Shri Roomie Dara Vakil, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in the place of Shri Jai Prakash Agrawal, who retires by rotation and being eligible offers himself for re-appointment
6. To appoint a Director in the place of Shri Ramesh Chandra Tripathi, who retires by rotation and being eligible offers himself for re-appointment
7. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/S Gandhi Rathi & Co., Chartered Accountants be and hereby appointed as Auditors of the Company, to hold office from this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors.”

### SPECIAL BUSINESS:

8. **To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution**

“RESOLVED THAT Mr. Dilip Patel, who was appointed as an Additional Director by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice under Section 257 of the Companies Act, 1956 in writing proposing his candidature for the office of Director, be and is hereby appointed as a director of the Company.”

9. **To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution**

“RESOLVED THAT Dr. Rishi Narain Singh, who was appointed as an Additional Director by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice under Section 257 of the Companies Act, 1956 in writing proposing his candidature for the office of Director, be and is hereby appointed as director of the Company.”

10. **To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution**

“RESOLVED THAT in accordance with the provisions of sections 198, 269, and 309 read with schedule XIII and all other applicable provisions, if any ,of the Companies Act ,1956 any statutory modification or reenactment thereof, **Shri Kundan Singh. Talesra**, continues to be the Executive Director of the Company on the Remuneration as set out in the Explanatory Statement annexed to the Notice convening this Meeting , with the liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary term & conditions and/or remuneration, subject to the same not exceeding the limits as specified under Schedule XIII to the Companies Act,1956 or any statutory modification or reenactment thereof.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”

**11. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution**

“RESOLVED THAT in accordance with the provisions of sections 198, 269, and 309 read with schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 any statutory modification or reenactment thereof, **Shri Roomie Dara Vakil**, continues to be the Executive Director of the Company on the Remuneration as set out in the Explanatory Statement annexed to the Notice convening this Meeting, with the liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary term & conditions and/or remuneration, subject to the same not exceeding the limits as specified under Schedule XIII to the Companies Act, 1956 or any statutory modification or reenactment thereof.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”

**12. To Consider and if thought fit, to pass with or without modification(s), the following as a Special Resolution.**

RESOLVED THAT pursuant to section 61 and other applicable provisions, if any, of the Companies Act, 1956 and subject to consent/approval of Securities and Exchange Board of India (SEBI) or any other statutory authorities, which may be required, variation in the utilization of IPO proceeds as under, be and is hereby approved:

The present available fund of Rs. 23 crores from the IPO proceeds can be relocated either for meeting working capital requirements or for investment in any other domestic or overseas projects of the Company.

RESOLVED FURTHER that Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, and to sign, execute documents, agreements, contracts, undertakings, declarations, confirmations, letters and such other papers as may be necessary, desirable and expedient for giving effect to the variation in the use of the IPO proceeds.

**13. To Consider and if thought fit, to pass with or without modification(s), the following as a Special Resolution.**

“RESOLVED THAT subject to the approval of the Central Government pursuant to section 21 of the Companies Act, 1956, the name of the Company be and is hereby changed from “Solar Explosives Limited” to “Solar Industries Limited.”

FURTHER RESOLVED THAT the name “Solar Explosives Limited” wherever it occurs in the Memorandum and Articles of Association of the Company be substituted by the new name “Solar Industries Limited.”

**By Order of the Board of Directors**

**Registered Office**  
**11, Zade Layout, Bharat Nagar**  
**Nagpur, 440 033**  
**Maharashtra.**

**(Khushboo A. Pasari)**  
**Company Secretary**

**Place : Nagpur**  
**Dated 30<sup>th</sup> July, 2008**

**NOTES:**

1. A member entitled to attend and vote at the Annual General Meeting to be held on 24<sup>th</sup> September, 2008 may appoint one or more proxies to attend and vote instead himself and a proxy need not be a member of the Company. Proxies, in order to be effective, should be complete, stamped and signed and must be deposited at the registered office of the Company not less than 48 hours before the commencement of the Meeting.
2. Explanatory statement setting out all material facts concerning the aforesaid special business contained in item no. 8 to 13 as required under section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer books of the Company will remain closed from Friday, 12<sup>th</sup> September, 2008 to Saturday, 24<sup>th</sup> September, 2008 (both days inclusive) for determining the names of members eligible for dividend on equity shares if declared at the Annual General Meeting.

4. Members holding shares in physical form are requested to intimate immediately to the Registrar & Share Transfer Agent of the Company, M/s Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400 078, quoting Registered folio number, details of their Bank Account/Change in Bank Account, if any to enable the Company to print these details on the Dividend warrants, and change in their address, if any, with Pin Code Number.

Members holding shares in electronic form shall address communication to their respective Depository Participants only.

5. The payment of Dividend, upon declaration by the shareholders at the forth coming annual general meeting, will be made on or after 29<sup>th</sup> September, 2008 as under:
- To all those beneficial owner(s) holding shares in electronic form as per the beneficial ownership data as may be made available to the Company by national Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the end of the day on 11<sup>th</sup> September, 2008.
  - To all those shareholders holding shares in physical form after giving effect to all the valid share transfers lodged with the Company before the closing hours on 11<sup>th</sup> September, 2008.

**By Order of the Board of Directors**

**Registered Office**  
**11, Zade Layout, Bharat Nagar**  
**Nagpur, 440 033**  
**Maharashtra.**

**(Khushboo A. Pasari)**  
**Company Secretary**

**Place : Nagpur**  
**Dated 30<sup>th</sup> July, 2008**

## **EXPLANATORY STATEMENT**

(Under section 173(2) of the Companies Act, 1956)

### **Item # 3, 4, 5, 6,**

#### **Details of Directors seeking re-appointment at the 13<sup>th</sup> Annual General Meeting**

As regards re-appointments of retiring directors Viz Shri S.N. Nuwal , Shri R.D. Vakil, Shri R.C Tripathi, Shri J.P. Agrawal, referred to in item Nos 3, 4, 5, & 6 of the notice, brief resumes of these Directors, nature of their expertise in specific functional areas names of Companies in which they hold directorships/chairmanships of Board Committees their shareholding and relationships between directors inter-se as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges are provided under the heading "Corporate Governance", which forms part of the Annual Report. The Board of Directors commends their respective reappointments.

### **Item # 8 & 9**

#### **Details of Directors seeking appointment at the 13<sup>th</sup> Annual General Meeting**

Mr. Dilip patel was appointed as an Additional Director of the Company on June 18, 2008 .In terms of section 260 of the Companies Act, 1956, Mr. Dilip Patel holds the office upto the date of the ensuing Annual General Meeting. Accordingly the resolution at item No.8 of the notice is being proposed for his appointment as Director of the Company.

Mr. Rishi Narain Singh was appointed as an Additional Director of the Company on June 18, 2008 .In terms of section 260 of the Companies act, 1956 , Mr. Rishi Narain Singh holds the office upto the date of the ensuing Annual General Meeting. Accordingly the resolution at item No. 9 of the notice is being proposed for his appointment as Director of the Company.

Brief resumes of these Directors, nature of their expertise in specific functional areas names of Companies in which they hold directorships/chairmanships of Board Committees their shareholding and relationships between directors inter-se as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges are provided under the heading "Corporate Governance", which forms part of the Annual Report. The Board of Directors commends their respective reappointments.

#### Item # 10

At the meeting of the Remuneration Committee of the Board of Directors held on 18.06.2008 the remuneration payable to **Shri Kundan Singh Talesra** was increased and fixed as stated below. Hence, item No.10 is proposed for consideration of Members. The Board recommends the above resolution for adoption by the Members.

- Salary – Rs. 1, 50,000/- per month.  
Gratuity: Benefits in accordance with the rules and regulations in force in the Company from time to time, but shall not exceed a half month's salary for each completed year of service subject to a ceiling of Rs. 3,00,000/-.
- Car & Telephone: Free use of car with driver & Telephone at his residence for use on Company's business
- Housing : Rent free furnished accommodation along with benefits upto (Rs. 1,00,000 Per Annum),

**Disclosure of Interest :** None of the Directors except. **Shri Kundan Singh Talesra** is interested in the above resolution.

#### Item # 11

At the meeting of the Remuneration Committee of the Board of Directors held on 18.06.2008 the remuneration payable to **Shri Roomie Dara Vakil.** was increased and fixed as stated below . Hence, item No.11 is proposed for consideration of Members. The Board recommends the above resolution for adoption by the Members.

- Salary – Rs.1,50,000/- per month.
- Gratuity: Benefits in accordance with the rules and regulations in force in the Company from time to time, but shall not exceed a half month's salary for each completed year of service subject to a ceiling of Rs. 3,00,000/-.
- Car & Telephone: Free use of car with driver & Telephone at his residence for use on Company's business

**Disclosure of Interest :** None of the Directors except **Shri R.D Vakil.** is interested in the above resolution.

#### Item # 12

The Initial Public Offering (IPO) of the Company as was planned with certain objects as were considered appropriate by the management at the time of IPO, and as stated and detailed under section titled "objects of the issue" page no 26 of the prospectus dated March 21, 2006.

However considering the fund requirements for working capital, for setting up manufacturing units for Bulk Explosive in India, and for any other projects taken up by the Company the Management feels that the deployment of the IPO funds as stated in the Objects of the Issue in the prospectus needs to be varied bringing in the flexibility of making investment in the projects taken up by the Company

**Disclosure of Interest :** None of the Directors is interested in the above resolution.

#### Item # 13

The Company's wholly-owned subsidiaries Solar Capital Limited & Solar industries Limited, merged with the Company under a Scheme of Amalgamation sanctioned by the Hon'ble Bombay High Court Nagpur Bench by its order dated 18<sup>th</sup> July, 2008 with effect from 1st April, 2008 which was the Appointed Date under the Scheme. These being wholly owned subsidiaries, no new shares have been issued by the Company pursuant to the Scheme.

As per the observation raised by the Regional Director in their Report dated June 18, 2008 and pursuant to the order of the Hon'ble Bombay High Court Nagpur Bench dated July 4, 2008 for the purpose of change of name of the Transferee Company from "Solar Explosives Limited" to "Solar Industries Limited", the Transferee Company has to comply with the statutory provision of Section 21 of the Companies Act, 1956 and file the necessary forms with the Registrar of Companies after payment of necessary ROC fees as applicable.

**Disclosure of Interest :** None of the Directors is interested in the above resolution.

## DIRECTORS REPORT

To

The Members;

**Solar Explosives Limited**

Your Directors take pleasure in presenting the 13th Annual Report of the Company together with the Annual Accounts (Standalone & Consolidated) for the year ended 31st March, 2008

### PERFORMANCE HIGHLIGHTS (CONSOLIDATED):

(Rs. In lacs)

PARTICULARS	2008	2007
<b>TURNOVER</b>	<b>32104.49</b>	23765.48
PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION	<b>7100.54</b>	3916.67
LESS : DEPRECIATION	<b>551.55</b>	412.41
PROFIT BEFORE INTEREST AND TAXATION	<b>6548.99</b>	3504.26
LESS : INTEREST	<b>1055.98</b>	716.11
<b>PROFIT BEFORE TAX</b>	<b>5493.01</b>	2788.15
LESS PROVISION FOR TAXATION	<b>1881.23</b>	866.53
<b>NET PROFIT AFTER TAX</b>	<b>3611.78</b>	1921.62
BALANCE BROUGHT FORWARD	<b>2711.80</b>	1294.20
BALANCE AVAILABLE FOR APPROPRIATION	<b>6323.58</b>	3215.82
<b>APPROPRIATION:</b>		
INTERIM DIVIDEND	<b>259.86</b>	0.00
PROPOSED DIVIDEND	<b>259.86</b>	259.86
TAX ON DIVIDEND	<b>88.32</b>	44.16
GENERAL RESERVE	<b>1200.00</b>	200.00
BALANCE PROFIT CARRIED TO BALANCE SHEET	<b>4515.54</b>	2711.80
<b>EARNING PER SHARE(EPS)</b>	<b>20.85</b>	11.09

### PERFORMANCE HIGHLIGHTS (STAND ALONE):

(Rs. In lacs)

PARTICULARS	2008	2007
<b>TURNOVER</b>	<b>18850.65</b>	13579.45
PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION	<b>3875.18</b>	2138.20
LESS : DEPRECIATION	<b>283.66</b>	216.01
PROFIT BEFORE INTEREST AND TAXATION	<b>3591.52</b>	1922.19
LESS : INTEREST	<b>804.48</b>	532.50
<b>PROFIT BEFORE TAX</b>	<b>2787.04</b>	1389.69
LESS PROVISION FOR TAXATION	<b>985.07</b>	354.78
<b>NET PROFIT AFTER TAX</b>	<b>1801.97</b>	1034.91
BALANCE BROUGHT FORWARD	<b>1703.41</b>	1172.84
BALANCE AVAILABLE FOR APPROPRIATION	<b>3505.38</b>	2207.75
<b>APPROPRIATION:</b>		
INTERIM DIVIDEND	<b>259.86</b>	0.00
PROPOSED DIVIDEND	<b>259.86</b>	259.86
TAX ON DIVIDEND	<b>88.32</b>	44.16
PRIOR PERIOD ADJUSTMENTS	-	0.32
GENERAL RESERVE	<b>700.00</b>	200.00
BALANCE PROFIT CARRIED TO BALANCE SHEET	<b>2197.34</b>	1703.41
<b>EARNING PER SHARE (EPS)</b>	<b>10.40</b>	5.97





## PERFORMANCE REVIEW:

The overall performance during the year under report continues to maintain a trend of growth in past few years.

On consolidated basis, the Company's revenue for the year 2007 -08 stood at Rs 32104.48 Lac registering a growth of 36.30 % over the previous year and net profit was Rs. 3611.78 Lac registering a growth of 87.95% over the previous year.

Your Company's revenue on standalone basis, stood at Rs 18850.65 Lac registering a growth of 38.81% over the previous year and profit after tax was Rs 1801.97 Lac registering a growth of 74.11 % over the previous year.

The overall improvement in the company's core business continues and during the year under report it has been better than previous year. Higher turnover and increase in the net profit was due to increased productivity and market demand for Small Dia Explosives, Detonators and also through exports. Sustained importance given to cost control/cost reduction and market concentration has yielded good result during the year.

A detailed analysis of Company's performance is included in the Managements Discussion and Analysis Report titled as "Management's Discussion and Analysis", which forms part of this Annual Report.

## DIVIDEND:

During the Year under review, your Directors had declared and paid interim dividend as per details given below:

Interim Dividend paid during the year ended 31 <sup>st</sup> March, 2008	Rate of Dividend	Amount of Dividend paid	Distribution tax paid by the Company	Total Outflow
Declared on 11 <sup>th</sup> October, 2007 paid in November, 2007	Rs.1.50 per share	Rs.2,59,85,724/-	Rs.44,16,274/-	Rs.3,04,01,998/-

Your Directors are now pleased to recommend further a final dividend of 15% for the financial year ended 31<sup>st</sup> March, 2008 subject to approval of the shareholders at the ensuing Annual General Meeting. The proposed Dividend along with Tax thereon works out to Rs.3,04,01,998/-.

## MERGER OF SUBSIDIARIES:

In their meeting held on 7th August, 2007, the Boards of Director of this Company, M/s. Solar Capitals Limited (Wholly owned subsidiary of this Company), M/s. Solar Industries Limited (Wholly owned subsidiary of this Company), approved a scheme of amalgamation whereby M/s. Solar Capitals Limited (First Transferor Company) and M/s. Solar Industries Limited (Second Transferor Company) to be merged with Solar Explosives Limited (Transferee Company). The appointed date for adoption of the Scheme was fixed as 31.03.2008 .After getting No Objection Certificates from Bombay Stock Exchange, National Stock Exchanges and consents from creditors,(secured and Unsecured ) applications were filed up by both the Transferor Companies before Hon'ble High Court of Judicature of Bombay, Nagpur - Bench for approval of the Scheme.

Under Directions of High Court meetings for shareholders, Secured and Unsecured Creditors of both the Transferor companies along with the Transferee Company, is accordingly dispensed with.

During the hearing orders were made to issue notices to Registrar of Companies and Official Liquidator. Such notices are already served to them and their reports are awaited. The date of final hearing is fixed as 18<sup>th</sup> July, 2008.

## DIRECTORS:

Shri Satyanarayan Nuwal, Shri. Roomie Dara Vakil and Shri Ramesh Chandra Tripathi, & Shri Jai Prakash Agrawal are the Directors retiring by rotation under section 256 of Companies Act, at this Annual General Meeting and being eligible offer themselves for re-appointment.

The Board of Directors at its meeting held on 18<sup>th</sup> June, 2008 appointed Mr. Dilip Patel as Non Executive, Independent Additional Director of the Company.

The Board of Directors at its meeting held on 18<sup>th</sup> June, 2008 appointed Mr. Rishi Narain Singh as Non Executive, Independent Additional Director of the Company.

## AUDITORS & THEIR OBSERVATIONS:

M/s. Gandhi Rathi & Co. Chartered Accountants, Auditors of the Company will retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their reappointment.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

### **PARTICULARS OF EMPLOYEES:**

There are no personnel, who were paid with the salary of a limit more than that specified under section 217 (2A) of the Companies Act. 1956.

### **SUBSIDIARY OPERATIONS:**

During the year under review one new Company Somu Steels & Power Limited was incorporated as wholly owned Subsidiary of the Company.

Also during the year under review Company acquired 74% Shares of Navbharat Coalfields Limited a company located at Raipur doing mining & minerals business. Thus it became a subsidiary of the Company.

Also during the year under review one new Overseas Company Solar Nitrochemicals Limited was incorporated at Tanzania as Subsidiary of the Company.

The Company has applied to the central Government pursuant to Section 212(8) of the Companies Act, 1956 for exempting the company from attaching a copy of Balance Sheet, Profit & Loss A/c. and other documents in respect of Subsidiary Companies for the Year ended 31<sup>st</sup> March, 2008.

In the above mentioned application the Company has not applied for Solar Nitrochemicals Limited as its first Financial year will end on 31<sup>st</sup> December, 2008.

Statement pursuant to section 212 (8) of the Companies Act, 1956 containing details of the Subsidiaries of the Company forms part of Annual Report.

Annual accounts of the subsidiary companies are kept for inspection by any investor at the Registered Office of your Company as well as at the Registered Office of the respective subsidiary companies. Any investor interested in a copy of the accounts of the subsidiaries may write to the Company Secretary at the Registered Office of the Company.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The detailed information as required U/s. 217 (1)(e) of the Companies Act, 1956 read with Companies ( Disclosure of Particulars in report of Board of Directors) Rules, 1988 is enclosed as per Annexure to this report.

### **INTERNAL CONTROL SYSTEM:**

The Company has adequate internal control procedures commensurate with its size and nature of business.

The Company has appointed Internal Auditors who audit the adequacy and effectiveness of internal controls laid down by the management and suggests improvements.

The Audit Committee of the Board of Directors periodically reviews the audit plans, internal audit reports, and adequacy of internal controls and risks management.

### **CORPORATE GOVERNANCE:**

Pursuant to the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges, a report of corporate governance forms part of the Annual Report. A certificate by M/s. Gandhi Rathi & Co., Chartered Accountants, Nagpur, Auditors of the Company, confirming compliance of the conditions of corporate governance as stipulated under clause 49 of the Listing Agreement, is annexed to this report.

### **CONSOLIDATED FINANCIAL STATEMENTS:**

The Consolidated Financial Statements of the Company and its subsidiaries, prepared in accordance with Accounting Standard 21 prescribed by The Institute of Chartered Accountants of India, forms part of the Annual Report and Accounts.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The management discussion and analysis report, pursuant to Clause 49 of the Listing Agreement with stock exchanges for the year under review is given as a separate section in the annual report.

### **CEO/CFO CERTIFICATION**

As required under Clause 49 of the Listing Agreement, the CEO/CFO certification is attached with the annual report.

### **DIRECTOR'S RESPONSIBILITY STATEMENT**

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

- i. In the preparation of the annual accounts of the Company for the year ended 31<sup>st</sup> March, 2008, the applicable Accounting Standards had been followed and there are no departures;
- ii. Accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.

- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and detecting fraud and other irregularities.
- iv. Annual accounts for the year ended 31<sup>st</sup> March, 2008 have been prepared on a going concern basis.

#### **ACKNOWLEDGEMENT**

Your directors are thankful to Bank of India, State Bank of India, ICICI Bank Limited, HDFC Bank Limited, Barclays Bank, Standard Chartered Bank, HSBC Limited, for meeting long term and Working Capital needs of the Company's expanding operations.

Your Directors acknowledge with gratitude and wish to place on record their deep appreciation of the continued support and co-operation received by the Company from the various Government authorities, business associates, dealers, customers, and investors during the year.

Your Directors also wish to convey their appreciation for the personal as well as collective contribution, dedication and commitments of your Company's employees at all levels and look forward to their continued support in future as well.

For and on behalf of the Board

**(Shri S.N. Nuwal)**  
Chairman

Place : Nagpur  
Date : 18-06-2008

## ANNEXURE 1- FORMING PART OF THE DIRECTOR'S REPORT

INFORMATION AS REQUIRED UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS) RULES, 1988.

### A. CONSERVATION OF ENERGY

#### FORM "A"

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

#### 1. POWER AND FUEL CONSUMPTION

#### CURRENT YEAR

##### ELECTRICITY

(a) Purchase unit (in Kwh.)	24,78,918 Units
Total Amount (in Rs)	1,15,86,840/-
Rate/Unit (in per Kwh.)	4.67 per unit
(b) Own Generation	
(i) Trough diesel Generator (in Kwh)	80,755 Units
Total Amount (in Rs.)	6,51,078/-
Average Rate	8.06 per unit
(ii) Through steam Turbine/Generator unit	N.A.
Units/Litre of fuel/oil	
Gas	
Cost/Unit	

#### 2. COAL/SOLID FUEL

Quantity M.T.	3,037.257
Total Cost	Rs. 56,34,736/-
Average rate / MT.	1,855.20

#### 3. OTHER/INTERNAL GENERATION

#### B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B of the Annexure.

## FORM "B"

### 1. RESEARCH AND DEVELOPMENT ( R & D)

#### (a) Specific area in which R&D carried out by the company.

1. Our R&D activities can be classified into several categories, which run parallel to the activities in our principal areas of operation.
2. Chemical formulations and process validation where substantial study of the manufacturing process has been undertaken.
3. Developed Seismic Explosives, Emulsion Explosives, Electronic Detonators and higher charge weight detonating fuse for indigenous and exports markets.
4. Developed suppressant Chemical named as Solar Pride.

#### (b) Benefits derived as results of above:

- Commercial production of new products.
- Modification of existing manufacturing process for some of the products and significant savings in cost of production.
- Substantial increase in Exports.
- Enhancement of safety and better environmental protection.

#### (c) Future plan of action:

- Commercialization of new products.
- Several new products have been identified after a through study of the market and the process to manufacture these products will be taken up.

#### (d) Expenditure on R&D : NIL

Capital	:	Nil
Recurring	:	Nil
R&D Expenditure percentage of Turnover	:	Nil

### 2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts in Brief- The Company has a full fledged R&D Division engaged in research on new products and study on the existing manufacturing process, optimization of process parameters to improve the product quality and for storage and process of support, transfer and site mix plants.

Technology - As soon the technology is developed for a product or manufacturing process, it is tested in our specified testing plants; the Company is keen to continuously upgrade its technology. The Company's existing technology has been developed in house indigenously and the Company is not dependant on any foreign Technology as of now.

Benefits – Product quality improvement, reduction of storage and production losses, better lean planning & management and reduction on carrying costs.

### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO:

#### (a) Earnings in Foreign Exchange

Export	:	Rs.17,36,10,396/-
On Account Commission	:	Rs. 77,500/-

#### (b) Remittances in Foreign Exchange:

Interest on FCNR (CC) Loan	:	Rs. 1927656/-
Interest on FCNR (Term) Loan	:	Rs. 2787323/-
On account of Professional Charges	:	Rs. 2,26,795/-
Sales Commission	:	Rs. 2,2999,827/-
Traveling Expenses	:	Rs. 5,83,419/-
Ocean Freight	:	Rs. 3,85,74,757/-

## MANAGEMENT DISCUSSION & ANALYSIS

### FY 2008: (Consolidated) at a glance

#### Summary - consolidated:

- Total Operating Income : Rs. 28095.77 Lacs
- Operating Profit : Rs. 5931.76 Lacs
- Net Profit : Rs. 3611.78 Lacs
- Gross margins (sales less material costs) : From 32.52% to 38.91% in FY08
- OPM (Operating Profit Margin) : From 12.51% to 18.48% in FY08
- PAT (Profit After Tax) : From 8.09% to 11.25% in FY08

#### Revenue and Profit - consolidated:

- Net Sales growth : 36.30%
- Operating Profit growth : 99.55%
- Net Profit growth : 87.95%

Particulars	FY 2008 Rs. In lacs	FY 2007 Rs. In lacs	Growth
Total Operating Income	28095.77	20612.78	36.30%
OPBIDTA	5931.36	2972.35	99.55%
OPM%	18.48%	12.51%	
EBIDTA	7100.54	3916.68	81.29%
Interest(Net)	1055.98	716.11	47.46%
OPBT	4323.83	1843.83	134.50%
PBT	5493.01	2788.16	97.01
EPS Rs.	20.85	11.09	

Particulars	31 <sup>st</sup> March, 2008	31 <sup>st</sup> March, 2007
Debt/Equity ratio	0.60	0.54
ROCE %	21.68%	13.19%
RONW %	19.61%	11.75%
Net sales / NFA ratio	2.89	2.28
Inventory(days)	100.61	61.74
Receivables (days)	57.09	87.15

#### Return on Capital Employed (ROCE) (Consolidated)

Particulars	As at March 31, 2008	As at March 31, 2007
NET FIXED ASSETS	9728.12	9021.46
NET CURRENT ASSETS	20477.73	17553.74
CAPITAL EMPLOYED	30205.84	26575.20
PBIT	6548.99	3504.27
ROCE%	21.68	13.19

#### Business Review

Established in 1996 with a capacity of 6,000 MT Cartridge Explosives, Solar Explosives Ltd., has in a short span of 12 years become one of the Leaders in the Explosives Industry in India and a major Exporter from this Country. The

capacity today stands at 80,000 MT Cartridge Explosives, 94,450 MT Bulk Explosives and 140 Million Detonators making it one of the largest capacities in the Country. The company has maintained a consistent CAGR of 29% in its turnover and 87.95% in the profits.

### **Global Economy**

In the last one year the financial markets have seen high volatility triggered by the subprime crisis in the US, affecting the liquidity of the International Capital Markets. Increase in food and energy prices have fueled increase in inflation, the World over. The International crude prices have hiked to unprecedented levels during the year impacting on all down stream products including Ammonium Nitrate our major Raw Material. The effective exchange rate of US Dollar has seen a down slide since mid 2007 due to weakening of US growth prospects and interest rate cuts.

### **Indian Economy Outlook**

The Indian economy is the 4<sup>th</sup> largest in the World with a GDP of 1.5 Trillion US dollars in 2007. The economy continues to grow at a high rate and in the last 3 financial years it has recorded growth rates of 9.4%, 9.6% and 8.7% in 2007-08. This growth has been fueled by growth in manufacturing sector, infrastructure, core industries, services sector and mining as well.

### **Industry Outlook**

With tremendous emphasis on infrastructure development, the thrust growth areas would be in power, steel, cement, roads, which are the main drivers for growth in Explosives demand.

The 11<sup>th</sup> plan estimated investment in Electricity is over Rs.6,00,000 crores and roads and bridges is over Rs.3,00,000 crores which are more than double the estimated investment in the 10<sup>th</sup> plan period. These auger well for your company and we estimate a substantial growth in the mining and infrastructure construction sector. The Government has planned a 78,000 MW additional power generation to the existing 1,26,000 MW capacity in the 11<sup>th</sup> plan period. This will necessitate major increases in the Coal production which is expected to go up from 449 Mill.Tons currently to 684 Mill.Tons by the terminal year of the 11<sup>th</sup> plan period coupled with massive excavation work required in hydel projects which have to generate additional 17,000 MW during the 11<sup>th</sup> plan period. Accelerated Four Laning and North-South, East-West corridor will also see a great spurt in demand for road metal and consequently Explosives.

Steel is expected to go up from 55 Mill.Tons to 80 Mill.Tons and Cement production is growing at healthy 11% requiring substantial iron ore and limestone respectively which are planned to grow at 8 & 10% annually.

All this will augment the demand for explosives.

The demand of Explosives in India is growing at a healthy rate and is expected to grow at around 10% per annum in the 11<sup>th</sup> plan period. The thrust would be on Bulk Explosives primarily.

### **FUTURE OUTLOOK**

Company continues to be one of the dominant suppliers to Coal India Ltd. during the year 2007-08.

With the uncertain and unstable price of crude oil and consequently Ammonium Nitrate, we have been able to impress all the major consumers like Coal India Ltd., Singareni Collieries Company Ltd., etc. to incorporate an escalation clause in the business contracts so that it can insulate us from the volatility in the Ammonium Nitrate prices.

A major shift in the Purchase Policy of Public Sector Companies like Coal India Ltd., Singareni Collieries Co. Ltd., etc. has been to shift from fixed price annual contract to longer duration contract with escalation clause in place to be reviewed every quarter. This is necessitated by the high volatility of Ammonium Nitrate prices and would insulate your company from unreasonable increases in raw materials prices. A long term contract would also help your company to plan its major raw material procurement so that we are most cost effective in the coming years.

Company has successfully commissioned 9 Bulk plants at various locations and today has a Bulk plant in every subsidiary company of Coal India as well as in Singareni Collieries Co. Limited and we have started operations with TISCO in Jharkhand.

The Company plans to grow through organic and inorganic strategy of increasing its base of bulk explosives plants in India at all strategic mining and excavation locations and through joint venture in the overseas market particularly in the fast developing African Continent.

### **NEW DEVELOPMENTS**

#### **Microdet Electronic Detonators**

The Company is not only striving to maintain the highest standards of quality and reliability in our manufacturing but we are also committed to improve the blasting technology at our user end. In pursuance of this, our R&D has developed the Electronic Detonators namely **MICRODET** which is a state of the art technology and would revolutionise the complete blasting science. This product would not only give considerable value addition to us but also improve the blasting

performance and ensure environmental safeguards as well. This product has now been approved by the Chief Controller of Explosives and Coal India Ltd., our major consumer.

### Dust Suppressant Chemicals

Having long association with the Mining Industry, we have seen that one of the major health hazards is the dust generated in the mining haul roads which is a main cause of respiratory diseases like Asthama, Bronchitis, Emphysema, Hayfever, Pneumoconiosis, silicosis and other allergies. Our R&D has now developed a Dust Suppressant Chemical namely **SOLARPRIDE** which will suppress the dust and reduce air borne dust particles substantially at minimal cost. **SOLARPRIDE** has been approved by the Director General Mines Safety. While this will be a great boon to the lakhs of workmen in the mines, it opens a huge business opportunity for us and we are hopeful that in the coming years this will contribute largely to our business turnover as well.

### Coal Mining

The demand for coal is rising very rapidly with power, steel and cement expected to grow at very healthy rates. Our company has therefore decided to enter coal mining operations as a part of its forward integration plan by acquiring a 74% stake in Navbharat Coal Fields Ltd., which has an allotment of 36 Million Tons coal in the Chattisgarh State. We hope to start the mining operations in the next two years and we expect this to substantially add to our Shareholders Wealth.

With this I am sure, the outlook for the future is very bright and we hope to sustain our growth and profitability targets in the coming year as well.

### Net sales Analysis

The breakup of aggregate total Operating income is as under

No.	Total Operating income Breakup	% sales	31 <sup>st</sup> March, 2008	31 <sup>st</sup> March, 2007	Growth%
1	Manufacturing & other sales	88.33	24815.97	19207.36	29.20
2.	Exports	7.00	1967.17	1163.96	69.01
3.	Trade Exports	2.65	743.20	161.15	361.19
4.	Sale of windmill power	0.24	66.98	79.07	15.29
5.	Trading sales	1.79	502.44	1.21	
	Total	100.00	28095.76	20612.75	

### Manufacturing sales Analysis

No.	Manufacturing sales	% sales	31 <sup>st</sup> March, 2008	31 <sup>st</sup> March, 2007	Growth%
1	Cartridge	46.32	11494.65	7832.47	46.76
2.	Bulk Explosives	36.98	9176.84	7428.16	23.54
3.	Detonators & Accessories	16.70	4144.48	3946.72	5.01
	Total	100.00	24815.97	19207.35	

## COMPANY'S PERFORMANCE

### Revenue

The company has achieved a turnover of Rs. 32104.48 Lacs in 2007-08 as compared to Rs. 23765.47 in 2006-07 an increase of over 35.09%. The net profit has also jumped from Rs. 1921.63 Lacs in 2006-07 to Rs. 3611.78 Lac in 2007-08.

### Exports

Company's products have been well established and accepted internationally and the company's exports have more than doubled during 2007-08. Our exports have reached Rs. 1967.17 Lacs against Rs 1163.96 Lacs in the previous year, an increase of 69.01%. With this encouraging response to our company's products we are now in the process of establishing a plant each in African continents.



## **Portfolio performance: Acquisition & Merger of Subsidiaries**

### **MERGER OF SOLAR CAPITALS LIMITED AND SOLAR INDUSTRIES LIMITED**

Company's wholly owned subsidiaries, Solar Capital Limited & Solar Industries Limited merged with the Company under a scheme of Amalgamation sanctioned by the Hon'ble Bombay High Court with effect from 1<sup>st</sup> April 2008 which was the Appointed Date under the Scheme.

### **ACQUISITION OF 74% SHARES IN NAVBHARAT COALFIELDS LIMITED**

In order to widen our mining operations we acquired Navbharat Coalfields Limited during the year. This is a company located at Raipur doing mining & minerals business. This acquisition will expand our business in mining and minerals sector.

### **RISK AND CONCERNS**

The Explosive business has a specific set of risk characteristics which need to be carefully evaluated managed and mitigated, in order to effectively manage the cyclic nature of demand; the management has adopted an internal risk management protocol. Risk management covers the entire process of business including inter-alia Capital investment, technology development, customer acquisition/ retention.

There are continuous concerns on input cost increase due to commodity price movements, the company is taking steps to competitively procure its raw material through global sourcing and appropriate inventory management.

### **INTERNAL CONTROL SYSTEMS**

The Company maintains adequate internal control systems, which provide for:

- Accurate recording of transactions with internal checks and prompt reporting
- Adherence to applicable Accounting Standards with due compliance to applicable statutes, policies and procedures
- Review of capital investments and long term business goals
- Effective use of resources and safeguarding of assets with periodic review.

Among other things internal control checks are designed to give reasonable assurance of providing protection against significant misuse or loss of Company's assets. The Company uses SAP, Enterprise Resource Planning (ERP) software, which enhances the internal control mechanism.

### **HUMAN RESOURCES**

The Company consistently values the contribution and involvement of all the employees in the Group, the Company has a comprehensive Human Resources Strategy aligned to the vision and mission of the Company.

The Company is consistently focusing on building capability and employability in all the employees at all the levels, talent management, talent pipeline, succession planning, team building and leadership processes are well in place in order to equip the organization for the future.

During 2007-2008, the Company worked extensively on developing the functional skills of employees by putting the existing skills to tests and providing appropriate training, also inculcated the transformation from legacy system of recording to ERP based functioning.

### **CAUTIONARY STATEMENT**

Some of the statements in the Management Discussion and Analysis, describing the company's objectives, projections, estimates and expectations may be forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially from those expressed or implied. Important developments that could effect the Company's operations include a shift in the industry structure, significant changes in political and economic environment in India and internal/external factors which may have direct/indirect effect on business of the Company.

### THE COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

Solar Explosives Limited's ("SEL" or "the Company") looks upon good corporate governance practices as a key driver of sustainable corporate growth.

Corporate Governance is an integral part of the philosophy of the Company in pursuit of excellence, growth and value creation for all its stakeholders and in respect of the interests of society as a whole. At Solar Explosives Limited we believe in, and abide by, the following principles of effective corporate governance

- Transparency in disclosure and communication of relevant financial and operational information;
- Accountability, supported by strong internal processes of management oversight and control for monitoring of performance and risk;
- Integrity and ethics in all our dealings;
- Balancing the enforcement and protection of the rights of all stakeholders, thus creating wealth and value in the long term;

The Company has complied in all material respects with the features of corporate governance code as per clause 49 of the listing agreement with the stock exchanges. The following section comprises information about the corporate governance policies of the Company and the Company's compliance with the requirements - regarding corporate governance-of the listing agreement with the stock exchanges.

### COMPOSITION & NUMBER OF MEETINGS HELD

The Board of Directors of the Company has an ideal combination of the Executive and Non-Executive Directors. The Non Executive Directors impart balance to the board and bring independent judgment in its deliberations and decisions. As on 31st March 2008, the Board of Solar Explosives comprised of 8 Directors, detail whereof is given below:

- An Executive Chairman.
- Three Executive Directors :
- Four Non Executive Independent Directors.

Shri Rishi Narain Singh and Shri Dilip Patel were appointed as Non-executive Independent Additional Director's at the Board Meeting held on 18<sup>th</sup> June, 2008.

The size and composition of the board meets the requirements of the Clause 49 of the Listing Agreement entered into with Stock Exchanges.

The following table gives the composition of SEL'S Board, other directorships, Committee memberships and Committee Chairmanships:

Name of the Director	Category	Attendance at		Director/Chairman/Member in Board and Committees		
		Board Meeting	Last AGM	Director*	Committee Member**	Committee Chairman**
Satyanarayan Nuwal	Chairman and Executive Director	6	Yes	9	1	-
Kailashchandra Nuwal	Executive Director	4	Yes	6	2	-
Kundansingh Talesra	Executive Director	6	Yes	Nil	1	-
Roomie Dara Vakil	Executive Director	4	Yes	1	-	-
R.C. Tripathi	Non-executive Independent Director	3	-	Nil	-	-
J.P. Agarwal	Non-executive Independent Director	2	-	Nil	1	-
A.S. Awasthi	Non-executive Independent Director	4	Yes	4	2	2
R. Srinivasan	Non-executive Independent Director	3	-	8	10	4

\* Does not include Directorship in Solar Explosives Limited, Private Companies which are not subsidiaries to Public Companies, Section 25 Companies and Foreign Companies.

\*\* Does not include Chairmanship/Membership in Board Committees other than the Audit Committee, Shareholders' Grievance Committee.

None of the directors were members in more than 10 committees and had not held chairmanship in more than five committees across all companies in which he was a director as on 31.03.2008 and none of them have acquired any disqualification as per section 274(1) (g) of the Companies Act, 1956.

## BOARD PROCEDURE

Board Meetings held during the Year are as follows:

Date of Meeting	Board Strength	No. of Directors present
27 <sup>th</sup> April, 2007	8	3
27 <sup>th</sup> June, 2007	8	7
29 <sup>th</sup> July, 2007	8	3
7 <sup>th</sup> August, 2007	8	3
11 <sup>th</sup> October, 2007	8	6
10 <sup>th</sup> January, 2008	8	7

The gap between two meetings had been less than Four months. The dates of meetings were decided well in advance.

## INFORMATION AVAILABLE TO BOARD

The Board has complete access to all the relevant information within the Company, and to all our employees. The information regularly supplied to the Board specifically includes:

- Annual operating plans, budgets and any updates therein;
- Quarterly results for the Company;
- Minutes of meetings of Audit Committee and other Committees of the Board;
- Details of any Amalgamation, Acquisition, or Merger;
- Various disclosures;
- Internal Audit & Limited Review Reports;
- All proposals requiring strategic decisions;
- Regular business updates;
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service.

The above information is generally provided as part of the agenda papers of the Board meeting and/or is placed at the table during the course of the meeting. The Vice President Finance, Statutory Auditor and other senior management staff are also invited to the Board meetings to present reports on the Company's operations and internal control systems.

The Company Secretary, in consultation with the Chairman, prepares the agenda. All Board members are at liberty to suggest agenda items for inclusion. The detailed agenda is sent to the members a week before the Board meeting date. Board meetings are held quarterly to coincide with the announcement of quarterly results and Committee meetings are held on the same dates as Board meetings.

## AUDIT COMMITTEE

### COMPOSITION

The Audit Committee consists of one executive & three non-executive members, Chairman being independent director.

Name of Director	Designation	Category
Shri Anant Sagar Awasthi	Chairman	Independent, Non-executive Director
Dr. R.Srinivasan	Member	Independent, Non-executive Director
Shri K.C.Nuwal	Member	Executive Director
Dr. Jai Prakash Agarwal	Member	Independent, Non-executive Director

### MEETINGS AND ATTENDANCE

During the financial year 2007-08, five Audit Committee Meetings were held on the following dates, including before finalisation of annual accounts and adoption of quarterly financial results by the Board:

27<sup>th</sup> April, 2007                      27<sup>th</sup> June, 2007                      10<sup>th</sup> January 2008.  
27<sup>th</sup> July, 2007                      11<sup>th</sup> October, 2007

Attendance at the Meetings is as under:-

S. No.	Directors	No. of Meetings attended
1.	Shri Anant Sagar Awasthi	5
2.	Dr. R. Srinivasan	4
3.	Shri K.C. Nuwal	1
4.	Dr. Jai Prakash Agarwal	3

Statutory Auditors, Vice president Finance and other senior members are permanent invitees to the Audit Committee Meetings.

The Company Secretary Mrs. Khushboo A. Pasari acts as the Secretary to the Audit Committee.

Shri Preetam Batra (Proprietor M/s Preetam.R.Batra & Co, Chartered Accountants) headed the Internal Audit function of the Group for the year 2007-2008.

The Chairman of the Audit Committee attended the last Annual General Meeting held on 26th September, 2007.

### Term of reference:

The term of reference of the Audit Committee as laid down by the Board are in accordance with those specified in Clause 49 of the Listing Agreement(s) with the Stock Exchange and Section 292A of the Companies Act, 1956.

- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors / Internal Auditors;
- To review compliance with internal control systems;
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- Board and for this purpose, to seek any relevant information contained in the records of the Company and also seek external professional advice, if necessary;
- To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit Report;
- To review the financial statement in particular the investments made by the unlisted subsidiary companies

### Remuneration Committee

The Remuneration Committee of the Company has been constituted to recommend/review the remuneration package of the Directors.

The present Remuneration committee consists of the following directors:

Name of Director	Capacity	No. of Meetings held	No. of Meetings Attended
Shri Anant Sagar Awasthi	Chairman	1	1
Dr. R.Srinivasan	Member	1	1
Dr. Jai Prakash Agarwal	Member	1	–

The Chairman and all the members of the Committee are non executive and independent directors. As the remuneration package of the directors is normally fixed on 3/5 years service contract basis, the Committee meets as and when necessity arises. During the Financial Year 2007-08, the Committee has met once on 27<sup>th</sup> April, 2007 for approving revision in remuneration of Executive Chairman Shri Satyanarayan Nuwal and Executive Director Shri Kailashchandra Nuwal

### Remuneration Policy:

The Remuneration Policy of the Company is summarized as follows

#### Non-executive Directors:

**For Non-executive Directors:** Sitting Fees of Rs.5000/- is paid as per the Companies Act, 1956, and the Articles of Association of the Company, for attending meetings of the Board or any Committees of the Board. Directors are also reimbursed actual travel costs and incidental expenses incurred for attending such meetings or in connection with the Company's business.

None of the non-executive directors held any shares in the Company.

#### Executive Directors:

The Company pays remuneration by way of salary, benefits, perquisites and allowances (Fixed component) and commission (Variable component) to its Executive Directors as per their terms of appointment and as approved by the members from time-to-time.

During the previous year the remuneration paid to executive Directors is as follows:

Name of Director	Relationship with other Directors	Salary and allowance (Rs.)
S.N. Nuwal	Father of Manish Nuwal, Brother of K.C. Nuwal	16,20,000/-
K.C. Nuwal	Brother of S.N. Nuwal, Uncle of Manish Nuwal	18,00,000/-
Manish Nuwal*	Son of S.N.Nuwal, Nephew of K.C.Nuwal	12,00,000/-
K.S. Talesra	–	6,00,000/-
R.D. Vakil	–	8,40,000/-

\* Resigned from the Board on 28<sup>th</sup> November, 2006

### SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Shareholders/Investors Grievance Committee has been functioning since November 2005. The committee met on 27<sup>th</sup> April, 2007; 27<sup>th</sup> June, 2007.

This Committee presently focuses on:

- Review of investor complaints, grievances and their redressal.
- Review of queries received from shareholders.
- Review of the performance of the Company's Registrar & Transfer Agent (R&TA),

#### Nature of complaints and redressal status

During the past financial year, the complaints received by us were general in nature, which include issues relating to the change of address, non-receipt of shares, refund orders etc. All these complaints/queries were resolved to the satisfaction of investors.

Sr. No.	Nature of Complaint	Complaints Received	Complaints Processed	Complaints Pending
1.	Non Receipt of Dividend warrant	02	02	00
2.	Others	49	49	00

**Composition, Names of Members and record of attendance during the Year:**

Name of Director	Capacity	No. of Meetings held	No. of Meetings Attended
Shri Anant Sagar Awasthi	Chairman (Non-Executive Director)	2	2
Shri K.C.Nuwal	Member (Executive Director)	2	2
Shri K.S. Talesra	Member (Executive Director)	2	2

**CODE OF CONDUCT**

The Company has adopted a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has already been posted on the website of Company for general viewing.

All Board Members and Senior Management Personnel have affirmed compliance with the Code on annual basis and the CEO Certificate to the Board of Directors contains a declaration to this effect.

**Management discussion and analysis**

This is given as a separate chapter in the annual report.

**Disclosures:**

**Details of Capital Market non-compliance, if any:**

There has been no non-compliance penalties/strictures imposed on the Company by Stock Exchange(s) or SEBI or anyother statutory authority, on any matter related to capital markets, during the last three years.

**CEO/CFO Certificate:**

The CEO and CFO have certified to the board with regard to the financial statements and other matters as required in clause 49 of the Listing Agreement and the said certificate is contained in this annual report.

**Auditors' certificate on Corporate Governance:**

The Company has obtained the certificate from the auditors of the Company regarding compliance with the provisions relating to the Corporate Governance laid down in Clause 49 of the Listing Agreement with the stock exchanges. This report is annexed to the directors' report for the year 2007-08, and will be sent to the stock exchanges along with this annual report to be filed by the Company.

**Material Transactions:**

There had been no materially significant related party transaction that might have potential conflict with the interests of the Company at large. Transaction with related parties are disclosed in Note No. 5 of Schedule to the Accounts in the Annual Report.

**Warning against insider trading:**

Comprehensive guidelines in accordance with the SEBI Regulations in this regard, advising and cautioning the management, staff and other relevant business associates on the procedure to be followed while dealing with the securities of SEL, are in place. The code of conduct and corporate disclosure practices framed by the company helped in ensuring compliance with requirement.

**Secretarial Standards Compliance:**

Your Company is in substantial compliance with the Secretarial Standards issued by the Institute of Company Secretaries of India.

**Compliances**

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement and it has set up a remuneration committee under non mandatory requirements.

### Means of Communication with shareholders:

Quarterly and annual financial results are published in numerous leading dailies such as, The Economic Times (Mumbai Edition), Financial Express (All Editions), Loksatta (Nagpur Edition). All financial and other vital official news are also communicated to the concerned stock exchanges and are posted on the website [www.solarexplosives.com](http://www.solarexplosives.com)

During 2007-08, SEL has not made any formal presentations to institutional investors or analysts.

### Information of Retiring Directors

**Mr. Satyanarayan Nandlal Nuwal**, Chairman of Solar Explosives Limited,, aged 55 yrs. hails from Bhilwara (Rajasthan). Started his carrier with trading activity in the field of Explosives and Explosive Accessories, he went on to set up the manufacturing facilities. Within a decade, he made Solar Group one of the best known names in the Explosives industry. He is also the Chairman of Economic Explosives Limited, Solar Components Private Limited and Solar Capitals Limited, Solar Industries Limited, Somi Steel & Power Limited, Navbharat Coalfields Limited.

**Mr. Roomie Dara Vakil**, aged 64 years, is a Post Graduate in Mining (Geology) from the Osmania University. He joined IDL Industries Limited (now known as Gulf Oil Corporation Limited) in the year 1967 and has held various positions in marketing in its Explosives division. He rose to the level of GM (Marketing) in 1992 and finally as Vice-President (Marketing) in 1996 looking after all aspects of marketing Explosives, Blast Initiation Systems and field technical services. He was head of the corporate personnel department for 3 years from 1986 to 1989 and Chief Executive of the Bitumen Emulsion Division of IDL Industries Limited at Delhi for the period of 2 years from 1989 to 1991.

He was Secretary of Explosives Manufacturers' Association of India for 3 years and finally elected as Chairman of the Explosives Manufacturers Association of India for the period 1997 – 2001. When the Development Panel had been upgraded to Development Council, he was co-opted as a member representing the interest of Manufacturers of Explosives. Currently he is the Chief Marketing Officer at our Company, managing the domestic and international marketing functions.

He is Director in Navbharat Coalfields Limited.

**Dr. Jai Prakash Agrawal**, aged 63 years, is an MSc; Ph.D; C Chem FRSC (UK). He is a Reseach Fellow of Council for Scientific and Industrial Research and was awarded Ph.D for his research on primary Explosives. After a brief stint as Junior Scientific Officer in the Directorate of Inspection he joined High Energy Materials Research Laboratory (HEMRL) of the Defense Research Development Organization (DRDO) as senior scientific officer in 1974 and rose to the level of Deputy Director.

In 1990, he was posted as Joint Director in HEMRL and later he was Associate Director HEMRL till 2002. From 2002 till his retirement in June 2004 he was the Director of Materials at the DRDO. During his carrier with DRDO he has worked on many research projects involving Explosives, propellants and other energetic material.

In May 2005, the Department of Science and Technology, GOI, has conferred on him the status of Emeritus Scientist. He has been invited to participate in various seminars and conferences internationally. He has presented many papers at international levels relating to Propellants and other energetic materials.

He has over 147 publications in national and international journals of repute.

**Mr. Ramesh Chandra Tripathi**, aged 67 years, is a Masters in Arts and an officer of the Indian Administrative Services (IAS) of the 1964 batch. Apart from being the Secretary – General, Rajya Sabha, Parliament of India, in the year 2002, he has held various posts as in the capacity of Collector, District Magistrate, Secretary and Principal Secretary. He has been associated with various government departments like Ministry of Information Broadcasting, Ministry of HRD, Planning Commission of India, and Ministry of Parliamentary Affairs in different capacities.

### Information of Directors seeking Appointment

**Mr. Dilip Patel**, aged 51 years is a chemical engineer from IIT Kanpur, Master's in Financial Management from Bajaj Institute, Mumbai. He was involved in setting up two projects- one at Baroda for Bulk Drugs and the other Explsoives near Nagpur in collaboration with Chematur, Sweden.

He has worked with Sicom, a state level financial institution for about 30 years in various capacities, including as general manager for 7 years. His experience involved dealing with projects in all aspects including identification, implementation, financing, revival and rehabilitation etc. He was head of Merchant Banking and Management of equity portfolio including direct investments in listed/unlisted companies as well as in primary and secondary markets.

He has also conceptualised privatisation from concept to execution of Sicom, a Govt. of Maharashtra Development Bank.

He is presently engaged as Management Consultant with several companies in enhancing operating performance of companies, both in Manufacturing and services sector.

He is Director in Eurotex Industries & Exports Limited, Malladi Drugs & Pharmaceuticals Limited, Godavari Drugs Limited, Polyset Plastics Private Limited, Celestlal Biotech Limited.

**Dr. Rishi Narain Singh**, aged 64 years is M Sc and Ph D and a former Director, NEERI, Nagpur. He has been also Scientist-in-Charge of the CSIR Centre of Mathematical Modeling and Computer Simulation, Bangalore and a senior scientist of the National Geophysical Research Institute, Hyderabad. He has over 130 publications in areas of geophysical and environmental modeling. While at NEERI, he focused on enhancing role of science and mathematical modeling in pollution control and environmental decision making. He is a recipient of the Bhatanagar Prize and has been elected to fellowships of prestigious Indian Academy of Sciences and Indian National Science Academy.

### Information for Shareholders:

#### General Body Meetings

Details of last three Annual General Meetings of the Company

Year	Location	Date & Time
10 <sup>th</sup> AGM-2005	Registered office of the Company	August 22 <sup>nd</sup> , 2005 at 11.00 a.m.
11 <sup>th</sup> AGM-2006	Registered office of the Company	September 25 <sup>th</sup> , 2006 at 3.00 p.m.
12 <sup>th</sup> AGM-2007	Udyog Bhavan, First floor, Civil Lines, Nagpur – 440001	September 26 <sup>th</sup> , 2007 at 11.00 a.m.

The Chairman of the Audit Committee was present at all the above AGMs.

Special Resolutions passed in previous three AGMs and EGM

- AGM held on August 22, 2005 : No special Resolution was passed in the AGM.
  - AGM held on September 25, 2006 : Resolution for Commencement of New Business.
  - AGM held on September 26, 2007 : Approval of increased remuneration to Mr. Satyanarayan Nuwal.  
Approval of increased remuneration to Mr. Kailashchandra Nuwal  
Resolution for variation in the IPO objects to re-locate the investment of funds from Nigeria to other countries.
- Postal Ballot Resolution : During the year no Resolution has been passed through Postal Ballot Mechanism and no resolution is proposed to be passed through postal Ballot mechanism.

The next Annual General Meeting of Solar Explosives Limited will be held **on 24<sup>th</sup> day of September, 2008.**

Date and time	Venue
Wednesday 24 <sup>th</sup> September, 2008 At 11.00 a.m.	Udyam hall, Udyog Bhawan, First Floor, Civil Lines, Nagpur - 440001

#### Financial Calendar

Financial Year is April 1<sup>st</sup> to March 31<sup>st</sup> and financial results will be declared as per the following schedule.

Particulars	Tentative Schedule
Financial Reporting for the Quarter ending 30 <sup>th</sup> June, 2008	Second fortnight of July 2008
Financial Reporting for the Quarter ending 30 <sup>th</sup> September, 2008	Second fortnight of October, 2008
Financial Reporting for the Quarter ending 31 <sup>st</sup> December, 2008	Second fortnight of January, 2009
Financial Reporting for the Year/Quarter ending 31 <sup>st</sup> March, 2009	On or before 31 <sup>st</sup> June, 2009
Annual General meeting for the Year ending 31 <sup>st</sup> March, 2009	September, 2009

For the year ended on 31<sup>st</sup> March, 2008 results were announced on 18<sup>th</sup> June, 2008.

For the Quarter ended on 30<sup>th</sup> June, 2008 results were announced on 30<sup>th</sup> July, 2008

#### Dates of Book Closure

12<sup>th</sup> September, 2008 to 24<sup>th</sup> September, 2008 (both days inclusive)



### Dividend:

The Board of Directors of the Company has proposed a further dividend at 15% for the financial year ended on 31<sup>st</sup> March, 2008, subject to the approval by the shareholders of the Company at the annual general meeting.

Interim Dividend Paid during the year was Rs. 1.50/- per share

Dividend paid in the previous year was Rs. 1.50/- per share

The payment of dividend, upon declaration by the shareholders at the forthcoming annual general meeting, will be made on or after 29<sup>th</sup> September, 2008:

1. To all those Beneficiaries holding shares in electronic form, as per the ownership data made available to the company by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as of end the end of the day on 11<sup>th</sup> September, 2008 and
2. To all those shareholders holding shares in physical form, after giving effects to all the valid share transfers lodged with the company on or before the closing hours on 11<sup>th</sup> September, 2008.

Shareholders are advised to refer to the notice of the Annual General Meeting for details of action required to be taken by them in this regard.

### Registrar and Share Transfer Agent

#### Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound

LBS Marg, Bhandup (W)

Mumbai – 400 078

Tel: (+91-22) 25963838

Fax: (+91-22) 25946969

Website: www.intimespectrum.com

Email: solar@intimespectrum.com

Share transfer and related operations for the Company, is conducted by Intime Spectrum Registry Limited, which is registered with SEBI as a Category 1 registrar. Share transfer is normally affected within maximum period of 30 days from the date of receipt, if all the required documents are submitted.

### Dematerialization of shares

All the Promoters shares those were held in Physical Form are Demated during the Year.

### Stock Code

Bombay Stock Exchange Limited, Mumbai : 532725

National Stock Exchange of India Limited, Mumbai : SOLAREX

ISIN : INE343H01011

### Listing on Stock Exchange

Shares of SEL are currently listed on the following Stock Exchanges:

Sl. No.	Name of Stock Exchange	Address
1	Bombay Stock Exchange Limited, Mumbai (BSE)	1 <sup>st</sup> Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.
2	National Stock Exchange of India Limited, Mumbai (NSE)	Exchange plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051

SEL has paid Listing fee to both the above stock exchanges in full.

## Market Price Data

The shares of the Company were listed on NSE and BSE on 3<sup>rd</sup> April 2006, share price data from 03.04.2007 to 31.03.2008 is as follows:

Month	Bombay Stock Exchange				National Stock Exchange			
	Share Price		Sensex Points		Share Price		S&P CNX Nifty Points	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April	114.80	102.00	14383.72	12425.52	126.00	91.50	4217.90	3617.00
May	144.00	100.15	14576.37	13554.34	144.40	100.15	4306.75	3981.15
June	186.65	127.20	14683.36	13946.99	187.15	123.05	4362.95	4100.80
July	187.70	164.00	15868.85	14638.88	188.00	163.00	4647.95	4304.00
August	218.00	175.00	15542.40	13779.88	217.90	175.00	4532.90	4002.20
September	212.40	190.00	17361.47	15323.05	214.50	187.10	5055.80	4445.55
October	273.00	200.15	20238.16	17144.58	281.00	198.05	5976.00	5000.95
November	464.80	250.00	20204.21	18182.83	455.00	251.00	6011.95	5394.35
December	517.00	405.00	20498.11	18886.40	524.00	430.00	6185.40	5676.70
January	547.40	381.00	21206.77	15332.42	535.00	363.00	6357.10	4448.50
February	505.00	435.00	18895.34	16457.74	520.00	400.00	5545.20	4803.60
March	549.00	295.55	17227.56	14677.24	474.90	310.00	5222.80	4468.55

## Distribution of shares and shareholding pattern as on 31st March, 2008

Shareholding of nominal value (Rs.)	No. of share holders	% of total Number of shareholders	Shares held in each class	
			Nominal Value of shares	% of total
1 - 5000	6082	95.79	3445290	1.9890
5001 - 10000	92	1.44	764890	0.4420
10001 - 20000	61	0.96	974040	0.5620
20001 - 30000	24	0.37	577290	0.3330
30001 - 40000	17	0.26	6166550	0.3560
40001 - 50000	4	0.63	190680	0.1100
50001 - 100000	27	0.42	2278040	1.3150
100001 - *****	42	0.66	164391380	94.8930
<b>TOTAL</b>	<b>6349</b>	<b>100.00</b>	<b>173238160</b>	<b>100.00</b>

### Shareholding Pattern as on 31st March, 2008

Sl. No	Category	No. of Shareholders	Total Shares	% To Total Share holding
1	Promoters	12	12923816	74.6014
2	Resident Individuals	14696	1823044	7.35
3	Foreign Institutional Investors	4	1320572	3.6044
4	G I C & its subsidiaries	1	1250	0.0072
5	Mutual Funds	2	426453	11.73
6	Clearing Members	38	11437	0.04090
7	Other Bodies Corporate	340	556969	2.5903
8	Non Resident Indians	240	55906	0.0619
	<b>TOTAL</b>	<b>15336</b>	<b>17323816</b>	<b>100.0000</b>

There are no outstanding GDRs / ADRs / Warrants or any convertible instruments as on 31.03.2008

### Address for correspondence

Investors and shareholders can correspond with the registered office of the Company at following address:

#### The Compliance Officer / Company Secretary Solar Explosives Limited

11, Zade Layout, Bharat Nagar, Nagpur, Maharashtra.  
Tel: (0712) 2561000, 2561010; Fax: (0712) 2560202  
Email: investor.relations@solarexplosives.com

### Plant Locations as on 31.07.2008:

S. No	Company	Location
1	Solar Explosives Limited	Village-Chakdoh (Bazargaon), Tehsil-Katol, Nagpur, Maharashtra
2	Economic Explosives Limited	Village-Savanga, Nagpur, Maharashtra
3	Solar Components (P) Ltd.	Village-Khapri (Nimji), Gondkheri-Kalmeshwar Road, Tahsil-Kalmeshwar, Nagpur, Maharashtra.
4	Solar Capitals Limited	Plot No. 32-37, Udyog Deep Ind.Area, Waidhan, Dist.-Sidhi, Madhya Pradesh
5	Solar Capitals Limited	Survey No.101, Warur Road, Tahsil-Rajura, Dist.-Chandrapur, Maharashtra.
6	Solar Capitals Limited	Kh. No.5 Village-Mudapur, Tahsil-katgora, Dist.-Korba, Chattisgarh.
7	Solar Capitals Limited	Plot No. 967 & 1156, Mouza Manua, Tahsil-Ramgarh Cant., Hazribagh, Jharkhand.
8	Solar Capitals Limited	MIDC Plot No. B-11, Chandrapur (Tadali) Growth Center, Dist.-Chandrapur Maharashtra.
9	Solar Capitals Limited	MIDC Plot No. B-13, Umred Growth Center, Tahsil-Umred Dist.-Nagpur, Maharashtra.
10	Solar Capitals Limited	Kandra Industrial Area, plot No. C-32 (p) & C-33 (p), Village-Dhanbad, Jharkhand.
11	Solar Capitals Limited	Mouza Barakuria, Plot No. 2/848, P.S.Asansol (North), Tahsil-Asansol, Dist.-Burdwan, West Bengal.
12	Solar Capitals Limited	IDCO Plot No.27, Revenue Plot No.48(P), Village Ghontapada Industrial Estate Talcher, Dist.-Angul, Orissa.
13	Solar Capitals Limited	KH. No.323/2, P.H.No.30, Mauza Chainpur, Tahsil-Manendragarh, Dist.-Korba, Chattisgarh.
14	Solar Capitals Limited	Survey No.363, Kamanpur (mandal), Village Musthyala (A) Dist.-Karimnagar (AP)
15	Solar Capitals Limited	Mauza Behrapalli, Plot No: 389 & 392, Tah & Dist. Jharsuguda, - Orissa

## Declaration by Mr Kailash Chandra Nuwal

I, Kailash Chandra Nuwal, Executive Director of SEL hereby confirm pursuant to clause 49(1)(D) of the Listing agreement, that:

- The Board of Directors of SEL has laid down a code of conduct for all the Board members and senior management of the Company. The said code of conduct has also been posted on Company's website [www.solarexplosives.com](http://www.solarexplosives.com).
- All the Board members and senior management personnel have affirmed their compliance with the said code of conduct for the year ended on 31<sup>st</sup> March, 2008.

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## Certificate by Chief Executive Officer (CEO)

I, Kundan Singh Talesra, Chief Executive Officer of Solar Explosives Limited, certify:

1. That I have reviewed the financial statements and the cash flow statements for the year ended 31<sup>st</sup> March, 2008 and that to the best of my knowledge and belief:
  - These statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
  - These statements present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of my knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the Company's code of conduct;
3. That I accept responsibility for establishing and maintaining internal controls, I have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps that I have or propose to take to rectify the identified deficiencies and
4. That I have informed the auditors and audit committee of:
  - i. significant changes in internal control during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which I have become aware and the involvements therein, if any, of the management or an employee having a significant role in the company's internal control system.

**(K.S. Talesra)**  
Chief Executive Officer

Dated 18<sup>th</sup> June, 2008

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## Certificate by the Auditors on Corporate Governance

**To the members of  
Solar Explosives Limited**

We have reviewed the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year ended on March 31, 2008.

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

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for examinations and information and explanation given to us by the Company.

Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges of India.

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

**For and on behalf of**

**Gandhi Rathi Co.**  
Chartered Accountants

**(C.N.Rathi)**  
Partner, M.No. 39895

## AUDITOR'S REPORT TO THE MEMBERS OF SOLAR EXPLOSIVES LIMITED

1. We have audited the attached Balance Sheet of **SOLAR EXPLOSIVES LIMITED**, as at 31<sup>st</sup> March, 2008 the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 have 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 of India in terms of section 227 (4A) 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 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 those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (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.
  - (e) According to the information and explanations given to us and on the basis of written representations from Directors taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31<sup>st</sup> March, 2008 from being appointed as director under Section 274(1)(g) of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, and subject to our notes/observations brought out elsewhere in the report, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true & 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 31<sup>st</sup> March, 2008;
    - (b) in the case of the Profit and Loss Account of the Profit for the year ended on that date.
    - (c) in the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

**FOR GANDHI RATHI & CO.**  
CHARTERED ACCOUNTANTS

PLACE : NAGPUR  
DATED : 18.06.2008

(C.N. RATHI)  
PARTNER  
M. No. 39895

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITOR'S REPORT TO THE MEMBERS OF SOLAR EXPLOSIVES LTD. ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

- i) a) The Company has maintained proper records showing full particulars including quantitative details and location of its fixed assets.
- b) The Management has physically verified the fixed assets at reasonable intervals and no material discrepancies are reported to have been observed on such verification as compared to book records.
- c) No Fixed Asset Disposed of during the year.
- ii) a) The stocks of finished goods, work in process, stores, spare parts and raw materials have been physically verified by the Management during the year. In our opinion, the frequency of the verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of the stocks followed by the Management was found reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory and the discrepancies noticed on verification between the physical stocks and the book stocks were not material in relation to the operations of the Company.
- iii) a) The Company has granted loan to companies covered in the register maintained under section 301 of the Companies Act, 1956, and the year end balance of loan granted to such Companies was **Rs. 2412.98 Lacs.**
- b) In our opinion, the rate of interest and other terms and conditions of such loan are, prima facie not prejudicial to the interest of the Company.
- c) The Company has repaid the principal amounts as stipulated and have been regular in the payment of interest.
- d) There is no overdue amount of such loan granted to aforesaid company.
- e) The Company has taken loan from companies covered in the register maintained under section 301 of the Act, and the year end balance of loans taken from such Companies was **Rs. 1605.03 Lacs.**
- f) In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are, prima facie not prejudicial to the interest of the Company.
- g) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods & services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Sec. 301 of the Act have been entered in the register maintained under that section.
- b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted fixed deposits from the public and consequently, the directives issued by the Reserve Bank of India, the provisions of Sections 58A, 58AA or any other relevant provisions of Act and the rules framed there under are not applicable.
- vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the Company.

- ix) a) According to the information and explanations given to us and according to the records of the Company, the Company is regular in depositing undisputed statutory dues including Provident Fund, Income-tax, Sales - tax, Service Tax, Excise Duty, Cess and any other statutory dues with the appropriate authorities. However, there are no arrears of such dues as at the close of the year concerned for a period of more than six months from the date they become payable.
- b) According to the information and explanation given to us, the dues of sales tax, income tax, customs, wealth tax, excise duty, cess which have not been deposited on account of disputes and the forum where the dispute is pending are as follows :-

Sr. No.	Name of the statute	Nature of dues/demands	Amount (Rs.) (lacs)	Forum where dispute is pending
1	Central Excise Act	Excise duty on to and fro freight collected on account of sales made to CIL subsidiaries treating it as additional consideration	30.72	CESTAT
		Excise duty on the benefits earned by the company due to premature payment of sales tax deferral liability	14.33	Commissioner (Appeals)
		Excise duty on Additional value of goods sold to associate concern alleging it as related person as per Central Excise Act	8.03	CESTAT

- x) The Company neither has accumulated losses at the end of the financial year, nor incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution and bank.
- xii) 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, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv) The Company has maintained proper records of the transactions and contracts in respect of dealing of trading in shares, securities and other investments and timely entries have been made therein. All shares, securities and other investments have been held by the company in its own name.
- xv) In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, term loan availed by the Company were, prima facie, applied by the Company for the purposes for which the loans were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made preferential allotment of shares during the year.
- xix) No debentures have been issued by the Company to create securities or charge.
- xxi) According to the information and explanations given to us no fraud on or by the Company has been noticed or reported during the course of our audit.

**FOR GANDHI RATHI & CO.**  
**CHARTERED ACCOUNTANTS**

(C.N. RATHI)  
 PARTNER  
 M. No. 39895

PLACE : NAGPUR  
 DATED : 18.06.2008

## BALANCE SHEET AS ON 31ST MARCH, 2008

(Amount Rupees in Lacs)

PARTICULARS	SCH	AS AT 31.03.2008	AS AT 31.03.2007
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS' FUND</b>			
Share Capital	A	1732.38	1732.38
Reserves and Surplus	B	12668.50	12180.13
		<b>14400.88</b>	<b>13912.51</b>
<b>LOAN FUNDS</b>			
Secured Loans	C	2940.00	4827.76
Unsecured Loans	D	5896.02	2699.01
		<b>8836.02</b>	<b>7526.77</b>
<b>DEFERRED TAX LIABILITY</b>			
		<b>573.48</b>	<b>517.08</b>
<b>GRAND TOTAL</b>		<b>23810.38</b>	<b>21956.36</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
<b>Gross Block</b>	E	5469.69	5000.38
Less: Depreciation		1160.71	877.05
<b>Net Block</b>		<b>4308.98</b>	<b>4123.33</b>
Capital Work-In-Progress		76.30	117.75
<b>Net Fixed Assets</b>		<b>4385.28</b>	<b>4241.08</b>
<b>INVESTMENTS</b>			
	F	3443.09	2302.04
		<b>3443.09</b>	<b>2302.04</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	G	2002.30	914.61
Debtors and Other Debit Balances	H	2367.43	3148.31
Cash and Bank Balances	I	6350.52	8274.27
Loans and Advances	J	6514.87	3747.21
		<b>17235.12</b>	<b>16084.40</b>
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b>	K	1334.25	1355.05
<b>Net Current Assets</b>		<b>15900.87</b>	<b>14729.35</b>
<b>MISCELLANEOUS EXPENDITURE</b>			
( To The Extent Not Written Off )		81.14	683.89
		<b>81.14</b>	<b>683.89</b>
<b>GRAND TOTAL</b>		<b>23810.38</b>	<b>21956.36</b>

Notes on Accounts as per Schedule.

As per our report of even date Annexed.

For **Gandhi Rathi & Co.**  
Chartered Accountants

**C. N. Rathi**  
Partner  
M.No. 39895

Place : Nagpur  
Date : 18th June, 2008

For and on behalf of the Board

**S. N. Nuwal**  
Director

**K. C. Nuwal**  
Director

**Khushboo Pasari**  
Company Secretary



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

(Amount Rupees in Lacs)

PARTICULARS	SCH	For the year ended 31.03.2008	For the year ended 31.03.2007
<b>INCOME</b>			
Sales	L	18850.65	13579.46
Less: Excise Duty		1913.87	1304.24
		16936.78	12275.22
Other Income	M	1292.30	1006.68
<b>TOTAL</b>		<b>18229.08</b>	<b>13281.90</b>
<b>EXPENDITURE</b>			
Operating Expenses	N+O+P	14353.90	11143.70
Depreciation	E	283.66	216.01
Interest and Finance Charges	Q	804.48	532.50
<b>TOTAL</b>		<b>15442.04</b>	<b>11892.21</b>
<b>PROFIT BEFORE TAXATION</b>		<b>2787.04</b>	<b>1389.69</b>
<b>Provision for Tax</b>			
Current Tax		919.17	290.71
Deferred Tax		56.40	58.60
Fringe Benefits Tax		9.50	5.47
		<b>985.07</b>	<b>354.78</b>
<b>PROFIT AFTER TAXATION</b>		<b>1801.97</b>	<b>1034.91</b>
Balance Brought Forward		1703.41	1172.84
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<b>3505.38</b>	<b>2207.75</b>
<b>APPROPRIATION</b>			
Interim Dividend		259.86	0.00
Proposed Dividend		259.86	259.86
Tax on Dividend		88.32	44.16
Prior Period Adjustments		0.00	0.32
General Reserve		700.00	200.00
<b>BALANCE C/F TO BALANCE SHEET</b>		<b>2197.34</b>	<b>1703.41</b>
<b>Basic Earnings Per Share Rs.</b>		<b>10.40</b>	<b>5.97</b>
(See Note 2)			

Notes on Accounts as per Schedule.

As per our report of even date Annexed.

For **Gandhi Rathi & Co.**  
Chartered Accountants

**C. N. Rathi**  
Partner  
M.No. 39895

Place : Nagpur  
Date : 18th June, 2008

For and on behalf of the Board

**S. N. Nuwal**  
Director

**K. C. Nuwal**  
Director

**Khushboo Pasari**  
Company Secretary

# CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2008

(Amount Rupees in Lacs)

Particulars	2007-08	2006-07
<b>A. Cash Flow From Operating Activities</b>		
Net Profit Before Tax	2787.04	1389.70
Adjustments for :		
Depreciation	283.66	210.75
Interest Expense	804.48	532.49
Preliminary Expenses Written Off	0.00	0.21
	<u>1088.14</u>	<u>743.45</u>
<b>Operating Profit before working Capital Changes</b>	<u><b>3875.18</b></u>	<u><b>2133.15</b></u>
(Increase)/Decrease in Sundry Debtors	780.88	-1015.22
(Increase)/Decrease in Inventories	-1087.69	85.62
(Increase)/Decrease in Loans & Advances	-2767.67	-2653.04
Increase/(Decrease) in Sundry Creditors	-20.79	-796.05
	<u>-3095.27</u>	<u>-4378.69</u>
<b>Cash Generated from Operations</b>	<u><b>779.91</b></u>	<u><b>-2245.54</b></u>
Deferred Tax	56.41	58.60
Income Tax Paid	919.20	291.03
Fringe Benefits Tax	9.50	5.47
	<u>985.11</u>	<u>355.10</u>
<b>Net Cash from Operating Activities</b>	<u><b>-205.20</b></u>	<u><b>-2600.64</b></u>
<b>B. Cash Flow From Investing Activities</b>		
Increase in Fixed Assets	-427.86	-683.44
Preliminary Expenses Incurred	-102.77	-403.75
Purchase of Investments	-1141.05	-10.10
<b>Net Cash from Investing Activities</b>	<u><b>-1671.68</b></u>	<u><b>-1097.29</b></u>
<b>C. Cash Flow From Financing Activities</b>		
Bank Working Capital Loan	-1674.48	4031.72
Proposed Dividend + Dividend Tax	-608.04	-304.02
Increase in Secured Loans	0.00	35.38
(Decrease) in Secured Loans	-213.29	-825.03
Increase In Unsecured Loans	3197.01	1123.70
Interest	-804.48	-532.49
Deferred Tax	56.41	58.60
<b>Net Cash from Financing Activities</b>	<u><b>-46.87</b></u>	<u><b>3587.86</b></u>
Net Increase in Cash & Cash equivalents	<u><b>-1923.75</b></u>	<u><b>-110.07</b></u>
<b>Notes :</b>		
1) Cash & Cash equivalents at the beginning of period	8274.27	8384.34
Cash & Cash equivalents at the end of period	6350.52	8274.27
	<u><b>-1923.75</b></u>	<u><b>-110.07</b></u>

2) The above cash flow statement has been prepared in accordance with the requirements of Accounting Standard 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.

As per our report of even date Annexed

For **Gandhi Rathi & Co.**  
Chartered Accountants

**C. N. Rathi**  
Partner  
M.No. 39895

Place : Nagpur  
Date : 18th June, 2008

For and on behalf of the Board

**S. N. Nuwal**  
Director

**K. C. Nuwal**  
Director

**Khushboo Pasari**  
Company Secretary

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

(Amount Rupees in Lacs)

PARTICULARS	For the year ended 31.03.2008	For the year ended 31.03.2007
<b>Schedule 'A'</b>		
<b>SHARE CAPITAL</b>		
Authorised Share Capital 200.00 Lacs Equity Shares of Rs. 10/- each	2000.00	2000.00
Issued, Subscribed & Paid up 173.24 Lacs Equity Shares of Rs. 10/- each	1732.38	1732.38
	<u>1732.38</u>	<u>1732.38</u>
<b>Schedule 'B'</b>		
<b>RESERVES AND SURPLUS</b>		
General Reserve	2660.83	1960.86
Profit & Loss Account	2197.34	1703.41
<b>CAPITAL RESERVE</b>		
Share Premium	7790.33	8495.86
State Capital Incentive	20.00	20.00
	<u>12668.50</u>	<u>12180.13</u>
<b>Schedule 'C'</b>		
<b>SECURED LOANS</b>		
Term Loan (FCNRB)	23.38	125.16
Corporate Loan	68.00	147.10
From SBI, IFB Br., Nagpur, Secured against mortgage of Land, Buildings, Other Civil Construction and hypothecation of Plant & Machinery, Other Fixed Assets. The loans are further secured by Personal Guarantees of the Directors		
Cash Credit (SBI IFB)	404.58	547.33
Cash Credit (FCNRB)	588.55	0.00
Export Packing Credit - (SBI IFB)	61.46	0.00
SBI, IFB - Bill Discounting (Against hypothecation of Inventories, Book debts & Security)	0.00	451.67
Bank of India - ( O. D. )	1750.37	0.00
ICICI Bank Limited (O. D.)	0.00	3480.44
Vehicle Loan - H. D. F. C.	11.61	26.16
Vehicle Loan - ICICI Bank	6.24	14.52
Vehicle Loan - CITI Bank (Against hypothecation of Vehicles)	25.81	35.38
	<u>2940.00</u>	<u>4827.76</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008****(Amount Rupees in Lacs)**

<b>PARTICULARS</b>	<b>For the year ended 31.03.2008</b>	<b>For the year ended 31.03.2007</b>
<b>Schedule 'D'</b>		
<b>UNSECURED LOANS</b>		
<b>From Financial Institutions :</b>		
H.S.B.C. LTD. - Bill Discounting	0.00	363.60
H.S.B.C. LTD. - Vendor Finance	0.00	439.12
H.S.B.C. LTD. - Export Packing Credit	1000.00	0.00
Standard Chartered Bank - Short Term Loan	255.34	0.00
Standard Chartered Bank - Export Packing Credit	240.61	0.00
Barclays Bank PLC - W.C.D.L.	1240.51	0.00
H.D.F.C. - FCNR Loan	500.00	0.00
<b>From Others</b>	<b>1605.03</b>	<b>945.50</b>
<b>Sales Tax Deferral Loan</b>	<b>1054.53</b>	<b>950.79</b>
	<b>5896.02</b>	<b>2699.01</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

### Schedule 'E' SCHEDULE OF FIXED ASSETS

ASSETS	GROSS BLOCK		ADDITIONS		GROSS BLOCK		DEPRECIATION			NET BLOCK	
	AS ON 31.03.2007		DURING THE YEAR		AS ON 31.03.2008	UPTO 31.03.2007	DURING THE YEAR	UPTO 31.03.2008	AS ON 31.03.2007	AS ON 31.03.2008	
Land	110.37		Nil		110.37	Nil	Nil	Nil	110.37	110.37	
Plot	20.35		Nil		20.35	Nil	Nil	Nil	20.35	20.35	
Civil Construction	1479.50		155.50		1635.00	258.40	52.68	311.08	1221.10	1323.92	
Office Building	90.26		Nil		90.26	7.73	1.47	9.20	82.53	81.06	
Plant & Machinery	2371.88		159.96		2531.84	462.17	114.68	576.85	1909.71	1954.99	
Furniture & Fixtures (Factory)	33.48		20.48		53.96	8.30	2.18	10.48	25.18	43.48	
Furniture & Fixtures (Office)	40.90		0.65		41.55	6.48	2.59	9.07	34.42	32.48	
Office Equipments	238.17		12.66		250.83	28.61	36.63	65.24	209.56	185.59	
Vehicles	605.71		120.06		725.77	105.36	73.43	178.79	500.35	546.98	
Plantation	9.76		Nil		9.76	Nil	Nil	Nil	9.76	9.76	
	5000.38		469.31		5469.69	877.05	283.66	1160.71	4123.33	4308.98	

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

(Amount Rupees in Lacs)

PARTICULARS	For the year ended 31.03.2008	For the year ended 31.03.2007
<b>Schedule 'F'</b>		
<b>INVESTMENTS</b>		
<b>LONG-TERM INVESTMENTS</b>		
Quoted - At Cost	247.01	0.00
Unquoted - At Cost	3168.69	2302.04
<b>SHORT-TERM INVESTMENTS</b>		
Quoted - At lower of Cost or Market Value	27.39	0.00
	<b>3443.09</b>	<b>2302.04</b>
<b>Schedule 'G'</b>		
<b>INVENTORIES ( Valued at Cost )</b>		
Raw Materials, Packing Materials & Consumables	1291.40	587.00
Traded Goods	45.73	52.75
Finished Goods and Semi-finished Goods	661.88	269.11
Scrap	3.29	5.75
	<b>2002.30</b>	<b>914.61</b>
<b>Schedule 'H'</b>		
<b>DEBTORS &amp; DEBIT BALANCES</b>		
Unsecured, Considered good (See Note 18)	2367.43	3148.31
	<b>2367.43</b>	<b>3148.31</b>
<b>Schedule 'I'</b>		
<b>CASH AND BANK BALANCES</b>		
Cash In Hand	1.24	3.12
Petty Cash	1.34	2.12
<b>Balance with Scheduled Banks</b>		
Current Accounts	365.29	68.07
Fixed Deposit Accounts	5982.65	8200.96
	<b>6350.52</b>	<b>8274.27</b>
<b>Schedule 'J'</b>		
<b>LOANS AND ADVANCES</b>		
Advances to Goods Suppliers	737.45	522.49
Advances for Fixed Assets	75.78	52.34
Staff Advances	38.31	18.04
Balance with Excise and Customs Authorities	77.20	58.45
Income Tax Receivable	68.43	68.52
Security and Other Deposits	51.44	82.07
Sales Tax Receivable	317.70	312.23
Prepaid Expenses	42.20	32.57
Other Advances	5106.36	2600.50
	<b>6514.87</b>	<b>3747.21</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

(Amount Rupees in Lacs)

PARTICULARS	For the year ended 31.03.2008	For the year ended 31.03.2007
<b>Schedule 'K'</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Creditors for Goods	429.26	384.78
Creditors for Transporter, Agent & Others	111.06	179.46
Advances from Customers	81.67	282.70
Creditors for Fixed Assets	7.29	22.78
Expenses Payable	31.19	33.85
Other Liabilities	673.78	451.48
	<b>1334.25</b>	<b>1355.05</b>
<b>Schedule 'L'</b>		
<b>SALES</b>		
Slurry /Emulsion Explosives	13242.31	9149.14
Detonators & Detonating Fuse	1078.63	1308.98
Export Sales	1314.99	967.69
Scrap Sales	5.49	12.30
Trading Sales	2152.03	1654.60
Input Sales	314.00	325.60
Trade Export	743.20	161.15
	<b>18850.65</b>	<b>13579.46</b>
<b>Schedule 'M'</b>		
<b>OTHER INCOME</b>		
Jobwork Charges	215.36	215.83
Interest	963.18	765.88
Profit on Sale of Investments	37.48	0.00
Other Miscellaneous Income	73.36	23.17
Profit on Sale of Assets	0.00	1.80
Income from Exchange Rate Fluctuation	2.92	0.00
	<b>1292.30</b>	<b>1006.68</b>
<b>Schedule 'N'</b>		
<b>OPERATING EXPENSES</b>		
<b>Material consumed</b>		
Raw material, packing material & consumables	8618.46	6996.13
Trading goods	2040.84	1654.02
Trading goods - export	651.22	113.14
	<b>11310.52</b>	<b>8763.29</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

(Amount Rupees in Lacs)

PARTICULARS	For the year ended 31.03.2008	For the year ended 31.03.2007
<b>Schedule 'O'</b>		
<b>A) MANUFACTURING EXPENSES</b>		
Power & Fuel	202.91	147.54
Repairs & Maintenance - P & M, Electricals	49.82	71.82
Insurance Charges	53.09	39.69
Repairs & Maintenance - Civil, Vehicles & Others	79.69	33.62
Factory Expenses	21.93	16.02
Security Service Charges	14.11	14.17
Excise Duty ( See Note 19 )	-25.46	85.63
Loss by Fire	0.00	2.68
Destruction of Goods	0.00	3.94
<b>TOTAL A</b>	<b>396.09</b>	<b>415.11</b>
<b>B) STAFF COSTS</b>		
Salaries & Wages	358.75	283.09
Provident Fund Contribution	16.48	12.89
Bonus to Employees	37.57	12.77
Gratuity	15.39	4.94
Salary (Office)	87.39	45.73
Staff Welfare Expenses	8.61	16.60
Salary Marketing	24.16	21.46
<b>TOTAL B</b>	<b>548.35</b>	<b>397.48</b>
<b>C) ADMINISTRATIVE EXPENSES</b>		
Remuneration to Directors	87.00	60.60
Conveyance Expenses	21.47	19.06
Consultancy Charges	31.14	32.94
Telephone Expenses	12.25	12.77
Printing & Stationery	14.67	16.57
Office Expenses	5.01	8.36
Software Development	19.66	20.95
Rent, Rates & Taxes	12.01	10.97
Donation	27.66	3.63
Audit Fees	3.65	2.15
Postage Expenses	5.15	8.42
Legal Expenses	5.64	4.76
Internal Audit Fees	1.84	1.44
Preliminary Expenses written-off	0.00	0.21
Director Sitting Fees	1.35	1.25
Miscellaneous Expenses	5.07	1.01
<b>TOTAL C</b>	<b>253.57</b>	<b>205.09</b>



**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**

(Amount Rupees in Lacs)

PARTICULARS	For the year ended 31.03.2008	For the year ended 31.03.2007
<b>Schedule 'O' (Contd.)</b>		
<b>D) SELLING &amp; DISTRIBUTION EXPENSES</b>		
Transportation Charges	370.24	379.08
Export Expenses	538.97	433.43
Sales Tax - MAH, WB, AP, BIHAR	1080.20	416.87
Sales / Agency Commission	85.68	72.38
Travelling Expenses	71.86	64.29
Sales Promotion Expenses	16.15	13.05
Discounts and Settlements	43.57	3.38
Misc. Sales Expenses	29.02	22.68
<b>TOTAL D</b>	<b>2235.69</b>	<b>1405.16</b>
<b>TOTAL A+B+C+D</b>	<b>3433.70</b>	<b>2422.84</b>
	<b>14744.22</b>	<b>11186.13</b>
<b>OPERATING EXPENSES</b>		
<b>Schedule (N+O) as per list</b>	<b>14744.22</b>	<b>11186.13</b>
<b>Schedule 'P'</b>		
<b>(INCREASE) / DECREASE IN STOCK</b>	<b>-390.32</b>	<b>-42.43</b>
<b>Total Operating Expenses (N+O+P)</b>	<b>14353.90</b>	<b>11143.70</b>
<b>Schedule 'Q'</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest on Term Loans	66.80	73.18
Interest on Working Capital	509.96	306.61
Other Interest	131.51	58.83
Interest on Vehicle Loan	4.75	5.51
Bank Charges	91.46	49.00
Foreign Exchange Fluctuation - Loss	0.00	39.37
	<b>804.48</b>	<b>532.50</b>

## Statement of Significant Accounting Policies forming part of Accounts For the year ended 31<sup>st</sup> March, 2008

### 1. Accounting Convention

The financial Statements are prepared on the accrual basis under the historical cost convention, in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

### 2. Fixed Assets / Depreciation

Fixed Assets are stated at cost net of cenvat / value added tax less accumulated depreciation

Depreciation for the year is computed on the straight line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956

### 3. Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been change in the estimate of recoverable amount.

### 4. Use of Estimates

The preparation of financial statements require estimates and assumption to be made that affect the reported amount of assets and liabilities on the date of the financial statement and reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

### 5. Revenue Recognition

Revenue from Sales of product is recognised when the products are dispatched against the orders from customers in accordance with the contract terms.

### 6. Investments

Trade investments are the investments made to enhance the groups business interest. Investments are either classified as current or long term based on the managements intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

### 7. Inventories

Finished goods, traded items, raw material, packing material and work-in-process are valued at the lower of cost or net realisable value. Cost includes an appropriate portion of manufacturing overheads, where applicable. Finished goods & Semi Finished Goods are valued inclusive of Excise duty.

### 8. Foreign Currency Transactions

Outstanding foreign currency assets and liabilities are translated at the exchange rate Prevailing as on Balance Sheet date or forward cover rates, as the case may be. Gains or losses on cancellation of forward exchange contracts and relating to the acquisition of fixed assets are adjusted to the cost of such fixed assets and those related to other account are recognised in the Profit and Loss Account under respective heads of accounts. The difference between the forward rate and the exchange rate at the date of transaction is recognised as income or expenses over the life of contract.

### 9. Borrowing Costs

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. All other borrowing cost are charged to revenue.

#### **10. Retirement Benefit**

Contributions to Provident Fund are deposited with the appropriate authorities and charged to the Profit and Loss Account as incurred. The Company has made provision for gratuity based on 15 days' salary for each completed year of service.

#### **11. Taxation**

- a. Provision is made for both current & deferred taxes. Current tax is provided on the taxable income using the applicable tax rate & tax laws.
- b. The Deferred tax for timing differences is accounted for using the tax rates & laws that have been enacted or substantively enacted by the balance sheet date and is accrued with Accounting Standard 22-"Accounting for taxes on income" issued by the ICAI which includes current and deferred taxes.
- c. Deferred tax Assets arising from timing differences are recognised only on the consideration of prudence and are reviewed at each Balance Sheet date.

#### **12. Capital Work-In-Progress**

The cost of assets not put to use before the year end, are disclosed under capital work-in-progress.

#### **13. Insurance Claims**

Insurance and other claims to the extent considered recoverable are accounted for in the year of claim based on the amount assessed by the surveyor. However, claim and refunds whose recovery can not be ascertained with reasonable certainty, are accounted for on acceptance / actual receipts basis.

#### **14. Provision, Contingent Liabilities and Contingent Assets**

Provision involving substantial degree of estimation in measurement are recognised when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statement.

#### **15. Leases**

The Company's significant leasing arrangements are in respect of operating leases for premises (residential, office, Stores, Godowns etc.). The leasing arrangement which are not cancelable range between 11 months and five years generally, and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent including lease rentals.

#### **16. Export Incentives**

Export benefits under various scheme announced by the Central Government under Exim Policy are accounted on accrual basis to the extent considered receivable depending on the certainty of receipts.

## NOTES TO THE ACCOUNTS

### 1. Contingent Liability

01	In respect of counter guarantees given to Bank	Rs. 1320.75 Lacs
02	In respect of Excise matters in dispute / under Appeal	Rs. 53.07 Lacs
03	In respect of Sales Tax Deferment Payable as per NPV basis - 1054.53 Lacs	Rs. 3249.45 Lacs
04	In respect of supplies made to Coal India Ltd. (See note No.10 )	Rs. 173.30 Lacs

### 2. Earning Per Share

Basic earning per share has been reported as per Accounting Standards - 20 relating to "Earning per share" which have been computed by dividing net profit after tax by the weighted average no. of shares outstanding for the period as under :

	<b>31.03.2008</b>
Net Profit for the year attributable to equity shareholders (Rupees Lacs)	1801.97
Weighted Average No. of Shares - Lacs	173.24
Earning per Share (Rupees)	10.40

There are no potential equity shares as on 31.03.2008 and accordingly the diluted Earning per share is the same as Basic Earning per Share.

1 Information pursuant to provisions of paragraph 3 and 4 of part II of schedule VI to the Companies Act, 1956 :-

#### A. CAPACITY & PRODUCTION

##### i) INSTALLED CAPACITY

Slurry/Emulsion Explosives	80000	Tones
Detonators	50	Million Nos.
Detonating Fuse	40	Million Mtrs.
PETN	360	M.T.
Cast Booster	60	M.T.
Speciality Chemicals	1080	M.T.

##### ii) LICENSED CAPACITY

Slurry/Emulsion Explosives	80000	Tones
Detonators	50	Million Nos.
Detonating Fuse	20	Million Mtrs.
PETN	250	M.T.
Cast Booster	60	M.T.

##### iii) PRODUCTION

Slurry/Emulsion Explosives	37140.494	Tones
Detonators	15.56	Million Nos.
Detonating Fuse	25.00	Million Mtrs.
PETN	283.403	M.T.
Cast Booster	7.985	M.T.
Specialty Chemicals	638.126	M.T.

#### B. TURNOVER & STOCKS

##### i) TURNOVER

Product	Quantity	Value (In Lacs)
Slurry/Emulsion Explosives	36665.426	} 15,635.93
Detonators	8.12	
Detonating Fuse	20.99	
PETN	30.744	
Cast Booster	7.409	
Specialty Chemicals	305.455	
Scrap & By Product	167.593	} 5.49
	4950.000	
Trading Activities :		} 3,209.23
Ammonium Nitrate	12097.185	
Others	16801.140	
	1086851	
	140000	

**ii) CLOSING STOCK (Finished goods & Scrap)**

Product	Quantity		Value (In Lacs)
Slurry/Emulsion Explosives	889.325	M.T.	327.13
Detonators & Accessories	0.67	Million Nos.	92.00
Detonating Fuse	5.13	Million Mtrs.	194.76
PETN	9.990	M.T.	13.69
Cast Booster	1.272	M.T.	1.81
Specialty Chemicals	26.532	M.T.	24.16
Scrap & By Product	12.595	M.T.	3.30
	3364.000	NOS	

**C. RAW MATERIAL AND PACKING MATERIAL**

**i) CONSUMPTION**

Product	Quantity		Value (In Lacs)
Raw material (Slurry/Emulsion Explosives)	34777.153	M.T.	8,546.14
Raw material (Detonators)	15.80	Million No.	
	2.49	Million Mtr.	
	97.751	M.T.	
Detonating Fuse	290.930	M.T.	
PETN	842.126	M.T.	
Cast Booster	2.640	M.T.	
Specialty Chemicals	203.108	M.T.	
Other	42.320	M.T.	
Packing material	1270.152	M.T.	
	3.11	Million No.	

**ii) CLOSING STOCK**

Product	Quantity		Value (In Lacs)
Raw material (Slurry/Emulsion Explosives)	4685.949	M.T.	1,140.13
Raw material (Detonators)	0.015	Million No.	
	0.017	Million Mtr.	
	0.239	M.T.	
Detonating Fuse	8.797	M.T.	
PETN	17.415	M.T.	
Cast Booster	1.000	M.T.	
Specialty Chemicals	16.880	M.T.	
Other	39.867	M.T.	
Packing material	132.091	M.T.	
	0.879	Million No.	

**4. A. C.I.F. Value of Imports**

i) Raw Material	Rs.	49.28 Lacs
ii) Spare parts and components	Rs.	5.56 Lacs

**B. Earning in Foreign Exchange**

Export of Goods calculated on FOB basis	Rs.	1736.10 Lacs
On account of Commission	Rs.	00.79 Lacs

**C. Expenditure in Foreign Currency**

On account of Interest on FCNR(CC) Loan	Rs.	19.28 lacs
On account of Interest on FCNR(Term) Loan	Rs.	27.87 lacs
On account of Professional Charges	Rs.	02.27 lacs
On account of Sales Commission	Rs.	30.00 lacs
On account of Ocean Freight	Rs.	385.75 lacs
On account of Misc Sales Exp.	Rs.	02.45 lacs
On account of Travelling Expenses	Rs.	05.83 lacs

5. **Related party disclosures** required as per AS-18 on 'Related Parties disclosures' issued by the Institute of Chartered Accountants of India, are below for the year ended on 31.03.2008

1. **Holding Company** : NIL
2. **Subsidiaries** :
  - a) Economic Explosives Limited.
  - b) Solar Capitals Limited
  - c) Solar Components Private Limited
  - d) Solar Mines & Minerals Ltd.
  - e) Solar Mining Resources Ltd.
  - f) Solar Industries Ltd.
  - g) Somu Steel & Power Ltd.
  - h) Navbharat Coalfields Ltd.
3. **Fellow Subsidiaries** : NIL
4. **Overseas Subsidiaries** :
  - a) Solar Nitrochemicals Limited
  - b) Solar Nigachem Nigeria Limited \*
5. **Associates** :
  - a) Solar Synthetics Private Limited
  - b) Commercial Sales Corporation
  - c) Solar Explosives Transport.
  - d) Mahakal Infrastructures Private Limited
  - e) Mahakal Projects Private Limited
  - f) Nagpur Infrastructure Pvt. Ltd.
6. **Key Management Personnel** :
  - a) Shri.S.N. Nuwal
  - b) Shri K.C. Nuwal
  - c) Shri K.S. Talesra

Rs. Lacs

Particulars	Subsidiaries	Associates	Key Management Personnel	Total
Sale of Goods	1925.33	114.79	-	2040.12
Purchase of Materials	804.01	000.79	-	804.80
Services Received	46.96	36.99	-	83.95
Services Rendered	230.41	-	-	230.41
Remuneration	-	-	87.00	87.00
Advances (Net)	807.95	-	-	807.95
Interest Received	185.41	-	-	185.41
Interest Paid	130.62	-	-	130.62
Discount given	30.13	-	-	30.13
Balance Outstanding	209.18	-	-	209.18

7. **Investment in Shares of subsidiary Companies in the year ended 31st March, 2008**

Rs. Lacs

1.	Economic Explosives Ltd.	1218.84
2.	Solar Capitals Ltd.	798.53
3.	Solar Components Pvt.Ltd.	230.80
4.	Solar Mines & Minerals Ltd.	2.55
5.	Solar Industries Ltd.	75.00
6.	Navbharat Coalfields Ltd.	800.00
7.	Solar Mining Resources Ltd.	2.55
8.	Somu Steel & Power Ltd.	5.40

During the year the Company has acquired 100% holding of Solar Industries Ltd. and Somu Steel & Power Ltd.

8. **Employee retirement benefits**

Contributions to Provident Fund are deposited with the appropriate authorities and charged to the Profit and Loss Account as incurred. The Company has made provision for gratuity based on 15 days' salary for each completed year of service.

9. As regards the Accounting Standard 17 'Segment Reporting', there is neither more than one business segment nor more than one geographical segment, segment information as per AS-17 is not separately disclosed.

10. Sales Tax Provision at NPV basis of Rs.103.74 lacs is included in Sales Tax Expenses.

\* **Note** : Solar Nigachem Nigeria Limited, has not Subscribed to the Capital and as the company has not commenced its business operations, Financial Performance is not available.

**11. PAYMENT MADE TO AUDITORS :**

- i) As Audit fees - Rs. 3.50 Lacs.
- ii) Financial matters - Rs. 0.45 Lacs.
- iii) As VAT Audit Fees - Rs. 0.15 Lacs.

12. Last year the Company has supplied explosives to Coal India Ltd. from 01.03.06 to 30.06.06 as per old rate contract rates on confirmation from Coal India Ltd. that new rate contract will be issued effective from 01.03.06 Coal India Ltd. that new rate contract will be issued effective from 01.03.06 Coal India Ltd. has issued new rate contract w.e.f. 29.07.06 without covering the period From 01.03.06 to 30.06.06. The Company has protested and now this is sub Juidice at Hon.Calcutta High Court on the ground that since no rate contract has been issued for 01.03.06 to 30.06.06.so rates of old rate contract shall be applied

13. During the year, the Company has made major investment in the Navbharat Coalfields Limited by acquiring 74% holding of the Co.

14. Company has given Rs. 2033.55 lacs for its subsidiary Solar Capitals Ltd. for bulk plants at various locations, out of its IPO proceeds.

15. An amount of Rs. 705.52 lacs related to IPO and New Projects has been adjusted against Share Premium.

**16. POWER CONSUMPTION**

Electricity consumption : 24.79 lacs Units

17. Some of the customers and suppliers accounts are pending for confirmation/reconciliation and the same have been taken as per the balances appearing in the books. Any differences arising on account of such reconciliations, which are not likely to be material, will be accounted for as and when these reconciliations are completed.

**18. Capital work in progress in Fixed Assets**

Civil Construction worth **Rs. 62.11 lacs**, Plant & Machinery worth **Rs. 13.37 lacs** and Vehicle worth **Rs. 00.82 lacs**.

19. Debtors considered good

Over 06 months old	Rs. 780.80 lacs
Others	Rs. 1586.63 lacs
Total	Rs. 2367.43 lacs

20. Excise Duty shown under expenditure represents the aggregate of Excise Duty borne by the Company and the difference between Excise Duty on the Opening and Closing Stock of Finished Goods.

21. Sundry Creditors for goods and expenses include dues to Small Scale Industrial Undertakings aggregating to **Rs.37.49 lacs**. The names of Small Scale Industrial Undertakings (to the extent of information available with the management) to whom the Company owes a sum exceeding **Rs. 1.00 lac** each. Bharat Solar Cable, R.B. Chemicals, and Agro Industries Private Ltd., Sunrise Technologies, Shiv Parvati Agro Briquette. None of the aforesaid outstanding are due for payment as at 31 March, 2008.

22. Export Incentive receivable under duty free credit entitlement included under the head Loans & Advances is pending due to disposal for some procedural aspects with Government. Shortfall / excess if any will be taken into accounts as and when it is determined.

24. Disclosure as required by Accounting Standard 19 "Leases" issued by the Institute of Chartered Accountants of India are given below:

Being the Company is Lessee:

- (i) The Company's significant leasing arrangements are in respect of godowns/residential/office premises (including furniture and fittings therein, as applicable). The aggregate lease rental payable are charged to Profit and Loss Account as Rent.
- (ii) The Leasing arrangements, which are cancelable at any time on month to month basis and in some cases between 11 months to 5 years, are usually renewable by mutual consent on mutually agreeable terms. Under these arrangements generally refundable interest free deposits have been given.

25. All known liabilities have been taken into consideration.

26. The previous years figures have been regrouped/reclassified where necessary, to conform to the current year's presentation.

As per our report of even date Annexed.

For **Gandhi Rathi & Co.**  
Chartered Accountants

**C. N. Rathi**  
Partner  
M.No. 39895

Place : Nagpur  
Date : 18th June, 2008

For and on behalf of the Board

**S. N. Nuwal**  
Director

**K. C. Nuwal**  
Director

**Khushboo Pasari**  
Company Secretary

**STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH, 2008.**

Details of Subsidiary Companies		(Rs. in Lacs)									
		Economic Explosives Ltd	Solar Capitals Ltd	Solar Component Pvt Ltd	Solar Industries Ltd	Solar Mines & Minerals Ltd	Somu Steel & Power Limited	Navbharat Coalfields Limited, Raipur	Solar Mining Resources Limited		
Name of Subsidiaries Particulars	Reporting Currency	INR	INR	INR	INR	INR	INR	INR	INR	INR	INR
Exchange Rate Capital		480.00	600.00	82.00	75.00	5.00	5.40	5.02			5.00
Reserves		3859.49	1713.51	490.76	0.00	0.00	0.00	0.00			0.00
Total Assets		6132.10	7305.58	674.84	75.00	39.26	5.40	185.53			5.00
Total Liabilities		6132.10	7305.58	674.84	75.00	39.26	5.40	185.53			5.00
Details of Investment (Except investment in subsidiaries)		18.25	0.00	0.00	0.00	0.00	0.00	171.69			0.00
Turnover		5338.75	10540.71	862.12	0.00	0.00	0.00	0.00			0.00
Profit before Taxation		1690.28	938.71	76.99	0.00	0.00	0.00	0.00			0.00
Provision for Taxation		581.33	288.63	26.21	0.00	0.00	0.00	0.00			0.00
Profit after Taxation		1108.95	650.08	50.78	0.00	0.00	0.00	0.00			0.00
Proposed Dividend											

1. Your Company has received approval from the Government of India, Ministry of Company Affairs granting an exemption from attaching the audited accounts of the subsidiaries to this Annual Report for the financial year ended March 31, 2008 vide their letter No. 47/486/2008 - CL -III dated 20th August, 2008

2. In the above mentioned application the Company has not applied for Solar Nitrochemicals Limited as its Financial Year is ending on 31st December, 2008

3. Solar Nigachem Nigeria Limited, has not Subscribed to the Capital and as the company has not commenced its business operations, Financial Performance is not available.

<b>S.N. Nuwal</b> Director	<b>K.C. Nuwal</b> Director	<b>Mrs. Khushboo Pasari</b> Company Secretary
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## Annexure to Notes on Account No.6 - Schedule VI Part Requirement

[vide GSR No. 388 (E) Dt. 15.5.95 and press Note No. 2/95 (No. 3/24/94/CL-V Dt. 18.7.95)]

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Rs. In lacs)

#### I. Registration Details

Registration No.	8585878	State Code :	11
Date Balance Sheet	31.03.08		

#### II. Capital Raised during the year :

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private placement	NIL

#### III. Position of Mobilisation & Development of Funds :

Total Liabilities	23810.38	Total Assets	23810.38
A) Sources of Funds			
Paid up Capital	1732.38	Reserve & Surplus	12668.50
Secured Loans	2939.99	Unsecured Loans	5896.02
Deferred Tax Liability	573.49		

#### B) Application of funds

Net Fixed Assets	4385.28	Investments	3443.09
Net Current Assets	15900.87	Misc. Expenses	81.14

#### IV. Performance of the Company

Total Turnover	18229.08	Total Expenditure	15442.04
Profit Before Tax	2787.04	Profit After Tax	1801.97
Earning per share In Rs.	10.40	Dividend Rate %	15.00%

#### V. Generic Names of Three Principal Products/Services of the company (As per Monetary Terms)

* Item Code No.	* Product Description
360200.00	SLURRY/EMULSION EXPLOSIVES
* Item Code No.	* Product Description
360300.00	DETONATORS/D.F
* Item Code No.	* Product Description
N.A.	N.A.

In terms of the publication Indian Trade classification by Ministry of Commerce, D.G. of Commercial Intelligence & Statistics, Kolkata - 770 001.

## AUDITOR'S REPORT TO THE MEMBERS OF SOLAR EXPLOSIVES LIMITED

1. We have audited the attached Consolidated Balance Sheet of M/s. SOLAR EXPLOSIVES LTD., as at 31<sup>ST</sup> March 2008, the Consolidated Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 have 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 of India in terms of section 227 (4A) 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 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 those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit & 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.
  - (e) According to the information and explanations given to us and on the basis of written representations from Directors taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31<sup>ST</sup> March 2008 from being appointed as director under Section 274(1)(g) of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, and subject to our notes/observations brought out elsewhere in the report, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true a 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 31<sup>ST</sup> March, 2008;
    - (b) in the case of the Profit and Loss Account of the Profit for the year ended on that date.
    - (c) in the case of Cash flow statement, of the Cash flows for the year ended on that date.

**FOR GANDHI RATHI & CO.**  
CHARTERED ACCOUNTANTS

(C.N. RATHI)  
PARTNER  
M. No. 39895

PLACE : NAGPUR  
DATED : 18.06.2008

# CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2008

(Amount Rupees in Lacs)

PARTICULARS	SCH	31.03.2008	31.03.2007
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Fund</b>			
Share Capital	A	1732.38	1732.38
Reserves and Surplus	B	16849.81	15347.91
		<u>18582.19</u>	<u>17080.29</u>
<b>Loan Funds</b>			
Secured Loans	C	6075.59	7066.61
Unsecured Loans	D	5061.68	2162.15
Minority Interest		6.21	7.30
		<u>11143.48</u>	<u>9236.06</u>
<b>Deferred Tax Liability</b>		<u>1144.73</u>	<u>1027.27</u>
<b>GRAND TOTAL</b>		<u><u>30870.40</u></u>	<u><u>27343.62</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
<b>Gross Block</b>			
Less : Depreciation	E	11540.65	10232.25
Net Block		2256.53	1706.05
		<u>9284.12</u>	<u>8526.20</u>
Add : Capital Work-In-Progress		444.00	495.26
<b>Net Fixed Assets</b>		<u>9728.12</u>	<u>9021.46</u>
<b>Investments</b>			
	F	499.36	36.12
		<u>499.36</u>	<u>36.12</u>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	G	4300.79	2179.38
Debtors and Other Debit Balances	H	5021.13	5674.11
Cash and Bank Balances	I	7240.34	8824.62
Loans and Advances	J	5836.60	3498.66
		<u>22398.86</u>	<u>20176.77</u>
Less: Current Liabilities and Provisions	K	1921.13	2623.03
<b>Net Current Assets</b>		<u>20477.73</u>	<u>17553.74</u>
Miscellaneous Expenditure ( To The Extent Not Written Off )		165.19	732.30
		<u>165.19</u>	<u>732.30</u>
<b>GRAND TOTAL</b>		<u><u>30870.40</u></u>	<u><u>27343.62</u></u>

Notes on Accounts as per Schedule.  
As per our report of even date Annexed.

For **Gandhi Rathi & Co.**  
Chartered Accountants

For and on behalf of the Board

**C. N. Rathi**  
Partner  
M.No. 39895

**S. N. Nuwal**  
Director

**K. C. Nuwal**  
Director

Place : Nagpur  
Date : 18th June, 2008

**Khushboo Pasari**  
Company Secretary

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

(Amount Rupees in Lacs)

PARTICULARS	SCH	31.03.2008	31.03.2007
<b>INCOME</b>			
Sales	L	32104.49	23765.48
Less: Excise Duty		4008.72	3152.70
		<b>28095.77</b>	<b>20612.78</b>
Other Income	M	1169.18	944.33
<b>TOTAL</b>		<b>29264.95</b>	<b>21557.11</b>
<b>EXPENDITURE</b>			
Operating Expenses	N+O+P	22164.41	17640.44
Depreciation	E	551.55	412.41
Interest and Finance Charges	Q	1055.98	716.11
<b>TOTAL</b>		<b>23771.94</b>	<b>18768.96</b>
<b>PROFIT BEFORE TAXATION</b>		<b>5493.01</b>	<b>2788.15</b>
<b>Provision for Tax</b>			
Current Tax		1739.03	651.89
Deferred Tax		117.46	202.35
Fringe Benefits Tax		20.17	12.29
		<b>1876.66</b>	<b>866.53</b>
Taxation adjustments of Previous years		4.57	0.00
		<b>1881.23</b>	<b>866.53</b>
<b>PROFIT AFTER TAXATION</b>		<b>3611.78</b>	<b>1921.62</b>
Balance Brought Forward		2711.80	1294.20
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<b>6323.58</b>	<b>3215.82</b>
<b>APPROPRIATION</b>			
- Interim Dividend		259.86	0.00
- Proposed Dividend on Equity Shares		259.86	259.86
- Tax on Interim Proposed Dividend		88.32	44.16
- General Reserve		1200.00	200.00
<b>- Balance Carried to Balance Sheet</b>		<b>4515.54</b>	<b>2711.80</b>
Basic Earnings Per Share Rs. (See Note 5)		<b>20.85</b>	<b>11.09</b>

Notes on Accounts as per Schedule.  
As per our report of even date Annexed.

For **Gandhi Rathi & Co.**  
Chartered Accountants

For and on behalf of the Board

**C. N. Rathi**  
Partner  
M.No. 39895

**S. N. Nuwal**  
Director

**K. C. Nuwal**  
Director

Place : Nagpur  
Date : 18th June, 2008

**Khushboo Pasari**  
Company Secretary

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

(Amount Rupees in Lacs)

Particulars	2007-08	2006-07
<b>A. Cash Flow From Operating Activities</b>		
Net Profit Before Tax	5493.01	2788.16
Adjustments for :		
Depreciation	550.48	403.72
Interest Expense	1055.98	716.11
Preliminary Exps.W/o	0.39	1.29
	<u>1606.85</u>	<u>1121.12</u>
<b>Operating Profit before working Capital Changes</b>	<u><b>7099.86</b></u>	<u><b>3909.28</b></u>
Decrease in Sundry Debtors	652.99	-2477.84
Increase in Inventories	-2121.41	161.76
Increase in Loans & Advances	-2337.94	-1583.52
Decrease in Sundry Creditors	-701.89	-183.85
	<u>-4508.25</u>	<u>-4083.45</u>
<b>Cash Generated from Operations</b>	<u><b>2591.61</b></u>	<u><b>-174.17</b></u>
Deferred Tax	117.46	202.35
Income Tax Paid	1743.64	652.19
Fringe benefits tax	20.17	12.29
	<u>1881.27</u>	<u>866.83</u>
<b>Net Cash from Operating Activities</b>	<u><b>710.34</b></u>	<u><b>-1041.00</b></u>
<b>B. Cash Flow From Investing Activities</b>		
Increase in Misc Expenditure	-138.81	451.39
Addition in Fixed Assets	-1257.14	2401.74
Investment	-463.24	-61.60
	<u>-1859.19</u>	<u>2791.53</u>
<b>Net Cash from Investing Activities</b>	<u><b>-1859.19</b></u>	<u><b>2791.53</b></u>
<b>C. Cash Flow From Financing Activities</b>		
Accumulated Deferred Tax Liability	117.46	202.35
Capital Reserve Of Subsidiary Co	-796.29	0.00
Proposed Dividend + Tax Thereon	-608.04	-304.02
Interest Expense	-1055.98	-716.11
Bank CC Loan - Secured	-21.67	4352.28
Minority Interest	-1.09	7.30
Unsecured Loans	2899.53	271.54
Secured Loans	-969.35	-81.81
	<u>-435.43</u>	<u>3731.53</u>
<b>Net Cash from Financing Activities</b>	<u><b>-435.43</b></u>	<u><b>3731.53</b></u>
Net Increase in Cash & Cash equivalents	<u><b>-1584.28</b></u>	<u><b>-101.00</b></u>
Cash & Cash equivalents at beginning of period	8824.62	8925.62
Cash & Cash equivalents at end of period	7240.34	8824.62
	<u>-1584.28</u>	<u>-101.00</u>

- 1) The above cash flow statement has been prepared in accordance with the requirements of Accounting Standard 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
- 2) Previous year's figures have been regrouped / rearranged wherever necessary.

As per our report of even date Annexed

For **Gandhi Rathi & Co.**  
Chartered Accountants

For and on behalf of the Board

**C. N. Rathi**  
Partner  
M.No. 39895

**S. N. Nuwal**  
Director

**K. C. Nuwal**  
Director

Place : Nagpur  
Date : 18th June, 2008

**Khushboo Pasari**  
Company Secretary

**CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**

(Amount Rupees in Lacs)

PARTICULARS	31.03.2008	31.03.2007
<b>Schedule 'A'</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Share Capital</b>		
Equity Shares of Rs. 10/- each	2000.00	2000.00
<b>Issued, Subscribed &amp; Paid up Capital</b>		
Equity Shares Capital	1732.38	1732.38
	<u>1732.38</u>	<u>1732.38</u>
<b>Schedule 'B'</b>		
<b>Reserves and Surplus</b>		
General Reserve	3706.58	2506.62
Profit and Loss Account	4515.55	2711.80
Capital Reserves on Consolidation	787.35	1583.63
State Capital Incentive	50.00	50.00
Share Premium	7790.33	8495.86
	<u>16849.81</u>	<u>15347.91</u>
<b>Schedule 'C'</b>		
<b>SECURED LOANS</b>		
Term Loan (FCNRB)	33.70	209.45
Term Loan Windmill	371.50	449.50
Corporate Loan	68.00	647.10
From SBI, IFB Br., Nagpur, Secured against mortgage of Land, Buildings, Other Civil Construction and hypothecation of Plant and Machinery, Other Fixed Assets. The loans are further secured by Personal Guarantees of the Directors of the Company.		
Cash Credit (SBI IFB)	780.73	1344.02
Cash Credit ( FCNRB )	643.85	0.00
Bank of India - Cash Credit	1981.53	0.00
Export Packing Credit - (SBI IFB)	151.06	0.00
SBI, IFB - Bill Discounting	0.00	504.74
(Against hypothecation of Inventories, Book debts & Security)		
Bank of India - ( O.D. )	1750.37	0.00
ICICI Bank Limited ( O.D.)	0.00	3480.44
Vehicle Loans (Against hypothecation of Vehicles)	294.85	431.36
	<u>6075.59</u>	<u>7066.61</u>
<b>Schedule 'D'</b>		
<b>UNSECURED LOANS</b>		
<b>From Financial Institutions :</b>		
H.S.B.C. LTD - Bill Discounting	0.00	363.60
H.S.B.C. LTD - Vendor Finance	0.00	439.12
H.S.B.C. LTD - Export Packing Credit	1396.70	0.00
Standard Chartered Bank - Short Term Loan	255.34	0.00
Standard Chartered Bank - Export Packing Credit	240.62	0.00
Barclays Bank PLC - W.C.D.L.	1240.51	0.00
H.D.F.C. - FCNR Loan	500.00	0.00
<b>From Others</b>	11.44	11.39
<b>Sales Tax Deferral Loan</b>	1417.07	1348.04
	<u>5061.68</u>	<u>2162.15</u>

**CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**

**Schedule 'E'  
SCHEDULE OF FIXED ASSETS**

Amount Rs in Lacs

ASSETS	GROSS BLOCK		ADDITIONS During the year	DEDU- CTION During the year	GROSS BLOCK		DEPRECIATION				NET BLOCK	
	As on 01-04-2007				As on 31-03-2008		Upto 31-03-2007	During the year	Deduction during the year	Upto 31-03-2008	As on 31-03-2007	As on 31-03-2008
LAND	438.76		1.70	0.00	440.46	0.00	0.00	0.00	0.00	438.76	440.46	
PLOT	20.35		0.00	0.00	20.35	0.00	0.00	0.00	0.00	20.35	20.35	
CIVIL CONSTRUCTION	2991.69		487.04	0.00	3478.73	521.65	107.32	0.00	628.97	2470.04	2849.76	
OFFICE BUILDING	90.26		0.00	0.00	90.26	7.73	1.47	0.00	9.20	82.53	81.06	
PLANT & MACHINERY	5311.95		355.76	9.00	5668.71	970.16	260.79	0.00	1230.95	4341.79	4427.76	
FURNITURE & FIXTURES (Factory)	58.04		48.77	0.00	106.81	17.58	3.94	0.00	21.52	40.46	85.29	
FURNITURE & FIXTURES (Office)	40.90		0.65	0.00	41.55	6.48	2.59	0.00	9.07	34.42	32.48	
OFFICE EQUIPMENT	271.31		26.33	0.00	297.64	34.98	41.31	0.00	76.29	236.33	221.35	
VEHICLES	999.24		399.52	2.37	1396.39	147.47	134.12	1.08	280.53	851.77	1115.86	
PLANTATION	9.75		0.00	0.00	9.75	0.00	0.00	0.00	0.00	9.75	9.75	
	<b>10232.25</b>		<b>1319.77</b>	<b>11.37</b>	<b>11540.65</b>	<b>1706.05</b>	<b>551.55</b>	<b>1.08</b>	<b>2256.53</b>	<b>8526.20</b>	<b>9284.12</b>	

**CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**

(Amount Rupees in Lacs)

PARTICULARS	31.03.2008	31.03.2007
<b>Schedule 'F'</b>		
<b>INVESTMENTS</b>		
<b>LONG-TERM INVESTMENTS</b>		
Quoted - At cost	259.16	36.12
Unquoted - At Cost	212.81	0.00
<b>SHORT-TERM INVESTMENTS</b>		
Quoted - At lower of Cost or Market Value	27.39	0.00
	<u>499.36</u>	<u>36.12</u>
<b>Schedule 'G'</b>		
<b>INVENTORIES (Valued at cost)</b>		
Raw Materials, Packing Materials & Consumables	2943.67	1486.14
Traded Goods	45.73	52.75
Finished Goods	1295.35	619.99
Scrap	16.04	20.50
	<u>4300.79</u>	<u>2179.38</u>
<b>Schedule 'H'</b>		
<b>DEBTORS AND OTHER DEBIT BALANCES</b>		
Unsecured, Considered good	5021.13	5674.11
	<u>5021.13</u>	<u>5674.11</u>
<b>Schedule 'I'</b>		
<b>CASH AND BANK BALANCES</b>		
Cash In Hand	26.68	48.65
Balances with Scheduled Banks -		
Current Accounts	911.12	387.91
Fixed Deposit Accounts	6298.31	8383.83
Balances with Un-Scheduled Banks -		
Current Accounts	0.00	0.00
Fixed Deposit Accounts	4.23	4.23
	<u>7240.34</u>	<u>8824.62</u>
<b>Schedule 'J'</b>		
<b>LOANS AND ADVANCES</b>		
Advances to Goods Suppliers	946.58	689.94
Advances for Fixed Assets	184.59	123.34
Staff Advances	45.73	20.41
Balance with Excise & Customs Authorities	350.85	259.94
Income Tax Receivable	101.15	68.52
Security & Other Deposits	143.81	153.88
Other Loans & Advances	3608.18	1669.60
VAT / Sales Tax Receivable	379.36	444.64
Prepaid Expenses	76.35	68.39
	<u>5836.60</u>	<u>3498.66</u>



**CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**

(Amount Rupees in Lacs)

<b>PARTICULARS</b>	<b>31.03.2008</b>	31.03.2007
<b>Schedule 'K'</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Creditors for Goods	381.90	952.75
Creditors for Transporter, Agent & Others	288.30	351.93
Advances from Customers	168.82	348.59
Creditors for Fixed Assets	43.22	106.03
Expenses Payable	74.25	68.10
Other Liabilities	964.64	795.63
	<b>1921.13</b>	<b>2623.03</b>
<b>Schedule 'L'</b>		
<b>SALES</b>		
Manufacturing & Other Sales	29327.14	22361.28
Exports	1967.17	1163.97
Trade Export	743.20	161.15
Sale of Wind-mill Power	66.98	79.08
	<b>32104.49</b>	<b>23765.48</b>
<b>Schedule 'M'</b>		
<b>OTHER INCOME</b>		
Interest	977.16	741.72
Profit on Sale of Investments	39.15	0.00
Other Miscellaneous Income	72.00	26.72
Profit on Sale of Assets	0.00	3.75
Income from Exchange Rate Fluctuation	2.93	0.00
Income from Sales Tax Deferment	77.94	172.14
	<b>1169.18</b>	<b>944.33</b>
<b>OPERATING EXPENSES</b>		
<b>Schedule 'N'</b>		
<b>MATERIAL CONSUMED</b>		
Raw Material, Packing Material & Consumables	13559.78	11215.50
Trading Goods	2040.84	1654.03
Trading Export	651.22	31.04
	<b>16251.84</b>	<b>12900.57</b>

**CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**

(Amount Rupees in Lacs)

PARTICULARS	31.03.2008	31.03.2007
<b>Schedule 'O'</b>		
<b>A) MANUFACTURING EXPENSES</b>		
Power & Fuel	353.11	267.29
Repairs & Maintenance - P & M, Electricals	283.68	215.20
Insurance Charges	118.58	94.03
Factory Expenses	44.08	53.89
Security Service Charges	42.80	36.50
Excise Duty	-40.68	0.00
Loss by Fire	0.00	2.68
Destruction of Goods	0.00	3.94
Job-work Charges	56.80	29.16
Pump Truck Expenses	163.48	177.24
<b>Total 'A'</b>	<b>1021.85</b>	<b>879.93</b>
<b>B) STAFF COSTS</b>		
Salaries & Wages	906.91	642.94
Provident Fund Contribution	39.62	28.62
Bonus to Employees	88.51	29.69
Gratuity	25.09	19.01
Salary (Office)	87.39	67.24
Staff Welfare Expenses	22.65	36.75
Salary Marketing	42.56	56.25
<b>Total 'B'</b>	<b>1212.73</b>	<b>880.50</b>
<b>C) ADMINISTRATIVE EXPENSES</b>		
Remuneration to Directors	123.84	81.84
Conveyance Expenses	59.92	62.53
Consultancy Charges	94.45	43.74
Telephone Expenses	23.05	22.96
Printing & Stationery	27.86	28.18
Office Expenses	9.30	12.93
Software Development	19.66	22.28
Rent, Rates & Taxes	45.66	37.49
Donation	36.95	6.48
Audit Fees	10.15	6.20
Postage Expenses	6.77	10.30
Legal Expenses	9.24	5.40
Internal Audit Fees	2.84	4.65
Preliminary Expenses written-off	0.40	1.29
Director Sitting Fees	1.35	1.25
Miscellaneous Expenses	7.54	2.78
Loss on Sale of Asset	0.45	0.29
<b>Total 'C'</b>	<b>479.43</b>	<b>350.59</b>

**CONSOLIDATED SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**

(Amount Rupees in Lacs)

PARTICULARS	31.03.2008	31.03.2007
<b>Schedule 'O' (Contd.)</b>		
<b>D) SELLING &amp; DISTRIBUTION EXPENSES</b>		
Transportation Charges	434.02	436.88
Export Expenses	605.96	467.04
Sales Tax - MAH, WB, AP, BIHAR	2284.10	1386.33
Sales / Agency Commission	246.81	146.98
Travelling Expenses	128.40	105.53
Sales Promotion Expenses	24.99	15.85
Discounts and Settlements	77.04	85.46
Misc. Sales Expenses	45.64	0.75
<b>Total 'D'</b>	<b>3846.96</b>	<b>2644.82</b>
<b>Total A+B+C+D</b>	<b>6560.97</b>	<b>4755.84</b>
	<b>22812.81</b>	<b>17656.41</b>
<b>OPERATING EXPENSES</b>		
<b>Schedule (N+O) as per list</b>	<b>22812.81</b>	<b>17656.41</b>
<b>Schedule 'P'</b>		
<b>(INCREASE) / DECREASE IN STOCK</b>	<b>(648.40)</b>	<b>(15.97)</b>
<b>Total Operating Expenses (N+O+P)</b>	<b>22164.41</b>	<b>17640.44</b>
<b>Schedule 'Q'</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest on Term Loans	120.99	136.68
Interest on Working Capital	687.96	374.51
Other Interest	0.89	1.19
Interest on Vehicle Loan	30.82	24.41
Bank Charges	189.54	120.57
Foreign Exchange Fluctuation - Loss	25.78	58.75
	<b>1055.98</b>	<b>716.11</b>

## SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of preparation of financial statements:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in India for the year ended 31st March, 2008.

### 2. Principles of consolidation

The consolidated financial statements of the Company include financial statements of its wholly-owned subsidiaries, where Solar Explosives Limited is able to exercise control over the operating and financial policies of the companies. All material inter-company accounts and transactions are eliminated on consolidation.

The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intragroup balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS) 21- "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- b) The difference between the costs of investment in the subsidiaries is less than the parent's portion of Equity of the subsidiaries at the date on which investment in subsidiaries are made, has been recognised in the financial statements as Capital Reserve.
- c) Cash, cash equivalents and short term investment: The company considers all highly liquid investments with banks in the shape of fixed deposits to be cash equivalents. Cash & cash equivalents currently consist of cash and cash on deposit with banks.
- d) Foreign Currency Transactions :  
Outstanding foreign currency assets and liabilities are translated at the exchange rate Prevailing as on Balance Sheet date or forward cover rates, as the case may be. Gains Or losses on cancellation of forward exchange contracts and relating to the acquisition of fixed assets are adjusted to the cost of such fixed assets and those related to other account are recognized in the Profit and Loss Account under respective heads of accounts. The difference between the forward rate and the exchange rate at the date of transaction is recognized as income or expenses over the life of contract.

### 3. Business acquisitions :

During the year, Company has acquired 74% shares of Navbharat Coalfields Limited. Thus it became a subsidiary of the Company.

### 4. Subsidiaries

The financial statements of the following subsidiary companies have been consolidated as per Accounting Standard-21 on " Consolidated Financial Statements" issued by Institute of Chartered Accountants of India.

Proportion of ownership interest (%)

Name of the Subsidiary Company	Year Ended on 31.03.2008
Economic Explosives Ltd.	100%
Solar Capitals Ltd.	100%
Solar Components Pvt. Ltd.	100%
Solar Mines & Minerals Ltd.	51%
Solar Mining Resources Ltd.	51%
Solar Industries Ltd.	100%
Somu Steel & Power Ltd.	100%
Navbharat Coalfields Ltd.	74%

### 5. Uniform Accounting Policies

The consolidated financial statements have been prepared on the basis of the accounting policies adopted by the individual entities, as indicated under financial statements of respective companies

Solar Explosives Limited, Economic Explosives Limited and Solar Capitals Limited have been providing Depreciation in books on Straight Line Method since inception, whereas Solar Components Private Limited, a Wholly-Owned Subsidiary of Solar Explosives Limited, has provided Depreciation in books on Written Down Value Method since inception.

The net difference arising out due to Change in Depreciation Method would be of Rs. 4.07 lacs on Consolidated Statements as of 31st March, 2008 and hence the Net Profit would have been higher by Rs. 4.07 lacs and net block of fixed assets would correspondingly have been higher by that amount.

## CONSOLIDATED NOTES TO THE ACCOUNTS

### 1. Description of Business

Solar Explosives Ltd., a explosives manufacturing company together with its subsidiaries, is engaged in manufacturing in various explosives products such as Slurry & Emulsion based Explosives, Bulk Explosives, Detonators, Detonating Fuse, PETN and accessories required for the above product.

### 2. Taxation

The Tax Calculations are as under:

- a. Provision is made for both current & deferred taxes. Current tax is provided on the taxable income using the applicable tax rate & tax laws.
- b. The Deferred tax for timing differences is accounted for using the tax rates & laws that have been enacted or substantively enacted by the Balance Sheet date and is accrued with Accounting Standard 22-"Accounting for taxes on income" issued by the ICAI which includes current and deferred taxes.
- c. Deferred tax Assets arising from timing differences are recognized only on the consideration of prudence and are reviewed at Balance Sheet date.

### 3. Equity Shares

The Company has raised Rs. 83.60 Crore by initial Public issue during the year 2005-06 , it include Rs. 4.40 Crore of equity share capital @ 10 each and Rs. 79.20 Crores of share premium @ 180.00 per share. Out of this Company has utilised Rs 30.39 Crores for expenses incurred towards the IPO and Bulk Emulsion Plant through Solar Explosives Ltd. and its subsidiaries. Fund of 53.20 Crores has been invested in Fixed Deposits with Banks.

### 4. Effects of Consolidation:

As a result of consolidation, the following are the eliminations as a result of intra group transactions in the year ended 31st March, 2008.

(Rs in Lacs)

Name of the Company	Year Ended 31.03.2008						
	Sale of Goods	Purchase of Material	Services received	Services rendered	Interest received	Interest paid	Discount paid
Solar Explosive Ltd.	1899.55	804.00	46.96	230.40	175.92	130.62	30.13
Economic Explosives Ltd.	804.00	835.84	215.35	0.27	130.62	5.70	-
Solar Capitals Ltd.	-	1847.89	15.05	46.96	-	175.92	(30.13)
Solar Components Pvt. Ltd.	784.18	-	0.27	-	5.70	-	-

### 5. Earnings per share

Basic earning per share has been reported as per Accounting Standards - 20 relating to "Earning per share" which have been computed by dividing net profit after tax by the weighted average No of shares outstanding for the period

	31.03.2008
Net Profit for the year attributable to equity shareholders (Rupees Lacs)	3611.78
Weighted Average No of Shares (In Lacs)	173.24
Earning per Share (Rupees)	20.85

### 6. Contingent Liability

(Rs. In Lacs )

01	In respect of of counter guarantees given to Bank.	4168.00
02	In respect of Excise matters in dispute / under Appeal	72.43
03	In respect of Sales Tax matter (Deferment)	3249.45
04	In respect of supplies made to Coal India Ltd	520.69

The company has supplied explosives to Coal India Ltd from 01.03.06 to 30.06.06 as per old rate contract rates on confirmation from Coal India Ltd that new rate contract will be issued effective from 01.03.06

Coal India Ltd has issued new rate contract w.e.f 29.07.06 without covering the period From 01.03.06 to 30.06.06. The company has protested and now this is sub judice at Hon.Calcutta High Court on the ground that since no rate contract has been issued for 01.03.06 to 30.06.06.so rates of old rate contract shall be applied

**7. Segmental Information :**

As regards the accounting standard 17 'Segment Reporting', there is neither more than one business segment nor more than one geographical segment, segment information as per AS-17 is not required to be disclosed.

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For **Gandhi Rathi & Co.**  
Chartered Accountants

**C. N. Rathi**  
Partner  
M.No. 39895

Place: Nagpur  
Date : 18th June, 2008

For and on behalf of the Board

**S. N. Nuwal**  
Director

**K. C. Nuwal**  
Director

**Khushboo Pasari**  
Company Secretary









# SOLAR EXPLOSIVES LIMITED

Registered Office: 11, Zade Layout, Bharat Nagar, Nagpur – 440 033

## ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall. Joint Shareholders may obtain attendance slip at the venue of the meeting.

Name and Address of the Member	Registered Folio Number	Client ID & DP ID Number	Number of Shares held

I/We hereby record my/our presence at the 13<sup>th</sup> Annual General Meeting of the Company to be held at 11.00 a.m. on Wednesday 24<sup>th</sup> September 2008 at Udyam Hall, Udyog Bhavan, First Floor, Civil Lines, Nagpur.

Signature of the Member or the Proxy Attending the Meeting

If Member, please sign here	If Proxy, please sign here

**Note:** Members are requested to bring their copies of Notice and 13<sup>th</sup> Annual Report to the Meeting as the same will not be circulated at the meeting.



# SOLAR EXPLOSIVES LIMITED

Registered Office: 11, Zade Layout, Bharat Nagar, Nagpur – 440 033.

## PROXY FORM

Folio No. \_\_\_\_\_ Client ID No. & DP ID No. \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_  
being Member/Members of SOLAR EXPLOSIVES LIMITED, hereby appoint \_\_\_\_\_ of  
\_\_\_\_\_ or failing him/her \_\_\_\_\_ of  
\_\_\_\_\_ or failing him/her \_\_\_\_\_ of  
\_\_\_\_\_ as my/our Proxy to attend and vote for me/us behalf at the 13<sup>th</sup> Annual General Meeting of the  
Company to be held on Wednesday 24<sup>th</sup> September, 2008 at Udyam Hall, Udyog Bhavan, First Floor, Civil Lines, Nagpur  
and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008.

Affix One Rupee Revenue Stamp here & sign
--

Signature of Shareholder(s)

**Note:** The Proxy form duly completed must be deposited at the Registered Office of the Company, not less than 48 hours before the time of holding the meeting. The Proxy need not be a member of the Company.