



TEBMA SHIPYARDS LTD.

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| <p>TEBMA PHILOSOPHY</p> <p>“To create an industry of challenge set to the highest International Standards”</p> <p>“To tread new path and break new ground with Technological Excellence”</p> <p>“To build a team to meet the needs of all Expanding Markets”</p> | |
| BOARD OF DIRECTORS | <p>SHRI P K BALASUBRAMANIAN - MANAGING DIRECTOR</p> <p>SHRI P V KRISHNA - WHOLETIME DIRECTOR</p> <p>SHRI B.JAYAKUMAR - WHOLETIME DIRECTOR</p> <p>SHRI.A.G.KRISHNAN - DIRECTOR</p> <p>SHRI.G.SRIRAM - DIRECTOR</p> <p>SHRI HENDRIKUS VAN BERK - DIRECTOR</p> <p>SHRI M M KAMATH - DIRECTOR</p> |
| AUDITOR | SHRI. V.PICHAIKUTTY |
| BANKERS | <p>ICICI BANK LTD</p> <p>ANDHRA BANK</p> <p>STATE BANK OF INDIA</p> <p>THE DHANALAKSHMI BANK LTD</p> <p>STATE BANK OF HYDERABAD</p> <p>SYNDICATE BANK</p> <p>CORPORATION BANK</p> <p>DEVELOPMENT CREDIT BANK LIMITED</p> <p>CENTURION BANK OF PUNJAB LIMITED</p> <p>IDBI BANK LIMITED</p> <p>ABN AMRO BANK N.V.</p> <p>HDFC BANK LIMITED</p> |
| REGISTERED OFFICE | <p>THIRD FLOOR, KHALEELI CENTRE</p> <p>149 MONTIETH ROAD, EGMORE,</p> <p>CHENNAI 600 008, INDIA.</p> <p>Email : tebma@vsnl.com</p> |
| YARDS | <p>No.7, PAZHAMATHUR VILLAGE,</p> <p>MADURANTAKAM TALUK,</p> <p>CHENGALPATTU, TAMILNADU.</p> <p>MALPE HARBOUR COMPLEX, MALPE, UDUPI 576 108,</p> <p>KARNATAKA</p> |
| REGISTRAR AND SHARE TRANSFER AGENTS | <p>Cameo Corporate Services Limited</p> <p>“Subramanian Buildings”,</p> <p>No.1, Club House Road, Chennai 600 002.</p> <p>Email: cameo@cameoindia.com</p> |
| WEBSITE | Http://www.tebma.com |

NOTICE

NOTICE is hereby given that the Twenty Third Annual General Meeting of the shareholders of the Company will be held on Saturday, the 21st day of July, 2007 at 11.00 A.M. at the Music Academy Mini Hall 168, TTK Road, Royapettah, Chennai 600 014 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet of the Company as at 31st March 2007 and the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri P.K.Balasubramanian, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri G.Sriram, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. BSR & Associates, Chartered Accountants as Statutory Auditors to hold office from the conclusion of this Annual General meeting till the conclusion of next Annual General meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr.B.Jayakumar, whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr B.Jayakumar for the office of the Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retirement by rotation”.

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr.M.M.Kamath, whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr. M.M. Kamath for the office of the Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retirement by rotation”.

7. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

“RESOLVED THAT Mr.A.G.Krishnan, whose term of office as an Additional Director of the Company expires at this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr A.G.Krishnan for the office of the Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retirement by rotation”.

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

RESOLVED that subject to the provisions contained in Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and approval from the Central Government, if required, consent of the Members be and is hereby given for re-appointment and payment of remuneration to Mr P.K.Balasubramanian, Managing Director of the Company, as determined by the Remuneration Committee, without further reference, consent or approval of members, for a period of 3 years with effect from 01.04.2007 to 31.03.2010.

RESOLVED FURTHER THAT Mr P.K.Balasubramanian, Managing Director be paid the following managerial remuneration from 01.04.2007 to 31.03.2010.

Salary Perquisites and Allowances: Not exceeding Rs. 75.00 Lakhs per annum.

Perquisites and Allowances include :

1. Exgratia on salary equivalent to 15 days basic salary each year.
2. LTA equivalent to 15 days basic salary each year
3. Medical expenses for MD and his family members subject to a ceiling of Rs.50,000/- per annum or Rs.1,50,000/- over a block of 3 years.
4. Provision of telephone and other communication facilities at residence and reimbursement of telephone expenses
5. Driver's salary, reimbursement of fuel expenses and car repair/maintenance charges for 2 cars.
6. Fees of clubs subject to a maximum of two clubs (does not include admission and life membership fee)

Contribution towards

- I. Provident Fund and Super Annuation Fund on Salary at the rate in accordance with the rules of the Company;
- II. Gratuity on Salary in accordance with the rules of the Company ;

shall not be included in the computation of the ceiling on remuneration to the extent these are not taxable under the Income Tax Act, 1961.

Minimum remuneration: The remuneration aforesaid shall be the minimum remuneration payable to Mr P.K. Balasubramanian, Managing Director.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to determine various components of remuneration viz., Salary, Allowances and perquisites within the overall limit as fixed above and to vary alter or modify the different components of the aforesaid remuneration from time to time within the overall limits as specified above and as may be agreed to by the Board of Directors and Mr P.K.Balasubramanian Managing Director during the tenure of his appointment".

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

RESOLVED THAT subject to provision of Section 309 and other applicable provisions, if any, consent of the Company be and is hereby given for payment of increased monthly retainer fee to Mr G.Sriram at Rs.1,00,000/- per month subject to the approval of the Central Government for a period of 2 years with effect from 01/04/2007 to 31/03/2009, for advising company on all technical matters in relation to the business of the Company”.

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized to take such steps as may be necessary, desirable or expedient to give effect to this resolution.

10. To consider and, if thought fit, to pass with or without modification, the following resolution as a special Resolution.

RESOLVED THAT subject to provision of Section 309 and other applicable provisions, if any, consent of the Members be and is hereby given for payment of monthly retainer fee of Rs.20,000/- subject to the approval of the Central Government to Mr. A.G.Krishnan, for a period of 3 years with effect from 1st April, 2007 to 31st March, 2010 for advising the Company on all Taxation and other Financial matters in relation to the business of the Company”.

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized to take such steps as may be necessary, desirable or expedient to give effect to this resolution.

Place: Chennai
Date : 9th June, 2007

By Order of the Board
For Tebma Shipyards Limited

Sd/-
P.R.KANNAN
Company Secretary

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member. Proxy, to be valid, must be deposited at the Registered Office of the Company, not later than 48 hours before the commencement of the Meeting. A Proxy Form is appended with the admission slip.
2. Explanatory Statement relating to the item 4 to 10 of the Notice annexed hereto, as required under Section 173(2) of the Companies Act, 1956.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 19th July, 2007 to 21st July, 2007 (Both days inclusive).
4. Members are hereby requested to send all correspondence concerning transfers, transmissions, subdivision, consolidation of shares or any other share related matters and/or change in address to the Company's Registrar and Transfer Agent "Cameo Corporate Services Limited" at Subramanian Buildings, No.1, Club House Road, Chennai 600 002.
5. Members desiring any information regarding the enclosed accounts are requested to write to the Registered Office of the Company Seven days before the Annual General Meeting to enable the management to keep the information ready at the meeting.
6. Consequent to the amendment to Section 205A read with Section 205 C of the Companies Act, 1956, the dividend declared for the financial year ended 31st March, 2000 and for any financial year thereafter which remain unclaimed for a period of seven years will be transferred to the Investors Education and Protection Fund established by the Central Government. Members who have either not received or have not encashed their dividend warrants in respect of the above period are requested to make their claim with the Company.
7. Members/ proxies should bring the attendance slip duly filled in for attending the meeting and corporate members are requested to send a duly certified copy of the Board resolution/ Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.
8. Those Shareholders who have not surrendered their Counter Receipts in exchange for Share Certificates are once again reminded to surrender them to the Secretarial Department of the Company to enable despatch of the share certificates.
9. Members desirous of making a nomination in respect of their shareholding in the Company , as permitted under section 109A of the Companies Act, 1956 , are requested to write to the Company's Registrar for the prescribed form.
10. Information pursuant to clause 49 of the listing agreement in respect of proposed appointment/ re-appointment of directors

| | | |
|----|--|---|
| 01 | Name Age Qualifications Expertise Other Directorships <u>Name of the Company</u> Committee Memberships, if any, with position | Mr. B.Jayakumar 43 Years AMIE, MBA (London) 16 Years experience in Ship building Industry Nil Nil |
| 02 | Name Age Qualifications Expertise Other Directorships <u>Name of the Company</u> Committee Memberships, if any, with position | Mr. M.M.Kamath 67 Years B.E. (Civil Engineer) 35 years experience in construction and operation of harbour structures. Nil Nil |
| 03 | Name Age Qualifications Expertise Other Directorships <u>Name of the Company</u> Committee Memberships, if any, with position | Shri.A.G. Krishnan 53 Years B.Sc., ACA., Grad CWA, ACS Financial Planning, Taxation and System Implementation NIL Nil |
| 04 | Name Age Qualifications Expertise Other Directorships <u>Name of the Company</u> Committee Memberships, if any, with position | Mr P.K.Balasubramanian 56 Years Ship Wright 30 years experience in Ship building Tebma Gardens Limited Nil |
| 05 | Name Age Qualifications Expertise Other Directorships <u>Name of the Company</u> Committee Memberships, if any, with position | Mr G.Sriram 54 Years B.Tech Project Management and Engineering Bhavani Distilleries & Chemicals Limited Nil |

TEBMA SHIPYARDS LTD.
Explanatory Statement

Pursuant to Section 173(2) of the Companies Act, 1956

Item No.4

Mr. V.Pichaikutty, Chartered Accountant had indicated to the Company that he does not wish to seek re-appointment. Members are accordingly requested to appoint M/s. BSR & Associates, Chartered Accountants as Statutory Auditor of the Company for the current year and authorise the Board of Directors to fix their remuneration.

Item No.5

Mr.B.Jayakumar was appointed as an Additional Director of the Company at the Board meeting held on 20.11.2006. Being Additional Director he shall hold office up to the date of this Annual General Meeting. Further the Company has received Notice in writing from a Member under Section 257 of the Companies Act, 1956 along with the required deposit of Rs.500/- proposing the name of Mr.B Jayakumar as a director of the Company, who is liable to retirement by rotation. The Board recommends the passing of the ordinary resolution set out in item No.5 of the accompanying Notice. The resolution is placed before the Members of the Company for their approval.

None of the Directors of the Company is interested/ concerned in this resolution except Mr B.Jayakumar as it relates to his appointment.

Item No.6

Mr.M.M. Kamath was appointed as an Additional Director of the Company at the Board meeting held on 30.04.2007. Being Additional Director he shall hold office up to the date of this Annual General Meeting. Further the Company has received Notice in writing from a Member under Section 257 of the Companies Act, 1956 along with the required deposit of Rs.500/- proposing the name of Mr.M M Kamath as a director of the Company, who is liable to retirement by rotation. The Board recommends the passing of the ordinary resolution set out in item No.6 of the accompanying Notice. The resolution is placed before the Members of the Company for their approval.

None of the Directors of the Company is interested/ concerned in this resolution except Mr M.M.Kamath as it relates to his appointment.

Item No.7

Mr.A.G. Krishnan was appointed as an Additional Director of the Company at the Board meeting held on 09.06.2007. Being Additional Director he shall hold the office up to the date of this Annual General Meeting. Further the Company has received Notice in writing from a Member under Section 257 of the Companies Act, 1956 along with the required deposit of Rs.500/- proposing the name of Mr. A.G Krishnan as a director of the Company, who is liable to retirement by rotation. The Board recommends the passing of the ordinary resolution set out in item No.7 of the accompanying Notice. The resolution is placed before the Members of the Company for their approval.

None of the Directors of the Company is interested/ concerned in this resolution except Mr A.G Krishnan as it relates to his appointment.

Item No. 8

Mr. P.K.Balasubramanian, was re-appointed as the Managing Director of the Company for a period of three years with effect from 01.04.2007 to 31.03.2010. In view of the significant contribution made by him for the growth of the Company, the Directors decided to re-appoint and re-fix remuneration payable to Mr P.K.Balasubramanian, with effect from 01.04.2007. As the profits of the Company are inadequate for the purpose of calculating the managerial remuneration, approval of the members is sought through a special resolution as required under the Schedule XIII to the Companies Act, 1956. The remuneration payable would be subject to such modification, alteration or

variations as may be deemed proper and decided from time to time by the Remuneration Committee and the Board of Directors at their discretion.

The following additional information is also furnished hereunder:

I GENERAL INFORMATION

- (1) Nature of Industry : The Company is engaged in Manufacture of Tugs, Dredgers, Launches and other ocean going vessels.
- (2) Date of commencement of commercial production : 1987
- (3) Financial performance based on given indicators as on 31.03.2006

| | | |
|---|--|----------|
| 1 | Total Net Sales / Income from Operations | 8763.72 |
| | a. Domestic Sales | 6516.69 |
| | b. Export Sales | 2247.03 |
| 2 | Other Income | 165.92 |
| 3 | Total Expenditure | 8154.77 |
| | a. Increase / decrease in Stock in trade | (331.25) |
| | b. Consumption of raw materials | 7051.70 |
| | c. Staff Cost | 282.06 |
| | d. Other Expenditure | 1152.26 |
| 4 | Bank Finance Charges | 204.99 |
| 5 | Depreciation | 44.82 |
| 6 | Profit (+)/Loss (-) before tax (1+2-3-4-5) | 525.06 |
| 7 | Provision for taxation - Current Year | 50.78 |
| | - Deferred | 20.46 |
| | - Fringe Benefit Tax | 3.76 |
| 8 | Net Profit(+) / Loss (-) (6-7) | 450.06 |

- (4) Export Performance and net foreign exchange earned

The company has earned Foreign Exchange equivalent to Rs.3684.28 lakhs and the expenditure in Foreign Currency including CIF Value of Imports was Rs.5959.59 Lakhs.

- (5) Foreign Investments or collaborators if any : Not Applicable

II. Information about the appointee:

- (1) Back ground details: Shipwright
- (2) Past remuneration Rs. 21.00 Lakhs per annum plus perks.
- (3) Recognition or awards Nil
- (4) Job profile and his suitability He has over 30 years of experience in Ship building and Marine related industries. His contribution has placed the company on the threshold of rapid growth in the years to come.
- (5) Remuneration proposed

Salary and Allowances : not exceeding Rs. 75.00 Lakhs per annum

Perquisites :

1. Exgratia on salary equivalent to 15 days basic salary each year.
2. LTA equivalent to 15 days basic salary each year
3. Medical expenses for MD and his family members subject to a ceiling of Rs.50,000/- per annum or Rs.1,50,000/- over a block of 3 years.
4. Provision of telephone and other communication facilities at residence and reimbursement of telephone expenses
5. Driver's salary, reimbursement of fuel expenses and car repair/maintenance charges for 2 cars.
6. Fees of clubs subject to a maximum of two clubs (does not include admission and life membership fee)

Contribution towards

- I. Provident Fund and Super Annuation Fund on Salary at the rate in accordance with the rules of the Company;
- II. Gratuity on Salary in accordance with the rules of the Company;

Shall not be included in the computation of the ceiling on remuneration to the extent these are not taxable under the Income Tax Act, 1961.

Minimum remuneration: The remuneration aforesaid shall be the minimum remuneration payable to Mr P.K. Balasubramanian, Managing Director.

- (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin) - Not Available .
- (7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any. - Not Applicable

III. Other Information:

(1) Reasons of loss or inadequate profits

Even though the Company has made a Net Profit of Rs. 450.06 lakhs during 2005-06 the net profits are still considered inadequate for the purpose of calculating Managerial Remuneration

(2) Steps taken or proposed to be taken for improvement

Because of the efforts taken by the management, the Company has been able to secure more orders and presently the company has a healthy order book valued at over Rs.1200 Crore, with its capacity at its new Malpe Shipyard fully booked till March, 2009..

(3) Expected increase in productivity and profits in measurable terms.

The Company has commenced production at its new Malpe shipyard, which will be fully operational by December 2007. Modern machinery is being installed to increase productivity. There will be a ten-fold increase in the Company's ship building capacity, which will result in a quantum jump in its annual turnover to over Rs.1000 crore and profit to over Rs.50 crore during the coming years.

IV. Disclosures :

All other required details of the Managerial personnel has been furnished in the Annual Report.

The Board commends the resolution into the approval of the members.

Except Mr P.K.Balasubramanian none of the other Directors is concerned or interested in passing of the above resolution.

ITEM No. 9

In view of the significant contribution made by Mr. G.Sriram as Technical Adviser for the implementation of the expansion project of the company for setting up a new shipyard at Malpe near Udupi, Karnataka and also inconnection with execution of orders on hand. It is proposed to increase the retainer fee paid to Mr. G.Sriram, Director from Rs.20,000 to Rs.1,00,000/- per month.

Mr G.Sriram is a B.Tech, Graduate having 25 years of experience in Project Engineering & Management, Quality System Management and Environment & Safety Management, Analysis & Optimisation of Operations and Financial Analysis of Project & Operation.

In terms of Section 309 of the Companies Act, 1956 approval of the Central Government is also required for payment of monthly remuneration to non wholetime Directors.

The Board commends the resolution for the approval of the members.

Except Mr. G.Sriram none of the Directors is interested in this resolution.

Item No.10

It is proposed to utilize the services of Mr A.G.Krishnan, a Director of the Company for rendering professional advise in his field of expertise in relation to company business.

Mr A.G.Krishnan is a B.Sc., ACA, ACS Grad CWA and DISA (ISA) and having 25 years experience in Financial Planning & Budgetary control, Fund Management, Accounts & Auditing, Taxations Secretarial Matters.

MrA.G.Krishnan is proposed to be appointed as the Financial & Tax Advisor to the Company by virtue of his professional qualification & relevant experience.

As the Company's operations are growing, it is felt desirable to hire expert consultancy services of an experienced professional like Mr. A.G.Krishnan.

In terms of Section 309 of the Companies Act, 1956 approval of the Central Government is also required for payment of monthly remuneration to non wholetime Directors.

The Board commends the resolution for the approval of the members.

Except Mr. A.G.Krishnan none of the Directors is interested in this resolution.

By Order of the Board
For Tebma Shipyards Limited

Sd/-

P.R.KANNAN
Company Secretary

Chennai
09th June, 2007.

TEBMA SHIPYARDS LTD.
DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting you the Twenty Third Annual Report and the Audited Accounts of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS

| | 2006-2007 | 2005-2006 |
|---|------------------|------------------|
| Income | 13903.72 | 8929.64 |
| Profit before Interest and Depreciation | 818.45 | 576.51 |
| Less: Interest | 105.35 | 6.63 |
| Profit: Before Depreciation | 713.10 | 569.88 |
| Less: Provision for Depreciation | 103.89 | 44.82 |
| Profit Before Tax | 609.21 | 525.06 |
| Taxation | 176.70 | 54.54 |
| Deferred Tax Liability | 9.80 | 20.46 |
| Profit after Tax | 422.71 | 450.06 |
| Add: Profits/Loss(-) from earlier years | 351.32 | -39.32 |
| Total funds available for appropriation | 774.03 | 410.74 |
| Less: Transfer to General Reserve | - | - |
| Dividend (including tax on dividend) | - | 59.42 |
| Balance carried forward | 774.03 | 351.32 |

FINANCIAL PERFORMANCE

During the year under review, your Company has achieved a post tax profit of Rs.422.71 lakhs for the operational period from 01.04.2006 to 31.03.2007 as against Rs.450.06 lakhs after tax for the earlier period. Income rose from Rs.8929.64 lakhs to Rs.13903.72 lakhs resulting in an yield of Rs.609.21 lakhs of profit before tax as against Rs.525.06 lakhs recorded in the previous year.

CURRENT ENGAGEMENTS

Your company has secured orders worth around Rs.1200 Crores, predominantly from foreign buyers besides orders from Cochin Port Trust and Indian Navy. Deliveries in respect of the orders on hand are expected to commence after May 2008.

Deliveries in respect of orders being executed on behalf of Cochin Shipyard Limited has already commenced and the company has so far delivered 2 vessels out of 8.

FUTURE OUTLOOK

As your company has gained sufficient expertise to build and deliver Platform Supply Vessels for the off-shore industry it is poised for rapid growth on account of surging demand for these kind of vessels.

With the orders on hand and expected in future, your company is confident of keeping the production yards occupied to its fullest capacity.

Your company will continue to take efforts to tap the export markets in the years to come.

CAPACITY ADDITION

The new shipyard facility of the Company at Malpe, near Udupi, South Karnataka is nearing completion . The production has already commenced with the available facilities and the first vessel built at Malpe shipyard is

expected to be delivered by May 2008.. The Malpe shipyard will have the annual capacity to build 12 vessels equivalent to the MPSVs being built now when all the planned facilities are installed.

The new shipyard at Malpe will have facilities not only for building vessels but also for providing repair services simultaneously.

The Company's own facilities at Chengalpattu and the facilities provided to the company by Cochin Shipyard in their premises are being fully put to use.

SHARE CAPITAL

During the year under review, the company issued 25,66,800 Equity Shares of Rs.10/ each at a price of Rs.233.75 per share on preferential allotment basis to India Advantage Fund VI, a Trust registered under the Indian Trusts Act, 1882, acting through its investment manager ICICI Venture Funds Management Company Limited.

DIVIDEND

In order to conserve the resources for implementing expansion projects, your Directors do not recommend any dividend for the year under review.

DEPOSITS

The Company has not accepted any deposits from the Public or its employees during the year under report.

DIRECTORS

Mr.P.K.Balasubramanian and G.Sriram retire by rotation, at the Twenty Third Annual General Meeting and being eligible, offer themselves for reappointment as Directors.

Mr. B.Jayakumar,. Mr M.M.Kamath and Mr A.G.Krishnan were co-opted as Directors of the Company at the Board meetings held on 20.11.2006, 30.04.2007 and 09.06.2007 respectively. Having been appointed as Additional Directors they hold office upto the date of ensuing Annual General Meeting. The Board recommends their appointment in the forthcoming Annual General Meeting.

Cdr S. Subramanian relinquished his office as a Wholetime Director with effect from 16.12.2006. He continues to serve the Company in the capacity of a Consultant . Your Directors wish to place on record their sincere appreciation of the services rendered by Cdr S.Subramanian during his tenure as a Director of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

A detailed review of operations, performance and future outlook of the Company and its business is given in the Management's Discussion and Analysis attached as Annexure - I.

CORPORATE GOVERNANCE REPORT AND GENERAL SHAREHOLDER INFORMATION.

As required by the existing Clause 49 of the Listing Agreement entered into with the OTC Exchange of India, a detailed report on Corporate Governance is attached as Annexure - II. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditor's Certificate on compliance with Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

Pursuant to the requirement of the Listing Agreement with the Stock Exchange and the Accounting Standards in terms of Section 211 (3A) of the Companies Act, 1956, details of Related Party transaction (AS-18) have been incorporated in these accounts.

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956 the audited accounts together with Directors' Report and Auditor's Report of the subsidiary company is appended forming part of this Annual Report. The statement pursuant to Section 212 of the Companies Act, 1956 is attached and forms part of this report.

EMPLOYEES

Your Company has taken necessary steps to recruit personnel at all levels and also ensure upgradation of their skills by providing adequate training to them. Employer – employee relations have remained cordial.

The Board of Directors takes this opportunity to sincerely acknowledge the dedicated services and contribution of all the employees for the excellent performance of the company. Our industrial relations continue to be cordial.

Details required under Section 217 (2A) of the Companies Act, 1956 (read with Companies particulars of Employees Rules, 1975) regarding particulars of employees, drawing remuneration of over Rs.2,00,000/- per month – NIL.

DIRECTORS RESPONSIBILITY STATEMENT

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

- a) in the preparation of the annual accounts, the applicable Accounting Standards were followed and that no material departures have been made from the same;
- b) appropriate accounting policies were selected and applied consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the year under review
- c) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 were made to safeguard the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the annual accounts have been prepared on a going concern basis.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The particulars as prescribed under Section 217 (1) (e) read with Rule 2 of Companies (Disclosure of Particulars in the Report of a Board of Directors) Rules, 1988 are set out in the Annexure - III

AUDITORS

Shri V. Pichaikutty, the current statutory auditors of the company has indicated his unwillingness to continue with his assignment after the conclusion of the forthcoming Annual General Meeting.

The Company has identified M/s BSR & Associates, 16 Wescare Towers, Cenotaph Road, Chennai: 600 018 to be the new statutory auditors of the Company subject to the approval of the Members. Appointment of M/s BSR & Associates has the approval of Audit Sub Committee of the Company.

AUDITORS REPORT

There were no qualifications in the Auditors' report issued for the year ended 31-03-2007.

ACKNOWLEDGEMENTS

Your directors like to express their sincere appreciation for the excellent support and cooperation received from various Government Departments, Port Trusts, other Public Sector Undertakings, Bankers and Suppliers.

For and on behalf of the Board of Directors
TEBMA SHIPYARDS LIMITED

Place: Chennai
 Date: 9th June, 2007

P K BALASUBRAMANIAN
 Managing Director

P.V.KRISHNA
 Wholetime Director

ANNEXURE I TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

A lot of shipbuilding activity has shifted to Asian region and more particularly to India on account of availability of cheap labour but also on account of order book position of shipyards in Europe being more than full. Further, the Indian ship building industry is also developing sufficient expertise to undertake complex assignments.

There is also a "replacement" demand for aging offshore vessels especially tugs and offshore vessels. This has resulted in a fast track growth for many Indian shipyards which have their order books full. This scenario is expected to continue for the next few years.

Current scenario in Tebma

Tebma has secured orders worth more than Rs.1200 Crores, most of which are from foreign buyers besides orders from Cochin Port Trust and Indian Navy.

Deliveries in respect of the orders on hand are expected to commence after May 2008.

Deliveries in respect of orders being executed on behalf of Cochin Shipyard Limited has already commenced and the company has so far delivered 2 vessels.

Strength

Tebma has built and delivered over 109 vessels till date and another 20 vessels, for which orders have been secured are in the process of being built and delivered. As the core management team has the required skill sets to execute any complex tasks, it is expected that the company would be able to secure more repeat orders from its existing customers, as in the past, and also from other buyers.

Opportunities

As the new shipyard of the company is located on the west coast of India, where the movement of defence and cargo vessels is expected to multiply manifold, there are plenty of opportunities available not only for ship building but also for providing repair services.

Further, as the demand for the off-shore vessels are expected to grow substantially in the years to come, Tebma is confident of bagging sufficient orders to keep its yards fully occupied.

There is a possibility of Tebma entering into strategic agreements with European yards to potentially exploit the Western European Market.

Threats

Even though there is intense competition from other companies in the private sector, Tebma is confident of sustaining itself on the basis of its core strengths and also on account of the expertise developed in building Tugs and off-shore vessels over the years at competitive prices.

Risks and concerns

Appreciating rupee against dollar is a major concern facing every company in India engaged in execution of export orders. Necessary steps are being taken to overcome the forex risks to the extent possible.

As building of PSV is a highly sophisticated area of operation, there is a shortage of qualified and skilled manpower to execute the ship building processes. However, employees of Tebma are regularly trained in India and abroad to acquire the required skill sets. Tebma also has plans to outsource training and trained supply of crew to meet the future requirements.

Financial Performance

The total income of the Company during the year under review was Rs 13903.72 lakhs and the Net Profit is Rs.422.71 lakhs.

Human Resources

The Company continues to enjoy cordial and harmonious relationship with its employees. It believes that human resources represent a vital asset in a competitive environment. The Company's philosophy is to provide its employee with a congenial work environment and a performance oriented work culture and good remuneration.

Cautionary Statement

The statements made in the Report describing the Company's projections, expectations and estimations may be forward looking within the meaning of applicable securities laws and regulations. These statements are based on certain assumptions and expectations of future events. The actual results may differ from those expressed or implied in this report due to the influence of external and internal factors beyond the control of the Company.

For and on behalf of the Board
TEBMA SHIPYARDS LIMITED

Sd/-

Sd/-

Place: Chennai
Date: 9th June, 2007

P K BALASUBRAMANIAN
Managing Director

P.V.KRISHNA
Wholetime Director

**ANNEXURE II TO THE DIRECTOR'S REPORT
REPORT ON CORPORATE GOVERNANCE**

1. Introduction

The Company is complying with the mandatory requirements of the code of Corporate Governance introduced by the SEBI and incorporated in Clause 49 of the Listing Agreement in all material respects.

2. Company's Philosophy on Code of Corporate Governance

Tebma Shipyards Limited continues to practise good Corporate Governance. Tebma creates systems, solutions and highly dependable services for its clientele – be it existing or future.

3. Board of Directors

The Managing Director under the direction, control and supervision of the Board of Directors manages the Company. The Board meets at regular intervals.

During the year ended 31st March, 2007 (01-04-2006 to 31-03-2007) five Board Meetings were held , i.e., on 11.04.2006, 31.07.2006, 30.10.2006, 20.11.2006 and 18.01.2007.

The last Annual General meeting was held on 24th May, 2006.

The Composition of Board, attendance of each Director at the Board Meetings held during the year under review as well as in the last Annual General Meeting and number of other Directorship / Committee memberships held by them are as follows :

| Name(s) of Director(s) | Designation and Category | No. of Board Meetings in The Year | | Attend-ance at Last AGM | Number of outside Directorships (excludes Private and Foreign companies) | Number of Board Committee memberships held in other companies |
|---|--------------------------|-----------------------------------|----------|-------------------------|--|---|
| | | Held | Attended | | | |
| P.K.BALASUBRAMANIAN | Managing Director | 5 | 5 | Yes | 1 | Nil |
| CDR.S.SUBRAMANIAN (Retd.) (Upto 16/12/2006) | Wholetime Director | 4 | 4 | Yes | Nil | Nil |
| P.V.KRISHNA | Wholetime Director | 5 | 5 | Yes | Nil | Nil |
| A.G.KRISHNAN (Upto 01.02.2007) | Director (Independent) | 5 | 5 | Yes | Nil | Nil |
| G.SRIRAM | Director (Independent) | 5 | 5 | Yes | 1 | Nil |
| HENDRIKUS RIKKE VAN BERK | Director (Independent) | 5 | nil | NA | Nil | Nil |
| M.M.KAMATH Co-opted 30.04.2007 | Director (Independent) | | | | | |
| A.G.KRISHNAN Co-opted 09-06-2007 | Director (Independent) | | | | | |

Further the Board of Directors would like to inform the members that none of the directors are disqualified to act as directors of this company or any other public company in terms of Section 274(1)(g) and other applicable provisions of the Companies Act, 1956.

Information about the Directors proposed to be appointed and Directors retiring by rotation and seeking re-appointment, required to be furnished pursuant to Clause 49 of the listing agreement with the Stock Exchange forms part of the notice of the 23rd Annual General Meeting to the shareholders of the Company.

Committees of the Board

1. Audit Committee

Composition and Attendance

The Company has an Audit Committee of the Board consisting of three "Non-Executive Directors", who are also Independent Directors, who met four times during the period 01.04.2006 to 31.03.2007 on 11.04.2006, 31.07.2006, 30.10.2006 and 18.01.2007 as cited below:

| Name of Directors | Status | No.of Meetings held | No. of Meetings attended |
|--|----------|---------------------|--------------------------|
| Shri.A.G.KRISHNAN (Upto 01.02.2007) | Chairman | 4 | 4 |
| Shri.G.SRIRAM | Member | 4 | 4 |
| Shri HENDRIKUS VAN BERK | Member | Nil | Nil |

The quorum shall be either 2 members or one third of the members of the Audit Committee, whichever is higher and there shall be a minimum of two independent directors. Head of Finance and Representatives of Statutory Auditors were also invited and attended the meeting.

Terms of reference

The powers and terms of reference of the Audit Committee are as mentioned in the existing Clause 49 II (D) of the Listing Agreement entered into with the Stock Exchange and Section 292A of the Companies Act, 1956.

- Overseeing the Company's financial reporting process and the disclosure of its financial information.
- Reviewing periodically transaction with related parties in the ordinary course of business in a summary form.
- Reviewing periodically details of material individual transaction with related parties, which are not in the ordinary course of business.
- Reviewing periodically details of material individual transaction with related parties or others, which are not on an arm's length basis together with management's justification for the same.
- Recommending appointment, removal of the external auditor, fixing of audit fees and approving payments for any other service.
- Reviewing with management the quarterly, half yearly and annual financial statement with primary focus on accounting policies and practices, compliance with accounting standards and stock exchange and legal requirements concerning financial statements.
- Reviewing adequacy of internal control systems in order to have the effective use and safeguard of resources and compliance with statutes, policies and procedures and ensure compliance of internal control systems and reviewing the company's financial and risk management policies.
- Reviewing reports furnished by the Statutory Auditors and ensuring suitable follow up thereon.

2. Remuneration Committee

The Company has a Remuneration Committee specifically to determine the Company's Policy on specific remuneration packages for Executive Directors and compensation payments. The Committee after reconstitution, consists of following Directors:

| Name of Directors | Status | No. of Meetings held | No. of Meetings attended |
|-------------------------|----------|----------------------|--------------------------|
| Shri G.Sriram | Chairman | 01 | 1 |
| Shri A.G.Krishnan | Member | 01 | 1 |
| Shri Hendrikus Van Berk | Member | 01 | Nil |

Directors' Remuneration

The remuneration paid to the Director for the period ending 31st March, 2007

| Name | Period | Salary & Perquisites |
|---|-----------------------------|----------------------|
| Shri.P.K.Balasubramanian (Managing Director) | 01-04-2006 to 31-03-2007 | 17,31,000/- |
| Cdr.S.Subramanian (Retd.) (Director) | 01-04-2006 to 20-12-2006 | 10,28,000/- |
| Shri P.V.Krishna (Director) | 01-04-2006 to 31-03-2007 | 5,63,000/- |
| Shri. B. Jayakumar (Director) | 20-11-2006 to 31-03-2007 | 5,82,000/- |

Non-Executive Directors' Remuneration

Non-Executive Directors of the Company are remunerated by way of sitting fees for the meetings of the Board/ Committees of the Board attended by them, subject to the extent waived off.

At the Extra-Ordinary General meeting held on 05.04.2006 the shareholders approved payment of monthly fee to Non- Executive Directors for rendering professional services.

None of the Non-Executive Directors of the Company have pecuniary relationship with company, its promoters, management or its subsidiaries.

3. Share Transfer / Investor's Grievance Committee

Composition and Attendance

The Company also has a Shareholders/Investors Grievance Committee consisting of the following Directors as members thereof –

| Name of Directors | Status | No. of Meeting held | No. of meeting attended |
|--|----------|---------------------|-------------------------|
| Shri.G.Sriram | Chairman | 15 | 15 |
| Shri.A.G.Krishnan (Upto 01-02-2007) | Member | 15 | 13 |
| Shri.P.V.Krishna | Member | 15 | 15 |

The quorum for the Meeting shall be any two of the above three members. Mr.P.R.Kannan, Company Secretary is the Compliance Officer.

Terms of Reference

The Committee oversees share transfers, transmission, issue of duplicate share certificate, splitting and consolidation of share certificates and monitor investors grievances such as complaints on transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc., and redress thereof, within the purview of the guidelines set out in the listing agreement.

No complaints of any material nature was noticed or received during the year under review.

5. Code of Conduct

The Board of Directors has discussed and approved a code of conduct for all the Board Members and senior management personnel of the company. The said code of conduct has also been posted on the website of the company www.tebma.com.

The Managing Director functions under the direction, control and supervision of the Board of Directors . The Company has a Managing Director, who is the Chief Executive Officer (CEO) and he makes a declaration on compliance on Code of conduct by all Board Members and senior management personnel

A report on the compliance aspect of the code of conduct given by the Managing Director has been given at the end of this report.

6. General Body Meetings:

The last three Annual General Meetings held are as follows: -

| Financial Year | AGM | Location | Date | Time |
|----------------|-----|---|----------------|------------|
| 2003-2004 | AGM | Registered Office at 149, Montieth Road, Egmore, Chennai 600 008. | Sept. 30, 2004 | 11.00 A.M |
| 2004-2005 | AGM | Registered Office at 149, Montieth Road, Egmore, Chennai 600 008. | Sept. 14, 2005 | 10.30 A.M. |
| 2005-2006 | AGM | Registered Office at 149, Montieth Road, Egmore, Chennai 600 008. | May 24,2006 | 11.00 A.M. |

Except the following Special resolutions passed at the Extra-Ordinary General Meeting held on 12.02.2007, no resolutions were put through postal ballot.

1. Issuance of further shares on a preferential allotment basis under Section 81 – 1A of the Act, on a private Placement basis.
2. Amendment to the Articles of Association Clause 159
3. Appointment and Payment of Remuneration to Wholetime Director.

7. Subsidiary Company

The Company has an Indian Subsidiary i.e., Tebma Gardens Ltd (TGL). As required by Clause 49(III) at least one Independent Director on the Board of the Company shall be director on the Board of Directors of a material non listed Indian Subsidiary Company. However the turn over or networth (i.e. paid up capital and free reserve) of TGL does not exceeds 20% of the consolidated turnover or networth respectively of the Company and its subsidiaries

in the immediately preceding accounting year.

In view of the above, TGL is not a material non listed Indian Subsidiary company, hence the said provision is not applicable to your company at present.

8. Disclosures

-Related Party Disclosure

During the year under review there were no materially significant related party transaction with its promoter, director and management that had a potential conflict with the interest of the Company at large except to the extent duly disclosed in the notes on accounts as enclosed along with this report.

-Compliances by the Company

There have been no instances of non-compliance on any matter relating to the capital market during the last three years.

-Accounting treatment

In the preparation of financial statements, generally accepted accounting principles and policies were followed. Mandatory Accounting Standards announced by Institute of Chartered Accountants of India were followed in the preparation of financial statements.

- Board Disclosure – Risk Management

The main object of Risk Management is risk reduction and avoidance. It also helps a Company to identify the risks faced by the business and optimise the Risk Management strategies. The Company has a defined Risk Management framework.

-Proceeds from Public Issues, rights issues, preferential issue, etc.,

The Company has raised Rs.60 Crores by way of issuance of 2566800 equity shares of Rs.10/- each at a price of Rs.233.75 on a preferential allotment basis.

-Management Disclosures

Management Discussion and Analysis Report is Annexed to the Director' Report.

9. Means of Communication

The Quarterly / half-yearly results are usually published by the Company in Trinity Mirror(in English) and Makkal Kural (in Tamil). Quarterly and half-yearly results are simultaneously submitted to the OTC Exchange of India to enable them to display the same on their website. During the period under review presentation has not been made to analysts or press.

10. General Shareholder's Information

| | | |
|----|--|--|
| 1 | AGM Date Time & Venue | 21 st day of July , 2007 at the Music Academy, 168, TTK Road, Royapettah, Chennai 600 014. |
| 2 | Financial Calendar (Tentative) <u>Financial reporting for the -</u> Quarter ending June 30, 2007 Quarter ending September 30, 2007 Quarter ending December 31, 2007 Quarter ending March 31, 2008 | By Fourth week of July, 2007 By Fourth week of October, 2007 By Fourth week of January 2008 By Fourth week of April, 2008 |
| 3 | Dates of book closure | 19 th July 2007 to 21 st July, 2007 (Both days inclusive) |
| 4. | Dividend payment date | Within 30 days from the date of AGM |
| 5 | The Equity Shares of Rs.10/- each are listed at - | OTC Exchange of India (Annual Listing fees for the year 2007-2008 was duly paid to the above Stock Exchange) Stock Code: TEBMA ISIN No. INE279H01017 |
| 6 | Registered Office | III, Floor, Khaleeli Centre, 149, Montieth Road, Egmore, Chennai 600 008 |

Stock Market Data :

During the year under review, there was no trading of the Company's shares in the OTC Stock Exchange, hence the same can not be provided and compared.

Share Transfer System

A committee of Board approves share transfer in the physical form on a fortnightly basis. The Company has appointed M/s CAMEO CORPORATE SERVICES LIMITED, Chennai as its Registrar & Share Transfer Agent with regard to the works related to the share registry in terms of both physical and electronic mode. The Company ISIN Number is INE 279H01017.

Distribution of Share holding as on 31st March 2007

| SHARE RANGE | | TOTAL NO. OF | TOTAL SHARE | TOTAL SHARE | % OF TOTAL |
|---------------|-------|---------------|-------------|-------------|------------|
| FROM | TO | SHARE HOLDERS | HOLDINGS | VALUE | VALUE |
| 1 | 500 | 1523 | 310124 | 3101240 | 3.97 |
| 501 | 1000 | 134 | 104053 | 1040530 | 1.33 |
| 1001 | 2000 | 65 | 96340 | 963400 | 1.24 |
| 2001 | 3000 | 19 | 49966 | 499660 | 0.64 |
| 3001 | 4000 | 19 | 67630 | 676300 | 0.87 |
| 4001 | 5000 | 6 | 27033 | 270330 | 0.35 |
| 5001 | 10000 | 19 | 136153 | 1361530 | 1.75 |
| 10000 & ABOVE | | 59 | 6986881 | 69868810 | 89.83 |
| | TOTAL | 1844 | 7778180 | 77781800 | 100 |

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2007

| S.NO. | Category | No.of shares held | Percentage of shareholding |
|-------|--|-------------------|----------------------------|
| A. | 1 Promoter's holding Promoters - Indian Promoters - Foreign Promoters | 4887351 | 62.83 |
| | 2 Persons acting in Concert Sub-Total | 4887351 | 62.83 |
| B. | Non-Promoters Holding | | |
| | 3 Institutional Investors | | |
| | a Mutual Funds and UTI | 27500 | 0.35 |
| | b Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions /Non-government Institutions) | | |
| | c FIs | 35333 | 0.45 |
| | Sub-Total | 62833 | 0.81 |
| | 4 Others | | |
| | a Private Corporate Bodies | 413874 | 5.32 |
| | b Indian Public | 1892548 | 24.34 |
| | c NRIs/OCBs | 510474 | 6.56 |
| | d Other | 11100 | 0.14 |
| | Sub - Total | 2827996 | 37.36 |
| | GRAND TOTAL | 7778180 | 100.00 |

Dematerialisation of Shares

The Company has appointed M/s CAMEO CORPORATE SERVICES LIMITED, Chennai as Registrar and Share Transfer Agent for establishing connectivity with NSDL and CDSL to facilitate dematerialisation of shares held by the members.

As at 31st March, 2007 32,35,720 (41.60%) equity shares have been dematerialised. Members are requested to take steps to dematerialise the shares held in physical form.

Shareholders' Services

| Nature of Complaints | No. of Letters Received | No. of letters Attended |
|--|-------------------------|-------------------------|
| 1. Non-receipt of Refund Order/ Allotment Advice/Share Certificate | Nil | Nil |
| 2. Non receipt of Dividend | Nil | Nil |
| 3. Non receipt of share certificates after Transfer | Nil | Nil |
| 4. Non receipt of Duplicate Share certificates | Nil | Nil |
| 5. Stop Transfer | Nil | Nil |
| 6. Nomination of Shares | Nil | Nil |
| 7. Fully Paid Endorsement | Nil | Nil |
| 8. Demat of Shares | 222 | 222 |
| 9. Others | Nil | Nil |
| Total | 222 | 222 |

Details of shares transferred (in physical form only) during 2006-2007 are as follows

| Particulars | 2006-2007 |
|--|-----------|
| Shares Transferred | 282554 |
| Total No. of Shares as on 31 st March, 2007 | 7778180 |
| Percentage on the Share Capital | 3.63 |
| No. of Sellers | 72 |
| No. of Buyers | 72 |

Instruments

The Company has not issued GDRs/ ADRs/ Warrants / Convertible Instruments.

Registrar and Share Transfer Agents

M/s. Cameo Corporate Services Ltd.,
 Subramanian Building, 1, Club House Road, Chennai – 600 002.
 Phone No.044-28460390 / 28460425 Fax No. 044 28460129
 Email : cameo@cameoindia.com
 Website : www.cameoindia.com

11. Plant Location

The Company has its manufacturing yards located at Chingalpet, Tamil Nadu and in Malpe, Udupi, Karnataka.

12. Auditors Certificate on Corporate Governance

Appended with this report

13. Address for Communication

TEBMA SHIPYARDS LIMITED
 III FLOOR KHALEELI CENTRE
 149 MONTIETH ROAD, EGMORE, CHENNAI 600 008
 Tel No. (44) 2855 3040, 2855 3042; Fax No: (44) 2855 3655

For and on behalf of the Board of Directors
 TEBMA SHIPYARDS LIMITED
 Sd/- Sd/-
 P K BALASUBRAMANIAN P.V.KRISHNA
 Managing Director Wholetime Director

Place: Chennai
 Date: 9th June, 2007

Declaration on Code of Conduct

As required by Clause 49 (ID) of the Listing Agreement, it is hereby affirmed that all the Board members and Senior Management personnel have complied with the code of conduct of the Company. It is also confirmed that the Code of Conduct has already been posted on the website of the Company.

Place: Chennai
 Date :09-06-2007

Sd/-
 P.K.BALASUBRAMANIAN
 Managing Director

CEO CERTIFICATION

As required by sub clause VIII of clause 49 of the Listing Agreement entered into with the Stock Exchanges, the Board has obtained a certificate from the Managing Director as to the compliance with the requirements of the said sub clause.

AUDITOR'S CERTIFICATE

To

The Members of Tebma Shipyards Limited
Chennai

We have examined the compliance of conditions of Corporate Governance by Tebma Shipyards Limited for the period ended 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as explained in the above mentioned Listing Agreement.

We state that in respect of investors' grievances received during the year ended on 31st March, 2007, no investors grievances is pending for a period exceeding one month against the company as per records maintained by the company.

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

Place: Chennai
Date: 09-06-2007

Sd/-
V.PICHAIKUTTY
Chartered Accountant

ANNEXURE III

Statement Regarding Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo As required under Clause (e) of Sub-Sec (1) of Section 217 of the Companies Act, 1956 forming part of the Directors' Report for the year ended March 31, 2007.

CONSERVATION OF ENERGY:

The operation of your Company are not energy-intensive. Your Company is conscious about its responsibility towards a safe and clean environment and continues to adhere to all regulatory requirements and guidelines.

TECHNOLOGICAL ABSORPTION

Your Company has fully absorbed the technology for building of Tug and MPSVs.

RESEARCH AND DEVELOPMENT

During the year under review the company has not contributed any sum towards research and development.

FOREIGN EXCHANGE EARNING & OUTGO

The foreign exchange outgo and earnings for the period under review were Rs. 7615.42 lakhs and Rs. 7151.85 lakhs respectively.

REPORT OF THE AUDITOR'S TO THE MEMBERS OF TEBMA SHIPYARDS LTD.

I have audited the attached Balance Sheet of TEBMA SHIPYARDS LIMITED, as at 31st March, 2007, the relative Profit and Loss Account and the Cash Flow Statement for the year ended that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on 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 statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion and to the best of my information and according to the explanation given to me, the aforesaid financial statements read with the Statement on Significant Accounting Policies and notes to the Accounts, give the information required by the Companies Act, 1956, (the Act) in the manner so required and also give a true and fair view, in conformity with the accounting principles generally accepted in India.

- a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. In the case of the Cash Flow Statement of the cash flows for the year ended as on that date.
1. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
 2. In my opinion, proper books of account as required by law have been kept by the Company so far as appears from my examination of those books;
 3. The financial statements dealt with by this report are in agreement with the books of account.
 4. In my opinion, the aforesaid financial statements comply in all material respects with the applicable accounting standards issued by the Institute of Chartered Accountants of India referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 5. On the basis of written representation received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, I report that none of the directors of the company is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as I considered appropriate and according to the information and explanations given to me, I enclose in the Annexure a Statement on the matters specified in the paragraphs 4 and 5 of the said order.

Place : Chennai
Date : 09.06.2007

V. Pichaikutty,
Chartered Accountant
Membership No.4369

ANNEXURE TO THE AUDITOR'S REPORT

i. The Company has maintained proper records showing full particulars, including quantitative details and the situation of its fixed assets; The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed; The company has not disposed off substantial part of its fixed assets during the year.

ii. On the basis of examination of inventory records, the company is maintaining proper records of inventory and the said inventory has been physically verified during the year by the management at reasonable intervals.

In my opinion, the procedures of physical verification of the inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

The discrepancies noticed on physical verification such inventory were not material as compared to book records.

In my opinion, there is adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods. Further on the basis of my examination of the books and records of the Company, I have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control procedure.

iii. The Company has neither granted to nor taken any loans from parties listed in the register maintained under Section 301 of the Companies Act, 1956.

iv. Based on the audit procedures applied by us and according to the information and explanations provided by the management, there were no transactions that need to be entered in to the register maintained under Section 301.

v. The Company has not accepted any deposits from the public.

vi. The Company has a system of internal audit which, in my opinion, is commensurate with its size and nature of its business.

vii. Maintenance of cost records has not been prescribed by the Central Government under clause (d) of Sub Section (1) of Section 209 of the Companies Act, 1956.

viii. According to the records, information and explanations provided to me, there were no statutory dues as at 31st March, 2007 for a period of more than six months from the date they become payable;

There were no Statutory Tax dues on account of dispute.

ix. There were no accumulated losses at the end of the financial year and it has not incurred cash losses during this financial year and in the immediately preceding financial year.

x. Based on my audit procedures and on the information and explanations given by the management, the Company has not defaulted in repayment of dues to any financial institution or bank.

- xi. Based on our examination and according to the information and explanations given to me, the Company has not granted loans and advances on the basis of the security by way of pledge of shares, debentures and other securities.
- xii. The Company is not a chit/nidhi/mutual benefit fund/society and clause xii of the Order is not applicable.
- xiii. The Company is not dealing or trading in shares, securities, debentures and other investments except its investments in shares of subsidiary companies.
- xiv. On the basis of the information and explanations given to me, there were no subsisting guarantees given by the Company for the loans taken by others from financial institutions are not prejudicial to the interests of the Company.
- xv. The company has taken term loans and the same were applied for the purpose for which the loans were obtained.
- xvi. According to the cash flow statement and records examined by us and according to the information and explanations given to us, on overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investments.
- xvii. During the year, Company has made preferential allotment of shares to M/s. The Western India Trustee and Executor Company – India Advantage Fund VI. Other than this, there were no other issues of shares during the year.
- xviii. The Company did not have any outstanding debentures during the year.
- xix. The Company has not raised any money by public issues during the year.
- xx. Based on Audit procedures performed and information and explanations given to me by the management, I report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Place : Chennai
Date : 09.06.2007

V.Pichaikutty,
Chartered Accountant
Membership No.4369

BALANCE SHEET AS AT 31.03.2007

| Particulars | Sch | 31.03.2007 | 31.03.2006 |
|---|-----|----------------|----------------|
| (Rupees in Lakhs) | | | |
| SOURCES FOR FUNDS | | | |
| Shareholders' Funds | | | |
| Share Capital | 1 | 777.82 | 521.14 |
| Reserves & Surplus | 2 | 6880.00 | 714.08 |
| Loan Funds | | | |
| Secured Loans | 3 | 1968.34 | 699.30 |
| Deferred Tax Liability | | 42.22 | 25.42 |
| Total | | 9668.38 | 1959.94 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | 4 | | |
| Gross Block | | 1053.90 | 659.05 |
| Less: Accumulated Depreciation | | 317.76 | 213.87 |
| Net Block | | 736.14 | 445.18 |
| Capital Work in Progress | | 3228.93 | 1235.48 |
| Investments | 5 | 21.85 | 21.85 |
| Current Assets, Loans & Advances | | | |
| Inventories | 6 | 130.38 | 348.21 |
| Sundry Debtors | 7 | 6439.80 | 2698.63 |
| Cash & Bank Balances | 8 | 6780.51 | 2371.86 |
| Other Current Assets | 9 | 127.23 | 130.72 |
| Loans & Advances | 10 | 796.63 | 222.68 |
| | | 14274.55 | 5772.10 |
| Current Liabilities & Provisions | | | |
| Current Liabilities | 11 | 8406.40 | 5386.34 |
| Provisions | 12 | 186.69 | 128.33 |
| | | 8593.09 | 5514.67 |
| Net Current Assets | | 5681.46 | 257.43 |
| Total | | 9668.38 | 1959.94 |
| Significant Accounting Policies and Notes on Accounts | 19 | | |

The schedules referred to above form an integral part of the Balance Sheet
Vide my report of even date.

For **TEBMA SHIPYARDS LIMITED**

Sd/-

V. PICHAIKUTTY
Chartered Accountant.
Date: 09.06.2007
Place: Chennai

sd/-

P.K.BALASUBRAMANIAN
Managing Director

sd/-

P.V.KRISHNA
Wholetime Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30.3.2007

| Particulars | Sch | 31.03.2007 | 31.03.2006 |
|--|-----|-----------------|----------------|
| (Rupees in Lakhs) | | | |
| INCOME | 13 | 13903.72 | 8929.64 |
| EXPENDITURE | | | |
| Material Cost | 14 | 9595.77 | 6720.45 |
| Personnel Costs | 15 | 806.27 | 276.28 |
| Manufacturing Expenses | 16 | 2022.54 | 948.15 |
| Other Expenses | 17 | 383.11 | 202.35 |
| Finance Charges | 18 | 382.93 | 201.84 |
| Loss on Sale of Investment/Asset | | 0.00 | 2.40 |
| Depreciation | | 103.89 | 44.82 |
| Knowhow fees written off | | 0.00 | 8.29 |
| | | 13294.51 | 8404.58 |
| PROFIT BEFORE TAXATION | | 609.21 | 525.06 |
| Provision for Taxation | | | |
| Current Tax | | 170.00 | 50.78 |
| Fringe Benefit Tax | | 6.70 | 3.76 |
| Deferred Tax expense/benefit (-) | | 9.80 | 20.46 |
| PROFIT AFTER TAXATION | | 422.71 | 450.06 |
| Balance in P&L Brought Forward | | 351.32 | -39.32 |
| | | 774.03 | 410.74 |
| APPROPRIATION | | | |
| Proposed Dividend | | | 52.11 |
| Tax on Dividend | | | 7.31 |
| Balance Carried Forward | | 774.03 | 351.32 |
| Significant Accounting Policies and Notes on Accounts | 19 | | |
| Earning Per share [Basic on weighted avg basis] | | 7.77 | 8.64 |

The schedules referred to above form an integral part of the Profit & Loss Account

For TEBMA SHIPYARDS LIMITED

sd/-

V. PICHAIKUTTY

Chartered Accountant.

Date: 09.06.2007

Place: Chennai

sd/-

P.K.BALASUBRAMANIAN

Managing Director

sd/-

P.V.KRISHNA

Wholetime Director

CASH FLOW STATEMENT YEAR / PERIOD ENDED 31ST MARCH 2007

31.03.2007

31.03.2006

CASH FLOWS FROM OPERATING ACTIVITIES

(Rupees in Lakhs)

| | | |
|------------------------------|---------|---------|
| Profit Before Taxation | 609.21 | 525.06 |
| Adjustments: | | |
| Depreciation | 103.89 | 44.82 |
| Gain on sale of Assets(-) | -3.79 | -13.09 |
| Loss on sale of asset | 0.00 | 2.40 |
| Knowhow Expndr writn off | 0.00 | 8.29 |
| Interest & Financial Charges | 382.93 | 201.84 |
| Interest Income(-) | -129.19 | -112.52 |
| Dividend Income(-) | -0.27 | -0.09 |

| | | |
|--|----------|----------|
| Operating Cash Flows before Working Capital Changes | 962.78 | 656.71 |
| Increase(-)/decrease in sundry debtors | -3741.17 | -2563.07 |
| Increase(-)/decrease in inventory | 217.83 | -331.25 |
| Increase(-)/decrease in loans & advances | -495.44 | 69.05 |
| Increase(-)/decrease in Other current Assets | 3.49 | -33.55 |
| increase/decrease(-) in current liabilities & provisions | 3020.06 | 3931.16 |
| Taxes/FBT | -130.45 | -4.10 |

Net Cash generated from Operating activities**-162.90****1724.95****Cash Flow from investing activities**

| | | |
|---------------------------------|----------|----------|
| New Fixed Assets/Cap W.I.P. (-) | -402.38 | -1279.55 |
| Capital Work in Progress | -1993.45 | |
| Deferred Revenue Expenses(-) | 0.00 | -28.26 |
| Sale of Fixed Assets | 11.32 | 35.96 |
| Sale of Investments | 0.00 | 21.14 |
| Interest & Dividend Received | 129.46 | 112.61 |

Net Cash generated from investing activities**-2255.05****-1138.10****Cash Flow from Financing activities**

| | | |
|------------------------------------|---------|---------|
| Proceeds from New Equity issue | 5999.89 | 0.00 |
| Proceeds from Long-term borrowings | 1269.04 | 699.30 |
| Interest & Finance charges(-) | -382.93 | -201.84 |
| Dividend/Dividend Tax payment | -59.41 | 0.00 |

Net Cash generated from financing activities**6826.59****497.46****Net Increase in cash and cash equivalents**

4408.64

1084.31

Cash and Cash equivalents at the beginning

2371.86

1287.55

Cash and Cash equivalents at the end**6780.50****2371.86**

For TEBMA SHIPYARDS LIMITED

sd/-

V. PICHAIKUTTY

Chartered Accountant.

Date: 09.06.2007

Place: Chennai

sd/-

P.K.BALASUBRAMANIAN

Managing Director

sd/-

P.V.KRISHNA

Wholetime Director

Schedules to Balance Sheet

| | As at 31.03.2007 | As at 31.03.2006 |
|---|-----------------------------|-----------------------------|
| (Rupees in Lakhs) | | |
| Schedule 1: Share Capital | | |
| Authorised | | |
| 150,00,000 Equity Shares of Rs.10/- each | 1500.00 | 600.00 |
| (60,00,000 Equity Shares of Rs.10/- each for 2005-06) | <u> </u> | <u> </u> |
| Issued, Subscribed and Paid-up | | |
| 77,78,180 Equity Shares of Rs.10/- each | 777.82 | 521.14 |
| (52,11,380 Equity Shares of Rs.10/- each for 2005-06) | <u> </u> | <u> </u> |
| Schedule 2: Reserves and Surplus | | |
| Share Premium Account | 5877.64 | 134.43 |
| General Reserve | | |
| Balance at the beginning of the year | 228.33 | 228.33 |
| Profit Transferred from P & L Account | 774.03 | 351.32 |
| | <u>6880.00</u> | <u>714.08</u> |
| Schedule 3: Secured Loans | | |
| State Bank of Hyderabad (Term Loan) | 921.14 | 25.00 |
| State Bank of India (Term Loan) | 1047.20 | 674.30 |
| | <u>1968.34</u> | <u>699.30</u> |
| Schedule 5 : Investments | | |
| Equity Shares - Fully paid quoted | 1.32 | 1.32 |
| Unquoted | 20.53 | 20.53 |
| | <u>21.85</u> | <u>21.85</u> |
| Current Assets, Loans & Advances | | |
| Schedule 6 : Inventories | | |
| Closing Stock - Materials | 130.38 | 348.21 |
| Schedule 7 : Sundry Debtors | | |
| (Unsecured but considered good) | | |
| Due for more than six months | 716.27 | 135.47 |
| Less than six Months | 5723.53 | 2563.16 |
| | <u>6439.80</u> | <u>2698.63</u> |

**SCHEDULE : 4
Fixed Assets**

Rs. In Lakhs

| Description | Cost | | | Depreciation | | | | Net Book Value | | |
|----------------------|-----------------|---------------|-------------|-------------------|-----------------|--------------------|-------------------------------|-------------------|-------------------|------------------|
| | As at 1.4.06 | Addition | Deletion | As at 31.03.07 | As at 1.4.06 | During the year | Del. during the year | As at 31.03.07 | As at 31.03.07 | As at 31.3.06 |
| Land | 86.34 | 60.52 | 7.53 | 139.33 | | | | 139.33 | | 86.34 |
| Building | 52.80 | 15.37 | | 68.17 | 42.37 | 16.36 | | 58.73 | 9.44 | 10.43 |
| Plant & Machinery | 353.54 | 251.29 | | 604.83 | 94.48 | 56.79 | | 151.27 | 453.56 | 259.06 |
| Furniture & Fitting | 27.63 | 3.92 | | 31.55 | 13.35 | 2.94 | | 16.29 | 15.26 | 14.28 |
| Office Equipment | 90.53 | 21.91 | | 112.44 | 43.70 | 19.16 | | 62.86 | 49.58 | 46.83 |
| Vehicle | 18.30 | 18.96 | | 37.26 | 12.70 | 3.58 | | 16.28 | 20.98 | 5.60 |
| Miscellaneous Assets | 18.12 | 25.33 | | 43.45 | 2.78 | 3.98 | | 6.76 | 36.69 | 15.34 |
| Air Conditioner | 11.79 | 5.08 | | 16.87 | 4.49 | 1.08 | | 5.57 | 11.30 | 7.30 |
| Total | 659.05 | 402.38 | 7.53 | 1053.90 | 213.87 | 103.89 | | 317.76 | 736.14 | 445.18 |
| Previous Year | 282.43 | 405.74 | 29.12 | 659.05 | 172.90 | 44.82 | 3.85 | 213.87 | 445.18 | 113.91 |

TEBMA SHIPYARDS LTD.

As at
31.03.2007As at
31.03.2006

(Rupees in Lakhs)

Schedule 8 : Cash and Bank Balances

| | | |
|------------------------------|----------------|----------------|
| Cash Balances | 2.49 | 9.04 |
| Balance with Scheduled Banks | | |
| In Current Accounts | 2669.31 | 160.19 |
| In Fixed Deposit Accounts | 4108.71 | 2202.63 |
| | <u>6780.51</u> | <u>2371.86</u> |

Schedule 9 : Other Current Assets

| | | |
|--------------------------------|---------------|---------------|
| Earnest Money Deposit | 45.00 | 54.00 |
| Security Deposit | 2.39 | 0.60 |
| Rent Deposit | 21.64 | 22.23 |
| Sales Tax deducted by Customer | 38.46 | 38.46 |
| Other Deposits | 3.91 | 15.43 |
| Interest accrued on Deposit | 15.83 | — |
| | <u>127.23</u> | <u>130.72</u> |

Schedule 10 : Loans & Advances

| | | |
|-------------------------------|---------------|---------------|
| Loans and Advances to Vendors | 602.60 | 109.62 |
| Advance Income Tax & TDS | 175.32 | 96.81 |
| Staff Advances | 8.34 | 6.25 |
| Other Advances | 10.37 | 10.00 |
| | <u>796.63</u> | <u>222.68</u> |

Schedule 11 : Current Liabilities

| | | |
|----------------------------------|----------------|----------------|
| Sundry Creditors | 4611.53 | 3861.61 |
| Creditor for Capital Goods Malpe | 53.89 | |
| Advance Received from Clients | 3595.06 | 1281.62 |
| Other Advances & Deposits recd | 102.09 | 42.46 |
| Outstanding Expenses | 43.83 | 200.65 |
| | <u>8406.40</u> | <u>5386.34</u> |

Schedule 12 : Provisions

| | | |
|--------------------------------|---------------|---------------|
| Provision for Taxation | 186.69 | 68.92 |
| Provision for Dividend | | 52.10 |
| Provisions for Tax on Dividend | | 7.31 |
| | <u>186.69</u> | <u>128.33</u> |

| | As at 31.03.2007 | As at 31.03.2006 |
|--|---------------------|---------------------|
| (Rupees in Lakhs) | | |
| Schedule 13: Income | | |
| Income from Operations | 13747.62 | 8763.72 |
| Interest Income | 129.19 | 112.52 |
| Other Income | 26.91 | 53.40 |
| | <u>13903.72</u> | <u>8929.64</u> |
| Schedule 14: Material cost | | |
| Opening Stock | | |
| Materials | 348.21 | 16.96 |
| Add: Purchases during the year | | |
| Indigneous Materials | 1164.23 | 358.28 |
| Imported Components | 7151.85 | 5959.59 |
| Indigenous Components | 642.65 | 512.61 |
| Consumables, Stores & Spares | 414.95 4.26 | 221.22 - |
| Less: Closing Stock | | |
| Materials | 130.38 | 348.21 |
| | <u>9595.77</u> | <u>6720.45</u> |
| Schedule 15: Personnel Costs | | |
| Remuneration to Directors | 39.05 | 18.15 |
| Salaries, Wages and Bonus | 522.75 | 152.24 |
| Provident Fund, Family Pension,ESI,Gratuity | 50.13 | 33.19 |
| Workmen Amenities & Staff Welfare Expenses | 194.34 | 72.70 |
| | <u>806.27</u> | <u>276.28</u> |
| Schedule 16: Manufacturing Expenses | | |
| Power & Fuel | 39.73 | 60.50 |
| Building Maintenance | 3.42 | 0.31 |
| Plant & Machinery Maintenance | 24.56 | 13.92 |
| Security Services - Factory | 9.45 | 7.24 |
| Insurance - Factory | 18.10 | 31.45 |
| Machinery Hire Charges | 139.20 | 67.07 |
| Transportation Expenses | 75.35 | 43.29 |
| Clearing, Forwarding & Material Delivery Charges | 187.62 | 43.12 |
| Other Manufacturing Expenses | 1300.11 | 593.78 |
| Inspection Charges | 46.21 | 1.32 |
| Trials | 124.61 | 67.60 |
| Yard Expenses | 11.88 | 8.50 |
| Commissioning Expenses | 20.12 | 2.81 |
| After Sales Expenses | 22.18 | 7.24 |
| | <u>2022.54</u> | <u>948.15</u> |

As at
31.03.2007As at
31.03.2006

(Rupees in Lakhs)

Schedule 17: Other Expenses

| | | |
|-----------------------------------|---------------|---------------|
| Advertisements & Publicity | 9.16 | 9.88 |
| Audit Fees | 0.68 | 0.52 |
| Audit Expenses | 0.30 | 0.28 |
| Books & Periodicals | 0.99 | 0.37 |
| Consultancy Charges | 80.44 | 15.02 |
| Electricity - Office | 5.14 | 4.79 |
| Office Expenses - Cochin | 93.09 | 29.60 |
| Indirect Taxes and Duties | 2.37 | 7.39 |
| Insurance | 1.35 | 0.46 |
| Legal Expenses | 1.94 | 0.78 |
| Licence & Tax | 22.66 | 2.52 |
| Other Office Expenses | 15.49 | 4.62 |
| Postage & Telegrams | 4.71 | 2.53 |
| Printing & Stationery | 10.20 | 6.12 |
| Repairs & Maintenance -Office | 3.68 | 4.07 |
| Vehicle Maintenance | 1.44 | 1.56 |
| Rent | 29.80 | 54.72 |
| Telephone & Telex Charges | 11.62 | 8.74 |
| Travelling & Conveyance | 75.00 | 45.23 |
| Finance arrangement for Import LC | - | 3.15 |
| Discount | 13.05 | - |
| | <u>383.11</u> | <u>202.35</u> |

Schedule 18: Financial Charges

| | | |
|--------------------------|---------------|---------------|
| Bank Charges | 277.58 | 195.21 |
| Interest on Secured Loan | 105.35 | 6.63 |
| | <u>382.93</u> | <u>201.84</u> |

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**SIGNIFICANT ACCOUNTING POLICIES****Basis of preparation of Financial Statements**

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956. These accounting policies have been consistently applied.

The preparation of the financial statement in conformity with GAAP requires Tebma Shipyards' Management (Management) to make estimates and assumptions that affect the reported balance of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period.

Method of Accounting

The financial statements have been prepared on accrual basis.

Fixed Assets & Depreciation

Fixed Assets are valued at historical cost. Capital Work in progress comprises of licence fees and slipway and compound wall construction at Malpe Yard.

Depreciation is provided on Written Down Value method as per the rules prescribed under the Companies Act, 1956.

Individual Asset Items costing less than Rs.5000/- were fully written off during the year.

Investment and investment income

Investments are valued at cost. The diminution in the market value of such investments is not recognized unless such diminution is considered permanent. Dividend Income on Investments is accounted for in the year in which the right to receive the payment is established.

Retirement benefit**Provident Fund**

The Company has a statutory scheme of Provident Fund with the Regional Provident Fund Commissioner(s)

Gratuity Fund

The Company has tied up with Life Insurance Corporation of India for the Payment of Gratuity.

Superannuation

A similar scheme has been entered into with Life Insurance Corporation of India for the payment of Superannuation for eligible employees.

Leave Encashment Benefits

Leave encashment benefits are provided based on the actuals as on the balance sheet date.

Inventory

Raw materials, consumables, stores and spares are valued at lower of cost or net realisable value. Cost in respect of raw materials and other inputs is ascertained on first in first out basis. Cost includes freight, taxes and duties.

Revenue Recognition

Revenue is recognized in accounts in accordance with AS-7 (Revised) issued by Institute of Chartered Accountants of India. The method of recognition is on percentage of completion basis for contracts entered into or in respect of which construction activities commenced from 01-04-2003.

Sales exclude Sales Tax.

Interest income on deposits with bank is considered on accrual basis.

Income from Investment is accounted for when the right to receive the payment is established.

Expenses

All expenses are considered on accrual basis.

Foreign currency transactions

Transactions in foreign currencies are recorded at exchange rates existing at the time of the transactions and exchange differences arising from foreign currency transactions are dealt with in Profit and Loss Account.

Borrowing Cost

During the year the company availed term loan from State Bank of India and State Bank of Hyderabad for part funding of the Malpe Project. The interest on these loans has been capitalized as part of Malpe Project.

Consolidated financial statement

This Annual Report does not include Consolidated Financial Statement of Tebma Shipyards Limited and its subsidiary Tebma Garden Limited as the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future. Hence the control is intended to be temporary in accordance with paragraph 11 (a) of AS-21 of ICAI.

Monies for which the company is contingently liable

Rupees in Lakhs

| PARTICULARS | 31.03.2007 | 31.03.2006 |
|--|------------|------------|
| i) Claim against the company not acknowledged as debts | Nil | Nil |
| ii) Letter of Credit | 4082.77 | 4832.57 |
| iii) Bank Guarantees | 11298.95 | 3142.02 |
| iv) Corporate Guarantee issued | - | 173.00 |
| v) Income tax demands contested for which no provision has been made | - | 19.60 |

Disclosure of loans and advances in the nature of loans as required under clause 32 of the listing Agreement.
(Rupees in Lakhs)

| Particulars | Interest on 31.03.2007 | Balance Sheet as on 31.03.2007 | Balance sheet as On 31.03.2006 |
|-------------------------|------------------------|--------------------------------|--------------------------------|
| Wholly owned Subsidiary | Nil | | |
| Tebma Gardens Limited | | Nil | 18.75 |

Investments in the Subsidiary Companies

| | No. of Shares as on 31.03.2007 | No. of shares as on 31.03.2006 |
|--|--------------------------------|--------------------------------|
| Wholly owned Subsidiary Tebma Gardens Limited | 490,070 | 490,070 |

Auditor's fee

| | 2006 – 07 | 2005 – 06 |
|-----------|-----------|-----------|
| Audit Fee | 0.68 | 0.52 |

Salary to Key Management Personnel

| Name | Nature of payment | Relationship | Amount * Rupees in Lakhs |
|------------------------|-------------------|--------------------|-----------------------------|
| 1) Shri. P. K. Balan | Remuneration | Managing Director | 17.31 |
| 2) Cdr. S. Subramanian | Remuneration | Wholetime Director | 10.28 |
| 3) Shri. P.V.Krishna | Remuneration | Wholetime Director | 5.63 |
| 4) Shri. B. Jayakumar | Remuneration | Wholetime Director | 5.82 |

* Salary includes HRA, Conveyance & Other Allowances

Additional information as required under Part II of Schedule VI of the Companies Act, 1956.

Licensed / installed capacities and production details for the year ended 31.03.2007

Capacity and production

| Class of goods | Licensed Capacity (Units) | Installed capacity (Units) | Production / In Process Quantity (Nos.) | Sales (Rs. in lakhs) |
|-------------------------|---------------------------|----------------------------|---|----------------------|
| Platform supply Vessels | Not applicable | Not ascertainable | 4 | 12034.35 |
| Tugs | Not Applicable | Not ascertainable | 4 | 1109.54 |
| Dredgers | Not Applicable | Not ascertainable | — | — |
| Boats & launches | Not Applicable | Not ascertainable | — | — |
| Barges | Not Applicable | Not Ascertainable | 1 No. | 217.69 |

| | 31.03.2007 | 31.03.2006 |
|---|------------|------------|
| Value of Indigenous Raw Material, Components & Consumables | | |
| Indigenous Raw materials and components consumed | 642.65 | 870.89 |
| Consumables & stores consumed | 414.95 | 221.22 |
| CIF value of imports | | |
| Raw material & Components | 7151.85 | 5959.59 |
| Expenditure in foreign currency | | |
| Foreign Travel | 11.66 | 3.03 |
| Royalty / technical know-how fees | Nil | Nil |
| Technician stay expenses | Nil | Nil |
| Membership / Professional fee | 0.15 | 6.70 |
| Payment of Dividend in foreign currency | | |
| No. of shareholders | 5 | 5 |
| No. of equity shares of rs.10/- each | 4,13,874 | 4,13,874 |
| Dividend / Interim dividend for the year | Nil | 4,13,874 |
| Earning in Foreign exchange | | |
| Export Sales (FOB) / Others | 7615.42* | 3684.28* |

* Including stage payment.

Segment reporting

The company's predominant operations comprise of manufacturing tugs and other ocean going vessels only. Hence Segment reporting is not applicable.

Disclosure in respect of related parties pursuant to Accounting Standard 18

List of Related Parties

Subsidiary

– Tebma Gardens Limited (TGL)

Key Management Personnel (KMP) of Tebma Shipyards Limited

| | |
|----------------------------|---|
| Shri. P.K.Balasubramanian | Whole time Director since 20.09.1993 and Managing Director since 21.09.2003 |
| Cdr. S.Subramanian (Retd.) | Wholetime Director since 21.09.2003 Upto 16.12.2006. |
| Shri. P.V.Krishna | Whole Time Director since 01.09.2005 |
| Shri. B.Jayakumar | Whole Time Director since 20.11.2006 |

Transactions subsisting out of carried out with Related Parties in the ordinary course of business.

(Rupees in lakhs)

| Nature of Transactions | Subsidiary | KMP |
|------------------------|------------|-------|
| Loan Repaid by TGL | Nil | |
| Interest paid by TGL | Nil | 39.00 |
| Remuneration | | |

Earning per Share

(Rupees in lakhs)

| Particulars | 2006-07 | 2005-06 |
|--|-----------|-----------|
| a) Profit after tax as per Profit & Loss Account | 422.71 | 450.06 |
| b) Number of Equity Shares of Rs.10/- each outstanding during the year | 77,78,180 | 52,11,380 |
| c) Earning per share – basic and diluted | 7.77 | 8.64 |

Deferred Tax

(Rupees in lakhs)

| Particulars | 31.03.2007 Deferred Tax | | 31.03.2006 Deferred Tax | |
|--|----------------------------|--------------|----------------------------|--------------|
| | Asset | Liability | Asset | Liability |
| On account of timing differences of depreciation | ... | 45.22 | | 25.44 |
| Net Deferred Tax Liability | | 45.22 | | 25.44 |

Balance Sheet

(Rupees in Lakhs)

| | 31.03.2007 | 31.03.2006 |
|--|------------|------------|
| Sundry Debtors | | |
| Debts outstanding for a period exceeding 6 months and considered good for which the Company has no Security other than debtors' personal security. | 716.25 | 135.47 |
| Other Debts, considered good for which the Company has no security other than debtors' Personal security. | 5723.53 | 2563.16 |

| | | |
|---|---------|---------|
| Loans and Advances | | |
| Debts outstanding for a period exceeding 6 months. | 10.37 | 10.00 |
| Other advances considered good for which the Company has no security other than personal security. Note: The above does not include Advance Tax Payment & Tax Deducted at Source | 610.94 | 115.87 |
| Current Liabilities | | |
| Advances received from Client | 3595.06 | 1281.62 |
| Sundry Creditors | | |
| The company has no information as to whether any of the suppliers constitute Small Scale Industry and thereby the amount due to such supplier has not been determined. However there are no specific claims from the suppliers for interest on delayed payment. | | |

Disclosure in terms of Clause 13.5A of SEBI (DIP) Guidelines 2000 relating to preferential issues

| | |
|---|---------------------------------|
| Total amount collected through preferential allotment of shares | Rs. 6000 Lakhs |
| Amount utilized | Rs.4117 Lakhs |
| Purpose for which money utilized | Malpe project & working capital |
| Unutilised money as on 31.3.2007 | Rs. 1883 Lakhs |
| Unutilised money has been invested in | Deposits & Bank Balances |

All amounts in the financial statements are presented in Rupees in lakhs except for per share data and as otherwise stated.

The previous period's / year's figures have been regrouped / reclassified, wherever necessary, to conform to the current period's / year's presentation.

Vide my report of even date for TEBMA SHIPYARDS LIMITED

V.PICHAIKUTTY
Chartered Accountant

P. K. BALASUBRAMANIAN
Managing Director

P.V.KRISHNA
Wholetime Director

Place : Chennai
Date : 09.06.2007

PART IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

| | | | | | |
|---|---|---|---|---|---|
| 0 | 1 | 0 | 9 | 9 | 4 |
|---|---|---|---|---|---|

 State Code

| | |
|---|---|
| 1 | 8 |
|---|---|

 [Refer Code List I]

Balance Sheet Date

| | |
|---|---|
| 3 | 1 |
|---|---|

 /

| | |
|---|---|
| 0 | 3 |
|---|---|

 /

| | |
|---|---|
| 0 | 7 |
|---|---|

Date Month Year

II. Capital Raised during the year [Amount in Rs. Thousands]

Public Issue

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

 Rights Issue

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Bonus Issue

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

 Private Placement

| | | | | |
|---|---|---|---|---|
| 2 | 5 | 6 | 6 | 8 |
|---|---|---|---|---|

III. Position of Mobilisation and Deployment of Funds [Amount in Rs. Thousands]

Total liabilities

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 8 | 2 | 6 | 1 | 4 | 7 |
|---|---|---|---|---|---|---|

Total Assets

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 8 | 2 | 6 | 1 | 4 | 7 |
|---|---|---|---|---|---|---|

Sources of Funds

Paid-up Capital

| | | | | |
|---|---|---|---|---|
| 7 | 7 | 7 | 8 | 1 |
|---|---|---|---|---|

Reserves and Surplus

| | | | | | |
|---|---|---|---|---|---|
| 6 | 8 | 8 | 0 | 0 | 0 |
|---|---|---|---|---|---|

Secured Loans

| | | | | | |
|---|---|---|---|---|---|
| 1 | 9 | 6 | 8 | 3 | 4 |
|---|---|---|---|---|---|

Unsecured Loans

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Deferred Tax Liability

| | | | |
|---|---|---|---|
| 3 | 5 | 2 | 2 |
|---|---|---|---|

Application of Funds

Net Fixed Assets

| | | | | | |
|---|---|---|---|---|---|
| 3 | 9 | 6 | 5 | 0 | 7 |
|---|---|---|---|---|---|

Investments

| | | | |
|---|---|---|---|
| 2 | 1 | 8 | 5 |
|---|---|---|---|

Net Current Assets

| | | | | | |
|---|---|---|---|---|---|
| 5 | 6 | 7 | 4 | 4 | 6 |
|---|---|---|---|---|---|

Misc. Expenditure

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Accumulated Losses

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Deferred Tax Assets

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

IV. Performance of Company [Amount in Rs. Thousands]

Turnover

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 3 | 9 | 0 | 3 | 7 | 2 |
|---|---|---|---|---|---|---|

Total Expenditure

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 3 | 2 | 9 | 4 | 5 | 1 |
|---|---|---|---|---|---|---|

Profit/Loss Before Tax

| | | | | |
|---|---|---|---|---|
| 6 | 0 | 9 | 2 | 1 |
|---|---|---|---|---|

Profit/Loss After Tax

| | | | | |
|---|---|---|---|---|
| 4 | 2 | 2 | 7 | 1 |
|---|---|---|---|---|

Earnings Per Share Rs.

| | | | |
|---|---|---|---|
| 7 | . | 7 | 7 |
|---|---|---|---|

Dividend Rate %

| | | |
|---|---|---|
| 0 | 0 | % |
|---|---|---|

V. Generic Names of Three Principal Products / Service of Company [as per monetary terms]

Item Code No. [ITC Code]

Product Description

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 8 | 9 | 0 | 5 | 9 | 0 | 0 | 0 |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| P | L | A | T | F | O | R | M |
| S | U | P | P | L | Y | | |
| V | E | S | S | E | L | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 8 | 9 | 0 | 4 | 0 | 0 | 0 | 0 |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|--|--|--|--|---|---|---|---|
| | | | | T | U | G | S |
|--|--|--|--|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 8 | 9 | 0 | 5 | 1 | 0 | 0 | 0 |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| D | R | E | D | G | E | R | S |
|---|---|---|---|---|---|---|---|

Vide My Report of Even Date.

Sd/-

V.PICHAIKUTTY

Chartered Accountant

Place: Chennai - 600 008

Date: 9th June, 2007.

For TEBMA SHIPYARDS LIMITED

Sd/-

P.K.BALASUBRAMANIAN

Managing Director

Sd/-

P.V.KRISHNA

Wholetime Director

STATEMENT REGARDING SUBSIDIARY COMPANIES

Pursuant to section 212 (1) and (3) of the Companies Act, 1956.

TEBMA GARDENS LIMITED

- (a) Holding Company's interest : 100 %
- Issued Share Capital of 490070 Ordinary Shares of Rs.10/- each fully paid up.
- (b) Net aggregate amount of Subsidiary's profit/losses (-) (Rupees in lakhs)
Not dealt with in Holding company's accounts :
- | | |
|---|---------|
| (i) for the Subsidiary's financial year ended 31 st March, 2007 | 0.27 |
| (ii) for its previous financial year 31 st March 2006 | - 16.44 |
- (c) Net aggregate amount of Subsidiary's Profits/Losses (-)
dealt with in the holding Company's accounts
- | | |
|--|-----|
| (i) for the subsidiary's financial year ended 31 st March 2007 | NIL |
| (ii) for its previous financial years 31 st March 2006 | NIL |

For and on behalf of the Board of Directors
TEBMA SHIPYARDS LIMITED

| | |
|--|-----------------------------------|
| P K BALASUBRAMANIAN Managing Director | P.V.KRISHNA Wholetime Director |
|--|-----------------------------------|

Vide my report of even date

V.PICHAIKUTTY
Chartered Accountant

DIRECTORS' REPORT TO THE MEMBERS

Directors have pleasure in presenting 12th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS

Company has earned an amount of Rs. 27318.00 as against to Rs.67,957.25 of the previous year. The Company has disposed its entire immovable properties during the year under review.

PRESENT ENGAGEMENTS & FUTURE OUTLOOK

Consequent to the sale of its entire immovable properties, the company has suspended its business and your Directors are in the process of taking future course of action in this regards.

DEPOSITS

The Company has not accepted any deposits from the Public or its employees during the year under report.

DIVIDEND

Your director do not recommend any dividend during the year under review.

DIRECTORS AND COMPLIANCES

Mr.P.K.Balasubramanian, retires by rotation, at the 12th Annual General Meeting and being eligible, offer himself for reappointment as Director.

HOLDING COMPANY

The Company continue to be the wholly owned subsidiary of Tebma Shipyards Limited..

EMPLOYEES

The Company has no employee drawing remuneration as per the limit prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217 (2AA) of the Companies Act, 1956, the Directors confirm that, to the best of their knowledge and belief:

- a) In the preparation of the annual accounts, the applicable Accounting Standards have been followed, along with proper explanation relating to material departures;
- b) Appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the year.

- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The annual accounts have been prepared on a going concern basis.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

Information required under Section 217 (1) (e) of the Companies Act, 1956 read with relevant rule with regard to Conversation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are not applicable to your company.

AUDITORS

M/s.V.Pichaikutty and Associates, Chartered Accountants, Auditors of the Company retire at this Annual General Meeting and are eligible for re-appointment.

AUDITORS REPORT

There were no qualifications in the Auditors report issued for the year ended 31-03-2007.

COMPLIANCE CERTIFICATE

A Compliance Certificate received from Mr.K.Parameswaran, Company Secretary in practice under Section 383 A of the Companies Act, is attached with this report.

ACKNOWLEDGEMENTS

Your Company places on record its appreciation to the stakeholders for their continued help, assistance and guidance.

**BY ORDER OF THE BOARD
FOR TEBMA GARDENS LIMITED**

Sd/-
K.A.THOMAS
Chairman

Place: Chennai – 600 008

Date : 2nd June, 2007

REPORT OF THE AUDITORS' TO THE MEMBERS OF TEBMA GARDENS LTD.

We have audited the attached Balance Sheet of TEBMA GARDENS LIMITED, as at 31st March, 2007 and also the Profit and Loss Account for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial Statements are free of material misstatements. An audit includes examining, on 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.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. 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;
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
5. On the basis of written representations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors of the company is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2007.
 - ii. In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For V. PICHAIKUTTY & ASSOCIATES
Chartered Accountants

-sd-
V. PICHAIKUTTY
Partner
Membership No.4369

Place: Chennai
Date : 2nd June, 2007

ANNEXURE TO THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF TEBMA GARDENS LTD.

- I. The company had disposed off entire fixed assets.
 - I. The company does not have any inventory.
 - II. During the year, the Company has neither granted nor taken any loans to parties listed in the register maintained under section 301 of the Companies Act, 1956.
 - III. In our opinion and according to the information and explanations provided to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods. During the course of our audit, no major weakness has been noticed in the internal control.
 - IV. Based on the audit procedures applied by us and according to the information and explanations provided by the management, the Company has made necessary entries in the register maintained under section 301 of the Companies Act, 1956.
 - V. The Company has not accepted any deposits from the public.
 - VI. The Company has a system of internal audit which, in our opinion, is commensurate with its size and nature of its business.
 - VII. Maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
 - VIII. According to the records, information and explanation provided to us, there were no statutory dues as at 31st March, 2007 for a period of more than six months from the date they became payable;
 - IX. The accumulated losses at the end of the financial year are less than 50% of its net worth and it had incurred cash losses during the Year immediately preceding financial year under review.
 - X. Based on our audit procedures and on the information and explanation given by the management, the Company has not defaulted in repayment of dues to any financial institution or bank.
 - XI. Based on our examination and 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.
 - XII. The Company is not a chit/nidhi/mutual benefit fund/society and clause xiii of the Order is not applicable.
 - XIII. The company is not dealing or trading in shares, securities, debentures and other investments.
 - XIV. On the basis of the information and explanations given to us the Company has not given any guarantee.
 - XV. There were no term loans.
 - XVI. No short term funds were raised during the year.
 - XVII. During the year company has not allotted shares to parties covered in the Register maintained under section 301 of the Act.

- XVIII. The Company did not have any outstanding debentures during the year.
- XIX. The company has not raised any money by public issues during the year.
- XX. Based on Audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For V. Pichaikutty & Associates
Chartered Accountants**

-Sd-
V. PICHAIKUTTY
Partner
Membership No. 4369

Place : Chennai
Date : 2nd June, 2007

SECRETARIAL COMPLIANCE CERTIFICATE
(Pursuant to Section 383A of the Companies Act, 1956)

Registration No. : 18-30336
 Nominal Capital : Rs.1,00,00,000/-

To
 The Members
M/s.TEBMA GARDENS LIMITED
 Registered Off: III Floor, Khaleeli Centre
 No.149 Montieth Road
 Egmore, Chennai – 600 008.

I have examined the registers, records, books and papers of M/s.TEBMA GARDENS LIMITED [the Company] as required to be maintained under the Companies Act 1956 {the Act} and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the **financial year ended on 31st March 2007** {financial year}. In my opinion and to the best of my information and according to the examination carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been recorded as and when circumstances arise.
2. The Company has duly filled the forms and returns prescribed under the Act and the rules made thereunder, with the Registrar of Companies, Chennai, as more fully stated in **Annexure 'B'** to this certificate.
3. The Company, is a public limited Company, within the meaning of section 3(1)(iv) of the Act.
4. The Board of Directors met (04) four times respectively on 11-04-2006, 04-07-2006, 13-12-2006 and 22-02-2007 in respect of which proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not opted to close its Register of Members, during the period under review.
6. The Annual General Meeting for the financial year ended 31st March 2006 was held on 30-09-2006 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No extra-ordinary general meeting was held during the financial under review.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company has made required entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government.

12. The Company has not issued any duplicate share certificates during the financial year.

13 (i). There was no allotment, transfer and transmission of securities during the year under review.

(ii)& (iii) The Company was not required to open a separate bank account and to post warrants to any member of the Company as no dividend was declared during the financial year.

(iv) The Company was not required to transfer any amount to Investors Education and Protection Fund, during the financial year.

(v) Complied with the requirements of section 217 of the Act.

14. The Board of Directors of the Company is duly constituted. There was no appointment of directors, alternate directors and directors to fill casual vacancies during the year under review.

15. There was no appointment of Managing Director / Whole-time Director / Manager during the year under review.

16. The Company has not appointed any sole selling agents during the financial year.

17. As explained to me, the Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as prescribed under the various provisions of the Act, during the year under review.

18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

19. The Company has not issued any shares, debentures or other securities during the financial year.

20. The Company has not bought back any shares during the financial year.

21. The Company has not issued any preference shares/ debenture since incorporation, hence comment on redemption does not arise..

22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.

23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of section 58A , 58AA of the Act and Rules made thereunder, during the financial year.

24. The Company has complied with the provisions of Section 293(1)(d) of the Act..

25. The Company has not made any loans or advances to other bodies corporate and consequently no entries have been made in the register kept for the purpose. However the Company has given guarantees along with provided securities to a body corporate in the earlier year and has made necessary entries in the register kept for the purpose.

26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the financial year under scrutiny.

- 27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
- 28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
- 29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
- 30. The Company has not altered its Articles of Association during the financial year.
- 31. As explained to me there was/were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
- 32. The Company has not received any money as security from its employees during the financial year.
- 33. As explained to me, the provision of section 418 of the Act is not applicable, being the Company has not constituted any Provident Fund.

K.PARMESWARAN

COMPANY SECRETARY IN PRACTICE

C. P. No: 5668

Place: Chennai
Date: 2nd June, 2007

Registration No. : 18-30336
 Nominal Capital : Rs.1,00,00,000/-

ANNEXURE - A
M/s.TEBMA GARDENS LIMITED
 REGISTERS AND RETURNS AS MAINTAINED BY THE COMPANY

| S.No. | NAME OF THE REGISTERS | UNDER SECTION |
|-------|---|---------------|
| 01 | Register of Members | 150 |
| 02 | Minutes of Board Meeting | 193 |
| 03 | Minutes of Share Holders Meeting | 193 |
| 04 | Books of Accounts | 209 |
| 05 | Register of Directors, MD and Secretary | 303 |
| 06 | Register of Directors Share Holding | 307 |
| 07 | Copies of Annual Returns | 163 |
| 08 | Register of Contracts, Companies and Firms in which | 301 |
| 09 | directors are interested. | |
| 10 | Register of Investments or Loans made, Guarantees | 372A |
| 11 | given, Securities Provided. | |
| | Register of Charges and Copies of Instrument creating | 136/143. |
| | of the charges. | |
| | Share Transfer Register | 108 |

Registration No. : 18-30336
 Nominal Capital : Rs.1,00,00,000/-

ANNEXURE - B

Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ending 31st March, 2007.

REGISTRAR OF COMPANIES, TAMILNADU, CHENNAI

| S.No. | FORMS AND RETURNS | FILED UNDER SECTION/FOR | DATE OF FILING AND STATUS |
|-------|-----------------------------|--|---------------------------|
| 01 | Annual Return- Schedule V | under section 159 for the AGM held on 30-09-2006 | 16-11-2006 No Delay |
| 02 | Annual Accounts Schedule VI | under section 220 for the period ended 31.03.2006 | 27-10-2006 No Delay |
| 03 | Compliance Certificate | under section 383A for the period ended 31.03.2006 | 27-10-2006 No Delay |

TEBMA GARDENS LIMITED
BALANCE SHEET AS AT 31ST MARCH 2007

| | Sch | As at 31.03.2007 Rupees | As at 31.03.2006 Rupees |
|--|-----|-------------------------------|-------------------------------|
| SOURCES OF FUNDS | | | |
| SHARE HOLDERS FUNDS | | | |
| Share Capital | A | 4,900,700.00 | 4,900,700.00 |
| UNSECURED LOANS | | | |
| Short Term Loan | | <u>4,900,700.00</u> | <u>4,900,700.00</u> |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | | | |
| Depreciation | | | |
| Net Block | | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Cash and Bank Balances | B | 4,547,065.38 | 4,519,747.38 |
| Loans and Advances | | | |
| CURRENT LIABILITIES AND PROVISIONS | | | |
| Sundry Creditors | | - | |
| NET CURRENT ASSETS | | 4,547,065.38 | 4,519,747.38 |
| MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted) | | | |
| Preliminary Expenses | | | |
| PROFIT AND LOSS ACCOUNT | | 353,634.62 | 380,952.62 |
| | | <u>4,900,700.00</u> | <u>4,900,700.00</u> |

Notes forming part of Accounts C

Per our report of even date :

For V.PICHAIKUTTY & ASSOCIATES
Chartered Accountants

for TEBMA GARDENS LIMITED

Sd/-

(V. PICHAIKUTTY)
Partner

Sd/-
(K. A. THOMAS)
Director

Sd/-
(A. K. SINGH)
Director

Chennai ;
Date : 02.06.2007

TEBMA GARDENS LIMITED

**SCHEDULES "A" TO "C" FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2007**

| | As at 31.03.2007 Rupees | As at 31.03.2006 Rupees |
|---|--|--|
| SCHEDULE A | | |
| SHARE CAPITAL | | |
| Authorised : | | |
| 10,00,000 Equity Shares of Rs.10/- each | <u>10,000,000.00</u> | <u>10,000,000.00</u> |
| Issued, Subscribed and Paid up : | | |
| 4,90,070 equity shares of Rs 10/ each | <u>4,900,700.00</u> | <u>4,900,700.00</u> |
| SCHEDULE B | | |
| CASH & BANK BALANCES | | |
| Cash on hand | - | 1,911.85 |
| Cash at Bank in Current Account | <u>4,547,065.38</u> | <u>4,517,835.53</u> |
| | <u>4,547,065.38</u> | <u>4,519,747.38</u> |

SCHEDULE C
NOTES FORMING PART OF THE ACCOUNTS

(1) Significant Accounting Policies :

The financial statements are prepared under the historical cost convention on an accrual basis and in accordance with the normally accepted Accounting Principle and are in line with the relevant laws as well as the guidelines and Accounting Standards prescribed by the Institute of Chartered Accountants of India. The significant accounting policies followed by the Company, are as stated below :

(a) Income Tax :

Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is a virtual certainty that sufficient taxable profits will be available against which such deferred tax assets can be realised.

(2) Additional information pursuant to the provisions of Paragraph 3 of Part II of Schedule VI to the Companies Act, 1956 :
 As there was no operation during the year, itemwise break up has not been provided.

(3)

| Sr. No. | Particulars | Year ended 31.03.2007 | Year ended 31.03.2006 |
|----------------|--|------------------------------|------------------------------|
| (a) | C.I.F. Value of Imports | Nil | Nil |
| (b) | Expenditure in Foreign Currency on account of- | Nil | Nil |
| (c) | Remittance in Foreign Currency | Nil | Nil |
| (d) | Earnings in Foreign Exchange | Nil | Nil |

(4) Previous year's figures have been regrouped wherever necessary

PART IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

| | | | | |
|---|---|---|---|---|
| 3 | 0 | 3 | 3 | 6 |
|---|---|---|---|---|

 State Code

| | |
|---|---|
| 1 | 8 |
|---|---|

 [Refer Code List I]

Balance Sheet Date

| | | | | | |
|---|---|---|---|---|---|
| 3 | 1 | 0 | 3 | 0 | 7 |
|---|---|---|---|---|---|

Date Month Year

II. Capital Raised during the year [Amount in Rs. Thousands]

Public Issue

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Rights Issue

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Bonus Issue

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Private Placement

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

III. Position of Mobilisation and Deployment of Funds [Amount in Rs. Thousands]

Total liabilities

| | | | |
|---|---|---|---|
| 4 | 9 | 0 | 0 |
|---|---|---|---|

Total Assets

| | | | |
|---|---|---|---|
| 4 | 9 | 0 | 0 |
|---|---|---|---|

Sources of Funds

Paid-up Capital

| | | | |
|---|---|---|---|
| 4 | 9 | 0 | 0 |
|---|---|---|---|

Reserves and Surplus

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Secured Loans

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Unsecured Loans

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Deferred Tax Liability

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Application of Funds

Net Fixed Assets

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Investments

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Net Current Assets

| | | | |
|---|---|---|---|
| 4 | 5 | 4 | 7 |
|---|---|---|---|

Misc. Expenditure

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Accumulated Losses

| | | |
|---|---|---|
| 3 | 5 | 3 |
|---|---|---|

Deferred Tax Assets

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

IV. Performance of Company [Amount in Rs. Thousands]

Turnover

| | |
|---|---|
| 2 | 7 |
|---|---|

Total Expenditure

| | | |
|---|---|---|
| N | I | L |
|---|---|---|

Profit/Loss Before Tax

| | |
|---|---|
| 2 | 7 |
|---|---|

Profit/Loss After Tax

| | |
|---|---|
| 2 | 7 |
|---|---|

Earnings Per Share Rs.

| | | |
|--|---|--|
| | - | |
|--|---|--|

Dividend Rate %

| | | |
|---|---|---|
| 0 | 0 | % |
|---|---|---|

V. Generic Names of Three Principal Products / Service of Company [as per monetary terms]

Item Code No. [ITC Code]

Product Description

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 0 | 8 | 0 | 4 | 5 | 0 | 0 | 2 |
| 0 | 9 | 0 | 4 | 2 | 0 | 0 | 2 |
| 0 | 9 | 1 | 0 | 3 | 0 | 0 | 0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| M | A | G | O | E | S | | |
| C | H | I | L | L | I | E | S |
| T | U | R | M | E | R | I | C |

Signature to Schedule 'A' to 'C'

Vide My Report of Even Date.

For **TEBMA GARDENS LIMITED**

Sd/-
V.PICHAIKUTTY
 Chartered Accountant

Sd/-
K.A.THOMAS
 Director

Sd/-
A.K.SINGH
 Director

Place: Chennai - 600 008
 Date: 2nd June, 2007.

TEBMA SHIPYARDS LIMITED

REGD. OFFICE: III FLOOR, KHALEELI CENTRE, 149 MONTIETH ROAD, EGMORE, CHENNAI - 600 008

FORM OF PROXY

REGD. FOLIO NO. / DP ID NO. _____

I/We _____ of _____ in the district of _____ being member(s) of the above named company hereby appoint _____ of _____ in the district of _____ or failing him/her _____ of _____ in the district of _____ as my/ our proxy to vote for me/ us on my/our behalf at the Twenty Third Annual General Meeting of the Company to be held on the 21st day of July, 2007 and at every adjournment thereof.

Signed this _____ day of _____ 2007.

For Office use only

No. of Shares held :

Proxy No. :

| |
|--|
| Affix 0. 15 Rupee Revenue Stamp |
|--|

NOTE:

SIGNATURE

The proxy form , to be valid, should be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

TEBMA SHIPYARDS LIMITED

REGD. OFFICE: III FLOOR, KHALEELI CENTRE, 149 MONTIETH ROAD, EGMORE, CHENNAI - 600 008

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of meeting venue.

NAME OF THE MEMBER :

REGD. FOLIO NO. / DP ID No. :

I hereby record my presence at the twenty third Annual General Meeting held at 11.00 A.M. on 21.07.2007 at the Music Academy, (Mini Hall) 168, TTK Road, Royapettah, Chennai 600 014.

SIGNATURE OF THE MEMBER OR PROXY