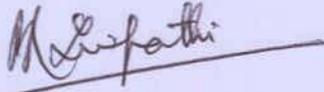
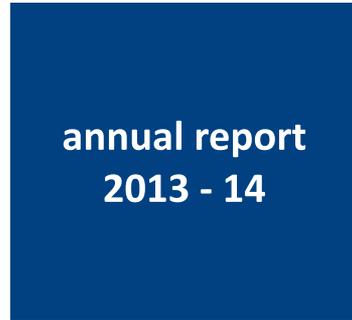


FORM B

Format of covering letter of the annual audit report to be filed with the Stock Exchange

1.	Name of the company	Premier Explosives Limited
2.	Annual financial statements for the year ended	31 st March 3014
3.	Type of Audit qualification	Subject to
4.	Frequency of qualification	Appeared second time
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p>Auditors have made a qualification that managerial remuneration paid to whole-time directors is in excess of the limits laid down under sections 198 and 309 read with schedule XIII of the Companies Act, 1956 and is subject to the approval of Central Government for which necessary applications have already been made by the company.</p> <p>Note 30.2.7 in the accounts / Directors' report</p> <p>In view of inadequacy of profit, managerial remuneration has exceeded the amount payable in terms of sections 198 and 309 read with schedule XIII of the Companies Act, 1956 by an amount of Rs. 95.47 lakhs. The company has applied for approval of the Central Government which is expected to be received shortly.</p>
6.	Additional comments from the board/audit committee chair:	The company has applied for approval of the Central Government which is expected to be received shortly.
7.	To be signed by	<ul style="list-style-type: none"> • CEO/Managing Director  • CFO  • Auditor of the company  • Audit Committee Chairman 





surface to air

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Corporate Information

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Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

surface to air

..Stepping further Premier has signed NDAs and MoUs with global missile players and has wherewithal to capitalise on the opportunities emerging from country's defence indigenisation



At Premier Explosives Ltd we are on an enduring journey. While we have been continuously expanding our commercial explosives business, in the recent years we also emerged as a prominent player in manufacturing defence products.

Expedition from surface to greater heights began a decade ago by a small initiative of developing igniters for Advanced Systems Laboratory (ASL). This was the first ever project by a private entity to develop solid propellants in India. The ensuing days made Premier an extended arm of Defence Research Laboratories which promoted our high energy team to think big, take uncharted routes and expand research, design and operations, thus taking a big leap in defence arena.

Today Premier has become a reliable source for solid propellants and an integral part of India's prestigious missile programmes like Akash, Astra, and LRSAM. Stepping further Premier has signed NDAs and MoUs with global missile players and has wherewithal to capitalise on the opportunities emerging from country's defence indigenisation.

With experienced technocrats at the helm of affairs and driven by a high energy team Premier is indeed on a [surface to air](#) voyage.

Our Business



Premier is also the first private sector manufacturer in India to develop and supply solid propellants to country's prestigious missile programmes.

Founded in 1980, by Dr. A.N.Gupta, a Gold Medallist in Mining Engineering, Premier has the honour of being the first to set up a manufacturing unit with totally indigenous commercial explosive technology.

Premier is also the first private sector manufacturer in India to develop and supply solid propellants to country's prestigious missile programmes.

Premier's capabilities include scaling up of process for manufacture of CL-20, the most powerful explosive known so far.



Who we are

A leading manufacturer of explosives for industrial and defence applications



Our facilities

Premier has 6 manufacturing facilities located in MP, Maharashtra, TN & Telengana



Sectors we serve

Company's products are consumed by mining, infrastructure and defence sectors



People

Highly trained manpower in handling high energy chemicals

Commercial Explosives



Bulk Mobile Delivery Unit

Commercial Explosives: The Company is manufacturing a diverse range of commercial explosives for mining and infrastructure requirements at its 6 manufacturing units. The company is a dominant player in its segment with

its marketing network comprising of consignment agents, dealers, and handling agents across India. Premier also exports commercial explosives to S.E Asian countries, Middle East & Europe.

Commercial Explosives
 Bulk explosives
 Packaged explosives
 Cast booster
 Emulsion booster
 Detonators
 Detonating fuse



User industry
 Mining and
 infrastructure



Major Customers
 Coal India Limited
 Singareni Collieries Limited
 Neyveli Lignite Limited
 NMDC Limited
 Karnataka Emta Coal Mines Ltd
 Cement companies

• Solid Propellants & Speciality Products



Solid Propellants

Premier has been manufacturing solid propellants from 2003. Since then Premier has been adding facilities to manufacture solid propellants at Peddakandukuru in Nalgonda district of Telangana. The company has been catering to the needs of tactical missiles like Astra, Akash, LRSAM and rockets like Pinaka.

Specialty Products

Premier also produces Explosive Bolts, Pyro Actuators, Smoke Markers, Cable Cutters and many other products including Blazer Plates for the Indian defence services, providing import substitutes and saving foreign exchange.

Teargas Grenades

Premier is the only private entity producing oleoresin based tear gas grenades used for mob control by law enforcement departments. The company had developed this product in collaboration with Defence Research Development Establishment (DRDE), Gwalior.

In the defence segment the company has been catering to the needs of tactical missiles like the Astra, Akash, and LRSAM

Operation & Maintenance Services

While premier gets about 10% of its revenue from O&M contracts it also gives an advantage of its staff getting exposed to latest practices in propellant manufacturing



O&M Services

Premier has been operating and maintaining the solid propellant production facilities of two prestigious agencies, namely ISRO's satellite launching station, SHAR at Sriharikota, Andhra Pradesh and Solid Fuel Complex (SFC) at Jagdalpur in Chhattisgarh.

At SHAR, the company has deployed 330 of its staff under the 10 year contract for O&M services which commenced in 2007.

The company also has O&M contract at SPROB. At this facility about 60 of the company's staff are deployed.

At SFC, about 170 of the company staff are deployed.

While Premier gets about 10% of its revenue from O&M contracts it also gives an advantage of its staff getting exposed to latest practices in propellant manufacturing.

• Research & Development



The first company in the world to commercially develop Nickel Hydrazine Nitrate (NHN) as a much safer and technically better explosive assuring better safety

Premier's R&D has helped the company to ensure that it remains at the vanguard of technology in its field and ahead of its peers in new product development. Premier's labs have been certified by DSIR and accredited by NABL.

With a group of scientists from varied backgrounds in chemistry, physics, chemical and mechanical engineering, Premier's R&D team covers a growing spectrum of scientific approaches to explosives and defence products. The team also helps the company sustain a firm grasp on latest developments in the world of explosives. To supplement its efforts in doing so, the senior management team attends many international and national conferences on explosive and defence technology - across the world.

In acknowledgment of the company's research capabilities Premier has agreements with Gulbarga University to pursue PhD in material sciences and with IIT, Madras for research in high energy materials.

Products developed by Premier's R&D:

NHN detonators: The first company in the world to develop commercial scale production of detonators with nickel hydrazine nitrate (NHN) which is a superior alternative to widely used ASA. NHN assures higher safety in production and post-production handling.

Import substitutes: Premier has been developing many products for import substitution and they include Bomb dropping mechanism, Pyro cartridges for Indian Navy which have resulted in saving of foreign exchange.

Propellants for defence: Premier has developed a smokeless solid propellant for one of the important missiles and is developing few similar compositions.

High energy motors: The company has developed lab scale production processes for high energy materials like HNS-IV. Premier also developed commercial scale technology for CL-20, which is the most powerful explosive in the world.

Green Power



● 20 KW rooftop solar PV unit at Regd office in Hyderabad

● 800 MW windmill at Pushpathur in Tamil Nadu.

● 250 KW solar plant at Peddakandukuru factory

Today, all over the world, most of the electricity is generated by burning fossil fuel like coal and gas.

Burning of fossil fuel makes one of the most adverse impacts on the environment by emitting greenhouse gases – a challenge the world is trying to surmount.

At Premier we continuously do our utmost to reduce our carbon footprint by identifying conservation and renewable energy opportunities at our production and administrative locations. We have clear processes and systems in order to recognize, measure and reduce the impacts on the environment which includes the carbon, water, energy and waste footprint. The Board of Directors and senior management are committed to this endeavour.

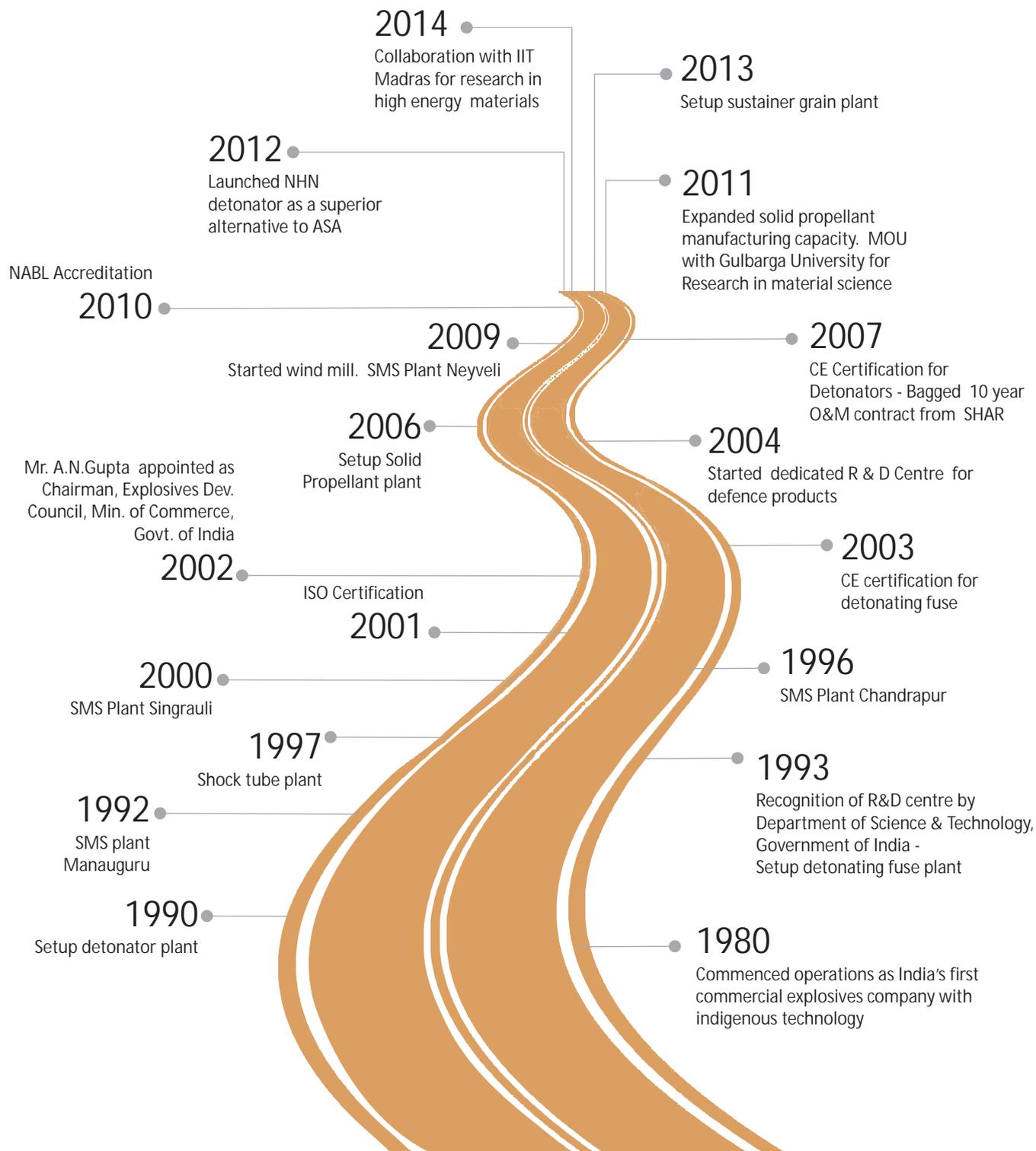
Premier had commissioned a 800 KW windmill in September 2009 at Pushpathur in Tamil Nadu.

In March 2011 a 20 KW rooftop solar PV unit was installed at the Regd office in Hyderabad.

To overcome the severe shortage of electricity the company has setup a 250 KW solar plant at its factory in Peddakandukuru.

With these green initiatives, the quantum of power generated is more than that is drawn by the company from the grid. Thus the company's manufacturing and operations, in net effect, are carbon-positive.

Major Milestones



Awards & Appreciations



With several awards to its credit, Premier is one of the most recognized companies in the high energy materials & defence space. These achievements are hallmarks of the innovations introduced by us and the various milestones achieved

2013

Inc. India Innovative 100 Award by Inc. India for Commercial production process for safer and greener NHN detonators

2011

Appreciation from DRDO for development of Propellant Casting of Second Stage Motors and Igniters for First and Second Stages of Agni-4

2010

Appreciation from DRDO for development of Pyrogen Igniters for Agni A3-04

2008

Appreciation from ASL for development of Pyrogen Igniters for Agni A3-03

2007

Defence Technology Absorption Award by DRDO for development of propellants

Best R&D Effort Award from AIMO

2005

Best Technology Development Award from FAPCCI for R&D achievements

2004 - 2007

Best Greenery development award from AP Pollution Council

2004

Industry appreciation award from National Science & Technology Laboratory (NSTL) for development of pyro cartridges

Certificate of Export Recognition by Chemicals & Allied Products Export Promotion Council

1989

Best industrial relations award from Labour Department, Govt of AP

Chairman's Review

"... Growing beyond our traditional explosives business, we have, in a different orbit, strengthened our position as a key supplier of solid propellant fuel to Aakash and other missiles.."

Dr. A.N.Gupta

Dear Shareholders

During the year under review, businesses across the globe went through multiple macroeconomic challenges of slowing demand, increasing costs, fluctuating currencies, expensive borrowings and weak investment sentiments.

Despite unfavorable conditions in the mining and infrastructure in India - two important segments for our business - we managed to expand our market in key pockets in India. Our foot prints abroad also grew larger.

Premier has registered a decent 33% growth in total revenue from Rs.11146 lakhs in FY12-13 to Rs.14681 lakhs in FY13-14. Operating profit (EBITDA) stood at Rs.1767 lakhs in FY13-14 against Rs.1175 lakhs in FY12-13.

Much has been achieved in the explosives division in terms of developing indigenous explosive technology with global benchmarks.

Growing beyond our traditional explosives business, we have, in a different orbit, strengthened our position as a key supplier of solid propellant fuel to Aakash and other missiles. Focus of research, operational excellence, experienced management and collaborative approach among functional areas are indeed driving our growth from traditional business to a science based defence products.

Our facility at Peddakandukuru will focus on solid propellants for tactical missiles like Long Range Surface to Air Missile (LRSAM), Astra (air-to-air), Akash (surface-to-air) and Pinaka (multi barrel rocket launcher).

As a qualified supplier of propellants to various missile programs, Premier is fully capable of meeting the technical specifications and future demand from Indian defence sector.

Premier Explosives is now a more resilient business, with a clear strategic vision based on insuring the success with innovation.



Further to commencing the commercial production of NHN detonators in 2012-13, I am happy to share with you that I have presented a paper titled "A Safer and Green Detonator with NHN Substituting ASA" during the 40th Annual Conference on Explosives & Blasting Technique in Denver, Colorado, USA on 10th February, 2014. This presentation could generate lots of interest among the audience about NHN and as you are aware Premier is the only company in the world to manufacture NHN detonators.

I also wish to inform you that your company has executed an agreement with IIT Madras for research in high energy materials.

Premier Explosives is now a more resilient business, with a clear strategic vision based on insuring the success with innovation.

I thankfully acknowledge the untiring trust and support of our stakeholders - shareholders, banks, defence establishments, government bodies, customers and vendors.

I would also like to acknowledge the invaluable contribution of our management team, employees and workers, whom we call our human capital.

Sincerely,

Dr. A.N.Gupta
Chairman & Managing Director

Q&A with ED



What are the major developments during the year ?

During the year under review Premier has been able to strengthen its commercial explosives business in the domestic market as well as abroad. The company has been able to expand its overseas market for commercial explosives with orders from Jordan, Greece, Turkey, Korea, Thailand & Philippines.

Company has increased its revenue component from the defence sector as a qualified supplier of solid propellants & pyrogen igniters for various Indian missile programmes.

The company has entered into an MoU with BF Utilities Limited to consider forming a joint venture company to participate in the indigenisation of defence products. The MoU has been signed on February 07, 2014, at Defexpo India 2014, New Delhi by Mr. Amit B. Kalyani, Director of BF Utilities Limited and Dr. A. N. Gupta, CMD of Premier Explosives Limited.

“..Company has increased its revenue component from the defence sector as a qualified supplier of solid propellants & pyrogen igniters for various Indian missile programmes. ”

T.V.Chowdary – Executive Director

What were the major challenges during the year and how the company could overcome those ?

2013-14 is the first full year for production of NHN detonators after abandoning ASA detonators in 2013. Technical issues in the new technology have been solved to achieve seamless production. However, low demand for detonators has been a concern with prolonged monsoon. New regulations regarding Ammonium Nitrate did affect the supply, however the impact is not significant. With renewed marketing efforts we have been able to overcome the market challenges and increase the company's sales by 33 % on year on year basis.

How do you evaluate the opportunity landscape for the company going forward ?

Going forward, we anticipate the efforts to indigenise Indian defence sector would gain further momentum. With the right policy and technology impetus the defence suppliers like Premier can not only reduce the import burden but also can become a global source for defence supplies in long term. We anticipate the mining and infrastructure segments to rebound from third quarter of 2014-15.

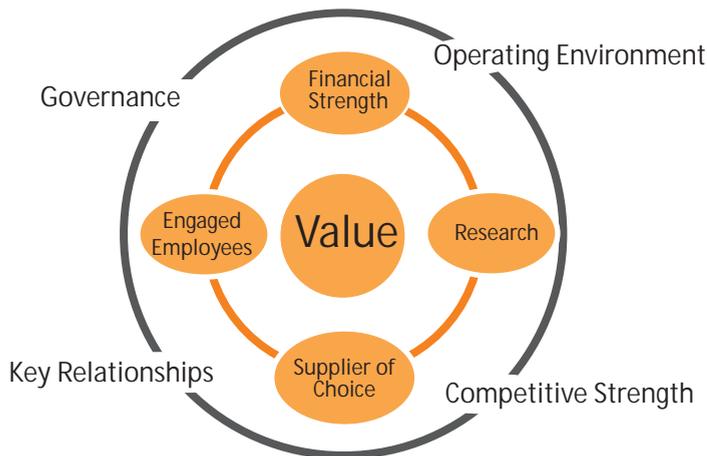
How we create value

Mission

Become a global player in quality formulations of high energy materials in a safe, green and economical way through an employee empowered organization

Vision

We envisage to be a global leader in our segment through relentless research and development of knowledge-based products for defence applications, mines, infrastructure and allied sectors



While our goal is to sustain success, we believe that innovation is the cornerstone of enduring value for all our stakeholders.

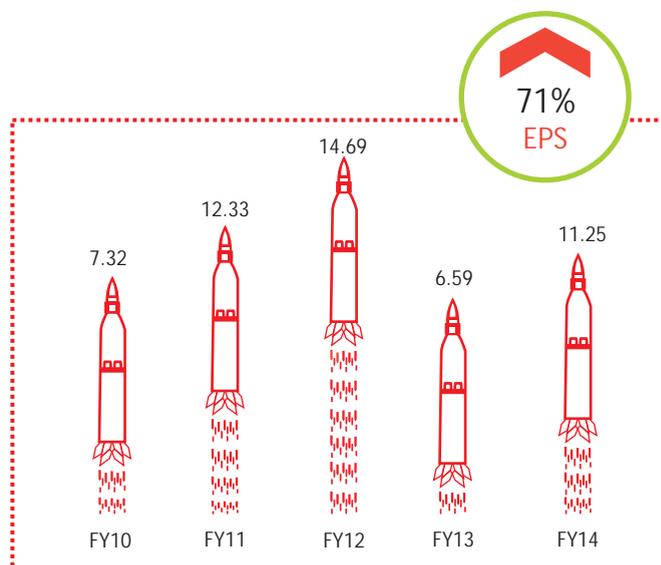
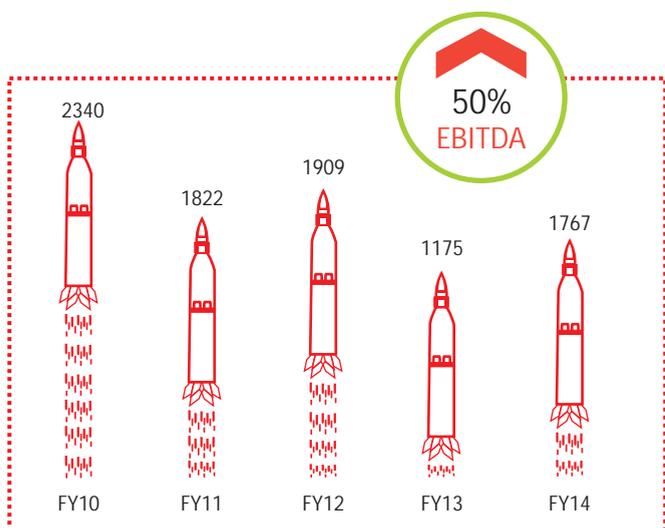
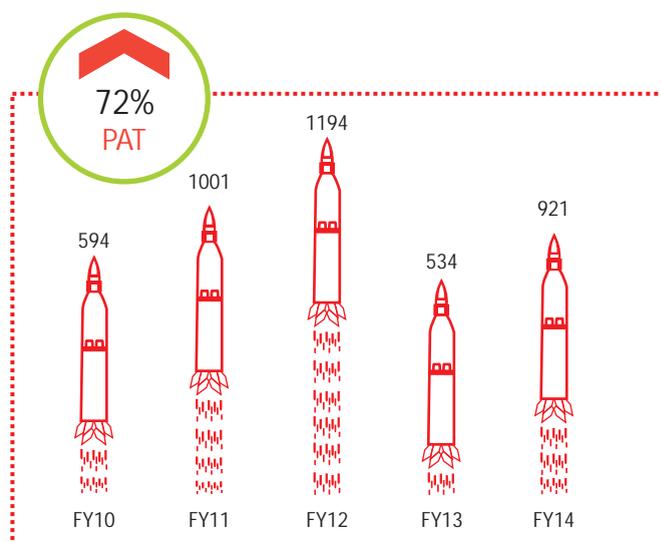
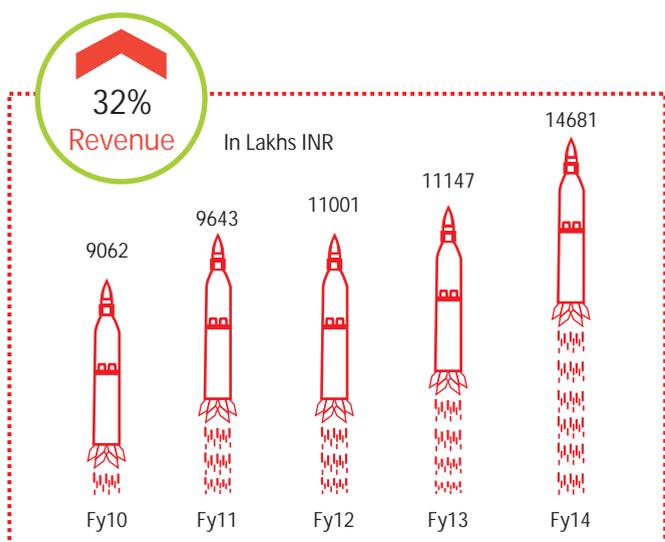
Our focus on product developments and market expansion contribute to the long-term prosperity of our shareholders, customers, suppliers & employees

Key Performance Indicators

Review of 5-year financials

During the last five financial years (FY10 – FY14), the revenue has gone up 63% from Rs. 906 lakhs to Rs.1477 lakhs. Large orders at Singrauli plant, commencement of packaged explosives and increased orders from defence customers have contributed for this growth. Resulting from the focus on knowledge-products, revenue from Explosives (defence) grew faster than that from Explosives (commercial).

Due to changes in product mix and varying profitability for different products, EBITDA and other profit indicators have not moved in tandem with growth in revenue. FY10 saw highest EBITDA with satisfactory margins in all products, but erosion in value of investments had dented PBT and PAT. Profitability was markedly low in FY13, impacted by an unfortunate accident in detonators plant. EPS of Rs.14.20 was highest in FY12 and it was lowest in FY13 at Rs.7; it had recovered to Rs.11 in FY14.



Ten years at a glance

(Rs. in lakhs)

Statement of Profit and Loss	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total revenue	6,102.18	7,138.17	6,956.46	6,009.62	7,077.37	9,062.44	9,642.69	11,001.42	11,145.82	14,681.05
EBIDTA	696.72	851.01	982.12	856.61	1,548.96	2,340.36	1,821.80	1,908.54	1,175.04	1,766.87
Depreciation	(146.67)	(157.48)	(191.86)	(112.93)	(120.75)	(147.65)	(176.61)	(186.66)	(214.50)	(235.22)
Finance costs	(180.34)	(235.69)	(340.65)	(276.21)	(279.04)	(153.24)	(140.21)	(101.62)	(179.89)	(236.15)
Profit before exceptional items and tax	369.71	457.84	449.61	467.47	1,149.17	2,039.47	1,504.98	1,620.26	780.65	1,295.50
Exceptional items	-	-	-	397.12	(537.01)	(740.97)	-	39.20	(37.06)	-
Profit before tax	369.71	457.84	449.61	864.59	612.16	1,298.50	1,504.98	1,659.46	743.59	1,295.50
Tax	(120.47)	(150.75)	(187.08)	(281.71)	(326.10)	(704.18)	(503.46)	(465.36)	(209.67)	(374.19)
Profit after tax	249.24	307.09	262.53	582.88	286.06	594.32	1,001.52	1,194.10	533.92	921.31
EBIDTA / Revenue	11.4%	11.9%	14.1%	14.3%	21.9%	25.8%	18.9%	17.3%	10.5%	12.0%
PBT / Revenue	6.1%	6.4%	6.5%	14.4%	8.6%	14.3%	15.6%	15.1%	6.7%	8.8%
PAT / Revenue	4.1%	4.3%	3.8%	9.7%	4.0%	6.6%	10.4%	10.9%	4.8%	6.3%

Balance sheet	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Share capital	810.71	811.61	811.99	812.15	812.27	812.39	812.55	812.70	812.75	835.86
Reserves and surplus	728.35	895.57	1,014.56	1,453.86	1,596.32	2,000.14	2,778.77	3,736.73	4,032.93	4,809.80
Share warrants	-	-	-	-	-	-	-	-	-	77.21
Networth	1,539.06	1,707.18	1,826.55	2,266.01	2,408.59	2,812.53	3,591.32	4,549.43	4,845.68	5,722.87
Non-current liabilities										
Long-term liabilities and provisions	1,044.09	2,037.33	1,997.09	773.63	882.66	416.54	312.12	423.27	593.29	515.10
Deferred tax liability	412.06	354.75	410.92	278.62	292.66	415.90	474.18	484.26	562.56	638.59
Current liabilities	1,958.36	2,655.33	3,635.07	2,739.04	1,691.28	2,239.21	2,279.60	2,350.53	2,988.94	3,856.28
Total liabilities	4,953.57	6,754.59	7,869.63	6,057.30	5,275.19	5,884.18	6,657.22	7,807.49	8,990.47	10,732.84
Non-current assets										
Gross fixed assets	3,534.51	3,764.35	4,940.87	2,794.53	2,978.48	3,635.50	4,124.74	4,620.96	5,207.03	5,790.31
Accumulated depreciation	(1,307.32)	(1,443.62)	(1,622.82)	(824.64)	(944.16)	(1,089.74)	(1,171.72)	(1,310.14)	(1,449.81)	(1,675.68)
Capital work in progress	14.13	803.12	3.29	13.51	-	-	26.25	119.53	91.69	166.17
Unallocated expenditure pending capitalisation	5.19	58.81	-	-	-	-	17.48	-	-	-
Net fixed assets	2,246.51	3,182.66	3,321.34	1,983.40	2,034.32	2,545.76	2,996.75	3,430.35	3,848.91	4,280.80
Investments	49.93	33.50	63.99	68.50	103.16	147.53	45.00	45.00	520.00	520.00
Other non-current assets	22.23	10.51	-	-	182.88	375.61	573.54	828.86	548.48	407.87
Current assets	2,634.90	3,527.92	4,484.30	4,005.40	2,954.83	2,815.28	3,041.93	3,503.28	4,073.08	5,524.17
Total assets	4,953.57	6,754.59	7,869.63	6,057.30	5,275.19	5,884.18	6,657.22	7,807.49	8,990.47	10,732.84
Return on capital employed	18.4%	16.9%	18.7%	34.4%	24.9%	39.8%	37.6%	32.3%	15.4%	22.3%
Return on networth	16.2%	18.0%	14.4%	25.7%	11.9%	21.1%	27.9%	26.2%	11.0%	16.1%
Debt / equity	0.95	1.40	1.32	0.46	0.49	0.30	0.22	0.20	0.24	0.20
Current ratio	1.35	1.33	1.23	1.46	1.75	1.26	1.33	1.49	1.36	1.43

Per share	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Book value per share - Rs.	18.94	21.00	22.47	27.88	29.63	34.60	44.19	55.98	59.62	67.54
Earnings per share - Rs.	3.10	3.78	3.23	7.17	3.52	7.32	12.33	14.69	6.57	11.25
Dividend per share - Rs.	1.50	1.50	1.50	1.50	1.50	2.00	2.00	2.50	2.50	2.70
No. of shareholders	6,576	8,836	9,985	8,855	8,660	6,911	7,306	6,307	6,135	5,895

Note: Figures pertaining to 2010-11 and later years are as per Revised schedule VI.

Board of Directors



Dr. A.N. Gupta
Chairman & Managing Director

Having earned his Master's degree in mining engineering, he has developed a penchant for learning and R&D. He is actively involved himself in product development projects of defence, new products and processes. A recipient of 'Pickering and ISM Medal' from, Indian School of Mines, Dhanbad and Gold Medalist from Mining Geological and Metallurgical Institute of India for best paper for the year 1977-78. He is a Member of Society of Explosives Engineers, U.S.A. and was Chairman of Explosives Development Council constituted by Government of India and Chairman of Explosives Manufacturers Association of India. He authored various articles about high energy materials including "Scaling up of CL-20 production to pilot plant scale" presented at the proceedings of National Symposium on Trends in Explosive Technology. He has been conferred Doctor of Science (Honoris Causa) by Gulbarga University in recognition of his rare distinction and distinguished contributions to the field of science and technology.



T.V. Chowdary
Executive Director

A chemical engineer with over 33 years of experience in production of explosives, detonator, petrochemicals, coal tar pitches & enamels, mushrooms and solid propellants. Having project execution as his forte, he is excellent in HR management and is a steadfast trouble-shooter



K. Chalil
Director Marketing

A mining engineer with over 40 years of experience in major mining and quarrying industries / explosive industries especially in areas of explosives application and marketing.



Dr. N.V. Srinivasa Rao
Director Production

He is a doctorate in chemistry with over 30 years of experience in the field of explosives & accessories and chemicals. He has published about 35 papers in various national and international journals. He is a member of High Energy Materials Society of India and also a Governing Body member there.



Dr. (Mrs.) Kailash Gupta
Non-Executive Director (promoter)

She is a doctor by profession and also has rich experience in the industry. She is involved in various social and philanthropic activities especially in healthcare.



Anil Kumar Mehta
Independent Director

An FCA, he is a senior partner in M.Bhaskara Rao & Co., Chartered Accountants, having rich experience in auditing, taxation, company law, project finance and other allied matters since 1973.



P.R.Tripathi
Independent Director

Former CMD of National Mineral Development Corporation Limited, holding fellowships of Institution of Engineers (India) and AIMA. He has been involved in the development of mineral industry of India. He also held various positions in Federation of Indian Mineral Industries (FIMI) and retired as its President in 2003.



Dr.A.Venkataraman
Independent Director

He is a doctorate in Chemistry and is working as Professor in Gulbarga University.

His main fields of interests are Materials Chemistry, Nanomaterials Chemistry, polymer nano composites, etc.He was awarded Indo-Hungarian Fellowship for research at Hungarian Institution by UGC New Delhi in 2006. He received Young Scientist Award in inorganic Chemistry in 1993 from Indian Council of Chemists. He is a Commonwealth Fellow at Manchester Materials Science Center, Manchester, awarded by the Commonwealth High Commission, UK in 1995.

He has authored around 100 articles and research papers in reputed national and international research journals.

He has three patents filed to his credit.



K.Ramarao
Independent Director

35 years in technology development, he retired as Associate Director of DRDL. Was responsible for the design and development of all IGDMP Projects as well as for setting up of infrastructure in the field of missile structure. Received Sir Mokshagundam Visweswarayya Award for the Best Engineer from the Institute of Engineers, Kolkata; Best Invention Award from NRDC, Govt of India, Best Scientist of DRDO and many others. He holds a Masters in Aeronautics from Cranfield, U.K



Arun Kapoor
Independent Director

Fellow member of ICAI and a practicing CA since 1979. As a partner of Uberoi Sood & Kapoor, New Delhi, he has been providing audit services, project finance, corporate affairs, taxation, valuations, due diligence reviews, etc.

Key Management Personal

Premier is led by a Senior Management Team. They, along with the Board of Directors are responsible for the overall strategic direction of the organization – and are accountable for developing and implementing our long-term business strategy and overall operations. They are also looked to as anchoring company's values-based culture, which views company's vision and mission as paramount in conducting our business.



Col. Vikram Mahajan
President -Business Development

27 of working with army, he holds a M.Tech & MBA in marketing. He has extensive knowledge about opportunities in defence sector .



Y. Durga Prasad
President - Production

Mechanical engineer with experience in production of explosives, propellants, project execution. He has been with Premier since 1989.



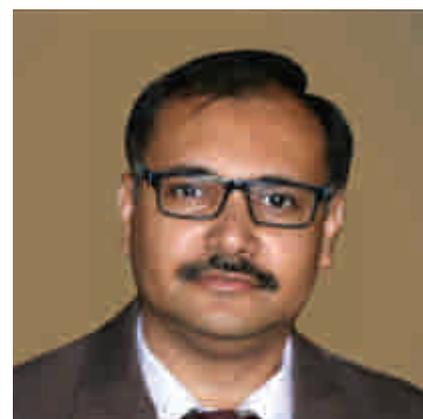
C. Subba Rao
Chief Financial Officer

F.C.A. having about 27 years of experience in financial management, project financing, auditing, budget planning, and corporate matters. He is an experienced practicing Chartered Accountant with an earlier stint with a cotton ginnery in Tanzania while heading its finance functions. He also worked with Agha Khan Foundation units in Tanzania and Tajikistan.



Y. Krishna Rao
Vice President - Accounts

M.Com., having more than 30 years of experience in accounts and taxation matters. He has been with the company since 1986.



Avinash Kumar Singh
Company Secretary

ACS with experience in corporate listing and other company matters.

Management Discussion & Analysis

1. Economic outlook

The Indian economy had been suffering from lower growth and various structural weaknesses as it entered 2013-14 and these continued throughout the year.

Real GDP growth for 2013-14 is estimated to be 4.9% with industrial growth slipping to a paltry 0.7%. The slowdown can be attributed both to high fiscal deficit, dependence on foreign inflows to finance the current account deficit (CAD), lower savings and lower investment, a tight monetary policy to contain inflation, delayed investment approvals and implementations, supply bottlenecks.

However, recent developments indicate that 2014-15 could turn out to be better. The new government, to be formed soon, is expected to take measures to curb fiscal deficit and improve the financial health of the country.

The global economy has also shown signs of stabilization with improving financial conditions and investment environment.

2. Industry overview - mining & infrastructure

Mining

India is ranked 4th amongst the mineral producer countries, behind China, United States and Russia, on the basis of volume of production. It is an extremely important sector and contributes significantly to the country's Gross Domestic Product.

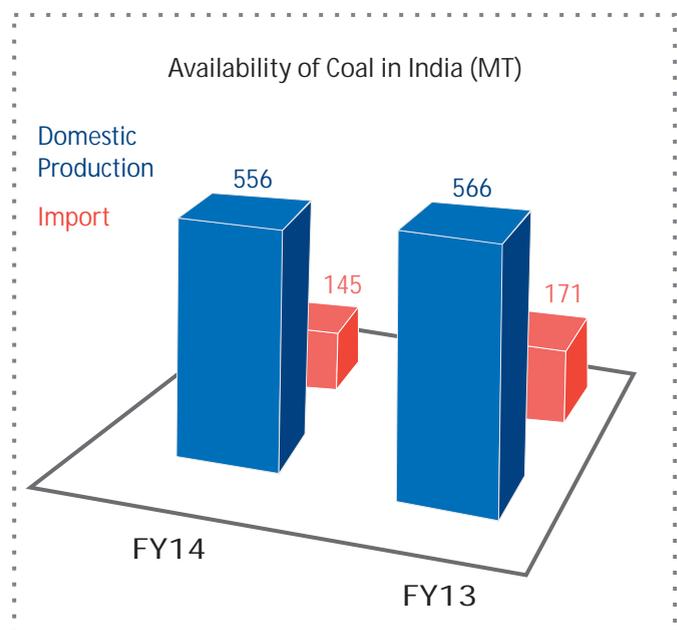
The Indian mining industry however is passing through a critical phase, especially in the last two years, witnessing negative growth.

Coal Mining

Production of coal was 566 MT in 2013-14, a meagre increase of 1.4% over 558 MT in 2012-13. Delay in environment clearances is one of the major reasons for this slow growth.

However, going forward, coal requirements for the power sector are projected to reach to about 1070 MT by 2022.

Out of this total requirement, domestic coal supply is projected to increase to 756MT by 2022 and the shortfall is expected to be met from imports



Infrastructure

While the long-standing infrastructure development in India continues to remain essential, the sector faces several challenges government decision-making, issues with land acquisition, environmental constraints and financial squeeze.

Although there have been some efforts at resolving these issues, they have been far from satisfactory. Gravity of the problem can be understood from the fact that as at end of March 2014, a total 284 projects worth Rs. 15.6 lakh crores are under the consideration of Project Monitoring Group for which issues are to be resolved.

It is widely expected that after the new government assumes office, there will be some clear direction and positive intent for revival of this sector.

Premier is the only private sector entity producing solid propellants for various missile programmes of India. India is third largest armed forces in the world in terms of active personnel and the eighth largest spender on defence in terms of budget.

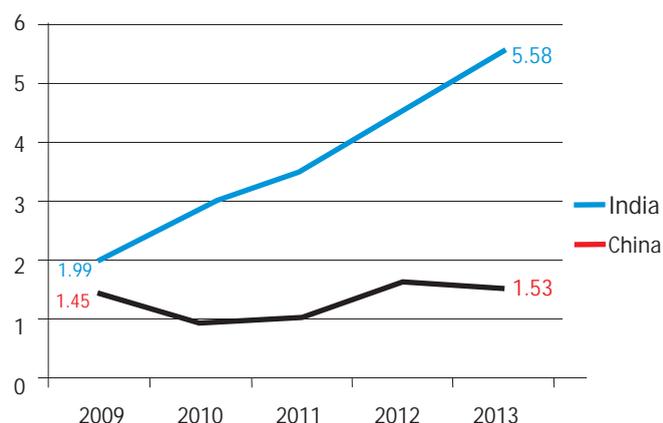
3. Industry overview – defence products

India is the largest arms importer in the world - a reflection of the country's poor defence manufacturing ability.

The Government now aims to reduce its reliance on foreign suppliers for its growing defence needs. At present, India imports everything from bullets to aircraft carriers.

According to Stockholm International Peace Research Institute, India's annual arms imports rose from \$1.99 billion in 2009 to \$5.58 billion in 2013. Reorienting defence acquisition priorities from foreign vendors to domestic capacity-building is an urgent priority.

Defence imports in\$ bn. India vis China



Source: Stockholm International Peace Research Institute

Interim Union Budget 2014-15, allocated Rs 2,24,000 crore (US\$ 37.15 billion) for the national defence, out of which Rs.75,739 crores are meant for capital acquisition by three armed forces, army, navy and airforce.

Defence Research and Development Organisation (DRDO), which is leading India's nuclear weapons and various missiles programmes, has appropriately got a 13 per cent hike. Much of its growth is concentrated on 'Other Equipment' which caters to missiles and artillery guns among others.

Army Capital Acquisition – Interim union budget 2014-15

	2013-14 Revised estimate	2014-15 Interim budget	Growth
Aircraft & Aero-Engine	37,190	27,730	-42%
H&MV	1,521	2,357	55%
Other Equipment*	17,796	35,866	102%
Rolling Stock	82	275	235%
Rashtriya Rifles	167	213	28%
Joint Staf	619	829	34%
Naval Fleet	8,758	12,856	47%
Naval Dockyard	550	1,613	193%
Total Acquisition	66,683	75,739	14%

* Missiles, which consume Premier's solid propellants, fall under this category

..India's defence spending will total nearly \$150 billion by 2017 out of which \$3.4 billion would be towards missiles..



McKinsey's Spring 2013 report titled "A bright future for India's defence industry?" has made the following observations .

- India's defence industry, which has grown substantially in recent years, seems headed for even better days
- The government has a clear vision for indigenous defence industry
- Country's attractiveness to global defence companies is rising
- India's defence spending will total nearly \$150 billion by 2017 out of which \$3.4 billion would be towards missiles

Further, the emphasis laid by Defence Procurement Policy 2013 on "Buy and make India" has started materializing in recent months. Offset benefits also started flowing to indigenous defence suppliers.

Your company is well prepared to reap the opportunities expected to open up both in short term and long term.

4. Commercial explosives industry – review

Indian explosives industry, estimated to be Rs.3,000 cr p.a., is considered among the top 5 in the world.

Around 70% of the industry's output is consumed by the coal mining sector which primarily consists of Coal India Limited and its subsidiaries.

Indian explosives industry is fragmented with around 45 small units and around 10 major manufacturers.

Premier Explosives is 6th largest manufacturer of explosives in the country and caters to all mining sectors like coal, iron ore, limestone as well as infrastructure sector.

With signals of revival of global economy and expected industry-friendly policies, Indian explosives industry is expected to post 8% CAGR over the next few years on robust growth plans of user industries like mining and infrastructure .

Current year's net turnover at Rs.14471 lakhs is 33% higher compared to last year's Rs. 10884 lakhs. Profit after tax at Rs.921 lakhs is 73% higher than previous year's Rs.534 lakhs.



5. Company overview

Premier Explosives Limited was incorporated in 1980 and started off with manufacturing slurry explosives and later added complete range of products which now includes bulk explosives, packaged explosives, detonators, bulk explosives, detonating cords and other blasting accessories.

In 2003, the company ventured into defence products with manufacture of a small igniter and now has emerged as a reliable provider of solid propellants for various missile programmes of India.

Products and services

- Commercial explosives & accessories for mining and infrastructure
- Explosives for defence use – Solid propellants, Igniters, Pyro devices
- Operations & Maintenance services – on Government Owned and Company Operated (GOCO) basis
- Wind Power

6. Financial overview

Financial statements are prepared under the historical cost convention on an accrual basis and in accordance with notified accounting standards issued in terms of the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

Current year's net turnover at Rs.14471 lakhs is 33% higher compared to last year's Rs. 10884 lakhs. Profit after tax at Rs.921 lakhs is 73% higher than previous year's Rs.534 lakhs. Performance is satisfactory as the current year's profit is after absorbing wage rise negotiated with the unions during the year.

7. Segment-wise performance

The company's business predominantly comprises of explosives segment. The other segment is wind power. Segment-wise revenue and other details are provided in note no. 30.2.13 'Segment reporting'.

8. Outlook

a. Commercial explosives

It is expected that industry-friendly policies would be in place soon to enhance mining of coal and various minerals which in turn would improve demand for explosives.

b. Explosives for defence use

Indian private sector has a small share of about 5% of the Indian defence equipment market. Nine defence public sector undertakings (DPSUs) account for about 20 % of the market. The balance 75% of the equipment needs are met through imports. Against this background the Government of India has been actively encouraging indigenization of Indian defence equipment manufacturing as well as input supplies. Missile manufacturing is one such segment wherein self-reliance is targeted.

During the previous financial year 2012-13, the company completely switched over to much safer NHN detonators from earlier ASA ones. NHN assures higher safety in production to both human lives and physical assets.

9. Threats, risks and concerns

Risk is defined as an expression of uncertainties and possible outcomes that could have material impact on the performance and prospects of a company. The risk mitigation policy of the company is attuned to the strategic direction of the company.

10. Internal control systems and their adequacy

Premier believes that internal control is a necessary prerequisite of the principle of governance. The company has structured systems for close supervision by the board & audit committee, review of plans and goals achieved, evaluating & managing risks, ensuring reliability in financial and operational reporting, ensuring legal and regulatory compliance, protecting company's assets, prevention and detection of fraud and errors

a. Strategic risks: Business plans of the company takes into account all possible risks in the overall business environment as well as from competition, changing customer needs, policy changes and technological advancements. Annual plans of the company are made taking into account all counter measures to be taken to mitigate the risk.

11. Material developments in human resources/ industrial relations front including number of people employed

The company has 1,148 employees as on 31st March, 2014. During the year your company had completed wage negotiation with unions and revised the wages for the three years period ending on 31st March, 2016.

b. Raw material risks: The rising cost of raw materials and its unavailability from time to time may affect production. The company tries to mitigate this risk by having back to back supply contracts with suppliers and inventory planning. Price escalation clause in supplies of bulk explosives is a built-in risk mitigation mechanism.

Relations between the management and employees have been cordial. Employees have been imparted training in their respective areas for better performance. The management acknowledges the contributions made by each and every employee and records its appreciation for the cooperation extended by them at all levels.

c. Price risks: In competitive market, it is difficult for a company to maintain high prices all the time. Premier keeps its optimal premium on its products and tries to gain acceptance from buyers through quality of products, better services, strong distribution channels, etc.

For and on behalf of the Board

d. Hazardous risks: Company's business is prone to accidents as most of its products are explosives. To mitigate this risk, the company follows all statutory safety norms which include distribution of manufacturing activity into small portions housing them into distantly placed buildings so as to contain the impact of any mishap.

Secunderabad
24.05.2014

Dr. A.N.Gupta
Chairman & Managing Director

Cautionary note: Statements in the management discussion and analysis describing the company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include economic conditions affecting demand / supply and price conditions in the markets in which the company operates, changes in the government regulations, tax laws and other statutes and other incidental factors.

Notice of 34th Annual General Meeting

Notice is hereby given that the Thirty Fourth Annual General Meeting of Premier Explosives Limited will be held at Surana Udyog Auditorium, Federation of Andhra Pradesh Chambers of Commerce & Industry, 11-6-841, Red Hills, Hyderabad-500 004 on Wednesday, the 13th August, 2014 at 10.00 A.M. to transact the following business:

As Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2014, Statement of Profit and Loss and Cash Flow Statement for the year ended on that date and the reports of Directors and Auditors thereon
2. To declare dividend for the year 2013-14
3. To appoint a director in place of Mr. T. V. Chowdary, who retires by rotation and being eligible offers himself for re-appointment
4. Appointment of the Auditors

To consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:

“RESOLVED that pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, M/s P.V.R.K. Nageswara Rao & Co., Chartered Accountants (Firm's Registration Number: 0022835), be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the thirty-ninth AGM of the Company to be held in the year 2019 (subject to ratification of their appointment at every AGM), at such remuneration plus service tax and out-of-pocket expenses as may be mutually agreed between the Board of Directors of the Company and the Auditors.”

As Special Business

5. To consider and, if thought fit, to pass with or without modifications the following resolution as Ordinary Resolution:
“RESOLVED THAT pursuant to Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and Rules framed thereunder, as amended from time to time, the appointment of Mr. Arun Kapoor (DIN 00324983), as Independent Director of the Company with effect from May 24, 2014 to hold office up to the conclusion of this meeting be and is hereby approved.”

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

“RESOLVED THAT pursuant to Section 151 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and Rules framed thereunder, as amended from time to time, Mr. Arun Kapoor (DIN 00324983), an Independent Director of the Company, who holds the office up to the conclusion of this meeting and who is eligible for appointment, be and is hereby appointed as Small Shareholders' Director of the Company with effect from August 13, 2014 up to August 12, 2017.”

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

“RESOLVED THAT pursuant to Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, as amended from time to time, Mr. Anilkumar Mehta (DIN 00040517), a non-executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149 (6) of the Act and who is eligible for appointment, be and is hereby appointed as Independent Director of the Company with effect from August 13, 2014 up to August 12, 2019.”

8. To consider and, if thought fit, to pass with or without modifications the following resolution as Ordinary Resolution:

“RESOLVED THAT pursuant to Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, as amended from time to time, Mr. P. R. Tripathi (DIN 00376429), a non-executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149 (6) of the Act and who is eligible for appointment, be and is hereby appointed as Independent Director of the Company with effect from August 13, 2014 up to August 12, 2019.”

9. To consider and, if thought fit, to pass with or without modifications the following resolution as Ordinary Resolution:

“RESOLVED THAT pursuant to Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, as amended from time to time, Mr. K. Rama Rao (DIN 02678860), a non-executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149 (6) of the Act and who is eligible for appointment, be and is hereby appointed as Independent

Director of the Company with effect from August 13, 2014 up to August 12, 2019.”

10. To consider and, if thought fit, to pass with or without modifications the following resolution as Ordinary Resolution:

“RESOLVED THAT pursuant to Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, as amended from time to time, Dr. A. Venkataraman (DIN 02669952), a non-executive Director of the Company, who has submitted a declaration that he meets the criteria of independence as provided in Section 149 (6) of the Act and who is eligible for appointment, be and is hereby appointed as Independent Director of the Company with effect from August 13, 2014 up to August 12, 2019.”

11. To consider and, if thought fit, to pass with or without modifications the following resolution as Ordinary Resolution:

“RESOLVED THAT pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder as amended from time to time, the Cost Auditors appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015, be paid the remuneration as set out in the Statement annexed to the Notice convening this Meeting.”

By order of the Board
For Premier Explosives Limited

Secunderabad
24.05.2014

Avinash Kumar Singh
Company Secretary

Notes

- Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 is given as Annexure to this Notice.
- Mr. T. V. Chowdary retires by rotation at this meeting and seeks reappointment. His brief profile and other details have been given in the Report on Corporate Governance forming part of the Annual Report.
- Members are required to bring the admission slip as given in Annexure-8 duly filled in.
- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and such proxy need not be a member of the company. Proxy form as given in Annexure-9 and power of attorneys, in order to be effective, must be received at the registered office of the company not later than 10.00 A.M. on 11.08.2014.**
- Members are requested to utilise the Electronic Clearing System (ECS) for receiving dividend and may accordingly advise their depository participants in case the shares are held in electronic form and to the Registrar and share transfer agent in case the shares are held in physical form. ECS mandate form is given in Annexure-10.
- Register of members and the share transfer books of the company will remain closed from 02.08.2014 to 13.08.2014 (both days inclusive).
- Dividend, if declared, will be paid to the members whose names appear in the register of members of the company as on 13.08.2014.
- Shares of the company are presently listed in the Bombay Stock Exchange and the company has paid up-to-date listing fee to the said stock exchange.
- Members are advised to avail nomination facility as per the provisions of the Companies Act, 2013, for which the nomination forms are available with the registrars to the company.
- As per the provisions of section 124 (5) of the Companies Act, 2013, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education & Protection Fund.

Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 2007 or any subsequent dividend payment(s) are requested to make their claim to the Company Secretary, Premier Explosives Limited, 'Premier House', 11, Ishaq Colony, Near AOC Centre, Secunderabad - 500015.
- Members holding shares in physical form are requested to inform immediately the change, if any, in their address to the Registrars, M/s Karvy Computershare Private Limited, Plot No.17-24, Vithal Rao Nagar, Madhapur, Hyderabad-500081.

Annexure to the Notice

Explanatory Statement Pursuant to Section 102 (1) of the Companies Act, 2013

As required by section 102 of the Companies Act, 2013 (Act), the following explanatory statement sets out all material facts relating to the business mentioned under Item Nos. 5 to 11 of the accompanying Notice:

Item no. 5

The Remuneration Committee has recommended the appointment of Mr. Arun Kapoor as an Independent Director from May 24, 2014 to hold office up to conclusion of the ensuing Annual General Meeting.

The Board of Directors of the Company has appointed, pursuant to the provisions of Sections 149, 152 and 161 (4) of the Act and subject to the members approval, Mr. Arun Kapoor as an Independent Director of the Company with effect from May 24, 2014 to hold office up to the conclusion of the ensuing Annual General Meeting.

Mr. Arun Kapoor is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director. The Company has received a declaration from him that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act. He possesses appropriate skills, experience and knowledge; inter alia, in the field of finance. In the opinion of the Board, he fulfills the conditions for his appointment as an Independent Director as specified in the Act and the Listing Agreement. He is independent of the management.

Brief profile and other details of Mr. Arun Kapoor have been given in the Report on Corporate Governance forming part of the Annual Report. Keeping in view his vast expertise and knowledge, it will be in the interest of the Company that appointment of Mr. Arun Kapoor as an Independent Director is approved by the members.

The terms and conditions of appointment of Mr. Arun Kapoor as an Independent Director shall be open for inspection by the members at the Registered Office of the Company during normal business hours on any working day.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

Save and except Mr. Arun Kapoor and his relatives, to the extent of their shareholding interest, if any, in the Company, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No. 5 of the Notice for approval by the members.

Item no. 6

Pursuant to the provisions of Section 151 of the Act a listed company may opt to have one director representing small shareholders suo motu.

The Remuneration Committee has recommended the appointment of Mr. Arun Kapoor as Small Shareholders' Director from August 13, 2014 up to August 12, 2017.

Mr. Arun Kapoor is an Independent Director of the Company with effect from May 24, 2014 to hold office up to the conclusion of the ensuing Annual General Meeting. He possesses appropriate skills, experience and knowledge; inter alia, in the field of finance. He is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director. He fulfills the conditions for appointment as a Small Shareholders Director as specified in the Act and does not hold the position of small shareholders' director in any other company.

The Company has received a declaration from him that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act. In the opinion of the Board, he fulfills the conditions for appointment as an Independent Director as specified in the Act and the Listing Agreement. He is independent of the management.

Brief profile and other details of Mr. Arun Kapoor have been given in the Report on Corporate Governance forming part of the Annual Report.

Keeping in view his vast expertise and knowledge, it will be in the interest of the Company that Mr. Arun Kapoor is appointed as a Small Shareholders' Director by the members.

The terms and conditions of appointment of Mr. Arun Kapoor as a Small Shareholders' Director shall be open for inspection by the members at the Registered Office of the Company during normal business hours on any working day.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

Save and except Mr. Arun Kapoor and his relatives, to the extent of their shareholding interest, if any, in the Company, none of the other Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No. 6 of the Notice for approval by the members.

Item nos. 7 to 10

The Company had, pursuant to the provisions of clause 49 of the Listing Agreement entered with the Stock Exchange, appointed Mr. Anilkumar Mehta, Mr. P. R. Tripathi, Mr. K. Rama Rao and Dr. A. Venkataraman, as Independent Directors at various times, in compliance with the requirements of the clause.

Pursuant to the provisions of section 149 of the Act, which came in to effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as independent directors, who are not liable to retire by rotation.

The Remuneration Committee has recommended the appointment of these directors as Independent Directors from August 13, 2014 up to August 12, 2019.

Mr. Anilkumar Mehta, Mr. P. R. Tripathi, Mr. K. Rama Rao and Dr. A. Venkataraman, non-executive directors of the Company, have given a declaration to the Board that they meet the criteria of independence as provided under section 149(6) of the Act. In the opinion of the Board, each of these directors fulfills the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and they are independent of the management.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the members for their approval.

The terms and conditions of appointment of the above Directors shall be open for inspection by the members at the Registered Office of the Company during normal business hours on any working day.

Mr. Anilkumar Mehta, Mr. P. R. Tripathi, Mr. K. Rama Rao and Dr. A. Venkataraman, respectively, are concerned or interested in the resolutions set out at Item No. 7 to 10 of the Notice relating to their own appointment. None of the Other Directors / Key Managerial Personnel of the Company / their relatives is, in any way, concerned or interested, financially or otherwise in the said resolutions.

Brief profile and other details of the Independent Directors to be appointed have been given in the Report on Corporate Governance forming part of the Annual Report.

The Board recommends the Ordinary Resolutions set out at Item Nos. 7 to 10 of the Notice for approval by the members.

Item no. 11

The Board, on the recommendations of the Audit Committee, has approved the appointment of M/s S. S. Zanwar & Associates as the Cost Auditors to conduct the audit of the cost records of

the Company for the financial year ending March 31, 2015 at a remuneration of Rs. 1.00 lakh.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the members of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 11 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2015.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 11 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No. 11 of the Notice for approval by the members.

By order of the Board
For Premier Explosives Limited

Secunderabad
24.05.2014

Avinash Kumar Singh
Company Secretary

Directors' report

Dear Members

Your directors are pleased to present the 34th annual report together with the audited accounts of your company for the year ended 31st March, 2014.

1. Financial performance

	(Rs. in lakhs)	
	2013-14	2012-13
Sales	14471.03	10883.60
Other operating revenue	69.35	56.50
Other income	140.67	205.72
Revenue	14681.05	11145.82
EBIDTA	1766.87	1175.04
% to Revenue	12%	11%
Finance costs	(236.15)	(179.89)
Depreciation	(235.22)	(214.50)
Exceptional items(net)	-	(37.06)
Profit before tax	1295.50	743.59
Provision for tax	(374.19)	(209.67)
Profit after tax	921.31	533.92
% to Revenue	6%	5%
Basic EPS (Rs.)	11.25	6.57
Diluted EPS (Rs.)	11.17	6.57
Equity	835.86	812.75
Reserves	4809.80	4032.93
Net worth	5645.66	4845.68
Book value per share-Rs.	67.54	59.62

Your company's sales revenue grew to Rs.14471 lakhs from Rs.10884 lakhs, registering a decent 32% growth over previous year.

Recovering from the last year's impact of accident, gross profit increased from Rs. 1175 lakhs to Rs.1767 lakhs and recorded a growth of 50%.

Profit before tax has jumped 74% from Rs.744 lakhs to Rs.1295 lakhs.

Net profit for the year increased to Rs.921 lakhs from Rs.534 lakhs, a growth of 72%. Basic EPS has risen to Rs.11.25 from Rs.6.57 for the previous year.

2. Dividend

Your directors recommend a dividend of Rs.2.70 per share for the year ended 31st March, 2014 on the amount of paid up share capital as on record date for dividend.

3. Preferential issue of share warrants

On 27th August, 2013 the company has issued 7,31,000 warrants to promoters, directors, key management

personnel and other employees. The company has received an amount of Rs.112.88 lakhs being 25% of issue price of these warrants which are convertible into Equity shares of Rs.10 each at a premium of Rs.51.77 per share within 18 months from the date of allotment.

On 27th December, 2013, upon receipt of Rs.107.02 lakhs being 75% of issue price, the company has allotted 2,31,000 equity shares against an equal number of warrants.

The amount of Rs.219.90 lakhs so received has been utilized for working capital and capital expenditure being objects of the issue, to the extent of Rs.219.81 lakhs and balance amount of Rs.0.09 lakh has been held in a separate bank.

4. Reserves

Including the share premium received on allotment of equity shares mentioned above, reserves and surplus as on 31st March, 2014 stood at Rs. 4810 lakhs from last year's Rs.4033 lakhs.

Book value per share increased from Rs.59.62 as on 31st March, 2013 to Rs.67.54 as on 31st March, 2014.

5. Deposits

There were no deposits at the end of the year which were due but not paid.

In view of satisfactory generation of free cash inflows, your Board has decided not to accept any fresh deposits and repay the currently held deposits in terms of Section 74 of the Companies Act, 2013.

6. Credit rating

ICRA has maintained the long-term credit rating at '(ICRA)A-(Stable)' and short-term credit rating at '(ICRA)A2+'.

7. Accident at Sriharikota stores

On 14th November, 2013 there was a fire accident in our maintenance materials stores at Sriharikota where we operate and maintain solid propellant plant of Satish Dhawan Space Centre.

Stock of about Rs.108 lakhs was damaged against which we have received Rs.102 lakhs from insurance company and thus there is a loss of only Rs.6 lakhs owing to this accident.

8. Operations

Production of explosives increased to 20,703 tonnes from previous year's 16,367 tonnes.

After adoption of NHN technology last year subsequent to the accident, during the current year Detonator plant produced 53.27 million pieces which is 17% higher than 45.44 millions produced during previous year. The company is confident of raising the production further in 2014-15.

Defence products contributed significantly at both topline and bottomline, raising our confidence levels about prospects in this line.

Operations & maintenance contracts at two locations have been satisfactory. One contract is ending in October 2014

and the company would do its best to get it renewed. Windmill at Pushpathur generated 19.84 lakh units of power compared to 16.41 lakh during the previous year, showing a growth of 21%.

9. Backward integration

Your company has been consuming significant quantity of binding resin as a raw material for its defence products. With a view to enhance the profitability and control over inputs, your company has decided to set up a synthetic resin manufacturing plant, which is expected to be commissioned by end of 2014-15.

10. Future outlook

Revival of mining in regions like Karnataka and Goa, prospects of new Government bringing about favourable industrial policies, etc. are expected to accelerate general economic growth including mining and infrastructure sectors which would bode well for explosive industry.

Accelerating indigenization of defence procurement presents lot of opportunities to your company and as mentioned elsewhere in this annual report, the company foresees bright prospects in this area on the strength of its proven development and delivery skills and having the first mover advantage.

11. Statutory auditors

The Auditors M/s P.V.R.K. Nageswara Rao & Co., Chartered Accountants (Firm's Registration Number 002283S), Hyderabad retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Pursuant to the provisions of section 139 of the Companies Act, 2013 and the Rules framed thereunder, it is proposed to appoint M/s P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, as statutory auditors of the Company from the conclusion of the ensuing AGM till the conclusion of the 39th AGM to be held in the year 2019, subject to ratification of their appointment at every AGM.

12. Internal auditors

M/s M. Venkata Ratnam & Associates, Chartered Accountants were the internal auditors for the year 2013-14 and they being eligible, the Board has re-appointed them for the year 2014-15.

13. Cost auditors

M/s S. S. Zanwar & Associates, Cost Accountants were cost auditors for 2013-14 and they being eligible, the Board has re-appointed them for the year 2014-15 and their remuneration is subject to the ratification of shareholders in the ensuing annual general meeting.

14. Secretarial auditor

In view of the recent regulatory changes all listed companies are required to appoint secretarial auditors. Accordingly the

Board has appointed Mr. K.V.Chalama Reddy, Company Secretary as secretarial auditor for the year 2014-15.

15. Auditors' report

Auditors' report contains qualification about managerial remuneration being in excess of the amount payable in terms of provisions of the Companies Act, 1956. The company has applied for approval of the Central Government which is expected to be received shortly.

16. Directors

Dr. Haridwar Singh had resigned from the Board in January 2014 and the company places on record its appreciation of his valuable services rendered during his tenure as director.

Filling the casual vacancy, the Board has appointed Mr. Arun Kapoor as an Independent director, who shall hold office until conclusion of the ensuing annual general meeting.

Further, the Board recommends the company to appoint him suo motu as a Small Shareholders' Director for a period of three years from conclusion of the ensuing annual general meeting.

Mr. T. V. Chowdary is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

As per Section 149 of the Companies Act, 2013 (Act), every listed company shall have independent directors. The said section aligns the Act with clause 49 of the Listing Agreement. Remuneration Committee has recommended the appointment of existing independent directors at the ensuing Annual General Meeting as independent directors under the Companies Act, 2013.

17. Directors' responsibility statement pursuant to section 217 (2AA) of Companies Act, 1956

Your directors confirm that

- a) the applicable accounting standards have been followed;
- b) the accounting policies selected were applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2014 and of the profit of the company for the year ended on that date;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the annual accounts have been prepared on a going concern basis.

18. Management discussion and analysis

A report on management discussion and analysis is placed at Annexure-1.

19. Corporate governance

Pursuant to clause 49 of the listing agreement with the stock exchange, a detailed report is given at Annexure-2 along with the auditors' certificate in the Annexure-3 and CEO & CFO certificate in the Annexure-4.

20. Conservation of energy, technology absorption and foreign exchange earnings and outgo

Information pursuant to section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 is given in the Annexure-5.

21. Particulars of employees

In accordance with the provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, particulars of employees of the company are furnished in the Annexure-6.

22. Companies Act, 2013

The newly enacted Companies Act, 2013 together with the rules notified, has far reaching impact on the way of companies' functioning starting from the financial year 2014-15. Your directors and management are proactively working to comply with the changed law.

23. Corporate Social Responsibility (CSR) Committee

In terms of the Companies Act, 2013 the company has appointed CSR Committee and the said committee has formulated CSR Policy for implementation of CSR activities.

Mandatory amount of CSR spending for 2014-15 works out to a minimum of Rs.29.60 lakhs, being 2% of average of profits for three preceding years, calculated in terms of section 198 of the Companies Act, 2013.

Your company has entered into an agreement with Helpage India for providing medical care to aged population in the villages surrounding our factory.

24. Nomination and Remuneration Committee

The company has reconstituted the Remuneration Committee as Nominations and Remuneration Committee which would discharge the duties as prescribed by provisions of the Companies Act, 2013.

25. Internal Complaints Committee as per Nirbhaya Act, 2013

The company has constituted Internal Complaints Committee in terms of provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (Nirbhaya Act, 2013). The committee, along with its sub-committees, is entrusted with the duty and authority for ensuring safety of women at the company's work places.

26. Green initiatives

Your company's generation of green power from 800 KW windmill, 250 KW solar PV plant and 20 KW roof top solar plant exceeds the grid power consumed for all operations of the company and stands out as a responsible green citizen.

Your company has been continuing the practice of sending electronic documents, instead of paper documents, to the shareholders wherever possible.

We reiterate our request to the relevant shareholders to register their email id's with their depository participants. E-communication Registration Form (Annexure-7) has been enclosed for this purpose.

27. Research and development

Based on the research and development carried out, a paper titled "A Safer and Green Detonator with NHN Substituting ASA" was presented by Dr. A.N.Gupta, Chairman and Managing Director of your company during 40th Annual Conference on Explosives & Blasting Technique in Denver, Colorado, USA on 10th February, 2014.

On 20th December, 2013, your company has received "Inc. India Innovative 100 Award" for development of technology for commercial production of detonators based on NHN.

Research and development work on solid propellants is progressing well enabling the company to receive further orders for important missile programs. You will be glad to know that during May 2015, your company has initiated collaboration with Indian Institute of Technology, Madras for undertaking joint research projects on solid propellants and high energy materials.

This is your company's second such collaboration, the first one being with Gulbarga University.

These two collaborations would catalyse academics and industry bringing about invaluable synergy benefits.

28. Industrial relations

During the year your company had completed wage negotiation with unions and revised the wages for the three years period ending on 31st March, 2016. Your directors thank all the employees for their cooperation and the contribution towards harmonious relationship and progress of the company.

29. Acknowledgements

Your directors place on record their appreciation of the continued support and cooperation from all employees, customers, suppliers, financial institutions, banks, regulatory authorities and other business associates.

Secunderabad
24.05.2014

Dr. A.N. Gupta
Chairman & Managing Director

Annexure-2 to the Directors' Report Report on Corporate Governance

1. Company's philosophy

Your company firmly believes that good corporate governance is a necessary discipline and a means of achieving and attaining the goals and objectives of the company. Your company has been practicing the principles of corporate governance over the years.

The Board of directors lays strong emphasis on transparency, accountability and integrity.

2. Board of directors

2.1. As on March 31, 2014, there are 5 non-executive directors out of a total 9 directors on the Board as Dr. Haridwar Singh, who was an independent director has resigned from the Board on 20.01.2014. At 56 %, this ratio is more favourable than 50% prescribed under clause 49 A (i) of the listing agreement.

As on March 31, 2014, the company has an executive chairman and has 44% independent directors, which is less than 50% as required under clause 49A(ii) due to the casual vacancy created by resignation as mentioned above.

(Subsequently, the inconformity has been removed by the company on May 24, 2014, by appointing Mr. Arun Kapoor as an independent director (w.e.f. 24.05.2014) within the period allowed in clause 49C(iv)).

The categories and names of the directors on the Board are given below.

A. Executive

a) Promoter

Dr. A. N. Gupta
(Chairman & Managing Director)

b) Non-promoter

Mr. T. V. Chowdary
Mr. K. Chalil
Dr. N. V. Srinivasa Rao

B. Non-executive, promoter

Dr. (Mrs.) Kailash Gupta

C. Non-executive, independent

Mr. Anilkumar Mehta
Mr. P. R. Tripathi
Dr. A. Venkataraman
Mr. K. Rama Rao
Mr. Arun Kapoor (w.e.f. 24.05.2014)

2.2. Attendance of the directors at the Board meetings and the last AGM is given below.

Name of the director	No. of Board meetings		Attendance in the last AGM held on 8.8.13
	held during the tenure	attended	
Dr. A.N.Gupta	4	4	Yes
Mr. T.V.Chowdary	4	3	Yes
Mr. K.Chalil	4	3	No
Dr. N.V.Srinivasa Rao	4	4	Yes
Dr. (Mrs.) Kailash Gupta	4	4	Yes
Dr. Haridwar Singh	4	2	No
Mr. Anilkumar Mehta	4	4	Yes
Mr. P. R. Tripathi	4	4	Yes
Dr. A. Venkataraman	4	4	Yes
Mr. K. Rama Rao	4	4	Yes

2.3 None of the directors on the Board is a member of more than 10 committees or chairman of more than 5 committees as specified in clause 49, across all the companies in which he or she is a director. Necessary disclosures regarding committee positions in other public companies as at March 31, 2014 have been made by the directors. The number of directorships and committee chairmanships / memberships held by them in other companies is given below.

Name of the director	Board of directors		Board committees	
	Director	Chairman	Member	Chairman
Dr. A.N.Gupta	-	1	-	-
Mr. T.V.Chowdary	1	-	-	1
Mr. K.Chalil	2	-	-	-
Dr. N.V.Srinivasa Rao	1	-	1	-
Dr. (Mrs.) Kailash Gupta	2	-	1	-
Mr. Anilkumar Mehta	-	-	-	-
Mr. P. R. Tripathi	2	2	2	-
Dr. A. Venkataraman	-	-	-	-
Mr. K. Rama Rao	-	-	-	-

2.4. Four Board meetings were held during the year on 29.05.2013, 08.08.2013, 31.10.2013 and 27.01.2014. The gap between any two consecutive meetings did not exceed four months.

2.5. None of the non-executive directors had any material pecuniary relationship or transaction with the company.

2.6. Shareholding of independent directors as on 31st March, 2014

Mr. Anilkumar Mehta held 3,500 equity shares equal to 0.04% of voting rights. Other independent directors did not hold any shares in the company.

2.7. Appointment / reappointment of directors at the 34th AGM

Mr. T. V. Chowdary is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

As per Section 149 of the Companies Act, 2013 (Act), every listed company shall have independent directors. The said section aligns the Act with clause 49 of the Listing Agreement. Mr. Anilkumar Mehta, Mr. P. R. Tripathi, Mr. K. Rama Rao and Dr. A. Venkataraman are independent directors of the Company under clause 49 of the Listing Agreement. The Remuneration Committee has recommended their appointment at the ensuing Annual General Meeting as independent directors under the Companies Act, 2013.

Mr. Arun Kapoor is appointed as an Independent Director w.e.f. 24.05.2014 up to the conclusion of the ensuing Annual General Meeting (AGM) subject to approval of members at the AGM.

Further, the Board recommends the members that Mr. Arun Kapoor represents Small Shareholders as a Director for tenure of three years at the ensuing AGM.

The profiles of the aforesaid directors seeking appointment / reappointment at the ensuing AGM are appended to this Report.

2.8. Code of conduct:

The Board has laid down code of conduct for all Board members and senior managerial personnel of the company. The code of conduct is available on the website of the company at www.pelgel.com.

All Board members and senior managerial personnel have affirmed compliance with the code of conduct. A declaration to this effect is signed by the Chairman & Managing Director.

3. Audit committee

3.1. Audit Committee of the company is constituted with the following non-executive independent directors in line with the provisions of clause 49 of the listing agreement entered into with the Bombay Stock Exchange read with section 292A of the Companies Act, 1956.

Mr. P. R. Tripathi (Chairman)
Mr. Anilkumar Mehta
Mr. K. Rama Rao

The Company Secretary acted as secretary to the Audit Committee.

3.2. Mr. P. R. Tripathi, Chairman of the Audit Committee was present at the previous annual general meeting of the company held on 8th August 2013.

3.3. The Committee has all the powers, duties and obligations conferred upon and vested in it in terms of section 292A of the Companies Act, 1956 and clause 49 of the listing agreement as amended from time to time and / or any other powers, duties and obligations. The said Committee submits its report, recommendations etc., to the Board of directors on all the required matters.

3.4. The role of Audit Committee includes-

3.4.1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

3.4.2. Recommending the Board, the appointment, re-appointment and, if required, the replacement or removal of statutory auditors and fixation of audit fees.

3.4.3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

3.4.4. Reviewing with the management, the annual financial statements, before submission to the Board for approval, with particular reference to

a) Matters required to be included in the Director's Responsibility Statement to be included in the Board report in terms of clause (2AA) of section 217 of the Companies Act, 1956.

b) Change, if any, in accounting policies and practices and reasons for the same.

c) Major accounting entries involving estimates based on the exercise of judgment by management.

d) Significant adjustments made in the financial statements arising out of audit findings.

- e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualification in the draft audit report.
- 3.4.5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- 3.4.6. Reviewing with the management, performance of statutory and internal auditors, and adequacy of internal control systems.
- 3.4.7. Reviewing the adequacy of internal control function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- 3.4.8. Discussion with internal auditors of any significant findings and follow up thereon.
- 3.4.9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- 3.4.10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- 3.4.11. To look into reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders and creditors.
- 3.4.12. To review the functioning of the whistle blower mechanism.
- 3.4.13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- 3.5. The Audit Committee reviews the following information
- 3.5.1. Management discussion and analysis of financial condition and results of operation;
- 3.5.2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- 3.5.3. Management letters/ letters of internal control weaknesses issued by statutory auditors;
- 3.5.4. Internal audit report relating to internal control weaknesses;

- 3.5.5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee;
- 3.5.6. Details of investments of surplus funds;
- 3.5.7. Legal compliance report and
- 3.5.8. Any other information or report requested by the Audit Committee from time to time.
- 3.6. The Audit Committee met four times during the year on 29.05.2013, 08.08.2013, 31.10.2013 and 27.01.2014. The necessary quorum was present at all the meetings. Details of attendance at the meetings are given below:

Name of the director	No. of the meetings held during the member's tenure 2013-14	
	Held	Attended
Mr. P. R. Tripathi	4	4
Mr. Anilkumar Mehta	4	4
Mr. K. Rama Rao	4	4

4. Remuneration committee

- 4.1. The Remuneration Committee has the following non-executive, independent director members:
- Mr. P. R. Tripathi (Chairman)
Mr. Anilkumar Mehta
Mr. K. Rama Rao
- 4.2. The responsibility of the committee is to review and fix the remuneration package of the Managing / Whole-time directors based on performance and other criteria; to consider and approve service contracts, notice period, severance fee and to consider and approve stock option schemes, if any.
- 4.3. The Remuneration Committee met once on 29.05.2013 during the year, attended by all members, for deciding the annual increment in remuneration of Mr. T. V. Chowdary, Executive Director, Mr. K. Chalil, Director (Marketing) and Dr. N. V. Srinivasa Rao, Director (Production) with effect from 01.04.2013.

4.4 Details of remuneration to the directors

(Rs. in lakhs)

Name of the director	Salary & allowances	Benefits	Commission	Sitting fee as a director	Sitting fee as a committee member	Total
<u>Executive directors</u>						
Dr. A. N. Gupta	82.52	23.25	23.22	-	-	128.99
Mr. T. V. Chowdary	27.61	8.42	7.74	-	-	43.77
Mr. K. Chalil	27.61	5.53	7.73	-	-	40.87
Dr. N. V. Srinivasa Rao	20.59	5.90	7.74	-	-	34.23
<u>Non-executive directors</u>						
Dr. (Mrs.) Kailash Gupta	-	-	-	0.40	0.40	0.80
Mr. Anilkumar Mehta	-	-	-	0.40	0.75	1.15
Dr. Haridwar Singh	-	-	-	0.20	-	0.20
Mr. P. R. Tripathi	-	-	-	0.40	0.35	0.75
Mr. K. Rama Rao	-	-	-	0.40	0.35	0.75
Dr. A. Venkataraman	-	-	-	0.40	-	0.40

5. Shareholders / Investors Grievance Committee

5.1. The members of the Shareholders / Investors Grievance Committee are

Mr. Anilkumar Mehta	Chairman, non-executive, independent director
Mr. T. V. Chowdary	Executive director
Dr. (Mrs.) Kailash Gupta	Non-executive, non-independent director

Mr. Avinash Kumar Singh, Company Secretary is the compliance officer.

5.2 The Board of directors entrusted, inter alia, the following powers and responsibilities to the committee:

5.2.1. To approve and register transfer, transmission, issue of duplicate shares, to approve the demat requests and remat requests;

5.2.2. To attend to shareholder's grievances and redress the complaints of shareholders and the complaints received from other authorities.

5.3. During the year under review, company received a total of 42 complaints from shareholders. All were redressed to the satisfaction of the shareholders and no complaint was outstanding as on 31st March, 2014.

6. Subsidiaries

The company does not have any subsidiaries as on 31st March, 2014.

7. CEO and CFO Certification

The CEO and CFO of the company have certified to the Board in relation to reviewing financial statements and other information as mentioned in para V of clause 49 of the listing agreement and the required certificate is appended.

8. General Body Meetings

Details of last three Annual General Meetings, all held at Surana Udyog Auditorium, FAPCCI, 11-6- 841, Red Hills, Hyderabad - 500004 are given below:

Year	Date	Time	No. of special resolutions passed
2010-11	18.07.2011	11.00 a.m.	-
2011-12	30.07.2012	11.00.a.m.	1
2012-13	08.08.2013	09.30 a.m.	4

9. Postal ballot resolutions

During the year, no business was transacted through postal ballot.

10. Submission of quarterly compliance reports to stock exchange

The company is regularly submitting its quarterly compliance report to the stock exchange, except for the quarter ended 31.12.2013 which was delayed by one day, for the compliance of requirements of corporate governance under para VI (ii) of clause 49 of listing agreement and has complied with its applicable mandatory requirements.

11. Risk management

The company has established a robust procedure for assessment and minimization of risks. This is reviewed regularly by the Board of directors. A more elaborate risk management process as contemplated by the revised clause 49 of the listing agreement has been included in the management discussion and analysis report.

12. Disclosures**12.1. Disclosures on materially significant related party transactions that may have potential conflict with the interests of the company at large:**

During the year ended 31.03.2014 there were no materially significant related party transactions that may have potential conflict with the interest of the company at large. Other related party transactions have been reported at item no. 30.2.14.1 of Notes to Accounts.

12.2. Compliance with matters related to capital markets:

During last three years, except levy of a penalty of rupees one thousand for one day delay in submitting compliance report for the quarter ended 31.12.2013 to stock exchange under para VI (ii) of clause 49 of listing agreement, there were no instances of non-compliance, penalties, strictures imposed by stock exchange or by SEBI or by any statutory authority on any matter related to capital markets.

12.3. Whistle blower policy

To strengthen its policy of corporate transparency, the company has established an innovative and empowering mechanism for employees. Employees can report to the management their concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. No personnel has been denied access to the audit committee.

12.4. Compliance with mandatory requirements and adoption of the non-mandatory requirements of Clause 49

The company has complied with all mandatory requirements as indicated in Clause 49 of the Listing Agreement, as mentioned at appropriate places in this report. Non-mandatory requirements would be complied with in due course of time on need basis.

13. Means of communication

Half yearly and quarterly financial results are normally published in newspapers viz. Business Standard (English) and Prajashakti (Telugu) on approval of the financial results by the Board of directors. Your company has a website, www.pelgel.com, which is regularly updated.

Financial results are sent regularly to financial institutions and banks upon their publication.

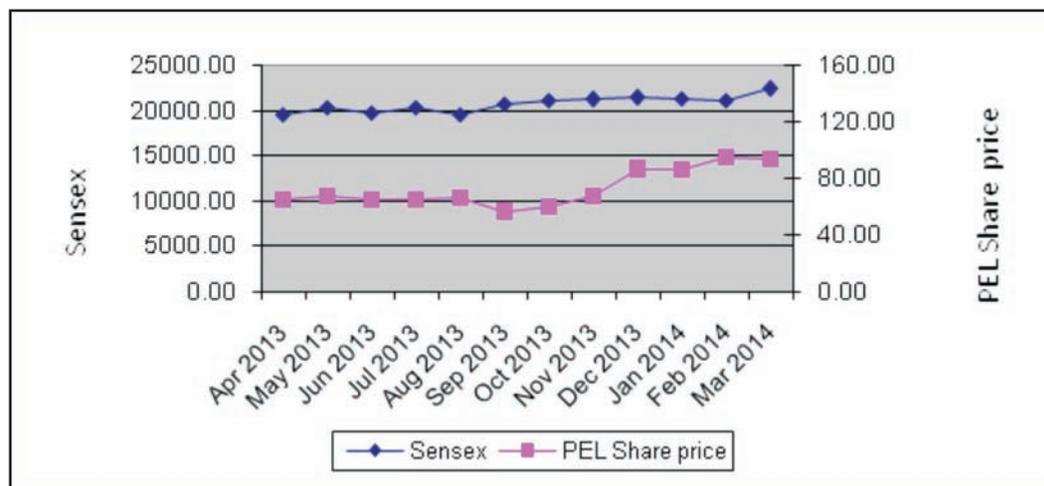
14. General shareholder information

14.1	34th AGM, date, time and venue	Wednesday, 13th August 2014, 10.00 a.m. Surana Udyog Auditorium, FAPCCI, 11-6-841, Red Hills, Hyderabad -500 029
14.2	Tentative financial calendar	
	Activity	Tentative date
	Publishing the unaudited financial results 1st quarter ending 30th Jun 2014 2nd quarter ending 30th Sep 2014 3rd quarter ending 31st Dec 2014	2nd week of Aug 2014 2nd week of Nov 2014 2nd week of Feb 2015
	Publishing the audited financial results for the year ending 31st March, 2015	4th week of May 2015
14.3	Date of book closure (Physical and electronic mode)	2nd of August 2014 to 13th of August 2014 (both days inclusive)
14.4	Expected date of payment of dividend	1st of September 2014 to 10th of September 2014
14.5	Listing on stock exchange	
	Name of the stock exchange Stock code Listing fee paid for the year 2013-14	Bombay Stock Exchange Limited 526247 Yes
14.6	Registrar & Share Transfer Agents (Physical and electronic registers)	Karvy Computershare Private Limited Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad - 500 081

14.7. Market price date – High / Low during each month during the year 2013-14

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
High	65.00	67.70	65.00	65.00	66.50	55.95	60.70	67.95	86.00	86.40	95.40	94.45
Low	52.90	55.10	55.25	58.90	49.00	48.00	53.75	54.00	62.20	70.10	78.75	64.30

14.8. Share price movement of the company in comparison to BSE Sensex is as follows:



14.9 Share transfer system

The company's shares are under compulsory dematerialisation category and transfers in electronic mode are effected online by the NSDL and CDSL. In respect of physical shares, the company normally processes the requests within 10 days and effects the transfer, if all the papers received are in order.

The company after effecting the transfer of the shares sends dematerialisation option to the transferee to convert the shares into fungible form, which has to be exercised within 15 days. Where the transferee exercises the option, the shares are converted into demat mode. Otherwise, the physical shares are sent to the transferee after expiry of the stipulated period.

14.10. Distribution of shareholding as on 31.03.2014

Range		No. of Share holders	%	No. of shares	%
From	To				
1	500	5,222	88.58	7,26,778	8.69
501	1,000	302	5.12	2,51,364	3.01
1,001	2,000	163	2.77	2,52,447	3.02
2,001	3,000	49	0.83	1,27,507	1.53
3,001	4,000	27	0.46	95,871	1.15
4,001	5,000	22	0.37	1,00,944	1.21
5,001	10,000	42	0.71	3,07,829	3.68
Above	10,000	68	1.15	64,95,835	77.71
Total		5,895	100.00	83,58,575	100.00

14.11. Categories of shareholders as on 31.03.2014

Category	No. of shares	%
Promoters	37,55,908	44.93
Mutual funds	1,200	0.01
Banks, financial institutions & others	100	0.00
Corporate bodies	4,80,124	5.74
Indian public	36,29,256	43.43
NRI's/ OCB's	4,91,987	5.89
Total	83,58,575	100.00

14.12. Dematerialisation of shares

The company's shares are in compulsory dematerialization category. The ISIN No. of the company is INE863B01011. The company has established electronic connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through its depository transfer agents M/s. Karvy Computershare Private Limited, Plot No.17-24, Vithal Rao Nagar, Madhapur, Hyderabad - 500 081.

78,70,446 equity shares representing 94.16 % of the company's share capital have been dematerialized as on 31.03.2014.

14.13. Address for correspondence

Company Secretary & Compliance Officer
Premier Explosives Limited
'Premier House', 11, Ishaq Colony, Near AOC Centre,
Secunderabad - 500 015, Andhra Pradesh*.
Ph: 040-66146801-3 Fax: 040-27843431
Email: investors@pelgel.com

14.14. Plant locations

Plant	Location
Detonators, Detonating fuse, Packaged explosives, Research centre for defense products & Solid propellants	Peddakandukur Village, Yadagirigutta Mandal, Nalgonda District, Andhra Pradesh*
Bulk explosives	
Chandrapur	C-16, M.I.D.C, Ghugus Road, Chandrapur, Maharashtra
Manuguru	Manuguru, Khammam District, Andhra Pradesh*
Singrauli	Plot No.42, Industrial Area, Udyog Deep, Waidhan, Sidhi District, Madhya Pradesh
Godavarikhani	Godavarikhani, Karimnagar District, Andhra Pradesh*
Neyveli	116, Melpathi, Mandarakuppam,, Neyveli Block 29 Cuddalore, Tamilnadu
Wind power	Pushpathur Village, Palani Taluk, Dindigul District, Tamilnadu

The above report has been approved by the Board of directors in its meeting held on 24.05.2014.

For and on behalf of the Board

Secunderabad
24.05.2014

Dr. A.N. Gupta
Chairman & Managing Director

* Telangana State from 02-06-2014

Appendix to Report on Corporate Governance

Details of directors seeking appointment / re-appointment at the Annual General Meeting

Particulars	Mr. T. V. Chowdary	Mr. Anilkumar Mehta	Mr. P. R. Tripathi
Date of Birth	August 16, 1957	March 24, 1946	June 24, 1943
Date of Appointment	August 31, 2005	May 17, 2003	September 28, 2007
Qualifications	B. Sc,	B. Sc. Tech (Petroleum)	A.I. S. M. (Mining Engineering)
Expertise in specific functional areas	Over 33 years of experience in explosives, solid propellants, petrochemicals, coal tar pitches, enamels, mushrooms industries	Senior Partner in M. Bhaskar Rao & Co., Chartered Accountants, Hyderabad Rich experience in auditing, taxation company law and project finance since 1973	Wide experience in mining Former Chairman & Managing Director of National Mineral Development Corporation Ltd. Retired President of Federation of Indian Mineral Industries
Directorships held in other companies (excluding foreign companies)	- Premier Wire Products Limited - Octane Chemicals Pvt. Limited	None	- Sarda Energy & Minerals Ltd. - Hindustan Dorr Oliver Ltd. - IVRCL Ltd. - HDO Technologies Ltd. - Minman Consultancy Services Pvt. Ltd.
Memberships / Chairmanships of committees of other companies (includes only Audit Committee and Shareholders / Investors Grievance Committee)	Audit Committee Premier Wire Products Ltd.	None	Audit Committee - Hindustan Dorr Oliver Ltd. - IVRCL Ltd. (Chairman) Shareholders / Investors Grievance Committee - Hindustan Dorr Oliver Ltd. - IVRCL Ltd. (Chairman)
No. of shares held in the Company as on 31st March, 2014	5,000	3,000	Nil

Appendix to Report on Corporate Governance (contd)

Details of directors seeking appointment / re-appointment at the Annual General Meeting

Particulars	Mr. K. Rama Rao	Dr. A. Venkataraman	Mr. Arun Kapoor
Date of Birth	September 14, 1934	January 10, 1959	October 24, 1955
Date of Appointment	April 27, 2009	April 27, 2009	May 24, 2014
Qualifications	Masters in Aeronautics, Cranfield, U.K.	M. Sc. , Ph. D.	F. C.A.
Expertise in specific functional areas	Retired as Associate Director of DRDL after serving for over 35 years in technology development.	Professor in Gulbarga University Expertise in Materials chemistry, Nanomaterials chemistry and polymer nano composites	Partner in Uberoi Sood & Kapoor, Chartered Accountants, New Delhi Rich experience in auditing, taxation, valuations and consultancy
Directorships held in other companies (excluding foreign companies)	None	None	- Reem Developers India Pvt. Ltd. - Punjab Biomass Power Ltd. - Ojasvy Finvest Private Ltd. - QCG Power Solutions Pvt. Ltd. - Assignia Bermaco Energy Pvt. Ltd. - Sane Renewable Energy Pvt. Ltd. - Tarz Support Services Pvt. Ltd.
Memberships / Chairmanships of committees of other companies (includes only Audit Committee and Shareholders / Investors Grievance Committee)	None	None	None
No. of shares held in the Company 31st March, 2014	Nil	Nil	Nil

**Annexure-3 to the Directors' Report
Auditors' Certificate regarding compliance
of conditions of Corporate Governance
under Clause 49 of the Listing Agreement**

**To the Members of
Premier Explosives Limited**

We have examined the compliance of conditions of corporate governance by Premier Explosives Limited, for the year ended on 31st March, 2014, as stipulated in clause 49 of the listing agreement of the said company with the 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 stipulated in the above mentioned listing agreement.

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.

For **P. V. R. K. Nageswara Rao & Co.,**
Chartered Accountants
Firm's Registration No. 002283S

Hyderabad
24.05.2014

N. Anka Rao
Partner
Membership No. 23939

**Annexure-4 to the Directors' Report
CEO and CFO Certification**

**To the Board of Directors of
Premier Explosives Limited**

We, Dr.A.N.Gupta, Chairman and Managing Director and C.Subba Rao, Chief Financial Officer responsible for the finance function, hereby certify that

1. We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2014 and to the best of our knowledge and belief
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
 - b) these statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
2. To the best of our knowledge and belief, no transactions entered into by the company during the year ended 31st March, 2014 are fraudulent, illegal or violative of the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
4. We have indicated to the Auditors and Audit Committee
 - a) significant changes, if any, in internal control over financial reporting during the year
 - b) significant changes, if any, in accounting policies during the year and the same have been disclosed in the notes to the financial statements and
 - c) instances of significant fraud which we have become aware and the involvement therein, if any, of the management or any employee having significant role in the company's internal control system over financial reporting.

Dr. A. N.Gupta
Secunderabad Chairman &
24.05.2014 Managing Director

C. Subba Rao
Chief Financial
Officer

Annexure-5 to the Directors' Report

Particulars as required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

A. Conservation of energy (Form 'A')	:	This is not applicable to the company	
B. Technology absorption (Form 'B')			
a) Research and Development (R & D)			
1. Specific areas in which R & D carried out by the company	:	Development of specialized high energy chemicals	
2. Benefits derived as a result of above R & D	:	Commercializing the in-house developed products	
3. Future plan of action	:	To continuously improve existing products and develop cost effective processes	
4. Expenditure on R & D (Rs. lakhs)		<u>2013-14</u>	<u>2012-13</u>
i Capital	:	-	0.50
ii Recurring	:	69.15	55.92
Total	:	<u>69.15</u>	<u>56.42</u>
R & D expenditure as % of turnover	:	0.48%	0.52%
b) Technology Absorption, Adaptation and Innovation			
1. Efforts	:	New products were developed	
2. Benefits	:	Successfully started commercial production of new products	
3. Particulars of imported technology in the last five years	:	No technology imported	
C. Foreign exchange earnings and outgo (Rs. lakhs)			
a) Earnings	:	<u>1131.33</u>	<u>622.21</u>
b) Outgo	:	<u>128.77</u>	<u>264.39</u>

For and on behalf of the Board

Secunderabad
24.05.2014**Dr. A. N. Gupta**
Chairman & Managing Director

Annexure-6 to the Directors' Report

Information as per Section 217 (2A) (b) (ii) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2014

Name	Designation / nature of duties	Gross remuneration (Rs. lakhs)	Qualifications	Age (years)	Total experience (years)	Date of commencement of employment	Last employment & designation
Dr. A. N. Gupta	Chairman & Managing Director	128.99	M.Sc., D.Sc.	69	47	14.02.1980	I.E.L. Limited, Area Sales Manager

Note

1. Above employee has been employed for the full year. There is no other employee who has been employed for part of the year and drawing a monthly remuneration of Rs.5.00 lakhs or more.
2. The employment is contractual.
3. Dr. (Mrs.) Kailash Gupta, another director on the Board, is the wife of Dr. A. N. Gupta.
4. Gross remuneration includes salary, commission, leave travel allowance, contribution to provident fund, reimbursement of medical expenses and benefits.

For and on behalf of the Board

Dr. A. N. Gupta
Chairman & Managing Director

Secunderabad
24.05.2014

Independent Auditor's Report

To

The Members of Premier Explosives Limited

Report on the Financial Statements

We have audited the accompanying financial statements of PREMIER EXPLOSIVES LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The managerial remuneration paid to the Whole Time Directors as detailed in Note no 30.2.7 is in excess of the limits laid down under Section 198 and 309 read with Schedule XIII of the Companies Act, 1956 by Rs.95.47 Lakhs and is subject to the approval of Central Government for which necessary applications have already been made by the Company.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;*
- b. in the case of the Statement of Profit and Loss, 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 on that date.*

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

- d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
- e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For P V R K Nageswara Rao & Co.,
Chartered Accountants
Firm's Registration Number: 002283S

Hyderabad
24.05.2014

N. Anka Rao
Partner
Membership Number: 23939

Annexure to Independent Auditor's Report

Referred to in Paragraph 1 under the heading of 'Report on Other Legal and Regulatory Requirements' of our report of even date

- | | |
|--|--|
| <p>1(a) The company has maintained proper records showing full particulars including quantitative details except situation of Fixed Assets.</p> <p>(b) As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification.</p> <p>(c) The Company has not disposed off substantial part of fixed assets during the year, which affect the going concern assumption.</p> <p>2(a) As explained to us, the stock of stores, spare parts, raw materials and finished goods of the company have been physically verified at frequent intervals during the year by the Management except stocks lying with outside warehouses which have been verified with reference to certificates and other relevant documents where available.</p> <p>(b) The procedures of physical verification of Inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.</p> | <p>(c) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.</p> <p>3 (a) The Company had granted rent deposit to a company listed in the register maintained under section 301 of the Companies Act, 1956. The balance as on 31st March, 2014 and the maximum amount involved during the year were Rs. Nil/- and Rs. 5,61,968/- respectively.</p> <p>(b) The Company has taken unsecured loans from fourteen parties listed in the register maintained under section 301 of the Companies Act, 1956. The balance as on 31st March, 2014 and the maximum amount involved during the year were Rs. 3,46,96,000/- and Rs. 4,70,72,000/- respectively.</p> <p>(c) In our opinion the rate of interest and other terms and conditions of unsecured loans taken from the parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interests of the company.</p> <p>(d) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.</p> |
|--|--|

- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system with regard to purchase of inventory, fixed assets and for the sale of goods and services.
- 5 (a) According to the information and explanations given to us and as confirmed by the company secretary of the Company, we are of the opinion that the contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5,00,000/- in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6 According to the information and explanations given to us, the Company has generally complied with the directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under where applicable. We are informed that, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- 7 In our opinion and according to the explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
- 8 We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 9 (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs duty, Excise Duty, Cess and other material statutory dues applicable to it with appropriate authorities and in respect of these statutory dues, there are no outstanding dues as on 31.03.2014 which are outstanding for a period of more than six months from the date they became payable.
- (b) According to the records of the Company and as per the information and explanations given to us, there are no dues of Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess which has not been deposited on account of dispute as on 31.03.2014, except Central Sales Tax the details of which are as given below:
- | | |
|--------------------------------|---|
| Name of the Statute | : Central Sales Tax |
| Nature of the dues | : Sales Tax |
| Year to which it relates | : 2007-08 |
| Amount Rs. | : 1,51,30,507/- |
| Forum where dispute is pending | : Honourable High Court of Andhra Pradesh |
- 10 As per the information and explanations given to us and on an overall examination of the financial statements of the company for the current and immediately preceding financial year, we report that the Company does not have any accumulated losses at the end of the current financial year nor incurred cash losses in the current and immediately preceding financial year.
- 11 During the year the Company has not defaulted in repayment of dues to financial institutions, bank and debenture holders.
- 12 As per the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities to anybody during the year.
- 13 In our opinion, as the Company is not a chit fund or a nidhi or mutual benefit fund or society, the provisions of Clause 4 (xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company for this year.
- 14 According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

- 15 In our opinion, the terms and conditions on which the company has given guarantees for the loans taken by others from banks or financial institutions are not prejudicial to the interests of the Company.
- 16 In our opinion, the term loans have been applied for the purpose for which they were raised.
- 17 As per the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the funds raised on short term basis have not been used for long term investments.
- 18 The Company has made preferential allotment of shares to four parties covered in the Register maintained under section 301 of the Act during the year. In our opinion and according to the information and explanations given to us, the price at which shares have been issued is not prejudicial to the interests of the company.
- 19 As per the information and explanations given to us, the Company has not issued any debentures during the year, which requires the creation of security or charge.
- 20 During the year the Company has not made any public issues for which the management has to disclose the end use of money raised through that public issue.
- 21 During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted practices in India and according to the information and explanations given to us we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

For P V R K Nageswara Rao & Co.,
Chartered Accountants
Firm's Registration Number: 002283S

N. Anka Rao
Partner
Membership Number: 23939

Hyderabad
24.05.2014

Balance Sheet as at 31st March, 2014

(Rs. in lakhs)

Particulars	Note no.	As at 31st March, 2014	As at 31st March, 2013
Equity and liabilities			
Shareholders' funds			
Share capital	1	835.86	812.75
Reserves and surplus	2	4,809.80	4,032.93
Money received against share warrants		77.21	-
		5,722.87	4,845.68
Non-current liabilities			
Long-term borrowings	3	286.32	404.93
Deferred tax liabilities (net)	4	638.59	562.56
Other long-term liabilities	5	103.98	103.40
Long-term provisions	6	124.80	84.96
		1,153.69	1,155.85
Current liabilities			
Short-term borrowings	7	737.82	680.54
Trade payables	8	811.95	706.98
Other current liabilities	9	1,897.82	1,253.70
Short-term provisions	10	408.69	347.72
		3,856.28	2,988.94
Total		10,732.84	8,990.47
Assets			
Non-current assets			
Fixed assets	11		
Tangible assets		4,113.26	3,754.73
Intangible assets		1.37	2.49
Net block		4,114.63	3,757.22
Capital work in progress		166.17	91.69
		4,280.80	3,848.91
Non-current investments	12	520.00	520.00
Long-term loans and advances	13	283.54	449.32
Other non-current assets	14	124.33	99.16
		5,208.67	4,917.39
Current assets			
Inventories	15	1,838.16	1,682.75
Trade receivables	16	2,949.91	1,746.80
Cash and bank balances	17	261.59	223.20
Short-term loans and advances	18	359.29	379.77
Other current assets	19	115.22	40.56
		5,524.17	4,073.08
Total		10,732.84	8,990.47
Summary of significant accounting policies and other explanatory information	30		

Per our report of even date

For P.V.R.K. Nageswara Rao & Co.,
Chartered Accountants
Firm's Registration Number: 0022835

N. Anka Rao
Partner
Membership Number: 23939

Secunderabad
24.05.2014

C. Subba Rao
Chief Financial Officer

Avinash Kumar Singh
Company Secretary

For and on behalf of the Board

Dr. A.N. Gupta
Chairman and Managing Director

T.V. Chowdary
Executive Director

Statement of Profit and Loss for the year ended 31st March, 2014

(Rs. in lakhs)

Particulars	Note no.	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Revenue			
Revenue from operations			
Sale of products		14,234.10	10,289.11
Sale of traded goods		178.39	201.36
Sale of services	20	1,468.92	1,451.26
Other operating revenues	21	69.35	56.50
		15,950.76	11,998.23
Less: Excise duty		1,410.38	1,058.13
		14,540.38	10,940.10
Other income	22	140.67	205.72
Total revenue		14,681.05	11,145.82
Expenses			
Cost of raw materials consumed	23	7,135.47	5,487.50
Purchase of stock in trade		174.89	161.04
Changes in inventories of finished goods, work-in-progress and scrap	24	(10.38)	(172.94)
Employee benefits expense	25	3,485.68	2,764.83
Finance costs	26	236.15	179.89
Research and development expenses	27	69.15	55.92
Depreciation (net) and amortisation expense		235.22	214.50
Other expenses	28	2,059.37	1,674.43
Total expenses		13,385.55	10,365.17
Profit before exceptional items and tax		1,295.50	780.65
Exceptional items (net)	29	-	(37.06)
Profit before tax		1,295.50	743.59
Tax expense			
Current tax		325.00	160.00
Deferred tax		76.03	78.30
Income tax adjustments		(26.84)	(28.63)
		374.19	209.67
Profit after tax		921.31	533.92
Earnings per equity share (Face value: Rs.10/- per share)			
Basic - Rs.		11.25	6.57
Diluted - Rs.		11.17	6.57
Summary of significant accounting policies and other explanatory information			
	30		

Per our report of even date

For P.V.R.K. Nageswara Rao & Co.,
Chartered Accountants
Firm's Registration Number: 002283S

N. Anka Rao
Partner
Membership Number: 23939

Secunderabad
24.05.2014

C. Subba Rao
Chief Financial Officer

Avinash Kumar Singh
Company Secretary

For and on behalf of the Board

Dr. A.N. Gupta
Chairman and Managing Director

T.V. Chowdary
Executive Director

Cash flow statement for the year ended 31st March, 2014

(Rs. in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
A. Net cash flow from operating activities		
Net profit after exceptional items and before tax	1,295.50	743.59
Adjustments for		
Depreciation	235.22	214.50
Interest expense	176.76	130.90
Interest income	(20.09)	(52.38)
Bad debts written off	-	0.23
Claims written off	-	0.38
Loss on sale of assets (net)	0.12	4.99
Loss on sale of investments	68.45	-
Provision for diminution in book value of investments no longer required, written back	(68.45)	-
Unrealised foreign exchange variation	1.25	0.75
Operating profit before working capital changes	1,688.76	1,042.96
Adjustments for		
(Increase) in inventories	(155.41)	(505.06)
(Increase) in trade receivables	(1,203.93)	(197.48)
Decrease/(Increase) in long-term loans and advances	12.88	(25.57)
(Increase) / decrease in other non-current assets	(76.81)	25.73
Decrease/(increase) in short-term loans and advances	20.48	(115.56)
(Increase) in other current assets	(71.42)	(29.74)
Increase in trade payables	104.67	147.00
Increase/(decrease) in other current liabilities	514.12	(75.13)
Increase/(decrease) in short-term provisions	(47.23)	9.89
Increase in long-term provisions	39.84	12.81
(Decrease)/increase in other long-term liabilities	(3.50)	0.49
Cash generated from operations	822.45	290.34
Income tax paid	(213.89)	(202.26)
Total	608.56	88.08
B. Cash flow from investing activities		
Capital expenditure	(389.46)	(752.02)
Disposal of fixed assets	0.58	25.02
Investments in Bank deposits (original maturity of more than three months) (net)	(12.08)	(82.78)
Interest received	19.79	108.54
Loan received back from related party	-	345.00
Investment	-	(475.00)
Total	(381.17)	(831.24)

Cash flow statement for the year ended 31st March, 2014

(Rs. in lakhs)

Particulars		For the year ended 31st March, 2014	For the year ended 31st March, 2013
C Cash flow from financing activities			
Proceeds/(repayment) of long-term borrowings (net)		(118.61)	294.50
Increase in short-term borrowings		57.28	511.70
Proceeds from issue of share capital including securities premium		142.70	-
Proceeds from issue of share warrants		77.21	-
Receipt against share allotment money due		-	0.05
Interest paid		(172.10)	(107.85)
Dividend and dividend tax paid		(237.72)	(236.14)
Total	C	(251.24)	462.26
D Exchange difference on translation of foreign currency cash and cash equivalents	D	(0.13)	-
E Cash and cash equivalents at the end of the year			
Net increase in cash and cash equivalents	A+B+C+D	(23.98)	(280.90)
Cash and cash equivalents at the beginning of the year		48.86	329.76
Total	E	24.88	48.86

Notes

- Cash flow statement has been prepared under 'Indirect method' in accordance with 'Accounting Standard - 3 Cash flow statement', issued under the Companies (Accounting Standards) Rules, 2006.
- Summary of significant accounting policies and other explanatory information on accounts form an integral part of cash flow statement.
- Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

This is the Cash flow statement referred to in our report of even date.

For P.V.R.K. Nageswara Rao & Co.,
Chartered Accountants
Firm's Registration Number: 002283S

For and on behalf of the Board

N. Anka Rao
Partner
Membership Number: 23939

C. Subba Rao
Chief Financial Officer

Dr. A.N. Gupta
Chairman and Managing Director

Secunderabad
24.05.2014

Avinash Kumar Singh
Company Secretary

T.V. Chowdary
Executive Director

Notes to Balance sheet

(Rs. in lakhs)

Note no.	Particulars	As at 31st March, 2014	As at 31st March, 2013
1	Share capital		
	Authorised 1,00,00,000 (Previous year: 1,00,00,000) Equity shares of Rs.10/- each	1,000.00	1,000.00
	Issued 83,58,575 (Previous year: 81,27,575) Equity shares of Rs.10/- each	835.86	812.76
	Subscribed and paid up 83,58,575 (Previous year: 81,17,675) Equity shares of Rs.10/- each, fully paid	835.86	811.77
	Nil (Previous year: 9,900) Equity shares of Rs.10/- each, not fully paid	-	0.99
	Less: Allotment money due	-	0.01
		-	0.98
		835.86	812.75

Reconciliation of the number of equity shares outstanding is set out below:

Particulars	No. of shares	No. of shares
Equity Shares outstanding at the beginning of the year	81,27,575	81,27,575
Add: Equity Shares issued during the year	2,31,000	-
Equity Shares outstanding at the end of the year	83,58,575	81,27,575

Details of shareholders holding more than 5% equity shares as on 31.03.2014 is set out below:

Name of the shareholder	No. of shares held	% of share holding	No. of Shares held	% of share holding
Promoters' group				
Dr. A.N.Gupta	13,93,145	16.67%	12,83,895	15.80%
Dr. (Mrs.) Kailash Gupta	9,22,172	11.03%	8,40,588	10.34%
Mrs. Shonika Prasad	7,89,581	9.45%	7,89,581	9.71%
A. N. Gupta (HUF)	5,68,697	6.80%	5,21,097	6.41%

Terms/rights attached to equity shares:

The company has only one class of equity shares having a par value of Rs.10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

Terms of share warrants convertible into equity shares:

On 27th August 2013 the company has allotted 7,31,000 warrants, which are convertible into one equity share of Rs.10/- each at a premium of Rs.51.77 per share, within a period of 18 months from the date of allotment, to the promoters, directors, key management personnel and employees. The company has received an amount of Rs. 219.90 lakhs being 100% of the issued price against 2,31,000 warrants and 25% against 5,00,000 warrants. The company has allotted 2,31,000 equity shares against the equal number of warrants on 27th December, 2013 and there are 5,00,000 outstanding warrants to be converted into equity shares.

During the year ended 31st March 2014, the amount of dividend recognised as distributions to equity shareholders was Rs.2.70 per share (2012-13: Rs. 2.50 per share)

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes to Balance sheet

(Rs. in lakhs)

Note no.	Particulars	As at 31st March, 2014	As at 31st March, 2013
2	Reserves and surplus		
	Capital reserve		
	Subsidy received	30.57	30.57
	Shares forfeited	<u>0.13</u>	<u>0.13</u>
		30.70	30.70
	Securities premium account		
	As per last account	173.34	173.34
	Add: Premium received on allotment of equity shares	<u>119.59</u>	-
		292.93	173.34
	General reserve		
	As per last account	1,000.00	900.00
	Add: Amount transferred from statement of profit and loss	<u>200.00</u>	<u>100.00</u>
		1,200.00	1,000.00
	Balance in statement of profit and loss (Surplus)		
	As per last account	2,828.89	2,632.69
	Add: Profit as per statement of profit and loss	<u>921.31</u>	<u>533.92</u>
	Total available for allocations and appropriations	3,750.20	3,166.61
	Less: Allocations and appropriations		
	Proposed dividend	225.68	203.19
	Provision for corporate dividend tax	38.35	34.53
	Transferred to General reserve	<u>200.00</u>	<u>100.00</u>
	Profit carried forward to next year	3,286.17	2,828.89
		4,809.80	4,032.93
3	Long term borrowings		
	Unsecured		
	Term loan from a bank	198.00	250.00
	Less: Current maturities of long-term debt	<u>198.00</u>	<u>52.00</u>
	Personal guarantee of two directors of the company	-	198.00
	Original amount of Loan: Rs. 250 lakhs		
	Repayment: 9 monthly installments of Rs. 22 lakhs each		
	(April , 2014 to December, 2014)		
	Period of maturity from balance sheet date: 9 months		
	Interest rate: Base rate (10.75% as on 31st March, 2014)		
	+ 1.45% p.a.		
	There is no continuing default as on the balance sheet		
	date in repayment of loan and interest amount		
	Fixed deposits from related parties	194.48	172.13
	Less: Current maturities of long-term debt	<u>59.37</u>	<u>62.39</u>
		135.11	109.74
	Fixed deposits from others	192.96	167.67
	Less: Current maturities of long-term debt	<u>41.75</u>	<u>70.48</u>
		151.21	97.19
	Above loans carry interest @ 12.5% p.a.		
	There is no continuing default as on the balance sheet date		
	in repayment of loans and interest amounts	286.32	404.93
4	Deferred tax liabilities (net)		
	Balance at the beginning of the year	562.56	484.26
	Adjustment for the current year	<u>76.03</u>	<u>78.30</u>
	(Refer note no.30.2.17)	638.59	562.56
5	Other long term liabilities		
	Deposits from dealers and others	75.97	79.47
	Interest accrued but not due on borrowings	<u>28.01</u>	<u>23.93</u>
		103.98	103.40

Notes to Balance sheet

(Rs. in lakhs)

Note no.	Particulars	As at 31st March, 2014	As at 31st March, 2013
6	Long term provisions		
	Provision for employee benefits	124.80	84.96
		<u>124.80</u>	<u>84.96</u>
7	Short term borrowings		
	Secured		
	Loans repayable on demand		
	Working capital loans from banks	585.11	552.47
	Above loans are secured by hypothecation of stocks, receivables and other current assets and further secured by second charge on fixed assets of the company and personal guarantee of two directors of the company		
	Above loans carry interest @ 9.75% to 14% p.a.		
	There is no default as on the balance sheet date in repayment of loans and interest amounts		
	Unsecured		
	Loans from related parties	128.72	104.00
	Fixed deposits from related parties	2.71	15.00
	Fixed deposits from others	21.28	9.07
	Above loans carry interest @ 12.5% p.a.		
	There is no default as on the balance sheet date in repayment of loans and interest amounts		
		<u>737.82</u>	<u>680.54</u>
8	Trade payables		
	Dues of micro and small enterprises (Refer note no.30.2.9)	-	6.41
	Dues of enterprises other than micro and small enterprises	811.95	700.57
		<u>811.95</u>	<u>706.98</u>
9	Other current liabilities		
	Current maturities of long-term debt		
	Loan from a bank	198.00	52.00
	Fixed deposits from related parties	59.37	62.39
	Fixed deposits from others	41.75	70.48
		<u>299.12</u>	<u>184.87</u>
	Interest accrued but not due on borrowings	49.69	52.66
	Advances from customers	274.20	293.79
	Unclaimed dividend (There is no amount due and outstanding to be credited to investor education and protection fund)	17.88	16.29
	Other payables		
	Statutory liabilities	248.37	165.83
	Creditors for capital works	154.14	22.76
	Employee benefits payable	460.12	224.68
	Others	394.30	292.82
		<u>1,256.93</u>	<u>706.09</u>
		<u>1,897.82</u>	<u>1,253.70</u>
10	Short term provisions		
	Employees benefits	28.43	75.62
	Proposed dividend	225.68	203.19
	Corporate dividend tax	38.35	34.53
	Wealth tax	0.29	0.33
	Income tax (net of prepaid taxes)	112.39	34.05
	Interest on income tax	3.55	-
		<u>408.69</u>	<u>347.72</u>

Notes to Balance sheet

11. Fixed assets

(Rs. in lakhs)

Description of assets	Gross block			Depreciation / Amortisation			Net block			
	Cost as at 01.04.2013	Additions during the year	Deductions during the year	Total cost as at 31.03.2014	Up to 31.03.2013	For the year	On deductions	Total up to 31.03.2014	As at 31.03.2014	As at 31.03.2013
A. Tangible assets										
Freehold land	342.41	4.64	-	347.05	-	-	-	-	347.05	342.41
Leasehold land	2.19	-	-	2.19	0.30	0.02	-	0.32	1.87	1.89
Roads and buildings	1,268.81	65.61	-	1,334.42	215.11	31.45	-	246.56	1,087.86	1,053.70
Plant and equipment	3,170.06	508.18	9.82	3,668.42	1,067.66	177.96	9.33	1,236.29	2,432.13	2,102.40
Research and development equipment	136.44	-	-	136.44	33.18	6.18	-	39.36	97.08	103.26
Data processing equipment	52.20	3.47	-	55.67	41.21	3.24	-	44.45	11.22	10.99
Office equipment	49.63	8.76	0.23	58.16	15.71	2.64	0.02	18.33	39.83	33.92
Furniture and fittings	65.56	2.07	-	67.63	21.03	4.92	-	25.95	41.68	44.53
Vehicles	94.42	0.04	-	94.46	32.79	7.13	-	39.92	54.54	61.63
Total tangible assets	5,181.72	592.77	10.05	5,764.44	1,426.99	233.54	9.35	1,651.18	4,113.26	3,754.73
B. Intangible assets										
ERP licence fee	8.32	-	-	8.32	8.32	-	-	8.32	-	-
Software	16.99	0.56	-	17.55	14.50	1.68	-	16.18	1.37	2.49
Total intangible assets	25.31	0.56	-	25.87	22.82	1.68	-	24.50	1.37	2.49
Total	5,207.03	593.33	10.05	5,790.31	1,449.81	235.22	9.35	1,675.68	4,114.63	3,757.22
Previous year total	4,620.96	690.91	104.84	5,207.03	1,310.14	214.50	74.83	1,449.81	3,757.22	3,310.82
C. Capital Work-in-progress										
	91.69	390.63	316.15	166.17	-	-	-	-	166.17	91.69

Notes to Balance sheet

(Rs. in lakhs)

Note no.	Particulars	As at 31st March, 2014	As at 31st March, 2013
12	Non-current investments		
	(Long term investments, Non-trade, unquoted, fully paid up) (At Cost less provision for other than temporary diminution in value)		
	Investments in equity shares		
	Investment in associate company		
	4,50,000 (Previous year: 4,50,000) Equity shares of Rs.10/- each in Premier Wire Products Limited	45.00	45.00
	Investment in joint ventures		
	Nil (Previous year: 9,000) Equity shares of \$10 each in Premier Georgia Limited	-	40.63
	Less:		
	Provision for diminution in value of investment	-	40.63
	Nil (Previous year: 3,600) Equity shares of YTL 25 each in Premier Sentas Patalayici Maddeler Ticaret Ve Sanayi A.S.	-	27.82
	Less:		
	Provision for diminution in value of investment	-	27.82
	Investments in preference shares		
	Investment in associate company		
	47,50,000 (Previous year: 47,50,000) 11% Redeemable, Non-convertible & Cumulative Preference Shares of Rs.10/- each in Premier Wire Products Limited	475.00	475.00
		<u>520.00</u>	<u>520.00</u>
	Aggregate amount of unquoted investments	520.00	588.45
	Aggregate provision for diminution in value of investments	-	68.45
13	Long term loans and advances		
	(Unsecured, considered good)		
	Capital advances	130.82	277.79
	Security deposits	148.51	160.56
	Loans and advances to staff (Includes Rs 0.01 lakhs(Previous year Rs.0.14 lakhs) due from an officer of the company)	0.20	1.03
	Prepaid taxes (net of provision)	4.01	9.94
		<u>283.54</u>	<u>449.32</u>
14	Other non-current assets		
	(Unsecured, considered good)		
	Long term trade receivables	87.89	13.21
	Long term prepaid expenses	15.78	13.65
	Bank deposits with maturity of more than 12 months	19.18	67.88
	Interest accrued on deposits with banks	1.48	4.42
		<u>124.33</u>	<u>99.16</u>

Notes to Balance sheet

(Rs. in lakhs)

Note no.	Particulars	As at 31st March, 2014	As at 31st March, 2013
15 Inventories			
	(Valued at cost and net realisable value whichever is lower except the scrap which is valued at net realisable value)		
	Raw materials (including stock in transit of Rs.16.95 lakhs, Previous year: Rs.20.13 lakhs)	817.53	748.13
	Work-in-progress	304.19	387.74
	Finished goods	377.63	251.17
	Stores and spares	335.05	287.11
	Scrap	3.76	8.60
		<u>1,838.16</u>	<u>1,682.75</u>
16 Trade receivables			
	(Unsecured, considered good)		
	Outstanding for a period exceeding six months from the date they became due for payment	384.26	175.82
	Others	2,565.65	1,570.98
		<u>2,949.91</u>	<u>1,746.80</u>
17 Cash and bank balances			
	Cash and cash equivalents		
	Cash on hand	2.35	1.05
	Balances with banks		
	Current accounts	21.53	47.81
	Cash credit account	1.00	-
		24.88	48.86
	Other bank balances		
	Unpaid dividend	17.88	16.29
	Bank deposits with banks held as margin money and as security against bank guarantees	218.83	158.05
		236.71	174.34
		<u>261.59</u>	<u>223.20</u>
18 Short term loans and advances			
	(Unsecured, considered good)		
	Loans and advances to a related party:		
	Godavari Explosives Limited	-	5.24
	Advances to suppliers	166.71	186.13
	Central excise duty deposit	52.54	59.28
	Prepaid expenses	73.09	62.25
	Loans and advances to staff (includes Rs.0.01 lakhs (Previous year Rs.0.14 lakhs) due from an officer of the company)	8.84	4.46
	Others	58.11	62.41
		<u>359.29</u>	<u>379.77</u>
19 Other current assets			
	Interest accrued on deposits	12.36	9.12
	Insurance claims receivable	101.88	31.44
	Unbilled revenue	0.98	-
		<u>115.22</u>	<u>40.56</u>

Notes to Statement of profit and loss

(Rs. in lakhs)

Note no.	Particulars	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
20	Sale of services				
	Operations and maintenance services		1,302.99		1,329.96
	Job work and other services		165.93		121.30
			<u>1,468.92</u>		<u>1,451.26</u>
21	Other operating income				
	Sale of scrap arising out of manufacturing process		60.15		56.50
	Export incentives received		9.20		-
			<u>69.35</u>		<u>56.50</u>
22	Other income				
	Interest income		20.09		52.38
	Net gain on foreign currency transactions and translations		-		7.10
	Provision for liabilities no longer required, written back		40.38		138.69
	Provision for diminution in book value of investments no longer required, written back		68.45		-
	Other non-operating income		11.75		7.55
			<u>140.67</u>		<u>205.72</u>
23	Cost of raw materials consumed				
	Opening stock		748.13		500.58
	Add: Purchases		7,204.87		5,735.05
			<u>7,953.00</u>		<u>6,235.63</u>
	Less: Closing stock		817.53		748.13
			<u>7,135.47</u>		<u>5,487.50</u>
24	Changes in inventories of finished goods, work-in-progress and scrap				
	Finished goods				
	Closing stock	377.63		251.17	
	Opening stock	<u>251.17</u>	(126.46)	<u>214.93</u>	(36.24)
	Excise duty adjustment				
	Excise duty on closing stock	42.00		14.31	
	Excise duty on opening stock	<u>14.31</u>		<u>11.13</u>	
	Excise duty adjustment on finished goods		27.69		3.18
	Work-in-progress				
	Closing stock	304.19		387.74	
	Opening stock	<u>387.74</u>	83.55	<u>250.51</u>	(137.23)
	Scrap				
	Closing stock	3.76		8.60	
	Opening stock	<u>8.60</u>	4.84	<u>5.95</u>	(2.65)
			<u>(10.38)</u>		<u>(172.94)</u>
25	Employee benefits expense				
	Salaries, wages, bonus and other benefits		3,001.95		2,421.94
	Contribution to provident fund and other funds		323.56		194.48
	Contribution to ESI		32.28		42.81
	Staff welfare expenses		127.89		105.60
			<u>3,485.68</u>		<u>2,764.83</u>
26	Finance costs				
	Interest expense		176.76		130.90
	Other borrowing costs		59.39		48.99
			<u>236.15</u>		<u>179.89</u>

Notes to Statement of profit and loss

(Rs. in lakhs)

Note no.	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
27	Research and development expenses		
	Material consumed	7.44	7.93
	Salaries, wages, bonus and other benefits	58.81	45.00
	Contribution to provident fund and other funds	1.84	1.63
	Contribution to ESI	1.06	1.36
		<u>69.15</u>	<u>55.92</u>
28	Other expenses		
	Consumption of stores and spare parts	29.84	16.48
	Consumption of packing materials	344.96	227.28
	Power and fuel	167.56	170.79
	Rent	12.51	14.09
	Repairs to buildings	24.21	16.27
	Repairs to machinery	239.12	216.85
	Repairs to other assets	148.97	103.09
	Insurance	47.58	42.91
	Rates and taxes, excluding taxes on income	34.09	27.07
	Directors sitting fees	4.05	4.40
	Payments to auditors		
	as auditors	5.50	4.50
	for tax audit	3.25	2.50
	for income tax matters	1.00	0.75
	for quarterly reviews	3.75	3.00
	for certification	2.70	1.97
	for expenses	1.39	1.49
		<u>17.59</u>	<u>14.21</u>
	Equipment hire charges	18.84	18.00
	Printing and stationery	17.10	15.71
	Communication expenses	23.03	22.36
	Vehicle maintenance	21.58	22.27
	Travelling and conveyance	218.02	197.34
	Professional charges	22.57	34.49
	Advertisement	5.43	2.98
	Sales commission	197.60	173.64
	Sales promotion expenses	6.91	6.92
	Other selling expenses	82.89	55.46
	Carriage and freight	463.96	300.20
	Less: recovered	<u>295.46</u>	<u>171.92</u>
	Loss of stocks due to accident	6.12	-
	General expenses	106.95	108.76
	Bank charges and commission	10.19	8.02
	Donations	9.48	3.54
	Loss on sale of assets	0.18	5.08
	Less: Profit on sale of assets	<u>0.06</u>	<u>0.09</u>
	Loss on sale of investments	68.45	-
	Net loss on foreign currency transactions and translations	5.11	-
	Technical know how fees	-	18.00
	Bad debts written off	-	0.23
		<u>2,059.37</u>	<u>1,674.43</u>
29	Exceptional items		
	Payments under voluntary retirement scheme	-	(37.06)
		-	<u>(37.06)</u>

30 Summary of significant accounting policies and other explanatory information

30.1 Summary of significant accounting policies

1 Basis of preparation

The financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on an accrual basis to comply in all material respects with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 (as amended), other pronouncements of the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 1956 and also the guidelines issued by the Securities and Exchange Board of India (SEBI).

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

The financial statements are presented in Indian rupees rounded off to the nearest lakh.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and time between acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

2 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and reported amounts of revenues and expenses for the year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between actual results and estimates are recognised in the period in which the results are known / materialised.

3 Fixed assets

(i) Fixed assets are stated at cost of acquisition which includes inland freight, duties and taxes and incidental expenses related to acquisition and net of CENVAT wherever applicable. In respect of projects involving construction, related pre-operational expenses form part of the cost of the assets capitalised.

(ii) Revenue expenditure incurred during the construction period of the project is shown under "Unallocated Expenditure Pending Capitalisation" till the commencement of the commercial production or their intended use and the same is capitalised by allocating to relevant assets in the ratio of their direct costs.

4 Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

5 Depreciation

(i) Depreciation is charged under straight line method in accordance with rates specified in Schedule XIV of the Companies Act, 1956.

(ii) Depreciation has been provided at one hundred percent for assets costing less than Rs.5,000/-.

(iii) Leasehold land is amortised over the lease period.

30 Summary of significant accounting policies and other explanatory information

30.1 Summary of significant accounting policies

6 Intangible assets and amortisation

Cost relating to intangible assets, which are acquired, is capitalised and amortised over a period of 3 years, which is based on their estimated useful life.

7 Inventories

- (i) Raw materials and stores and spares are valued at lower of cost, calculated on weighted average basis, and net realisable value. Items held for use in the production of inventories are not written down below cost if the finished product in which these will be incorporated are expected to be sold at or above cost.
- (ii) Finished goods and work-in-progress are valued at lower of cost and net realisable value. Cost includes materials, labour and a proportion of appropriate overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
- (iii) Scrap is valued at net realisable value.
- (iv) Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
- (v) Obsolete, defective and unserviceable inventories are duly provided for.

8 Borrowing costs

- (i) Borrowing cost includes interest, ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.
- (ii) Borrowing costs directly attributable to acquisition or construction of Fixed Assets which necessarily take a substantial period of time to get ready for their intended use, incurred till the time of commencement of commercial production or their intended use are capitalized. All other borrowing costs are expensed in the period they occur.

9 Investments

- (i) Investments that are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.
- (ii) Current investments are carried at lower of cost and fair value determined on individual investment basis.
- (iii) Long-term investments are carried at cost of acquisition. Provision is made for decline, other than temporary, in the value of investments.
- (iv) On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of profit and loss .

10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be readily measured.

- (i) Domestic sales
Gross revenue includes excise duty and adjustments for price variation and liquidated damages and recognised on dispatch of products from the factories of the company.
- (ii) Export sales
Revenue from export sales is recognised when the significant risks and rewards of ownership are transferred to the customers which is based upon the terms of the applicable contract.

30 Summary of significant accounting policies and other explanatory information

30.1 Summary of significant accounting policies

(iii) Service income

Service income is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

(iv) Interest

Revenue is recognised on an accrual basis and on a time proportion basis taking into account the amount outstanding and the applicable rate.

(v) Dividend

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

11 Excise duty

Excise duty recovered is included in "Gross Sales". Excise duty on sales is shown as an item of expense and deducted from gross sales. Value of closing stock of finished goods includes excise duty paid / payable on such stocks wherever applicable.

12 Employee benefits

Short term employee benefits

Short term employee benefits are recognised as an expense as per the company's scheme based on expected obligation on undiscounted basis.

Long term employee benefits

(i) Defined contribution plans

Provident fund: Contribution to provident fund is made at the prescribed rates to the Employees Provident Fund Scheme of the Central Government and is charged to the Statement of profit and loss.

(ii) State plans

Employer's contribution to Employee's State Insurance is charged to Statement of profit and loss.

(iii) Defined benefit plans

a) Gratuity

- i) The Company makes contribution to a scheme administered by the Life Insurance Corporation of India ('LIC') to discharge gratuity liabilities to the employees. Annual contribution to the fund as determined by the LIC is charged to Statement of profit and loss in the year of contribution. The shortfall between the accumulated funds available with LIC and liability as determined on the basis of an actuarial valuation is provided for at the year-end. The actuarial gains / losses are taken to the Statement of profit and loss.

b) Leave encashment

- ii) The company records its unavailed leave liability based on actuarial valuation using projected unit credit method.

c) Actuarial gains / losses arising during the year are recognised in the Statement of profit and loss.

(iv) Terminal benefits are recognised as an expense as and when incurred.

13 Foreign exchange transactions

(i) Initial Recognition: Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

(ii) Conversion: Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

30 Summary of significant accounting policies and other explanatory information

30.1 Summary of significant accounting policies

- (iii) Exchange difference: Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.
- (iv) Forward exchange contracts not intended for trading purpose: In case of forward exchange contracts, difference between forward rate and the exchange rate on the date of transaction is recognised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the Statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

14 Segment accounting

Segments are identified based on the types of products and the internal organisation and management structure. The Company has identified business segment as its primary reporting segment with secondary information reported geographically. The company's primary segments consist of Explosives and Accessories and wind power.

The accounting policies adopted for segment reporting are in line with the accounting policies of the company.

Segment Assets and Liabilities include all operating assets and liabilities. Segment results include all related income and expenditure. Unallocated expenditure represents other income and expenses which relate to the company as a whole and are not allocated to segments.

15 Research and development

Revenue expenditure on research and development is charged to the Statement of profit and loss. Capital expenditure on research and development is shown as an addition to fixed assets.

16 Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

17 Taxation

- (i) Tax expense (or tax saving), the aggregate of current year tax and deferred tax, is charged (or credited) to the Statement of profit and loss.

- (ii) Current year tax

The provision for taxation is based on assessable profits of the company as determined under the Income Tax Act, 1961. The company also provides for such disallowances made on completion of assessments pending appeals, as considered appropriate depending on the merits of each case.

- (iii) Deferred tax

Deferred Income Taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the company is entitled to tax holiday under Income tax Act, 1961 no deferred tax is recognised in respect of timing differences which reverse during the tax holiday period, to the extent company's gross total income is

30 Summary of significant accounting policies and other explanatory information

30.1 Summary of significant accounting policies

subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which timing difference originates.

Unrecognised deferred tax assets of earlier years are reassessed and recognized to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certainty or virtually certainty, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

- (iv) Minimum Alternate Tax (MAT) Credit MAT credit is recognised, as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified year. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendation contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that company will pay normal income tax during the specified period.

18 Provisions, Contingent liabilities and Contingent assets

- (i) Provisions, involving substantial degree of estimation in measurement, are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.
- (ii) Contingent liabilities, which are possible or present obligations that may but probably will not require outflow of resources, are not recognised but are disclosed in the Notes to the financial statements.
- (iii) Contingent assets are neither recognised nor disclosed in the financial statements.

19 Earnings per share

- (i) The basic earnings per share (EPS) is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.
- (ii) For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

20 Proposed dividend

A provision is made in the books of account for the dividend proposed by the Board, pending approval at the Annual General Meeting.

21 Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and in hand and short-term investments with an original maturity of three months or less.

30 Summary of significant accounting policies and other explanatory information

30.2 Other explanatory information

1 Corporate information

Premier Explosives Limited is a manufacturer of explosives having its registered office at Secunderabad, Andhra Pradesh, India. The company's main manufacturing and research and development facilities are located at Peddakandukuru village in Nalgonda district of Andhra Pradesh with other manufacturing units located in Madhya Pradesh, Maharashtra and Tamilnadu. Listed on Bombay Stock Exchange, Premier is an ISO 9001 company having accreditation of National Accreditation Board for Testing & Calibration Laboratories (NABL) and recognition of Department of Scientific & Industrial Research (DSIR).

2 Previous year figures have been regrouped/ recast/ rearranged wherever necessary to conform to current year classification.

3 Contingent liabilities and commitments

(Rs. in lakhs)

Particulars	As at	As at
	31st March 2014	31st March 2013
Contingent liabilities		
On account of guarantees issued by the banks on behalf of the company	3,480.26	2,488.29
Sales tax demands disputed by the company pending in appeal	151.31	151.31
Guarantees issued by the company on behalf of an associate company	50.03	128.58
Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	126.04	57.75

4 Confirmation letters have been issued in respect of trade receivables and other receivables, loans and advances and trade payables and other payables of the company but not responded to in some cases. Hence, unconfirmed balances are subject to reconciliation and consequent adjustments, if any, would be determined / made on receipt of confirmation. However, in the opinion of the Board, all assets other than fixed assets and non-current investments have a realizable value in the ordinary course of business which is not different from the amount at which it is stated.

5 Donations include Rs.Nil (Previous year: Rs.0.25 lakh) paid to Communist Party (Marxist).

6 Excise duty

Excise duty on sales for the year has been disclosed as reduction from turnover. Excise duty relating to the difference between closing stock and opening stock has been included in Note no. 24 "Changes in inventories of finished goods, work-in-progress and scrap".

7 In view of inadequacy of profit, managerial remuneration has exceeded the amount payable in terms of sections 198 and 309 read with schedule XIII of the Companies Act, 1956 by an amount of Rs.95.47 lakhs. The company had applied for approval of the Central Government.

8 Details of foreign currency exposures that are not hedged by derivative instruments or otherwise

Particulars	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
	Amount in foreign currency	Equivalent amount (Rs. in lakhs)	Amount in foreign currency	Equivalent amount (Rs. in lakhs)
US Dollars				
Payables for supplies, services etc.,	25,074	15.07	21,000	11.51
Advance from customers	5,350	3.22	1,17,010	64.12
Receivables for supplies and services	-	-	1,09,475	59.09
Advances for purchase of goods and equipment	2,296	1.38	-	-
Euros				
Advances for purchase of goods and equipment	15,541	12.83	13,145	9.03

30 Summary of significant accounting policies and other explanatory information

30.2 Other explanatory information

9 Disclosures relating to dues of micro and small enterprises

(Micro, Small and Medium Enterprises Development Act, 2006)

(Rs. in lakhs)

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2014
Principal amount remaining unpaid as on 31st March (refer note no. 8)	-	6.41
Interest due thereon as on 31st March	-	-
Interest paid by the company in terms of Section 16 of the said Act, along with the amount of payment made to the supplier beyond the appointed day during the year	-	-
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act	-	-
Interest accrued and remaining unpaid as at 31st March	-	-

Note:

Above details have been compiled to the extent the parties have been identified on the basis of information available with the company and relied on by the auditors.

10 Information pertaining to interest bearing loans to an associate company

(Clause 32 of Listing Agreement with Bombay Stock Exchange)

(Rs. in lakhs)

Name of the company	Balance as at 31st March 2014	Balance as at 31st March 2013	Maximum outstanding during 2013-14	Maximum outstanding during 2012-13
Premier Wire Products Limited	Nil	Nil	Nil	400

11 Disclosure on utilisation of proceeds of preferential issues in terms of SEBI (ICDR) Regulation 2009:

On 27th August 2013 the company has allotted 7,31,000 warrants, which are convertible into one equity share of Rs.10/- each at a premium of Rs.51.77 per share, within a period of 18 months from the date of allotment, to the promoters, directors, key management personnel and employees. The company has received an amount of Rs. 219.90 lakhs being 100% of the issued price against 2,31,000 warrants and 25% against 5,00,000 warrants. The company has allotted 2,31,000 equity shares against the equal number of warrants on 27th December, 2013. Out of the amount received so far, an amount of Rs.219.81 lakhs has been utilised as per the objects of the issue and the balance amount of Rs. 0.09 lakhs is held in a separate bank account.

30 Summary of significant accounting policies and other explanatory information**30.2 Other explanatory information****12.1 Information on employee benefits** (Accounting Standard 15)

(Rs. in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
a) Defined contribution plans		
Contribution to provident fund	175.87	148.47
b) State Plans		
Contribution to E.S.I.	33.34	44.17
c) Defined benefit plans		
c.1) Gratuity (funded)		
Assumptions		
Salary rise	4%	4%
Discount rate	8%	8%
Attrition rate	4%	4%
Expected rate of return	8.75%	9.25%
Expenses recognised in Statement of profit and loss		
Current service cost	25.54	17.95
Interest cost on benefit obligation	31.80	28.18
Expected return on plan assets	(31.32)	(25.74)
Net actuarial (gain) / loss recognised in the year	84.90	27.25
Net benefit expense	110.92	47.64
Actuarial return on plan assets	(31.32)	(25.74)
Net asset/liability recognised in balance sheet		
Defined benefit obligation	524.68	397.49
Fair value of plan assets	(469.29)	(303.49)
Status (surplus)/deficit	55.39	94.00
Unrecognised past service cost	-	-
Net asset/liability recognised in balance sheet	55.39	94.00
Changes in present value of defined benefit obligation		
Opening balance	397.49	352.22
Interest cost	31.80	28.18
Current services cost	25.54	17.95
Benefits paid	(15.04)	(28.11)
Actuarial (gain) / loss	84.89	27.25
Closing balance	524.68	397.49
Changes in fair value of plan assets		
Opening balance	303.49	270.86
Expected return	31.31	25.74
Contributions	149.53	35.00
Benefits paid	(15.04)	(28.11)
Closing balance	469.29	303.49

30 Summary of significant accounting policies and other explanatory information

30.2 Other explanatory information

12.1 Information on employee benefits (Accounting Standard 15)

(Rs. in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Movement of liability in balance sheet		
Opening balance	94.00	81.36
Expenses as above	110.92	47.64
Contribution paid	(149.53)	(35.00)
Closing balance	55.39	94.00

c.2) Leave encashment (unfunded)

(Rs. in lakhs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Assumptions		
Salary rise	4%	4%
Discount rate	8%	8%
Attrition rate	4%	4%
Changes in present value of defined benefit obligation		
Opening balance	66.58	56.46
Interest cost	5.33	4.52
Current services cost	9.31	3.02
Benefits paid	(24.95)	(21.67)
Actuarial (gain) / loss	41.56	24.25
Closing balance	97.83	66.58
Expenses recognised in Statement of profit and loss		
Current service cost	9.31	3.02
Interest cost on benefit obligation	5.33	4.52
Net actuarial (gain) / loss recognised in the year	41.56	24.25
Net benefit expense	56.20	31.79

Note:

The estimated rate of escalation in salary, considered in actuarial valuation, is determined after taking into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by an actuary.

30 Summary of significant accounting policies and other explanatory information

30.2 Other explanatory information

13 Segment reporting (Accounting Standard 17)

In accordance with Accounting Standard - 17 "Segment Reporting" issued under the Companies (Accounting Standard) Rules 2006, the Company's business consists of two reportable segments i.e., Explosives & Accessories and Wind power.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company.

As part of secondary reporting, revenues are attributed to geographical markets based on the location of the customers.

The following tables present the information of revenue, profit, assets and liabilities relating to the business / geographical segments for the year ended 31st March, 2014.

Information about primary business segments

(Rs. in lakhs)

Particulars	2013-14			2012-13		
	Reportable segments			Reportable segments		
	Explosives & accessories	Wind power	Total	Explosives & accessories	Wind power	Total
Revenue						
External	15,814.12	67.29	15,881.41	11,886.86	54.87	11,941.73
Inter-segment	-	-	-	-	-	-
Total revenue	15,814.12	67.29	15,881.41	11,886.86	54.87	11,941.73
Result						
Segment result	1,437.23	14.94	1,452.17	818.75	3.36	822.11
Interest (net)			156.67			78.52
Profit before tax			1,295.50			743.59
Less: Income tax expense			374.19			209.67
Profit after tax			921.31			533.92
Other information						
Segment assets	10,490.59	242.25	10,732.84	8,656.20	334.27	8,990.47
Segment liabilities	4,259.15	0.01	4,259.16	3,557.78	0.01	3,557.79
Unallocated liabilities	-	-	112.22	-	-	24.44
Total liabilities			4,371.38			3,582.23
Capital expenditure						
Tangible assets	592.77	-	592.77	690.91	-	690.91
Intangible assets	0.56	-	0.56	-	-	-
Depreciation	190.86	44.36	235.22	170.14	44.36	214.50

Information about secondary geographical segments

(Rs. in lakhs)

Particulars	2013-14		2012-13	
	Within India	Outside India	Within India	Outside India
Revenue by location of customers	14,760.09	1,121.32	11,282.04	659.69
Carrying amount of assets by location	10,732.84	-	8,990.47	-
Cost incurred on acquisition of tangible and intangible fixed assets	593.33	-	690.91	-

30 Summary of significant accounting policies and other explanatory information

30.2 Other explanatory information

14.0 Details of related parties (Accounting Standard 18)

As per Accounting Standard (AS - 18) on related party disclosures issued by the Institute of Chartered Accountants of India and notified by Companies (Accounting Standards) Rules, 2006, transactions with the related parties are given below :

Nature of relationship	Related party	Transactions during the year (Yes/No)
1. Key management personnel	Dr.A.N.Gupta	Yes
	Mr. T.V.Chowdary	Yes
	Mr. K.Chalil	Yes
	Dr.N.V.Srinivasa Rao	Yes
2. Relatives of key management personnel	Dr. (Mrs.) Kailash Gupta	Yes
	Mrs. Shonika Prasad	Yes
	Mrs.T.Malati	Yes
	Ms.T.Shruti	Yes
	Mr.T.Lohit	Yes
	Mrs.N.Surya Kumari	Yes
	Mrs.P.P.Malu	Yes
3. Concerns in which key management personnel have substantial interest (Significant interest entities)	Amar Leasing	No
	A. N. Gupta (HUF)	Yes
	Godavari Farms & Plantations	No
4. Concerns in which relatives of key management personnel have substantial interest (Significant interest entities)	Godavari Explosives Limited	Yes
	Ask Consultants Private Limited	No
	Aims	No
5. Concerns in which the company has substantial interest	Premier Wire Products Limited	Yes
6. Joint ventures	Premier Georgia Limited, Georgia	No
	Premier Sentas Patalayici Maddeler	No
	Ticaret Ve Sanayi A.S., Turkey	No

14.1 Details of transactions with the related parties

(Rs. in lakhs)

S. No.	Related party / Nature of transaction	2013-14		2012-13	
		Amount of Transaction	Amount Outstanding	Amount of Transaction	Amount Outstanding
1	Key management personnel		185.70		157.94
			Credit		Credit
	Managerial remuneration	247.86		198.93	
	Acceptance of unsecured loans	162.00		67.00	
	Interest paid	21.62		14.20	
	Repayment of unsecured loans	150.28		15.00	
	Dividend paid	32.34		31.38	

30 Summary of significant accounting policies and other explanatory information

30.2 Other explanatory information

14.1 Details of transactions with the related parties

(Rs. in lakhs)

S. No.	Related party / Nature of transaction	2013-14		2012-13	
		Amount of Transaction	Amount Outstanding	Amount of Transaction	Amount Outstanding
2	Relatives of key management personnel		112.89		103.58
			Credit		Credit
	Sitting fees	0.80		1.00	
	Acceptance of unsecured loans	87.24		38.64	
	Repayment of unsecured loans	70.87		4.75	
	Interest paid	13.03		10.65	
	Dividend paid	41.43		41.36	
3	Concerns in which key management personnel have substantial interest (Significant interest entities)		114.75		102.67
			Credit		Credit
	Acceptance of unsecured loans	27.26		25.68	
	Repayment of unsecured loans	19.52		8.00	
	Interest paid	13.44		11.39	
	Dividend paid	13.12		13.03	
4	Concerns in which relatives of key management personnel have substantial interest (Significant interest entities)		90.57		2.86
			Credit		Debit
	Jobwork charges paid	-		1.14	
	Transport charges paid	-		9.52	
	Lease rent paid	18.00		18.00	
	Interest income	0.13		0.97	
	Dividend paid	0.15		0.15	
	Purchase of assets	79.92		-	
5	Concerns in which the company has substantial interest		15.34		-
			Credit		
	Rent paid	-		0.60	
	Lease rent received	-		1.43	
	Interest income	-		30.54	
	Purchase of raw materials	180.83		138.23	
	Loan given	-		70.00	
	Loan repaid	-		415.00	
	Employee benefits expense reimbursed	-		2.33	
	Sale of asset	-		13.50	
	Jobwork charges paid	6.13		3.14	
	Investment in preference shares	-		475.00	
6	Joint ventures		-		-
	Provision for diminution in book value of investments no longer required, written back	68.45		-	

30 Summary of significant accounting policies and other explanatory information

30.2 Other explanatory information

14.2 Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year

(Rs. in lakhs)

S. No.	Nature of transaction / Related party	2013-14	2012-13
1	Acceptance of unsecured loans		
	Dr.A.N.Gupta	162.00	67.00
	A.N.Gupta (HUF)	-	25.68
	Dr. Kailash Gupta	63.66	-
	Mrs. Shonika Prasad	-	30.00
2	Interest income		
	Premier Wire Products Limited	-	30.54
	Godavari Explosives Limited	0.13	-
3	Interest paid		
	A.N.Gupta (HUF)	13.44	11.39
	Dr. Kailash Gupta	5.46	4.99
	Dr.A.N.Gupta	20.85	13.51
4	Lease rent received		
	Premier Wire Products Limited	-	1.43
5	Job work charges paid		
	Premier Wire Products Limited	6.13	3.14
	Aims	-	1.14
6	Lease rent paid		
	Godavari Explosives Limited	18.00	18.00
7	Loan given		
	Premier Wire Products Limited	-	70.00
8	Managerial remuneration paid		
	Dr.A.N.Gupta	128.99	105.02
	Mr. T.V Chowdary	43.77	33.53
	Mr. K.Chalil	40.87	31.17
	Dr.N.V.Srinivasa Rao	34.23	29.21
9	Rent paid		
	Premier Wire Products Limited	-	0.60
10	Repayment of unsecured loans		
	Dr.A.N.Gupta	150.28	15.00
	Mrs.P.P.Malu	-	4.75
	Dr. Kailash Gupta	46.19	-
	A.N.Gupta (HUF)	-	8.00
11	Investment in preference shares		
	Premier Wire Products Limited	-	475.00
12	Sitting fees		
	Dr.Kailash Gupta	0.80	1.00
13	Sale of asset		
	Premier Wire Products Limited	-	13.50

30 Summary of significant accounting policies and other explanatory information**30.2 Other explanatory information****14.2 Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year**

(Rs. in lakhs)

S. No.	Nature of transaction / Related party	2013-14	2012-13
14	Transport charges paid		
	Ask Consultants Private Limited	-	9.52
15	Purchase of materials		
	Premier Wire Products Limited	180.83	138.23
16	Purchase of assets		
	Godavari Explosives Limited	79.92	-
17	Employee benefits expense reimbursed		
	Premier Wire Products Limited	-	2.33
18	Loan repaid		
	Premier Wire Products Limited	-	415.00
19	Dividend paid		
	Dr.A.N.Gupta	32.15	31.20
	A.N.Gupta (HUF)	13.12	13.03
	Dr.Kailash Gupta	21.01	21.00
	Mrs.Shonika Prasad	19.74	19.69
20	Provision for diminution in book value of investments no longer required, written back		
	Premier Georgia Limited, Georgia	40.63	-
	Premier Sentas Patalayici Maddeler Ticaret Ve Sanayi A.S., Turkey	27.82	-

30 Summary of significant accounting policies and other explanatory information

30.2 Other explanatory information

15 Accounting for Leases (Accounting Standard 19)

Operating lease income

Rental income received during the year on operating lease is Rs.Nil lakhs (Previous year: Rs.1.43 lakhs).

Operating lease expenses

The company has various operating leases for equipment, office facilities and vehicles that are renewable on a periodic basis, by mutual consent, on mutually agreeable terms and cancellable at its option. Rental expenses on operating leases recognised in the Statement of profit and loss for the year is Rs.0.80 lakhs (previous year: Rs.1.43 lakhs)

16 Earnings per share - the numerator and denominator used to calculate earnings per share

		Year ended 31st March, 2014	Year ended 31st March, 2013
Profit attributable to the equity shareholders (Rs. in lakhs)	(A)	921.31	533.92
Basic / weighted average number of equity shares outstanding during the year	(B)	81,87,651	81,27,315
Diluted / weighted average number of equity shares outstanding during the year	(C)	82,51,607	81,27,315
Face value of each equity share (Rs.)		10.00	10.00
Basic Earnings per share (Rs.)	(A) / (B)	11.25	6.57
Diluted Earnings per share (Rs.)	(A) / (C)	11.17	6.57

17 Deferred tax liabilities(net)

(Rs. in lakhs)

Particulars	Opening as at 1st April, 2013	Charge/(Credit) during the year	Closing as at 31st March, 2014
a) Deferred tax liabilities			
Depreciation	639.04	77.29	716.33
Total (a)	639.04	77.29	716.33
b) Deferred tax assets			
Expenses debited to the Statement of profit and loss in current year but allowable as deductible expenses for tax purposes in the subsequent years as reduced by the claims allowable in the current year in respect of such expenses on a payment basis	56.46	7.09	63.55
Others	20.02	(5.83)	14.19
Total (b)	76.48	1.26	77.74
Net (a - b)	562.56	76.03	638.59

30 Summary of significant accounting policies and other explanatory information

30.2 Other explanatory information

18 Details of raw materials consumed

(Rs. in lakhs)

Particulars	Year ended 31st March, 2014	Year ended 31st March, 2013
Ammonium nitrate	3,528.32	2,712.64
GI wire	192.66	130.66
Aluminium strip	149.73	154.56
Others	3,264.76	2,489.64
Total	7,135.47	5,487.50

19 Purchase of traded goods

(Rs. in lakhs)

Particulars	Year ended 31st March, 2014	Year ended 31st March, 2013
Detonating fuse	11.70	57.85
Stores, etc.	163.19	103.19
Total	174.89	161.04

20 Details of sales, closing stock and opening stock

Manufactured goods

(Rs. in lakhs)

Particulars	Sales 2013-14	Sales 2012-13	Closing inventory 31.03.2014	Closing inventory 31.03.2013	Opening inventory 01.04.2013	Opening inventory 01.04.2012
Industrial explosives	6,719.09	4,801.89	12.42	8.47	8.47	-
Detonators	3,345.27	2,916.39	309.31	75.58	75.58	61.63
Wind power	67.29	54.87	-	0.52	0.52	0.57
Others	4,102.45	2,515.96	55.90	166.60	166.60	152.73
Total	14,234.10	10,289.11	377.63	251.17	251.17	214.93

Traded goods

(Rs. in lakhs)

Particulars	Sales 2013-14	Sales 2012-13	Closing inventory 31.03.2014	Closing inventory 31.03.2013	Opening inventory 01.04.2013	Opening inventory 01.04.2012
Safety detonating fuse	16.82	83.97	-	-	-	-
Stores, etc.	161.57	117.39	-	-	-	-
Total	178.39	201.36	-	-	-	-

Services

(Rs. in lakhs)

Particulars	Sales 2013-14	Sales 2012-13
Operations and maintenance services	1,302.99	1,329.96
Job work and other services	165.93	121.30
Total	1,468.92	1,451.26

30 Summary of significant accounting policies and other explanatory information

30.2 Other explanatory information

21 Details of work in progress

(Rs. in lakhs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Industrial explosives	40.20	44.56
Detonators	71.54	87.12
Others	192.45	256.06
Total	304.19	387.74

22 Value of imports calculated on C.I.F. basis

(Rs. in lakhs)

Particulars	Year ended 31st March, 2014	Year ended 31st March, 2013
Raw materials	1.53	-
Components and spares	74.84	0.21
Traded goods	29.92	17.19
Capital goods	-	224.74
Total	106.29	242.14

23 Expenditure in foreign currency (on accrual basis)

(Rs. in lakhs)

Particulars	Year ended 31st March, 2014	Year ended 31st March, 2013
Commission	8.65	4.44
Legal and professional charges	0.59	9.83
Travelling expenses	5.43	3.40
Other expenses	7.81	4.58
Total	22.48	22.25

30 Summary of significant accounting policies and other explanatory information**30.2 Other explanatory information****24 Value of imported and indigenous raw materials and spare parts consumed and their percentages to total consumption** (Rs. in lakhs)

Particulars	Year ended 31st March, 2014		Year ended 31st March, 2013	
	Amount	%	Amount	%
Raw materials				
Imported	0.98	0.01%	0.97	0.02%
Indigenous	7,134.49	99.99%	5,486.53	99.98%
	7,135.47	100.00%	5,487.50	100.00%
Components and spares				
Imported	0.94	0.87%	0.63	0.79%
Indigenous	107.37	99.13%	78.79	99.21%
	108.31	100.00%	79.42	100.00%

25 Earnings in foreign exchange (on accrual basis)

(Rs. in lakhs)

Particulars	Year ended 31st March, 2014	Year ended 31st March, 2013
FOB value of exports	1121.32	599.48
Job work charges received	-	22.73
Other income	10.01	-
Total	1131.33	622.21

Per our report of even date

For P.V.R.K. Nageswara Rao & Co.,
Chartered Accountants
Firm's Registration Number: 002283S

For and on behalf of the Board

N. Anka Rao
Partner
Membership Number: 23939

C. Subba Rao
Chief Financial Officer

Dr. A.N. Gupta
Chairman and Managing Director

Secunderabad
24.05.2014

Avinash Kumar Singh
Company Secretary

T.V. Chowdary
Executive Director

Annexure - 7

Green Initiative in Corporate Governance

Dear Member,

We firmly believe that holding shares in de-mat form and receiving dividends through Electronic Clearing Service (ECS) will reduce consumption of paper to large extent. Further, as part of "Green Initiative for Corporate Governance", the government has allowed companies to send notices and documents to their shareholders electronically to facilitate paperless communication. (Circular No. 17/2011 dated 21/04/2011 and Circular No. 18/2011 dated 29/04/2011 issued by the Ministry of Corporate Affairs)

Your company welcomes this move and strongly recommends to all the shareholders to opt for this type of communication. This will also ensure prompt receipt and avoid loss of paper-documents in transit. Last year, your company had sent the annual reports electronically to a few shareholders. There are many shareholders who have not yet registered their e-mail addresses.

We request them to fill up the 'E-Communication Registration Form' given below and send it back to the company. The registration form can also be downloaded from the company's website www.pelgel.com.

Let us whole heartedly participate in this Green Initiative!

Avinash Kumar Singh
Company Secretary

Note: As a member you are entitled to receive communications in physical form upon written request to the company.



Premier Explosives Limited

'Premier House', 11, Ishaq Colony, Near AOC Centre, Secunderabad - 500 015

E-Communication Registration Form

(In terms of circular no. 17/2011 dated 21.04.2011 issued by the Ministry of Corporate Affairs)

Folio No. / DP ID & Client ID	:
Name of 1st Registered Holder	:
Name of Joint Holder(s)	:
E-mail ID (to be registered)	:	<input style="width: 150px; height: 15px;" type="text"/>
Registered Address	:

I/We shareholder(s) of Premier Explosives Limited agree to receive communication from the company in electronic mode. Please register my above e-mail id in your records for sending communication through e-mail.

Date :

Signature :

(First Holder)

Note : Shareholder(s) are requested to keep the company informed as and when there is any change in the e-mail address.

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Annexure - 8

Premier Explosives Limited

'Premier House', 11, Ishaq Colony, Near AOC Centre, Secunderabad - 500 015

34th Annual General Meeting, 13th August, 2014 At 10.00 a.m.

Admission Slip

I declare that I am a registered
shareholder of the company and
holdshares
.....

Client ID
DP ID
FOLIO No.
(to be filled in by the shareholders)

Member's Signature

Notes

1. A member intending to appoint a proxy should complete the proxy form below and deposit it at the company's registered office, not later than 48 hours before scheduled commencement of the meeting.
2. A member/proxy attending the meeting must complete this admission slip and hand it over at the entrance.
3. The meeting will be held at Surana Udyog Auditorium, Federation of Andhra Pradesh Chambers of Commerce & Industry, 11-6-841, Red Hills, Hyderabad - 500 004.

Name of the Proxy in BLOCK LETTERS

Proxy's Signature



Annexure - 9

Premier Explosives Limited

'Premier House', 11, Ishaq Colony, Near AOC Centre, Secunderabad - 500 015

Proxy Form

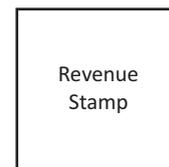
Client ID
DP ID
FOLIO No.
(to be filled in by the shareholders)

I / We being Member / Members of PREMIER EXPLOSIVES LIMITED
hereby appoint of
..... in the
district of as my / our
Proxy to vote for me / us on my / our behalf at the Annual General Meeting of the company to be held on 13th August, 2014 and
at any adjournment thereof.

Signed thisday of2014

Name

Address



The Proxy form should be deposited at the registered office of the company not later than 48 hours before scheduled commencement of the meeting.

1. In order to prevent entry of unauthorised persons, entry to the meeting will only be allowed to members bringing attendance slips. Please therefore bring the attendance slip duly signed and hand it over at the entrance.
2. Members desirous of any information on the accounts at the meeting are requested to send their queries at least 10 days before the meeting to the company at its registered office.
3. Company has entered into agreements with Depositories which would enable investors to hold and trade the company's shares in dematerialised form.

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Annexure - 10

Electronic Clearing Service (Credit Clearing)

ECS Mandate Form

Shareholder's authorization to receive dividends through Electronic Credit Clearing Mechanism

- | | | |
|---|---|-------|
| 1. Name of the first/sole shareholder | : | _____ |
| 2. Folio No./Client ID No. | : | _____ |
| 3. E-mail ID | : | _____ |
| 4. Particulars of bank account of first/sole shareholder | | |
| a) Name of the bank | : | _____ |
| b) Branch, address, telephone no. of the branch | : | _____ |
| c) 9-Digit code number of the bank
and branch appearing on the
MICR cheque issued by the bank | : | _____ |
| d) Account number
(as appearing on the cheque book/pass book) | : | _____ |
| e) Account type
(S.B.account/current account or cash credit) | : | _____ |
| f) Ledger and ledger folio number
(as appearing on the cheque book/pass book) | : | _____ |

(In lieu of the bank certificate to be obtained as under, please attach a blank cancelled cheque or photocopy of a cheque or front page of your savings bank passbook issued by your bank, for verification of the above particulars)

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold the Premier Explosives Limited responsible. I agree to discharge the responsibility expected of me as a participant under the scheme.

Place : _____ (.....)
Date : _____ Signature of the shareholder

Certified that the particulars furnished above are correct as per our records.

Bank's Stamp _____ (.....)
Date : _____ Signature of Authorized Official of the Bank

Notes

- Please fill in the attached Mandate Form and send it to :
 - The depository participant who is maintaining your demat account in case your shares are held in electronic form.
 - The Registrar & Transfer Agent, M/s. Karvy Computershare Private Limited, Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad - 500081 in case your shares are held in physical form.
- Kindly note that the information provided by you should be accurate and complete in all respects and duly certified by your bank. In lieu of the bank certificate, you may attach a blank cancelled cheque or photocopy of a cheque or the front page of the savings bank pass book issued to you by your bank, for verification of the above particulars.
- In case of more than one folio please complete details on separate sheets.
- The completed mandate form should reach our Registrar's address (as mentioned above) on or before 2nd August, 2014 to enable the company to implement this facility.
- The company shall finalise the facility based upon the quantum of response received from shareholders and the arrangements so finalized with the dividend bankers and subject to the various approvals and directions from RBI/other statutory agencies.

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Corporate Profile

Board of Directors

Dr. A.N.Gupta (Chairman & Managing Director)
T.V.Chowdary (Executive Director)
K.Chalil (Director Marketing)
Dr. N.V.Srinivasa Rao (Director Production)
Dr. (Mrs) Kailash Gupta
Anilkumar Mehta
P.R.Tripathi
Dr. A.Venkataraman
K.Rama Rao
Arun Kapoor

Audit Committee

P.R.Tripathi (Chairman)
Anilkumar Mehta
K.Rama Rao
Arun Kapoor

Stakeholders Relationship Committee

Anilkumar Mehta (Chairman)
T.V.Chowdary
Dr. (Mrs.) Kailash Gupta

Nomination & Remuneration Committee

P.R.Tripathi (Chairman)
Anilkumar Mehta
K.Rama Rao

Corporate Social Responsibility Committee

P.R.Tripathi (Chairman)
Dr. (Mrs.) Kailash Gupta
T.V.Chowdary

Company Secretary & Compliance Officer

Avinash Kumar Singh

Chief Financial Officer

C. Subba Rao

Independent Auditors

P.V.R.K. Nageswara Rao & Co
Chartered Accountants, Hyderabad

Internal Auditors

M. Venkata Ratnam & Associates
Chartered Accountants, Hyderabad

Cost Auditors

S. S. Zanwar & Associates
Cost Accountants, Hyderabad

Secretarial Auditors

K.V.Chalama Reddy
Company Secretary , Hyderabad

Bankers

State Bank of India
IDBI Bank
HDFC Bank
Yes Bank

Registrars and Share Transfer Agents

Karvy Computershare Private Limited
Plot No.17-24, Vithal Rao Nagar,
Madhapur, Hyderabad - 500 081

Corporate Identification Number

L24 110 AP 1980 PLC 022633

Registered Office

Premier House, 11 Ishaq Colony
Near AOC Centre
Secunderabad – 500015

Plants

Detonator, Detonating fuse, Packaged explosives, product research & special products divisions
Peddakandukur (Telangana)

Bulk explosives divisions

Manuguru (Andhra Pradesh)
Godavarikhani (Andhra Pradesh)
Singrauli (Madhya Pradesh)
Chandrapur (Maharashtra)
Neyveli (Tamilnadu)

Windmill

Pushpathur (Tamilnadu)

Listing

BSE Ltd (BSE)



Premier Explosives Limited
Premier House, 11 Ishaq Colony
Near AOC Centre
Secunderabad – 500015, Telangana, India
Phone: 040 66146801 to 5
Email: investors@pelgel.com