



Entegra Limited

(Formerly known as Entegra Infrastructures Limited)

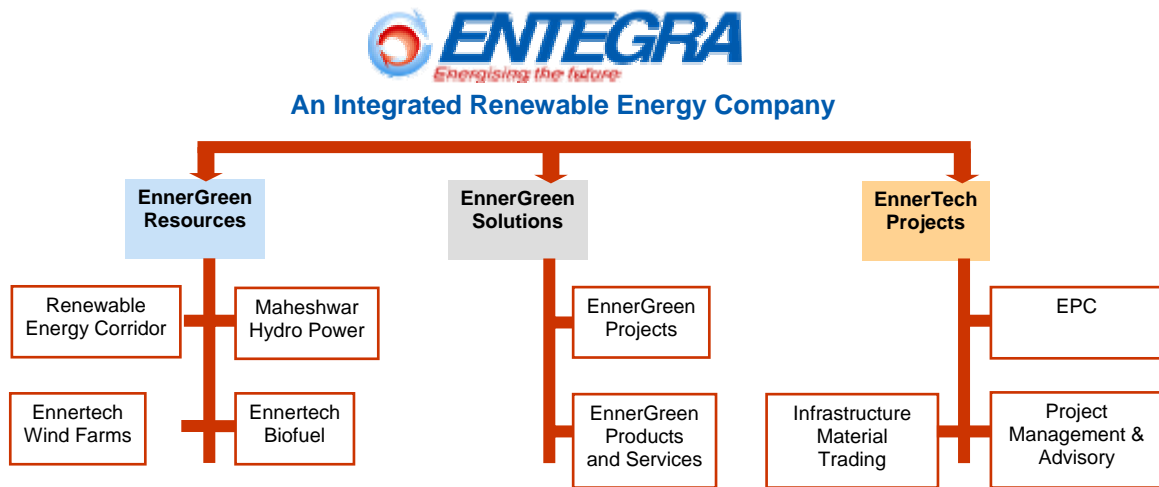
12th Annual Report 2006-2007

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

CAUTIONARY STATEMENT

Statements made in this report in describing the Company's objectives, estimates and expectations are "Forward looking Statements" within the meaning of applicable laws and regulations. They are based on certain assumptions and expectations of future events but the Company, however, cannot guarantee that these assumptions are accurate or will be materialized by the Company. Actual results may vary from those expressed or implied, depending upon the economic conditions, Government policies and /or other related factors.

An insight into the Company's business



- Established in 1995, Entegra is focused on Renewable Energy opportunities
- MW Corp, a leading business house with well diversified sectoral interests, is the promoter of Entegra
- The company is leveraging the strong experience gained in development of Maheshwar Hydro Power for expanding into Renewable Energy development by capitalizing on the robust industry opportunity
- Access to cutting edge technology through strong tie-ups with global players including Borawind, EDIG, SunTechnics, SHAP, amongst others
- Listed on the Mumbai Stock Exchange (BSE) and the National Stock Exchange (NSE)

INDUSTRY STRUCTURE AND DEVELOPMENTS

Renewable Energy – the World is Going Green

Today, there is a global urgency to move towards cleaner and greener energy. The recent Intergovernmental Panel on Climate Change (IPCC) has underlined the need to develop renewable energy (RE) as the major solution in mitigating climate changes and preventing global warming. At present, only 14% or 160GW of world's total energy demand is met through renewable energy. The fact that between now and 2030 global energy demand is expected to increase from 1,400 Mtoe to 2,200 Mtoe – an increase of 60% further adds to the magnitude of the problem. Responding to the call, governments world over have shown their support to renewable energy through favorable policies such as fixed tariffs for renewable powered electricity, Renewable Portfolio Standards (RPS), tax incentives, investment grants, Carbon credit mechanisms, etc.

As per Indian government data, renewable energy constitutes only 7.9% (10,407MW) of India's overall installed capacity. To promote the sector, the Indian government has drafted a new RE policy, aimed at generating 15,000MW of power through renewable and non-conventional sources by 2012. The government has also set a medium scale goal of: electrification of 24,000 remote villages; deployment of solar water heating systems in 1mn homes, manufacturing 5mn solar lanterns and 2mn solar home lighting systems; and setting up an additional 3mn family size biogas plants. It is anticipated that the private sector will play a pioneering role in the Indian RE sector. Investment from the private sector in the renewable energy sector is expected to be in the tune of \$8.48bn during the 11th Five Year Plan.

Key Factors Spurring Renewable Energy (RE) Use in India

- Large Demand-Supply gap in Electricity
- Abundant RE resources like solar, wind, biomass and green plants.
- Low gestation periods for setting up RE projects with quick return
- Conducive Government Policies
- High potential to develop Jatropha as a fuel source in India

As an established player in domestic renewable energy market, your company is well poised to take advantage of these growth opportunities.

RENEWABLE ENERGY IN INDIA: HUGE GAP BETWEEN CURRENT CAPACITY AND POTENTIAL

Source	Capacity as on March 2007	Potential
Wind (MW)	7092.0	45000
Small Hydro (up to 25MW)	1975.6	15000
Biomass Power (MW)	524.8	19500
Solar Photo Voltaic Power (MW/sq. km)	2.7	20
Solar Water Heating systems (mn. sq. mtrs collectors area)	1.5	140
Biomass gasifiers (MW)	86.5	16000
Biogas plants in Nos. (mn)	3.8	12

Wind Energy: India is today the world's fourth-largest market for wind energy in terms of annual installations with a global market share of 10.9%. But despite technological evolutions, the country was able to add only 902MW of wind power capacity in 2007, compared to its total potential estimated at 45,000MW. Government of India has embarked upon the world's largest wind resource assessment program comprising wind monitoring, wind mapping and complex terrain projects. This program covers 800 stations in 24 states with 193 wind monitoring stations already in operation. Such projects indicate positive signals for the industry and companies operating in wind energy vertical.

Hydel Power: India has a hydroelectric potential of about 150,000MW, however, only 17% of it has been harnessed so far. Indian Government is targeting an additional 50,000 MW of hydro capacity within the next 15-20 years at an estimated cost of Rs 2,000bn. It has taken up various policy measures to liberalize hydel power projects, including the revised hydro policy expected to be unveiled soon. Hydro projects of 20,928MW are at various stages of execution, while projects of 38,731MW are yet to be awarded/under approval.

Biomass Energy: The total potential of Biomass power in India is estimated at 16,000MW, compared to miniscule current installed capacity of 86.5MW. This new source of renewable energy has so far got very little attention from the government. That is changing now as for this sector to show significant growth, innovations in fuel supply chain is crucial. Sourcing of agricultural residues and wastes and optimizing the logistics cost are the dual requirements for growth of this sector.

Solar Power: In India, we usually have 300 clear sunny days in a year in most parts of the country. This is equal to over 5,000tn kWh/year, which is far more than the total energy consumption of the country in a year. This underlines the scope of generating power and thermal applications using solar energy. In terms of

numbers, India has a total potential of producing 160MW/Sq. km in Solar Energy (Solar Photovoltaic and Solar Thermal), but unfortunately only 4.2MW/ sq. km has been harnessed till now.

Bio-Diesel: Worldwide, Jatropha oil is a potential substitute for diesel, providing cheap and renewable source of energy for transport & power. The plant can grow in wastelands, and it yields more than four times as much fuel per hectare as soybean, and ten times as much as corn. Also, Jatropha is a one-stage conversion to bio-diesel. It does not require any engine modification upto 20% blend with petroleum diesel and a minor modification for higher percentage blend. During the year, Government of India has mandated the blending of 10% Jatropha ethanol in 90% gasoline. This mandate has created demand for approximately Rs 3.6bn worth bio-diesel for the entire country, creating tremendous potential for Jatropha in India.

Energy-smart technologies for buildings: According to New Energy Finance, a renewable energy investment research company, energy consumption for residential and commercial buildings lies between 35% and 45% of total global energy consumption, higher than both industry and transport. In the US, 35% of total energy demand is from heating and cooling. Lighting takes up another 33%. So two-thirds of all energy in commercial buildings is accounted for by heating/cooling and lighting. Indian commercial buildings too are likely to consume a lot of energy even though they don't require heating. This presents a big opportunity.

Entegra - Energised Growth

Overall Performance

The year 2006-07 saw your company meet its twin key objectives: to be a fully integrated Global Renewable Energy Enterprise and to achieve significant financial growth. During the year, your company has taken a landmark step to leverage its strong experience of successfully promoting one of the largest hydro power projects in the country – “Maheshwar” by expanding into development of renewable energy sources like bio-fuels, solar and wind energy. Simultaneously, your company has shown a quantum growth in business operations during the year; Sales and Net profits have grown by 472.4% and 547.5%, respectively. Further, with your company looking to harness its true potential with diversified and high value projects, we are actively working towards achieving sustainable growth in the future.

Entegra is committed to making renewable energy technologies affordable, accessible and a mainstream option. To focus on the different opportunities available and to create a sustainable business model, your company has created dedicated teams and three branded service offerings: EnnerGreen Resources to implement and run Renewable Energy generation projects; EnnerGreen Solutions to offer Renewable Energy solutions to residential, commercial and industrial facilities; and Ennertech Projects for EPC services, infrastructure advisory and power trading.

The two large themes that emerged for the year were:

- Tapping potential through high growth projects – with focus on renewable energy.
- Partnering for success

High value initiatives

Tapping emerging opportunities

Your company is currently pursuing the development of several high-value projects to achieve its desired long term objectives. We have been taking significant strides in this direction with several projects already underway. The progress in this direction during the year under review, segment-wise, is as follows:

EnnerGreen Resources – Harnessing energy from nature



Maheshwar Hydro Electric Project (MHEP)

Your company's pioneering Rs 25bn hydro-power project implementation is on track. It is expected to be fully commissioned by April 2009. Civil construction started in November 2005 and now excavation works are 50% complete, concreting works 22% complete, detailed engineering related to civil works and partly pertaining to hydro-mechanical works complete. Your company expects to see the first turbine running by December 2008 and all the ten turbines are expected to be fully commissioned by April 2009. Meanwhile, Shree Maheshwar Hydel Power Corporation Limited (SMHPCL), the special purpose vehicle incorporated for the project, has executed a 35-year Power Purchase Agreement (PPA) and an escrow agreement with the Madhya Pradesh Electricity Board (MPEB). The project has a generation capacity of 400MW (10*40MW) with an energy generation potential of 1,500mn units per annum.

Enertech Bio-Fuels

Your company has floated Enertech Biofuels, a 100% subsidiary for power generation using the latest Bio-Fuel Technologies in renewal energy and will develop Jatropha plantations. It is in the process of finalizing a long-term lease with the Government of Madhya Pradesh for 50,000 hectares of land for developing a Jatropha plantation. Your company is working with leading research institutions for genetic engineering, cultivation practices and also for setting up a "state-of-the-art nursery". Negotiations are also on with European manufacturers for setting up a refinery with a capacity of 100,000tpa. The Project cost is estimated at approximately Rs 2.5bn with commercial production expected by April 2010. Entegra had earlier successfully piloted a 10,000tpa refinery.

Ennertech Wind Farms

Entegra intends to leverage the opportunities for wind energy in India and become a prominent player. It has in place a partnership with Bora Wind AG, a Swiss firm which has a wide experience in implementing wind energy projects across the globe. Your company intends to leverage this partnership to foray into the high potential area of wind energy farms. A special purpose vehicle -- Enertech Winds Farms – has been formed to execute the first project of 100 MW capacity with an investment outlay of Rs 6bn. Entegra is currently in the process of identifying suitable land in the state of Maharashtra, Karnataka and Madhya Pradesh.

The Renewable Energy Corridor

Your company is committed to aggressively promote the adoption of renewable energy and make it a mainstream option for Indian society. The key drivers for rapid technology adoption are reducing costs and increasing volumes hence making technology accessible easily. Entegra is committed to driving costs down by facilitating the development of a renewable energy manufacturing cluster in the country; it proposes to execute the project in a joint venture with the Indian Renewable Energy Development Agency (IREDA) and develop a 1000-acre special economic zone for manufacturing renewable energy equipments and products. The Company has applied to the Ministry of Commerce & Industry for grant of SEZ license. Out of the 1000 acres, 500 acres are ear-marked for the processing area. The other 500 acres is meant for common areas including business consulting & services, a management & technical institute and an R&D centre.

EnnerGreen Solutions – for enabling Green infrastructure facilities



The EnnerGreen Solutions division has been set up to offer integrated renewable energy solutions to residential, commercial and industrial facilities. Your company sees a large opportunity in this area and has put together a focused team to market and develop solutions. Entegra will create an integrated solution using combinations of different sources of renewable energy and energy-saving devices to enable smart-energy facilities. The business model is one where Entegra could offer a solution as a technology vendor, consultant or a turnkey project implementer. It has already embarked on several projects including two high-value projects.

EnnerGreen solutions has bagged its first project to develop a world-class integrated renewable energy facility for Royal Palais a landmark residential building being built at Worli, Mumbai; The project which costs Rs 300mn is already under way and is expected to be complete two years from now. The project involves installing Solar Water Heating Systems for about 100 apartments and a solar heating system for the swimming pool. It also includes installation of a small wind turbine, stand-alone solar photovoltaic systems and an offsite wind turbine;

Your Company will also incorporate energy saving technologies like Light Emitting Diode (LED) lighting for staircase and focus building.

Your company is also providing renewable energy solutions for an 83-acre knowledge park close to Delhi; the park will include an IT software facility, an IT tower, an exhibition center, a shopping mall with a multiplex, a business centre and a service centre; the project is located 35 kilometers from Connaught Place on NH-24.

EnnerGreen Solutions has a range of offerings. At one end of the spectrum are long-term high-value projects. On the other end, to generate a steady cash-flow, Entegra has already started marketing renewable energy products such as solar heating systems for industrial and institutional use. This venture has a low pay-back period of 2 years and has already got two orders: The first is for setting up 2 solar water heaters at a Military hospital having a capacity of 300 litres/day and 200 litres/day; the second project involves setting up 5 waters heaters of different capacities at the Sultania Infantry and EME centre. Entegra will also offer solar srying systems for agro products and solar photovoltaic hybrid systems for residential use. Your company is also representing a Canadian company for marketing their energy storage systems.

EnnerTech Services



One of the core competencies of your company is project management. There is a large opportunity waiting to be tapped in the energy sector as large investments are being made in transmission. Your company wants to leverage its experience in project management and execution skills to offer other services to the energy industry including: Engineering, Procurement & Construction EPC, Project management & advisory and Power trading.

EPC – Power distribution and transmission project

Your company will participate in the bidding procedure with partners. It is pursuing the substation implementation projects in North India at the cost of more than Rs1bn; the project will be implemented in consortium with Best & Crompton Engineering Projects – a leading EPC Company engaged in transmission Lines and substation projects for NTPC, PGCIL and State Utilities.

Project management and Advisory Services

Your company is planning to offer project management and advisory services to leverage on the experienced pool of resources. With a knowledge strong pool of engineering talent and backed by strong business partners Entegra is well positioned to provide turnkey project management services. Some of Entegra's business partners are Best & Crompton, SHAP, PSC Engineers and SunTechnics. Being a pioneer in the hydropower sector, while syndicating the facilities for Maheshwar Hydropower project amounting to Rs 1.4bn, Entegra has acquired unique institutional relationships and is well positioned to leverage the relationships and the experience gained to provide advisory services to emerging high potential energy and infrastructure projects.

Power Trading

Your company aspires to be an end-to-end service provider of renewable energy services to it clients and will also provide power trading services. We have applied for a power trading license and this will enable Entegra to buy and wheel power anywhere in the country. There are huge regional imbalances in demand and supply and with 100% FDI allowed, this sector is poised to see phenomenal investments. Government of India actively developing a power trading market, realizing that significant capacity additions in the private sector would take

time, whereby the surplus power from one state can be supplied to the other. Central Electricity Regulatory Commission (“CERC”) issued a draft paper in 2006 to set up a power trading exchange in India.

Infrastructure Material Trading

Entegra is leveraging the strong network built over the years to trade in infrastructure materials including coal, oil & gas, iron ore, steel and cement; this trading volume of approximately Rs 2bn provides sustainable cash-flows to build the organisation. The volume growth in trade is driven by the rapidly growing infrastructure sector.

Partnering for Success: Accessing Technology and Strengthening Execution Capabilities

The financial year 2006-2007 saw your company establishing landmark contracts/partnerships to add value to the company by bringing in technological and project management capabilities. Going forward, your company expects to strengthen these tie-ups and capitalize on the new industry opportunities.

BORAWIND AG

Swiss firm engaged in the development of wind power projects across the globe

SunTechnics

Global renewable energy service provider from Germany

N.E.D.I.G.
Construction Management

A reputed R&D company from Israel engaged in development of Solarised Turbine Hybrid Systems

SHAPA
Solar Heat And Power SpA

A company from Italy manufacturing fluidized bed combustors for biomass and waste combustion and Solar Concentrators

VRB Power Systems
INCORPORATED

A Canadian Company providing Energy Storage Systems

IREDA
IS/ISO 9001:2000 Certified

Government entity set up under Ministry of New and Renewable Energy (MNRE) to promote, develop and extend financial assistance for renewable energy and energy efficiency/conservation projects

IRELLI
AMBIENTE

Leading Italian firm having state of the art technology for converting municipal waste into fuel

FINANCIAL HIGHLIGHTS:

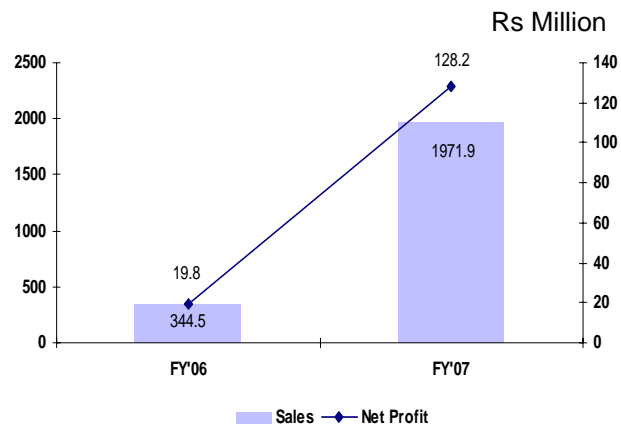
Your company posted total revenue of Rs 1,971.9mn for the year ended March 31, 2007, up by 472.3% from Rs 344.5mn in FY'06.

At present with major projects in gestation period, the company has successfully explored new revenue generating streams via exports. It has used strong relationships developed with industry players to tap competitive advantages in India via trading in coal, oil & gas, iron ore, steel and cement.

On account of lower interest cost and lower operative expenses, your company registered an impressive growth of over 100% in operating profits. Also, despite higher tax provision for current year, net profit of your company surged to Rs 128.2mn – an increase of 547% over the previous year.

As decided and declared by the Board earlier at its meeting held on April 1, 2006, the company will consider the issue of one equity share for each share held on rights basis to its existing shareholders to augment further resources of the company.

We expect the year 2007-08 to be an inflection point for our business, preparing us for higher growth then on. We also hope to benefit from our efforts in vertical integration and high value projects on hands to ensure that our competitiveness increases as we grow our renewable energy business.



COMPARATIVE P&L ACCOUNT**(Rupees in Million)**

Profit & Loss Statement	FY'07	FY'06
Net Sales	1971.89	344.48
Other Income	43.08	1.42
Total Income	2014.97	345.9
Operating Expenditure	1793.5	256.03
Interest	47.43	68.04
Depreciation & Amortization	0.8	0.57
Profit before tax	173.24	21.27
Provision for Tax including Current tax, Deferred tax, Fringe benefit tax	16.99	1.43
Profit after taxation & prior period items	128.2	19.8
Basic and Diluted Earning per share	2.51	0.39

COMPARATIVE BALANCE SHEET**(Rupees in Million)**

Balance Sheet	31st March 2007	31st March 2006
SOURCES OF FUNDS		
Share Capital	510.0	510.0
Advance Share Application Money	570.0	481.1
Profit and Loss Account	132.1	3.9
Loan funds	843.2	667.5
Deferred Tax Liability (Net)	0.1	0.1
TOTAL	2055.4	1662.7
APPLICATION OF FUNDS		
Gross Block	2.1	1.9
Less: Depreciation	0.5	0.3
Net Block	1.6	1.6
Pre-operative Expenses	6.5	2.2
Investments	0.1	304.5
Net Current Assets (a) - (b)	2042.8	1351.6
Miscellaneous Expenditure	4.4	2.8
Profit & Loss Account	0.0	0
TOTAL	2055.4	1662.7

For and on behalf of the Board,**Mukul S. Kasliwal
Chairman****Mumbai, August 25, 2007**