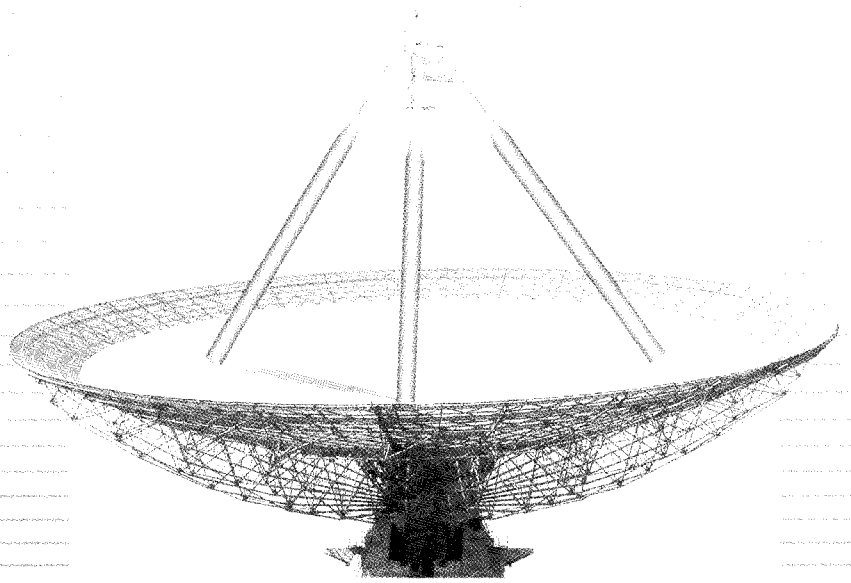
ADOR WELDING LIMITED

WELDING WISDOM

the wide base supporting
the competitive spirit



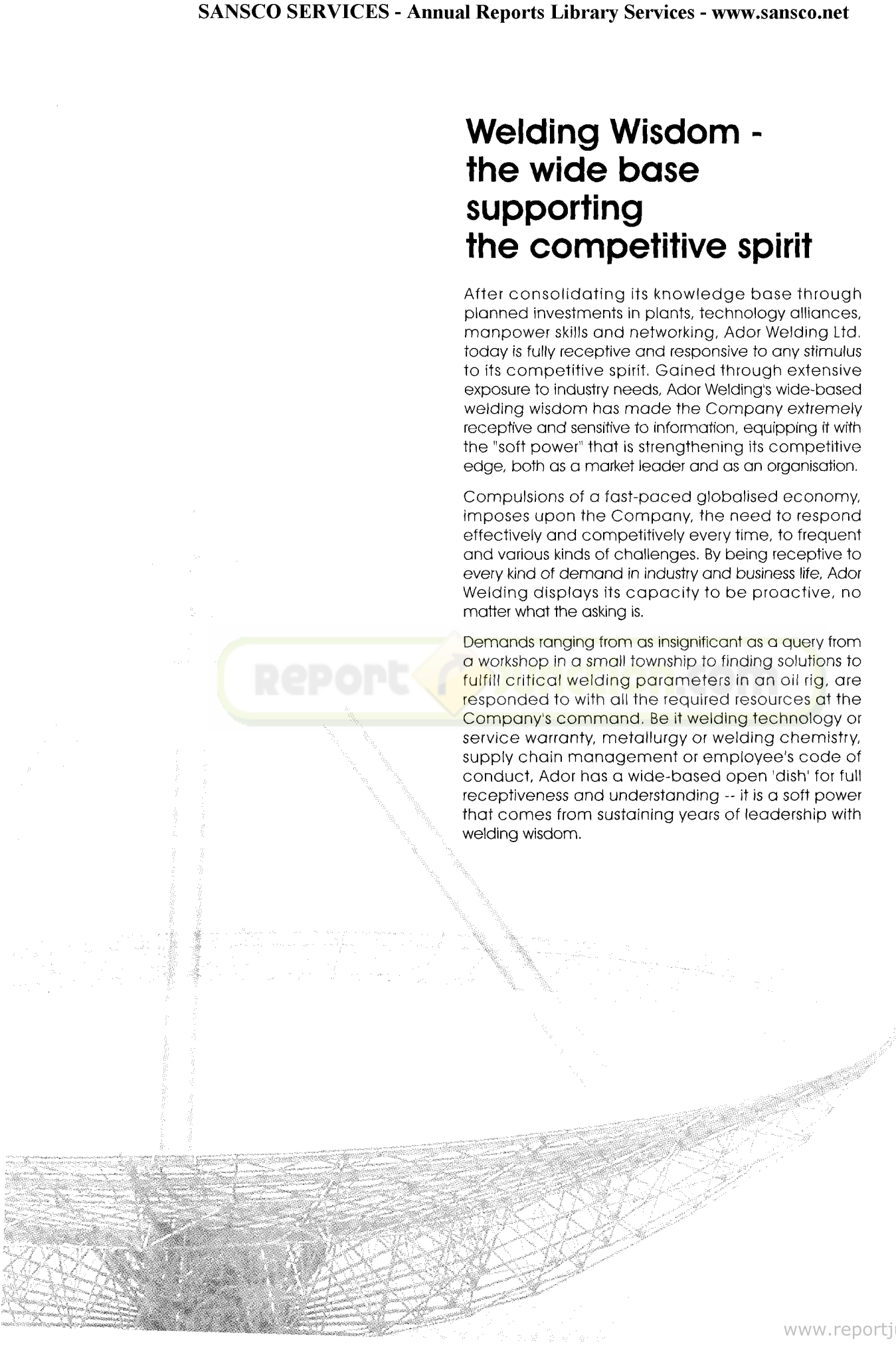
53rd Annual Report 2005-06

Welding Wisdom - the wide base supporting the competitive spirit

After consolidating its knowledge base through planned investments in plants, technology alliances, manpower skills and networking, Ador Welding Ltd. today is fully receptive and responsive to any stimulus to its competitive spirit. Gained through extensive exposure to industry needs, Ador Welding's wide-based welding wisdom has made the Company extremely receptive and sensitive to information, equipping it with the "soft power" that is strengthening its competitive edge, both as a market leader and as an organisation.

Compulsions of a fast-paced globalised economy, imposes upon the Company, the need to respond effectively and competitively every time, to frequent and various kinds of challenges. By being receptive to every kind of demand in industry and business life, Ador Welding displays its capacity to be proactive, no matter what the asking is.

Demands ranging from as insignificant as a query from a workshop in a small township to finding solutions to fulfill critical welding parameters in an oil rig, are responded to with all the required resources at the Company's command. Be it welding technology or service warranty, metallurgy or welding chemistry, supply chain management or employee's code of conduct, Ador has a wide-based open 'dish' for full receptiveness and understanding -- it is a soft power that comes from sustaining years of leadership with welding wisdom.



Contents

Board of Directors

Ms. A. B. Advani
Executive Chairman

Mr. V. G. Kutty
Managing Director

Mrs. R. T. Malkani
Director

Ms. R. Lalvani
Director

Mrs. N. Malkani Nagpal
Director

Mr. G. L. Mirchandani
Director

Mr. J. N. Hinduja
Director

Mr. R. R. Vora
Director

Mr. Anil Harish
Director

Mr. M. K. Maheshwari
Director

Corporate Management Team
Mr. C. Venugopal
Mr. Raman Kumar
Mr. R. A. Bijlani
Mr. K. N. Subramanian
Mr. A. Anantharaman
Mr. V. B. Tamboli
Mr. D. J. Joshi

Company Secretary
Mr. V. M. Bhide

Registered & Head Office
Ador House,
6, K. Dubash Marg,
Fort, Mumbai - 400 023.
Tel.: 2284 2525, 2287 2548
Fax: 2287 3083
Website
http://www.adorwelding.com

Bankers
Bank of Baroda
HDFC Bank

Auditors
Dalal & Shah, Mumbai

Solicitors
Nanu Hormasjee & Co.,
Mumbai

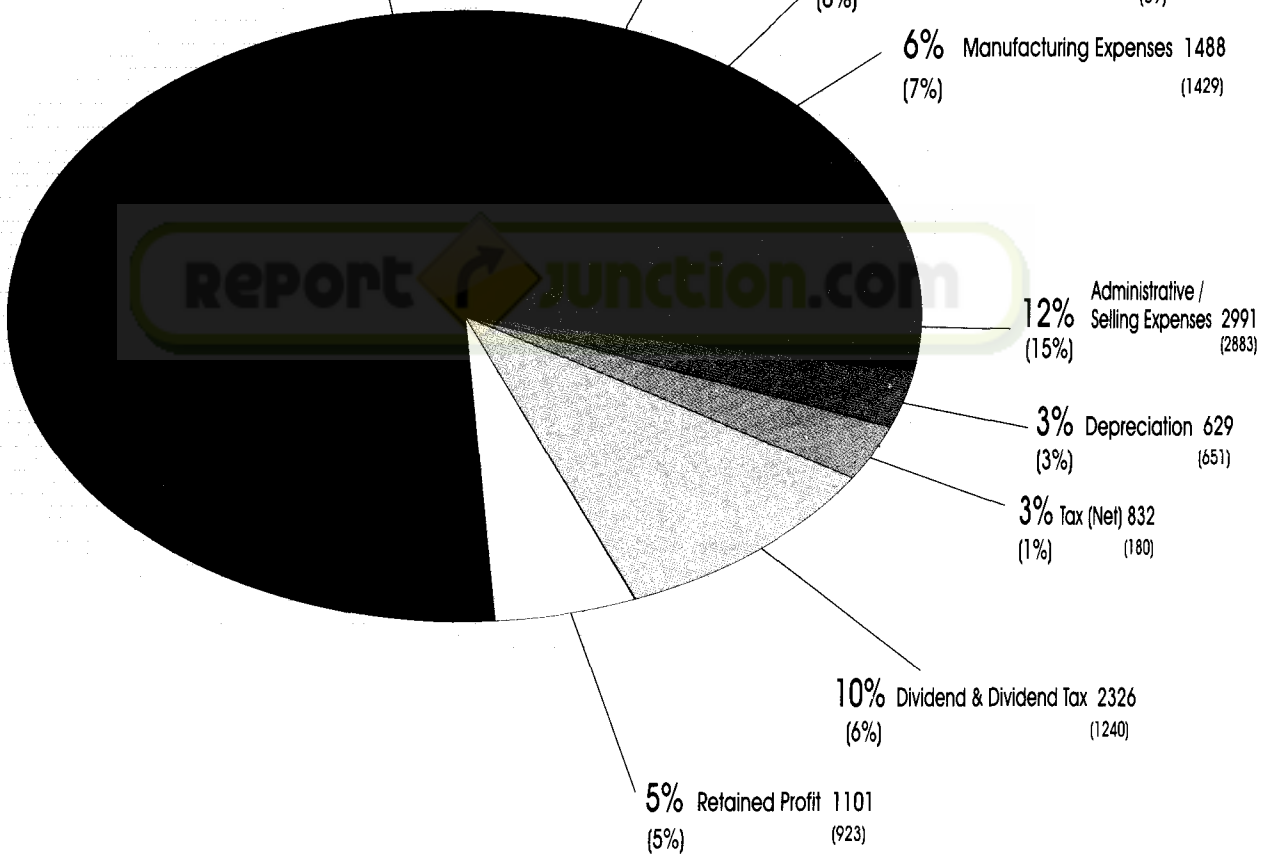
Registrar & Share Transfer Agent
SHAREX DYNAMIC (India) Pvt. Ltd.
Head Office
17/B, Dena Bank Bldg., 2nd floor,
Horniman Circle, Fort,
Mumbai - 400 001.
Tel. : 2270 2485, 2264 1376
Fax : 2264 1349

Branch Office
Unit No. 1, Luthra Industrial Premises,
Andheri Kurla Road, Safed Pool,
Andheri (E),
Mumbai - 400 072.
Tel. : 2851 5606 / 44
Fax : 2851 2885

Distribution of Revenue

(Excluding surplus on sale of property and long-term investments)

(Rs. in lacs)



(Figures in bracket indicate Previous Year)

Financial Ratios

DESCRIPTION	2005-06	2004-05
ROI (%)	38.89	31.93
Sales to Capital Employed Ratio (Times)	2.35	2.28
Profit to Sales (%)	16.57	13.78
Working Capital Turnover Ratio (Times)	4.08	3.71
Inventory Turnover Ratio (Times)	5.56	6.07
Debtors Turnover Ratio (No. of Days)	15	53
Current Ratio (Times)	1.81	1.92
Debt Equity Ratio (Times)	NA*	NA*

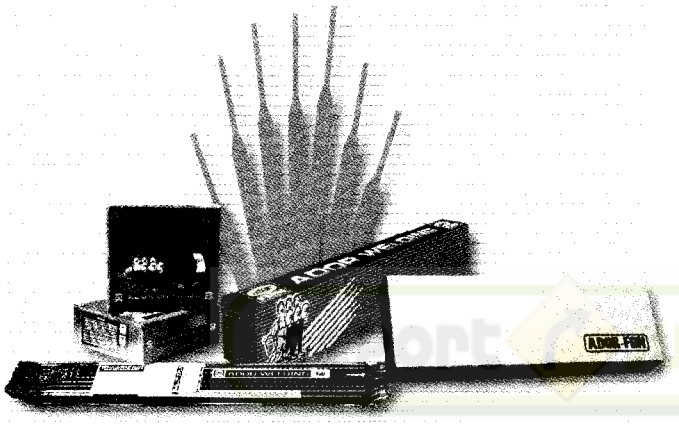
*SINCE NO DEBT

Funds Flow

(Rs. In lacs)

DESCRIPTION	2005-06	2004-05
Sources of Funds		
Profit after Tax	4,020	2,793
Depreciation (Including additional depreciation)	629	1,760
Disinvestments Proceeds (Net)	–	–
Fixed Assets (Net)	–	250
Total	**4,649**	**4,803**
Application of Funds		
Fixed Assets (Net)	1,538	–
Investments in Bonds, etc. (Net)	174	1,553
Repayment of Borrowings (Net)	–	–
Working Capital (Net)	611	2,009
Dividend	2,040	1,088
Dividend Tax	286	153
Total	**4,649**	**4,803**

New Product Offerings from our Technology Development Centre (Welding Consumables)



ELECTRODES

Tenalloy 60NX (AWS A/ SFA 5.5 E8018 G)
The electrode has been specially developed for overseas as well as the Indian Navy's requirement of excellent toughness at sub zero temperatures i.e. minus 40° C, minus 50°C and minus 60° C, in positional welding with AC power sources. It is welder friendly and is ideally used for welding high yield strength (> 450 MPa) steels, weather resistant steels of equivalent grades, critical and highly restrained joints.

Cromoten STC (AWS A/SFA 5.5 E8018 B2)
A vacuum-packed, 1.2Cr/0.5Mo electrode, it has excellent creep strength and heat resistance up to 550° C. The superior mechanical properties of the electrode surpass AWS requirements including impact properties at minus 18° C. It is especially used for welding creep-resistant steels (1Cr. 0.5 Mo) where stringent classification requirements are demanded.

SPIA OMo3 (AWS A/SFA 5.11 ENiCrMo3)
Unlike most electrodes of this class SPIA OMo3 has excellent user-friendly characteristics. Approved in the overseas market for cladding and overlay applications, the electrode yields weld deposits that are resistant to creep, hot-cracking and stress-corrosion cracking.

Superinox 3A (AWS A/SFA 5.4 E 308-16)
This vacuum-packed electrode in the S.S. range, can be conveniently used without re-drying. Superinox 3A has excellent welding characteristics in all positions and is ideal for welding of austenitic stainless steels like AISI types 301, 302, 304 and 308.

WIRES

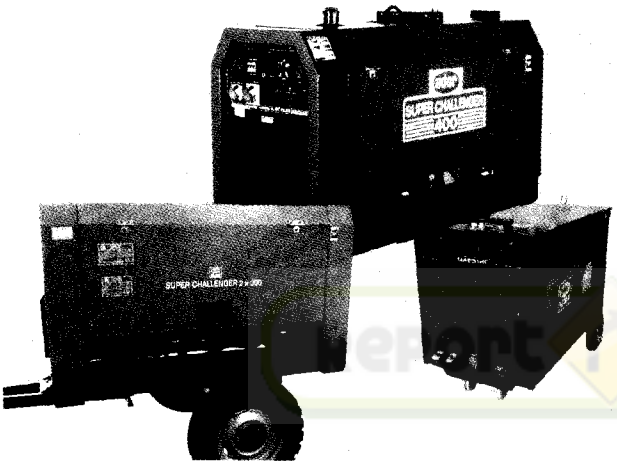
Automig FC 71T-5 (AWS A/SFA 5.20 E 71T-5H4 / E71T-5MH4)
With superb mechanical properties and sound radiography quality welds, Automig FC 71T-5 enables welded joints that are totally crack-resistant and tough. It is suitable for welding structural and boiler quality steels with minimum UTS up to 52Kg/mm^2. Weld beads have excellent finish.

Automelt FC 410NX (AWS A/SFA 5.23 F9P6-EC-F1-F1)
This is a low alloy basic type flux-cored wire for SAW, used with Automelt B41 flux. This typical combination is most suitable for welding fine grain structural steels.

FLUXES

Automelt A61 (AWS A/SFA 5.17 F7A0-EL8 / F7A2/P2-EM12K)
Developed for high speed butt welding applications, this Mn-Si type active flux is used with EL8 and EM12K wires, and has a high current carrying capacity. It is best suited for single and multi wire welding at high speeds.

New Product Offerings from our Technology Development Centre (Welding Equipment)



SUPERCHALLENGER 2x300 (DOUBLE-OPERATOR, ENGINE-DRIVEN WELDING SET)
This is a dual-operator, engine-driven, brushless type Welding Generator. It offers the facility of two welders operating simultaneously from a single welding set, each with a capacity of 300 Amps @ 40% duty cycle. The set also offers the facility of a single welder operating the set with an enhanced capacity of 600 Amps@ 40% duty cycle. The use of double operator welding sets for cross-country pipeline welding is becoming more and more popular with pipeline contractors.

SUPERCHALLENGER 400/500K4 (WITH COLD START ARRANGEMENTS FOR LOW OPERATING TEMPERATURES)
SUPERCHALLENGER 400/500K4 is an engine-driven Welding Generator with a diesel engine of the air-cooled type instead of the water-cooled version. Welding sets with air-cooled engines are preferred over water-cooled engines for special operating conditions such as high altitude and low ambient temperatures. These sets deliver 400 Amps and 500 Amps at 60 duty cycle and are used mainly for highway road construction projects in high altitude areas and locations.

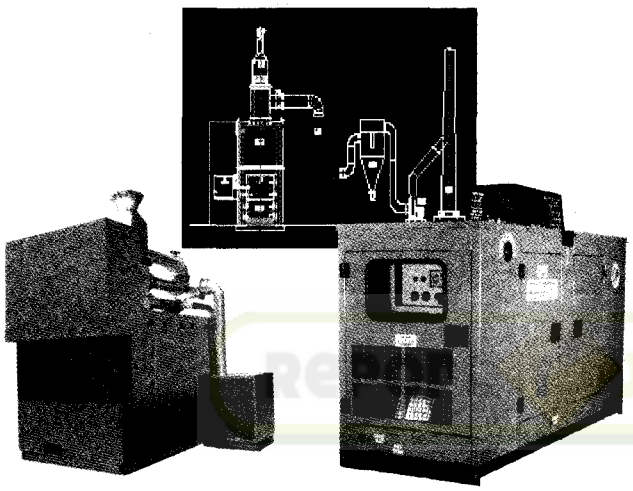
SUPERCHALLENGER SERIES ENGINE DRIVEN SILENT WELDING SETS CONFORMING TO CPCB NORMS (SC300 / SC 400 / SC 500)
These engine-driven Welding Sets operate in the welding current range of 300 Amps, 400 Amps, 500 Amps and meet the stringent requirement of noise level of 75 dBA at 1 metre distance as per the Central Pollution Control Board (CPCB) norms. The main unit assembly of the engine and welding generator is housed in an acoustic canopy which reduces the noise level to 75 dBA measured at 1 metre from the set. The sets are available in skid-mounted and 2-wheel trolley mounted versions.

POWERCON MULTI 600
An energy-efficient, multi process outfit of 600 Amps capacity, the Powercon Multi 600 provides welding current of 600 Amps at 60% duty cycle and 465 Amps at 100% duty cycle for multiple welding processes like SMAW, GMAW, FCAW, GTAW, GOUGING and for cutting processes too. It is basically a CC/CV power source with all the controls required in meeting the characteristic parameters of these processes.

It is an ideal outfit for heavy duty, multi process applications such as fabrication of heavy structures by GMAW / FCAW / SMAW processes. Attractive features include remote control unit and multiple protection against high voltage, low voltage, single phasing and overheating etc.

THYRISTORISED SAW WELDING OUTFITS : MAESTRO 600(T) / 800(T) / 1000(T) /1200 (T)
These thyristor-based SAW welding power sources of 600 A, 800 A, 1000 A and 1200 Amps rating have specific advantages : stepless variation of welding voltage and current, reduced effect of input voltage variation for set welding parameters as well as the facility of setting both, welding voltage and current through remote control units. Maestro outfits are available with trolley-mounted and boom-mounted welding heads.

New Product Offerings from our Technology Development Centre (Project Eng. Div.)



POWER GENERATOR SETS

POWER GENERATING SETS FROM 15 KVA TO 125 KVA (MODELS : POWERGEN T-15 / T-30 / T-40 / T-60 / T- 75 / T-125) These power generator sets meet the Central Pollution Control Board (CPCB) norms for noise level and engine exhaust emission imposed by Board from January 2005.

The set is enclosed in a weatherproof acoustic canopy with fire resistant lining. The design of the power alternator is of the brushless type requiring little maintenance. The set is capable of starting higher capacity induction motors due to its specially designed excitation winding in the alternator and automatic voltage regulator. An optional feature, the microcontroller based AUTO MAINS FAILURE control panel enables automatic changeover from mains to generator or vice versa. All the models are environmental-friendly and self-contained with a fuel tank and coolant storage within the set.

FUEL FIRED CREMATOR

These cremators are so designed that they can operate on 3 different fuels -- LPG, CNG or Diesel or a combination of any of the two fuels. It weighs far lesser than an electric cremator and does not require any special foundation or structure. The entire cremator is shop-assembled, requiring minimal site work. It is a PLC controlled system and easy to operate.

WASTE MANAGEMENT SYSTEMS

INDUSTRIAL / HAZARDOUS WASTE INCINERATORS - SOLID / LIQUID / GAS (CONCEPT TO COMMISSIONING)

- *Industrial / Hazardous Waste Management Systems as per* CPCB norms.
- Solid Hazardous Waste Incinerator, complete with material handling and feeding system, microprocessor controlled incineration, Waste heat recovery system, multi stage gas cleaning system.
- Liquid Waste Incinerator, complete with air/steam assisted liquid atomization system, microprocessor controlled incineration, Waste heat recovery system, multi stage gas cleaning system.
- Solid / Liquid Waste Incinerator, complete with air/steam assisted liquid atomization system, microprocessor controlled incineration, Waste heat recovery system, multi stage gas cleaning system.
- Gas Incinerator, complete with preheater / heat recuperator, microprocessor controlled incineration, Waste heat recovery system, multi stage gas cleaning system.

EFFLUENT TREATMENT PLANTS

INDUSTRIAL WASTE WATER TREATMENT (CONCEPT TO COMMISSIONING)

Basic functions of waste water treatment is the same as water treatment up to the primary stage but different from the secondary stage. In water treatment we conclude the process with destroying the bacteria, but in waste water treatment we use, promote and process with the bacteria.

Two types of treatment available :

- Aerobic treatment - Aerobic bacteria is promoted by incorporation of atmospheric oxygen.
- Anaerobic treatment - Where bacteria is developed in the absence of sunlight and oxygen.

DIRECTORS' REPORT

To,

The Members,

The Directors have pleasure in presenting the **Fifty-Third** Annual Report of the Company and the Audited Statement of Accounts for the year ended 31st March 2006.

1.0 FINANCIAL PERFORMANCE

(Rs. in Crores)

Sr. No.	KEY FINANCIAL INDICATORS	For the year ended 31st March, 2006	For the year ended 31st March, 2005
1.1	Sales & other Income '(Net of Excise Duties, Discounts & Incentives)	**244.84**	198.70
1.2	Surplus on sale of Investments / Properties	**5.77**	16.57
1.3	Profit before Interest and Depreciation	**54.54**	46.91
1.4	Profit before Tax	**48.36**	28.92
1.5	Provision for Tax (Net of deferred tax)	**8.16**	1.00
1.6	Profit for the year	**40.20**	27.93
1.7	Capital Expenditure	**14.22**	5.73
1.8	Capital work in progress	**5.08**	0.30

2.0 DIVIDEND AND RESERVES

2.1 The Board of Directors had declared an Interim Dividend of 50% (i.e. @ Rs. 5/- per equity share) for the year 2005-06 at its Meeting held on Friday 28th October, 2005. The Interim Dividend was paid to those Shareholders and Beneficial Owners whose names appeared in the Company's Register of Members as on the Record Date i.e. on Monday, 14th November, 2005 in respect of shareholding held both in Physical and Dematerialised form respectively.

2.2 The Board of Directors has now recommended a Final Dividend of 50% (i.e. @ Rs. 5/- per equity share) for the year 2005-06, subject to the approval of the shareholders. (Dividend for the year 2004-05 was declared at 30% i.e. @ Rs. 3/- per equity share)

2.3 In view of the improved financial performance for the year 2005-06, the Board of Directors has also recommended a Special Dividend of 50% (i.e. @ Rs.5/- per equity share), subject to the approval of the shareholders. (Special Dividend for the year 2004-05 was declared at 50% i.e. @ Rs. 5/- per equity share).

2.4 The total Dividend for the year 2005-06 along with the Interim and Special Dividend works out to Rs.15/- per share (100% + 50% = 150% of the face value of Rs.10/- each). (Dividend for the year 2004-05 was declared at 30% + 50% = 80% i.e. @ Rs. 8/- per equity share, inclusive of a Special Dividend of 50% i.e. @ Rs. 5/- per equity share).

2.5 The total Dividend together with Interim and Special Dividend with the tax on the distributed / distributable profits will absorb a sum of Rs. 23.26 crores (Rs. 12.40 crores)* from the current year's profits.

2.6 The Final Dividend for the year 2005-06 shall be paid to those Shareholders and Beneficial Owners whose names appear on the Register of Members as on the date of the Book closure for the Dividend payment.