

DIRECTORS

Mr. Bansi S. Mehta (Chairman)

Mr. Nikhil J. Danani
(Vice Chairman & Managing Director)

Mr. Nakul P. Mehta
(Vice Chairman & Managing Director)

Mr. Jaisingh R. Danani

Mr. Mukul Harkisondass

Mr. Prakash V. Mehta

Mr. Anand J. Danani

Mr. Deepak S. Parekh
(Alternate to Mr. Anand J. Danani)

Mr. Sanjiv N. Shah

Mr. Jairaj C. Thacker

Mr. Meghendra Kumar
(Appointed in casual vacancy
on 29th January, 2004)

REGISTERED OFFICE

Electric Mansion, 6th Floor,
Appasaheb Marathe Marg, Prabhadevi,
Mumbai 400 025.

Tel. No. : 022-24306237

Fax No. : 022-24370624

WORKS

Plot No. 2, MIDC Industrial Estate,
Belapur Road, Kalwa,
Thane 400 601.

Maharashtra.

Tel. No. : 022-27600401

Fax No. : 022-27600443

AUDITORS

Messrs Dalal & Shah

SOLICITORS

Messrs Malvi Ranchoddas & Co.

BANKERS

Bank of India

The United Western Bank Limited

Syndicate Bank

Indian Bank

The North Kanara Gaud Saraswat Cooperative
Bank Ltd.

REGIONAL OFFICES**Northern Regional Office**

Milap Niketan, 4th Floor,
8-A, Bahadur Shah Zafar Marg,
New Delhi 110 002.

Tel. No. : 011-23319694

Fax No. : 011-23319413

Eastern Regional Office

Mansarowar, 2nd Floor,
3B, Camac Street,
Kolkata 700 016.

Tel. No. : 033-22172382

Fax No. : 033-22172467

Southern Regional Office

Ramanashree Chambers,
37, Lady Curzon Road,
Bangalore 560 001.

Tel. No. : 080-5592646

Fax No. : 080-5592823

REGISTRAR & SHARE TRANSFER AGENTS**Intime Spectrum Registry Ltd.**

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg,
Bhandup (W),
Mumbai 400 078.

Tel. No. : 022-55555454

Fax No. : 022-25672693



NOTICE

Notice is hereby given that the 58th Annual General Meeting of Bharat Bijlee Limited will be held at Walchand Hirachand Hall, Indian Merchants' Chamber Building, Veer Nariman Road, Churchgate, Mumbai 400 020 on Friday, 12th August, 2005 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Mukul Harkisondass who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anand J. Danani who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Bansi S. Mehta who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint M/s. Dalal & Shah, Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors and or its Audit Committee to fix their remuneration.

SPECIAL BUSINESS

7. To appoint a Director in place of Mr. Meghendra Kumar who was appointed on 29th January, 2004 by the Board to fill the casual vacancy caused by the resignation of Mr. N. Balakrishnan and who holds office in the normal course upto the date of the 58th Annual General Meeting.
8. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

"RESOLVED that pursuant to sub clause (d) of sub section (1) of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 and Article 67(d) of the Articles of Association of the Company on and with effect from 16th September, 2005 hereinafter referred to as "Record date for subdivision", the face value of each equity share of Rs. 100 of the Company comprised in the authorised, issued and subscribed capital of the Company of Rs. 80,00,000/- (Rupees Eight Crores) represented by 8,00,000 (Eight lakh) equity shares including 5,65,156 (Five lakh sixty five thousand one hundred fifty six) fully paid up equity shares whether

held in physical or dematerialised form, be and is hereby subdivided into 80,00,000 (Eighty lakh only) equity shares including 56,51,560 (Fifty six lakh fifty one thousand five hundred sixty) fully paid-up equity shares of the face value of Rs. 10 each and that in accordance with the Companies (Issue of Shares Certificates) Rules, 1960, new share certificates for 10 equity shares of the face value of Rs. 10 each be issued in place of the existing share certificates for every one equity share of the face value of Rs. 100 each in respect of share certificates held in physical form and that in respect of shares held in dematerialised form, appropriate instructions/communication be sent to the National Securities Depository Ltd. and the Central Depository Services (India) Ltd. to credit the account of each beneficial holder of the Company with 10 equity shares of the face value of Rs. 10 each for every one equity share of the face value of Rs. 100 each held in the depository account.

RESOLVED FURTHER that upon subdivision of equity shares as aforesaid, the equity shares of the face value of Rs. 100 each held by the shareholders/beneficial holders shall be deemed to have been automatically cancelled and be of no effect on and from the Record date for sub division."

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

"RESOLVED that, the Memorandum of Association of the company be and is hereby altered by deleting the existing Clause 5 and substituting in its place instead the following new Clause 5.

The authorised share capital of the company is Rs. 10,00,00,000/- (Rupees Ten Crores) divided into 2,00,000 12% Non Convertible Redeemable Cumulative Preference Shares of Rs. 100/- each and 80,00,000 equity shares of Rs. 10/- each as herein after provided and in accordance with the regulations of the Company and the legislative provisions for the time being in force. Subject to the provisions of the said Act, the shares in the capital of the Company for the time being, whether original or increased or reduced may be divided into classes, with any preferential, deferred, qualified, or other rights, privileges, conditions or restrictions attached hereto, whether in regard to dividend, voting, return of capital or otherwise.

If and whenever the Capital of the Company is divided into shares of different classes, the rights of any such class may be varied, modified, affected, extended, abrogated or surrendered as provided by the Articles of Association or by the terms of issue, but not further or otherwise."

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

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered by deleting the existing Article 4 and substituting in its place instead the following new Article 4.

The authorised share capital of the company is Rs. 10,00,00,000/- (Rupees Ten Crores) divided into 2,00,000 12% Non Convertible Redeemable Cumulative Preference Shares of Rs. 100/- each and 80,00,000 equity shares of Rs. 10/- each as herein after provided and in accordance with the regulations of the Company and the legislative provisions for the time being in force. Subject to the provisions of the said Act, the shares in the capital of the Company for the time being, whether original or increased or reduced may be divided into classes, with any preferential, deferred, qualified, or other rights, privileges, conditions or restrictions attached hereto, whether in regard to dividend, voting, return of capital or otherwise."

If and whenever the Capital of the Company is divided into shares of different classes, the rights of any such class may be varied, modified, affected extended abrogated or surrendered as provided by the Articles of Association or by the terms of issue, but not further or otherwise.

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, and in partial modification of the Ordinary Resolution No. 8 passed at the 56th Annual General Meeting of the Company held on 12th August, 2003, the approval of the Company be and is hereby accorded to the variation in terms of remuneration (including perquisites and commission) payable to Mr. Nikhil J. Danani, Managing Director of the Company, as under from 1st April, 2005 upto 19th June, 2008 i.e. upto the end of his current tenure as Managing Director.

Salary: upto Rs. 3,00,000/- per month as may be decided by the Board of Directors (which includes any Committee thereof) with such increments from time to time, after taking into account the Company's performance.

Perquisites and Allowances:

- i) In addition to the salary and commission, Mr. N. J. Danani is also entitled to perquisites

and allowances, including furnished accommodation or house rent in lieu thereof, house maintenance allowances, together with utilities there of such as gas, electricity, water and furnishings, repairs, servants salaries, society charges and property tax, medical reimbursement, medical and personal accident insurance, leave travel concessions for self and family, club fees, hospitalization expenses for self and family and such other allowances and perquisites as the Board or its committee may in its absolute discretion, determine from time to time.

- ii) Company's contribution to Provident Fund and Superannuation Fund or any Annuity fund to the extent these are either singly or together, not taxable under the Income-tax Act, Gratuity as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling for remuneration specified above.
- iii) Car for use on company's business and telephone (Fixed and Mobile) and other communication facilities at residence will not be considered as perquisites.
- iv) Leave with full pay or encashment thereof as per the Rules of the Company.
- v) Reimbursement of actual entertainment expenses, actual traveling and hotel expenses for the Company's business and/or allowances as per the Company's Rules.
- vi) **Other perquisites:**

Subject to overall ceiling on remuneration mentioned herein below, the Managing Director may be given any other allowances, benefits and perquisites as the Board of Directors (which includes any committee thereof) may from time to time decide.

Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

Commission:

Such remuneration by way of commission, in addition to the salary and perquisites and allowances, payable calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors (which includes any committee thereof) in its absolute discretion deem fit, for each Corporate Financial Year, provided that the total remuneration including salary, perquisites and commission shall not exceed the overall ceiling prescribed under Section 198 and 309 of the Companies Act, 1956.

Minimum Remuneration:

Notwithstanding anything to the contrary contained herein above, wherein in any financial year, during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay salary, perquisites and allowances as specified above to the Managing Director as Minimum Remuneration to him.

The Managing Director, so long as he functions as such shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

The Managing Director, shall not be subject to retirement by rotation during his tenure as Managing Director of the Company."

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, and in partial modification of the Ordinary Resolution No. 9 passed at the 56th Annual General Meeting of the Company held on 12th August, 2003, the approval of the Company be and is hereby accorded to the variation in terms of remuneration (including perquisites and commission) payable to Mr. Nakul P. Mehta, Managing Director of the Company, as under from 1st April, 2005 upto 19th June, 2008 i.e. upto the end of his current tenure as Managing Director.

Salary: upto Rs. 3,00,000/- per month as may be decided by the Board of Directors (which includes any Committee thereof) with such increments from time to time, after taking into account the Company's performance.

Perquisites and Allowances:

- i) In addition to the salary and commission, Mr. Nakul P. Mehta is also entitled to perquisites and allowances, including furnished accommodation or house rent in lieu thereof, house maintenance allowances, together with utilities there of such as gas, electricity, water and furnishings, repairs, servants salaries, society charges and property tax, medical reimbursement, medical and personal accident insurance, leave travel concessions for self and family, club fees, hospitalization expenses for self and family and such other allowances and perquisites as the Board or its committee may in its absolute discretion, determine from time to time.
- ii) Company's contribution to Provident Fund and Superannuation Fund or any Annuity fund to the extent these are either singly or together,

not taxable under the Income-tax Act, Gratuity as per the Rules of the Company and encashment of leave at the end of the tenure will not be included in the computation of the ceiling for remuneration specified above.

- iii) Car for use on company's business and telephone (Fixed and Mobile) and other communication facilities at residence will not be considered as perquisites.
- iv) Leave with full pay or encashment thereof as per the Rules of the Company.
- v) Reimbursement of actual entertainment expenses, actual traveling and hotel expenses for the Company's business and/or allowances as per the Company's Rules.

vi) Other perquisites:

Subject to overall ceiling on remuneration mentioned herein below, the Managing Director may be given any other allowances, benefits and perquisites as the Board of Directors (which includes any committee thereof) may from time to time decide.

Perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

Commission:

Such remuneration by way of commission, in addition to the salary and perquisites and allowances, payable calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors (which includes any committee thereof) in its absolute discretion deem fit, for each Corporate Financial Year, provided that the total remuneration including salary, perquisites and commission shall not exceed the overall ceiling prescribed under Section 198 and 309 of the Companies Act, 1956.

Minimum Remuneration:

Notwithstanding anything to the contrary contained herein above, wherein in any financial year, during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay salary, perquisites and allowances as specified above to the Managing Director as Minimum Remuneration to him.

The Managing Director, so long as he functions as such shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.

The Managing Director, shall not be subject to retirement by rotation during his tenure as Managing Director of the Company."

NOTES:

(A) **MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. INSTRUMENTS APPOINTING PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

(B) The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, 1st August, 2005 to Friday, 12th August, 2005 (both days inclusive).

(C) (i) The Profiles of the Directors being reappointed, item Nos. 3, 4, & 5 of the Notice as required under Clause No. 49 of the Listing Agreement with Stock Exchanges is annexed to this notice.

(ii) The Explanatory statement is annexed to the Notice with regard to item Nos. 7 to 12 in terms of Section 173(2) of the Companies Act, 1956.

(D) It is notified for the information of shareholders concerned that the unclaimed dividends on equity and preference shares for the year ended 31-03-1995 have been transferred by the Company to the General Revenue Account of the Central Government and the same can be claimed by such shareholders from the Registrar of Companies, Maharashtra, Office of the Registrar of Companies, Central Government Office Building, A Wing, 2nd Floor, Next to Reserve Bank of India, CBD Belapur 400 614 by submitting an application in the prescribed form No. II under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, to the above address.

As per the provision of Section 205A read with Section 205C of the Companies Act, 1956 a Company is required to transfer its dividends, debentures, bonds, redeemed preference shares, fixed deposits, interest on fixed deposits, interest on debentures etc. upto the financial year March 31, 1995 and onwards which remain unpaid or unclaimed for a period of 7 years to the Investor Education and Protection Fund set up by the Central Government. The Company has in compliance transferred all such unclaimed amounts upto the financial year 31st March, 1997 to the said fund. It may be noted that no claims will lie against the Company in respect of the said

unclaimed amount(s) transferred to the said fund. Members who have not claimed the dividends declared for the Financial Year 31-3-1998 and onwards are requested to lodge their claim immediately with the Company's Registrar and Transfer Agents at the address mentioned in the Annual Report.

(E) The dividend, as recommended by the Board, if declared at the Annual General Meeting, will be paid after Friday, 12th August, 2005 to those members whose names stand registered on the Company's Register of Members:

(a) as Beneficial owners as at the end of business on Saturday, 30th July, 2005 as per the list to be furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) in respect of shares held in demat form.

(b) as Members in the Register of Members of the Company after giving effect to valid share transfers lodged with the Company on or before, the 1st August, 2005.

(F) The Registrar and Transfer activity of shares held in physical and demat form continue to be carried out by our Registrars, M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400 078, Phone No. 55555454.

The Register of Members continue to be maintained at the Registered Office of the Company.

(G) Pursuant to the provisions of Section 109A of the Companies Act, 1956, shareholders may file nomination in respect of their shareholdings. Any shareholder willing to avail of this facility may submit to the Company the prescribed form 2B, if not already filed.

The Equity Shares of the Company are listed on the following stock exchanges:

1. The Stock Exchange, Mumbai
Pheroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.
2. The Delhi Stock Exchange Association Ltd.
3&4/4B, Asaf Ali Road,
New Delhi 110 002.

The listing fee for the period 1-4-2005 to 31-3-2006 to the above Exchanges has been paid.

REQUEST TO THE MEMBERS

1. Members desiring any information on the Accounts of the Annual General Meeting are requested to write to the Company at least seven days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring the copy of the Annual Report to the Meeting.
3. Members who hold shares in the dematerialised form are requested to bring their Depository Account Number for identification.

By Order of the Board
D.N. NAGARKAR
 Company Secretary &
 General Manager: Legal

Registered Office:
 Electric Mansion, 6th Floor
 Appasaheb Marathe Marg,
 Prabhadevi, Mumbai 400 025
 Dated: 29th June, 2005

PROFILES OF DIRECTORS BEING REAPPOINTED AS REQUIRED BY CLAUSE 49 VIA OF THE LISTING AGREEMENT WITH STOCK EXCHANGES**Item Nos. 3, 4 & 5 of the Notice****Mr. Mukul Harkisondass**

Mr. Mukul Harkisondass has been a Director on the Board of the Company since 29th August, 1972. He has vast knowledge and experience in various fields including Merchant Banking, Finance, Stock Markets, Regulatory Authorities and has been a Director on the Boards of various companies. At present he is a Director on the Board of M/s. Nemex Enterprises Pvt. Ltd.

He is the Chairman of the Audit, Remuneration and Shareholder/Investor Grievance Committees and a member of the Share Transfer Committee of the Company. The Company has benefited immensely by his expert advice over the years and has drawn strength from his experience and knowledge.

Mr. Anand J. Danani

Mr. Anand J. Danani holds a degree in Commerce from the Mumbai University and a Masters degree in Business Administration from USA. He has vast knowledge and experience in the Banking and Finance industry and is an expert in Business Management & Marketing.

He has been a Director on the Board of the Company since 23rd March, 1995.

Mr. Bansi S. Mehta

Mr. Bansi S. Mehta holds a degree in Commerce and is a fellow member of the Institute of Chartered Accountants in India. He is a renowned Accountant in practice and an expert in taxation, accounting matters, and Mergers & Acquisitions. He has been a Director on the Board of the Company since September 26th, 1986 and Chairman of the Board of Directors since November 29, 1994.

He is on the Board of the following prominent companies:

1. Atul Ltd.
2. Century Enka Ltd.
3. Ceat Ltd.
4. Housing Development Finance Corp'n. Ltd.
5. IL&FS Investment Managers Ltd.
6. JB Chemicals & Pharmaceuticals Ltd.
7. Pidilite Industries Ltd.
8. Procter & Gamble Hygiene and Health Care Ltd.
9. Sudarshan Chemical Industries Ltd.
10. The Dawn Mills Co. Ltd.
11. The Vinyl Chemicals (India) Ltd.
12. Sasken Communications Technologies Ltd.
13. SBI Capital Markets Ltd.

He is also a Director of M/s. Jumbo World Holdings Ltd. (BUI) a Body incorporated outside India.

He is also an Alternate Director in:

1. Chemetall Rai India Ltd.
2. Uhde India Ltd.

Mr. Mehta is on the following Committees:

Sr. No.	Company	Name of the Committee
1.	Housing Development Finance Corporation Limited	Compensation & Audit
2.	Atul Limited	Audit
3.	Century Enka Limited	Audit
4.	Procter & Gamble Hygiene & Health Care Limited	Audit
5.	IL&FS Investment Managers Ltd.	Audit
6.	J. B. Chemicals & Pharmaceuticals Ltd.	Audit
7.	Sudarshan Chemicals Ltd.	Audit
8.	Sasken Communication Technologies Ltd.	Audit
9.	Pidilite Industries Ltd.	Audit

} Chairman

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 7

Mr. Meghendra Kumar was appointed as a Director of the Company by the Board of Directors with effect from 29th January, 2004 pursuant to Article 162 of the Articles of Association of the Company to fill the casual vacancy caused by the resignation of Mr. N. Balakrishnan. Consequently, Mr. Meghendra Kumar holds office only upto the date on which Mr. N. Balakrishnan in whose place he was appointed would have held office in the normal course upto the date of the forthcoming Annual General Meeting. Notice in writing and a deposit of Rs. 500/- along with the notice has been received from members under Section 257 of the Companies Act, 1956 signifying the intention to propose Mr. Meghendra Kumar as a candidate for the office of Director.

Mr. Meghendra Kumar was Regional Manager (H&R) and also Principal of the Staff Training College of the LIC of India. He holds a Masters degree in Arts and a Bachelors degree in Law and has wide experience in the marketing of life insurance business, human resources and industrial relations.

He is also a Director on the Board of Bihar Iron and Sponge Ltd.

Item No. 8

The volume of trade and the market price of the shares of the Company have been steadily increasing in the last 2 years and considering the same, retail investors will find it affordable to buy equity shares of the Company if the shares are split into shares of smaller face value. Out of the approx 5500 companies listed on the stock exchange/s, the equity shares of your Company is one of the very few shares having a face value of Rs. 100/-.

As the shares of the Company have been dematerialised and are mandated by the Securities & Exchange Board of India for trading in dematerialised form by all investors, the sub-division of shares will facilitate investors.

Item No. 9

The proposed alteration to Clause 5 of the Memorandum of Association of the Company is consequential in nature upon the sub division of the equity share of the Company.

Item No.10

The proposed alteration to Clause 4 of the Articles of Association of the Company is consequential in nature upon the sub division of the equity share of the Company. None of the Directors are concerned or interested in the Resolution.

Item Nos. 11 and 12

Pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions of Companies Act, 1956 read with Schedule XIII to the Act, your Company in its 56th Annual General Meeting held on 12th August, 2003 had approved the re-appointment of Mr. Nikhil J. Danani and Mr. Nakul P. Mehta as Managing Directors for a further period of 5 years with effect from 20th June, 2003 on terms, conditions and remuneration then proposed by the Remuneration Committee and its Board of Directors.

The Board of Directors having received the recommendation of the Remuneration Committee have revised the remuneration of each of the Managing Directors, Mr. Nikhil J. Danani and Mr. Nakul P. Mehta with effect from 1st April, 2005 for the remaining period of their tenure (i.e. upto 19th June, 2008) subject to approval of the members in the ensuing Annual General Meeting. The approval and ratification of the members is now sought for the revised remuneration paid/payable to the Managing Directors, Mr. Nikhil J. Danani and Mr. Nakul P. Mehta as set out in the text of the resolutions of item Nos. 11 & 12.

Mr. Nikhil J. Danani and Mr. Nakul P. Mehta, the Managing Directors are concerned and interested in the variation of the terms of remuneration. Mr. J.R. Danani and Mr. A.J. Danani being related to Mr. Nikhil J. Danani are deemed to be concerned or interested. No other Directors are concerned or interested.

Copies of the Resolution passed by the Remuneration Committee at its meeting held on 29th June, 2005 in this respect are open for inspection at the Registered Office of your Company on any working day except Saturday and Sunday between 10.30 a.m. to 12.30 p.m.

The resolutions set out in the accompanying notice together with the explanatory statement are and should be treated as an abstract of the terms of variation of remuneration to the Managing Directors under Section 302 of the Companies Act, 1956 and the same are hereby circulated to the members accordingly.

REPORT OF THE DIRECTORS TO THE MEMBERS

The Directors are pleased to present their 58th Annual Report of the Company and the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	Year ended 31st March, 2005 Rupees in lakhs	Year ended 31st March, 2004 Rupees in lakhs
Sales & Service	27479.12	22041.64
Less: Excise Duty	2894.81	1611.31
	24584.31	20430.33
Other Income	440.84	121.30
	25025.15	20551.63
Profit before Interest & Financial Charges, Depreciation, Exceptional items and Tax	3186.64	1803.24
Less: Interest & Financial Charges	379.14	408.74
Less: Depreciation	168.22	134.61
Profit Before Exceptional items & Tax	2639.28	1259.89
Add(Less): Exceptional items	917.62	- 158.59
Profit before tax	3556.90	1101.30
Less: Provision for Tax	779.91	367.31
Profit after tax	2776.99	733.99
Short(-)/Excess Provision for tax for earlier years	- 0.45	- 4.88
	2776.54	729.11
Add: Profit brought forward	298.10	199.01
Net Surplus available for Appropriation	3074.64	928.12
APPROPRIATION:		
Proposed Equity Dividend	508.64	226.06
Tax on proposed Equity Dividend	71.34	28.96
General Reserve	750.00	375.00
Profit Carried Forward	1744.66	298.10

DIVIDENDS

The Directors recommend a dividend of Rs. 90 per equity share for the year ended 31st March, 2005 on 5,65,156 equity shares of Rs. 100 each which will absorb Rs. 579.98 lakhs including Rs. 71.34 lakhs being corporate tax on dividend as compared to Rs. 255.02 lakhs in previous year.

SUB DIVISION OF EQUITY SHARES

The Board of Directors recommend sub division of its equity shares having a face value of Rs. 100/- per equity share into a face value of Rs. 10/- per equity share. This special business is covered under item 8 together with its consequential changes in the Memorandum and Articles of Association of the Company in items 9 and 10 of the accompanying notice and explanatory statement.

OPERATIONS

During the year 2004-2005, the Company received orders worth Rs. 300.5 crores compared to Rs. 205.74 crores in the previous year registering an increase of 46%. Income from sales and service increased to 274.8 crores from 220.4 crores in the previous year registering a rise of 25% over the previous year.

In view of the substantial invoicing during the year and disinvestment of Elevator Field Operations Division, the unexecuted order book position stood at Rs. 110.7 crores which is 15% lower than the previous year.

The profit before exceptional items and tax more than doubled from Rs. 12.6 crores to Rs. 26.4 crores. It is mainly the Industrial Products Division comprising of Motors and Transformers which has contributed to this impressive performance. Large volumes, better price realisation, higher productivity and cost control have brought this excellent result.

TRANSFORMER EXPANSION

In the new transformer plant, the Company has successfully manufactured and type tested 2 Nos. of 100 MVA, 220 KV power transformers for Karnataka Power Transmission Corp. Ltd. to their fullest satisfaction. Investments are being made to improve testing and winding facilities to accelerate inspection, production and despatches.

DISINVESTMENT OF LIFT OPERATIONS

As approved earlier by the shareholders and unsecured creditors of the Company in their meetings convened by the Hon'ble High Court, Bombay, on 26th October, 2004, and thereafter approved vide its Order dated 17th December, 2004, under Section 391-394 of the Companies Act, 1956, the Elevator Field Operations business of the Company was transferred to Olympus Elevator Pvt. Ltd. (OEPL) upon the Scheme of Arrangement under Section 391-394 of the Companies Act, 1956 becoming effective on 23rd December, 2004 in terms of Clause No. 23 of the said Scheme as per Section 391(3) of the Companies Act, 1956 against an exchange of 2,47,50,000 preference shares of Rs. 10/- each (since redeemed), 990 Bonds A of Rs. 50,000/- each and 660 Bonds B of Rs. 50,000/- each and in respect of the later two items of instruments, the Agreement provides for variations in the redemption values. These variations are presently subject to appropriate adjudication.

FINANCE

While the borrowings, appear to have gone up on the Balance Sheet date with judicious mix of sourcing during the year, the Company could leverage much higher volume of business and bring down the interest cost from Rs. 4.09 crores to Rs. 3.8 crores. Control of working capital continues to be an area under focus.

During the year, the Company received in December, 2004 an amount of Rs. 24.75 crores on redemption of Preference Shares as a part of consideration towards transfer of Elevator Field Operations business to Olympus Elevator Pvt. Ltd. Out of this amount, Rs. 15.5 crores have been invested in eligible Capital Bonds under Section 54 EC of the Income Tax Act, 1961.

As on 31st March, 2005, the Company had Fixed Deposits aggregating to Rs. 769.48 lakhs. Out of the Fixed Deposits which matured for payment prior to 31st March, 2005, 42 deposits aggregating to Rs. 8.69 lakhs were neither renewed nor claimed till 31st March, 2005. Of these 10 deposits aggregating to Rs. 1.15 lakhs have since been renewed or refunded on receipt of requests from the deposit-holders. The balance of 32 deposits aggregating to Rs. 7.54 lakhs have been neither claimed nor renewed till date of this Report, in spite of the Company's intimation to the deposit-holders. There has been no default or delay in meeting any maturity payment obligations.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance is set out in Annexure A.

DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors confirm –

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year, 31st March 2005 and of the profit or loss of the Company for that period;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

HUMAN RESOURCES

The employee relations during the year have continued on a cordial note. By and large, all the employees have substantially improved their productivity levels, as a result of which the Company is fully geared to face challenges generated by the improved market conditions in the power sector.

Consequent to the transfer of the Lift Field Operations business to M/s. Olympus Elevator Pvt. Ltd., the employee strength has substantially reduced and stood at 919 as on 31st March 2005, as compared to 1375 as on 31st March 2004.

The Management is grateful for the dedication, commitment and loyalty displayed by all its employees.

DIRECTORS

Mr. Meghendra Kumar, Regional Manager (H&R) and Principal of the Staff Training College (Retd.) of the LIC of India was appointed on the Board on 29th January, 2004 in the casual vacancy caused by the resignation of Mr. N. Balakrishnan. He holds office upto the date of the 58th Annual General Meeting i.e. the date on which

Mr. N. Balakrishnan would have retired had he been in office.

Notice under Section 257 of the Companies Act, 1956 has been received from members of their intention to propose Mr. Meghendra Kumar as a candidate for the office of Director. As the continuance of Mr. Meghendra Kumar on the Board is in the interest of the Company, the Directors recommend the proposed appointment.

Mr. Mukul Harkisondass, Mr. Anand J. Danani and Mr. Bansi S. Mehta retire by rotation at the Annual General Meeting to be held on 12th August, 2005 but are eligible for re-appointment.

AUDITORS

M/s. Dalal & Shah, Auditors retire at the ensuing Annual General Meeting. They have confirmed their eligibility and willingness to be re-appointed pursuant to Section 224(1) of the Companies Act, 1956. Members will be requested to appoint the Auditor and to fix the remuneration of the Auditor for the year ending 31st March, 2006. This item of business is covered by item 6 of the accompanying Notice and Explanatory Statement.

COST AUDITORS

The Central Government has approved the appointment of M/s. P.M. Nanabhoy & Co. as Cost Auditors of the Company in respect of electric motors for the financial year ending 31st March, 2005.

The Board has appointed M/s. P.M. Nanabhoy & Co. as Cost Auditors of the Company in respect of electric motors for the financial year ending 31st March, 2006 and approval of the Central Government is being sought.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975, and forming part of this Report are annexed to this Report. However, as per the provisions of Section 219(1)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the Statement of Particulars of Employees. Any shareholder interested in the Particulars of Employees may write to the Company Secretary at the Registered Office of the Company for a copy of the statement.

Additional information as required by the Department of Company Affairs is presented on page 11 of this Annual Report.

ACKNOWLEDGEMENT

Your Directors would like to place on record their appreciation to the Company's employees, customers, shareholders, vendors, bankers, and financial institutions.

For and on behalf of the Board of Directors

BANSI S. MEHTA
Chairman

Date: 29th June, 2005