

**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

**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.  
Citibank N.A.  
Standard Chartered Bank

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**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. : 080-25592646

Fax No. : 080-25592823

**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. : 022-25963838

Fax No. : 022-25962691



## NOTICE

Notice is hereby given that the 59th 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 Monday, 26<sup>th</sup> June, 2006 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 31<sup>st</sup> March, 2006 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. Jaisingh R. Danani who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Prakash V. Mehta who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Sanjiv N. Shah 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.

### 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, 12<sup>th</sup> June, 2006 to Monday, 26<sup>th</sup> June 2006 (both days inclusive).
- (C) The Profiles of the Directors being re-appointed, 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.
- (D) 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 31<sup>st</sup> March, 1998 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 31-3-1999 and onwards are requested to lodge their claim immediately with the Company's Registrars 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 Monday, 26<sup>th</sup> June, 2006 to those members whose names stand registered on the Company's Register of Members :
  - (i) as Beneficial owners as at the end of business on Saturday, 10<sup>th</sup> June, 2006 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.
  - (ii) as Members in the Register of Members of the Company after giving effect to valid share transfers lodged with the Company before, Monday, 12<sup>th</sup> June, 2006.
- (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. 25963838.

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. Bombay Stock Exchange Limited  
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 1-4-2006 to 31.3.2007 to the above Exchanges has been paid.

**REQUEST TO THE MEMBERS**

1. Members desiring any information on the Accounts at 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, 6<sup>th</sup> Floor

Appasaheb Marathe Marg,

Prabhadevi, Mumbai 400 025

Dated: 10th May, 2006

**Mr. Prakash V. Mehta**

Mr. Prakash V. Mehta obtained a Bachelors Degree in Law from the University of Bombay in 1963, thereafter qualified as a Solicitor in 1966 and since then has been practicing as a Solicitor. He is a partner of M/s. Malvi Ranchoddas & Co., a renowned firm of Solicitors. He has considerable experience in the field of Law and is also an expert in Corporate Law, Acquisitions, Joint Ventures and Foreign Collaborations. He has been a Director on the Board of the Company since August 7<sup>th</sup>, 1990.

He is on the Board of the following companies:

1. Advani Hotels & Resorts (I) Ltd.
2. Hikal Ltd.
3. India Safety Vaults Ltd.
4. Kristeel Shinwa Industries Ltd.
5. KJMC Investments Trust Co. Ltd.
6. Mukand Engineers Ltd.
7. Omega Management Services. Ltd.
8. PCS Technology Ltd.
9. Rajasvi Properties Holdings Pvt. Ltd.
10. Tulsidas Khimji Pvt. Ltd.
11. W. H. Brady & Co. Ltd.
12. JBF Industries Ltd.

Mr. Mehta holds 400 equity shares of the Company representing 0.0071% of the Issued and Subscribed Equity Share Capital of the Company.

**PROFILES OF DIRECTORS BEING RE-APPOINTED AS REQUIRED BY CLAUSE 49 VIA OF THE LISTING AGREEMENT WITH STOCK EXCHANGES****Item Nos. 3, 4 & 5 of the Notice****Mr. Jaisingh R. Danani**

Mr. Jaisingh R. Danani has been a Director on the Board of the Company since 27<sup>th</sup> August, 1955 and was one of the Managing Directors of the Company from March 18, 1963 to March 31, 1990.

Mr. Danani along with the late Chairman and Managing Director, Mr. Prahlad C. Mehta nurtured the Company for over 35 years with his entrepreneurial skill, dedication, high ethical standards and vision to create strong core values and principles which have helped the Company to withstand a highly competitive environment for well over 50 years.

Mr. Danani has over 50 years of experience in the Electrical Engineering Industry and it was under his guidance that the Company entered the lift business 30 years ago and successfully established its "Olympus" brand of lifts in India. Mr. Danani holds 2,24,000 equity shares representing 3.96% of the Issued and Subscribed Equity Share Capital of the Company.

**Mr. Sanjiv N. Shah**

Mr. Sanjiv N. Shah holds a degree (B.A.) in Economics and Statistics from the University of Mumbai, a degree (B.Sc.) in Economics from the London School of Economics, is a Chartered Accounts from England and Wales and a fellow member of The Institute of Chartered Accountants of India. He was a partner of M/s. S. B. Billimoria & Company, a renowned firm of Chartered Accountants and is presently a partner in M/s. Sanjiv N. Shah & Co., Chartered Accountants. He specialises in the Financial Services Industry and has been a member of the Board since 27<sup>th</sup> June, 2002.

Mr. Shah is on the Board of the following companies :

1. Nimesh Shah Investments Pvt. Ltd.
2. SNS Consulting Pvt. Ltd.
3. Andhra Pradesh Tanneries Ltd.
4. Chowgule Steamships Ltd.

Mr. Shah holds 4,560 equity shares of the Company representing 0.0807% of the Issued and Subscribed Equity Share Capital of the Company.

## REPORT OF THE DIRECTORS TO THE MEMBERS

The Directors have pleasure in presenting the 59th Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2006.

The Dividend payout will be Rs. 869.97 including Dividend Tax of Rs. 107.01 as compared to Rs. 579.98 lakhs in the previous year.

## FINANCIAL RESULTS

	Year ended 31st March, 2006 Rupees in lakhs	Year ended 31st March, 2005 Rupees in lakhs
Sales & Service	34173.42	27479.12
Less: Excise Duty	4095.08	2894.81
	30078.34	24584.31
Other Income	368.07	440.84
	30446.41	25025.15
Profit before Interest & Financial Charges, Depreciation, Exceptional items and Tax	5491.09	3186.64
Less: Interest & Financial Charges	468.84	379.14
Less: Depreciation	184.02	168.22
Profit Before Exceptional items & Tax	4838.23	2639.28
Add: Exceptional items	191.41	917.62
Profit before tax	5029.64	3556.90
Less: Provision for Taxation	1622.28	779.91
Profit for the year after taxation	3407.36	2776.99
Short(-) Provision for tax for earlier years	- 39.38	- 0.45
Profit after taxation	3367.98	2776.54
Add: Profit brought forward	1744.66	298.10
Net Surplus available for Appropriation	5112.64	3074.64
<b>APPROPRIATION:</b>		
Proposed Equity Dividend	762.96	508.64
Tax on proposed Equity Dividend	107.01	71.34
General Reserve	2500.00	750.00
Profit Carried Forward	1742.67	1744.66

Previous year's figures have been regrouped for comparison purposes with current year's presentation.

## DIVIDEND

The Directors recommend a dividend of Rs. 13.50 per equity share for the year ended 31st March, 2006, on 56,51,560 equity shares of Rs.10/- each.

## OPERATIONS

During the year under review, income from Sales and Services grew by Rs. 66.9 crores from Rs. 274.8 crores to Rs. 341.7 crores, a growth of 24%. Orders received during the year for motors and transformers, the main products of Industrial Product segment, went up by Rs. 86.7 crores from Rs. 228.4 crores to Rs. 315.1 crores, a growth of 38%.

PBT before exceptional items and tax increased by Rs. 22 crores from Rs. 26.4 crores to Rs. 48.4 crores, a rise of 84%. Motors and Transformers the principal products of the Industrial Product Segment, contributed to this excellent result. Higher price realisations, an improved product mix in larger volumes, and higher productivity enabled this growth.

## NEW TRANSFORMER PLANT

Mr Jaisingh R Danani, Senior Director of the Company inaugurated PWRLEX, the new Transformer Plant on 22nd March, 2006. This world class state of the art Plant increases the Company's manufacturing capacity to 8000 MVA.

## FINANCE

Your Company has financed capital expenditure and major portion of increased working capital substantially through internal accruals and marginal increase in short terms borrowings. Therefore the financing cost has gone up from Rs. 3.8 crores to Rs. 4.7 crores. The same has been contained at 1.37% of the sales, same as in the previous year.

As on 31st March, 2006, the Company had Fixed Deposits aggregating to Rs. 1115.40 lakhs. Out of the Fixed Deposits which matured for payment prior to 31st March, 2006, 44 deposits aggregating to Rs. 19.25 lakhs were neither renewed nor claimed till 31st March, 2006. Of these 7 deposits aggregating to Rs. 3.55 lakhs have since been renewed or refunded on receipt of requests from the deposit holders. The balance of 37 deposits aggregating to Rs. 15.70 lakhs have been neither claimed nor renewed till date of this Report, inspite of the Company's intimation to the deposit holders. There has been no default or delay in meeting any maturity payment obligations.

## DIVESTMENT OF LIFT OPERATIONS

At the 58th Annual General Meeting held on 12th August, 2005, the Chairman had informed the members that receipt of a part of the sale consideration for the Elevator Field Operations Division, as also redemption of certain instruments allotted pursuant to the approved Scheme of Arrangement under Section 391 and 394 of the Companies Act, 1956, was awaiting adjudication in arbitration proceedings undertaken in terms of agreement between your Company and the Transferee Company in whom the Elevator Field Operations Division had so vested.

A Settlement was reached on 29<sup>th</sup> August, 2005, through negotiations in which the total consideration was fixed at a sum of Rs. 36.5 crores., covering the agreed aggregate value of Bonds A and Bonds B of Rs. 11.75 crores.

Out of the total consideration of Rs. 36.5 crores, the Company had accounted a consideration of Rs. 33 crores in the previous Accounting Year. In the current Accounting Year ending 31<sup>st</sup> March, 2006, the Company has accounted as an extraordinary item the balance amount of Rs. 3.5 crores.

#### HUMAN RESOURCES

The Long Term Wage Agreement with the Union has expired on 31<sup>st</sup> December, 2005, and negotiations have already commenced for the new Long Term Wage Agreement. During the year, the employees have maintained high levels of productivity and good work ethos, which has significantly contributed to the workings of the Company in the year under review. Management and its employees continue to enjoy cordial relations.

The employee strength as on 31<sup>st</sup> March, 2006 was 927 Nos. as compared to 919 Nos. as on 31<sup>st</sup> March, 2005.

Management appreciates and acknowledges dedication, commitment and loyalty of all its employees.

#### CORPORATE GOVERNANCE

A separate report on Corporate Governance along with Auditor's Certificate on its compliance, is set out in Annexure 'A'.

#### DIRECTOR'S RESPONSIBILITY STATEMENT

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

(i) In the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.

(ii) 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 31<sup>st</sup> March, 2006, and the profit for that period.

(iii) Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956, for safeguarding of assets of the Company and for preventing and detecting frauds and other irregularities.

(iv) The Directors have prepared Annual Accounts on going concern basis.

#### DIRECTORS

Mr Jaisingh R Danani, Mr Prakash V Mehta and Mr Sanjiv N Shah retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Information on the Directors eligible for reappointment as required under Clause 49 of the Listing Agreement with Stock Exchanges is disclosed in the profiles of the Directors under item Nos. 3, 4 and 5 forming part of the Notice dated 10<sup>th</sup> May, 2006 circulated along with the Annual Report 2006

#### AUDITORS

M/s Dalal & Shah, Auditors of the Company, retire at the ensuing Annual General Meeting, and being eligible offer themselves for reappointment. This item of business is covered under item 6 of the accompanying notice.

#### COST AUDITORS

The Board has appointed M/s P M Nanabhoy & Co. as Cost Auditors of the Company, for electric motors, for the Financial Year ending 31<sup>st</sup> March, 2007, subject to the approval of the Central Government.

#### PARTICULARS OF EMPLOYEES

The information required under Section 217 (2A) of the Companies Act, 1956, read with Company's (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 Department of Companies Affairs is presented on Page 7 of this Annual Report.

#### APPRECIATION

The Directors wish to place on record their appreciation to the Company's customers, shareholders, bankers, financial institutions, vendors and all the employees of the Company for their contributions in the results.

For and on behalf of the Board of Directors

**BANSI S. MEHTA**  
Chairman

Date: 10th May, 2006

## ADDITIONAL INFORMATION

(In terms of Notification No.1029 of 31-12-1988 issued by the Department of Company Affairs)

### A. Conservation of energy:

#### (1) Measures:

- Low loss chokes for tubelights – 1450 Nos.
- Aluminum anodized reflectors for tubelight fittings – 1000 Nos.
- Metal halide lamps for Shopfloor lighting – 100 Nos.
- PID Controller for preheating oven in die casting
- Conversion of electric heated oven into thermopac (LDO fired) heated oven.
- Provision of transparent sheets on roof top to utilise natural lighting.
- Use of variable frequency drives for machines.
- Improvement in insulation of heating ovens.
- Maintenance of chilled water pipe line, thermopac and ovens.
- Thyristor control panel with time operation for baking oven
- Installation of energy efficient screw compressor in motor Plant.
- Elimination of air leakages in compressed air system in motor plant.

#### (2) Impact of the measures:

- Saving in energy consumption – Approx. 15 lakhs per annum.
- Improved lighting for shop floor.
- Increased life of tubelights.
- Reduction in tube light consumption due to reflectors.

### B. Technology absorption

#### Research and Development

#### 1. Specific areas in which R&D is carried out:

- Ongoing development of on-line testing facility/simulator in temperature controlled environment for a complete sugar centrifuge drive.
- PLC controlled Vacuum drying plant.
- Installation of Vapour phased drying plant.

#### 2. Benefits derived:

- Improved productivity and quality control.
- Conservation of power, energy and reduction in power factor, high starting current and pollution of power supply.
- Improved process for transformer drying.

- Improved process for Sugar Centrifuge Drives.

#### 3. Future plan of action:

- Continued emphasis on development of cost-effective components and processes.
- Ongoing development of motors for compressors used on Electric Locomotives.
- Ongoing development of auxiliary motors and blowers used on the new class of AC Locomotives.

### Technology Absorption, adaptation and Innovation:

#### 1. Efforts made:

- Upgradation of PLC control on facing centering machines.
- Complete range of motors have been certified by Chief Controller of Explosives for increased safety applications.
- Thyristorised temperature controller for baking of windings installed on 6 ovens including subcontractor's ovens.
- Testing facility for motors upto 355 frame in assembly line.
- Energy efficient screw compressor with Sigma control.
- Timing pulley drives for testing of large motors in CTF.

#### 2. Benefits derived:

- Increased range of motors.
- Improvement in quality and safety applications.

#### 3. Technology imported during the last five years.

- The Company has entered into Trade and Technical Collaboration Agreement with M/s. Tecnomoma SA, Spain for lift automatic door systems and M/s. S.A. Sistel, Spain for Electronic Printed Circuit Boards for lift controllers.

### C. Foreign exchange earning and outgo:

#### 1. Export activities:

- Direct exports exported through registered dealers to continue. Transformers have also been sold as deemed export to internationally aided projects. These orders were obtained against international competition.

#### 2. Foreign exchange earned:

- Deemed exports with export benefits Rs. 3108.57 lakhs
- Direct exports Rs. 5.68 lakhs
- Others Rs. Nil

#### 3. Foreign exchange used: Rs. 920.19 lakhs



## CORPORATE GOVERNANCE REPORT — ANNEXURE A

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company always believes that good Corporate Governance cannot be achieved through regulatory frame work alone but has to be a mind set of the Company's management and accordingly, in addition to compliance with regulatory requirements, the Company always endeavors to ensure highest standards of transparency, accountability, integrity and ethical and responsible conduct throughout its organisation.

## 2. BOARD OF DIRECTORS &amp; BOARD MEETINGS:

a. *Composition:*

The Board of Directors has 11 Directors, of which 1 is an Alternate Director. The Board consists of 6 Non-Executive – Independent, 3 Non-Executive and 2 Executive Directors. The Non-Executive Directors account for more than 75% of the Board's strength against the minimum requirement of 50% as per the Listing Agreement. The Non-Executive Directors are all eminent professionals with experience in overall management, finance and law and have a wide range of skills and experience. The day to day operations of the Company are overseen by two Executive (Managing) Directors, Mr. Nikhil J. Danani and Mr. Nakul P. Mehta.

Except Mr. Nikhil J. Danani and Mr. Nakul P. Mehta, Managing Directors, who have been appointed to the Board for a period of 5 years w.e.f. June 20, 2003, all other Directors are liable to retire by rotation.

b. *Board Meetings:*

In the Financial Year 2005-2006, Six (6) Board of Directors' meetings were held on the following dates:

1. 30<sup>th</sup> May, 2005,
2. 29<sup>th</sup> June, 2005
3. 04<sup>th</sup> August, 2005 (Meeting convened on 28<sup>th</sup> July, 2005 but postponed due to heavy rains)
4. 12<sup>th</sup> August, 2005
5. 31<sup>st</sup> October, 2005
6. 31<sup>st</sup> January, 2006

c. *Attendance/Sitting fees & Remuneration of Directors:*

Sr. No.	Name of the Director	Category of Directorship	No. of Board Mtgs. attended	Attendance at last AGM	No. of other Directorships	Committee Membership		Sitting Fees Rs.	Remuneration Rs.	No of Equity Shares Held
						As Member	As Chairman			
1.	Mr. Bansil S. Mehta — Chairman	Independent Non-Executive	4	YES	17**	7@	5	40,000/-	—	—
2.	Mr. Nikhil J. Danani — Managing Director	Executive	6	YES	1*	2	—	—	54,39,420/-	1,14,680
3.	Mr. Nakul P. Mehta — Managing Director	Executive	6	YES	1*	2	—	—	65,76,903/-	1,83,750
4.	Mr. Jaisingh R. Danani	Non-Executive	5	NO	—	2	—	90,000/-	—	2,24,000
5.	Mr. Mukul Harkisondass	Independent Non-Executive	6	YES	1*	1	3	1,30,000/-	—	2,100
6.	Mr. Prakash V. Mehta	Non-Executive	4	NO	12*	8	—	1,00,000/-	—	400
7.	Mr. Anand J. Danani	Non-Executive	—	NO	—	—	—	—	—	67,420
8.	Mr. Deepak S. Parekh — (Alternate to Mr. A. J. Danani)	Independent Non-Executive	1	NO	16\$	3	5	10,000/-	—	—
9.	Mr. Sanjiv N. Shah	Independent Non-Executive	5	YES	4*	3	—	1,10,000/-	—	4,560
10.	Mr. Jairaj C. Thacker	Independent Non-Executive	4	YES	3*	2	—	70,000/-	—	—
11.	Mr. Meghendra Kumar	Independent Non-Executive	5	YES	1	—	—	50,000/-	—	—
						Total		6,00,000/-	1,20,16,323/-	—

@ includes membership in Remuneration/Compensation committees in 2 companies.

\*\* includes Alternate Directorship in 2 companies, and in a Body Corporate incorporated outside India

\* Includes Directorship in Pvt. Ltd. companies

\$ includes Alternate Directorship in 3 companies

Notes: M/s. Malvi Ranchoddas & Co., solicitors of the Company of which Mr. Prakash V. Mehta is a partner, renders professional services to the Company.



## (d) Information Supplied to the Board

- Review of annual operating plans of businesses, capital budgets, updates
- Quarterly results of the Company and its operating divisions or business segments
- Minutes of meeting of audit committee and other committees
- Information on recruitment and remuneration of Senior Officers just below the Board level
- Information on recruitment of Senior Officers of the Company.
- Materially important show cause, demand prosecution claims and penalty notices
- Fatal or serious accidents or dangerous occurrences
- Any materially significant effluent or pollution problems
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
- Any issue which involves possible public or product liability claims of a substantial nature
- Details of any joint venture or collaboration agreement
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Significant labour problems and their proposed solutions
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business
- Non-compliance of any regulatory or statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board of Directors is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings or are tabled before the appropriate Committees of the Board.

## 3. AUDIT COMMITTEE:

(a) *Composition:*

The Board of Directors had reconstituted an Audit Committee in the year 2002 with the following members.

1.	Mr. Mukul Harkisondass	Chairman	Non-Executive – Independent
2.	Mr. Prakash V. Mehta	Member	-do-
3.	Mr. Jaisingh R. Danani	Member	Non-Executive
4.	Mr. Sanjiv N. Shah	Member	Non-Executive – Independent
5.	Mr. Jairaj C. Thacker	Member	Non-Executive – Independent

Mr. D. N. Nagarkar, Company Secretary is the Secretary of the Committee. The Managing Directors, Vice President: Finance, Internal Audit Manager, and the General Manager: Finance usually attend Audit Committee meetings by invitation. The Statutory Auditors and the Cost Auditors are also invited to attend the meetings.

(b) *Meetings and Attendance:*

The Audit Committee meetings were held on:

1. 29<sup>th</sup> June, 2005
2. 04<sup>th</sup> August, 2005 (meeting convened on 28<sup>th</sup> July, 2005 but postponed due to heavy rains.)
3. 31<sup>st</sup> October, 2005 &
4. 31<sup>st</sup> January, 2006

Mr. Mukul Harkisondass, Mr. Jaisingh R. Danani, Mr. Sanjiv N. Shah were present in all the meetings.

Mr. Prakash V. Mehta attended 3 meetings.

Mr. Jairaj C. Thacker attended 2 meetings.

(c) *Terms of Reference:*

Clause 49 of the Listing Agreement lists the role of the Audit Committee. The gist of the terms of reference are as follows:

- Oversee Company's financial reporting process and disclosures.
- Recommend appointment/removal/remuneration and payment of other fees of the statutory auditors.
- Review with management the quarterly, half yearly and annual financial statements before submission to the Board.
- Review with the Management, performance of the Statutory and Internal Auditors.
- Review adequacy of internal control systems, internal audit department, reporting structure and frequency.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Post-audit discussion with statutory auditors regarding areas of concern.
- Reviewing the Company's financial and risk-management process.
- Review defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of dividends) and creditors.
- Decide on recommendations/audit report findings to be placed before the Board.

**4. REMUNERATION COMMITTEE:**a. *Composition:*

The Board of Directors of the Company had reconstituted a Remuneration Committee, in 2002, comprising the following members:

1.	Mr. Mukul Harkisondass	Non-Executive Independent
2.	Mr. Prakash V. Mehta	Non-Executive
3.	Mr. Sanjiv N. Shah	Non-Executive Independent
4.	Mr. Jairaj C. Thacker	-do-

The Remuneration Committee met twice during the year on -

- i. 29<sup>th</sup> June, 2005 and
- ii. 05<sup>th</sup> December, 2005

The terms of reference of the Remuneration Committee are as under:

- i. Recommend to the Board of Directors and shareholders the remuneration package of Executive Directors, relatives of Directors appointed u/s 314 of the Companies Act, 1956 including salary, allowances, perquisites, payment of commission, pension rights, payment of compensation and minimum remuneration, and to review and revise the remuneration package as may be required.
- ii. To recommend and oversee employee stock option scheme.
- iii. To recommend sitting fees of the Board of Directors

Mr. Mukul Harkisondass, Mr. Prakash V. Mehta and Mr. Sanjiv N. Shah were present in both meetings. Mr. Jairaj C. Thacker attended only one meeting.

b. *Remuneration of Directors:*

The total remuneration including commission drawn by the Managing Directors for the financial year 2005-2006 is as under:

(Rs.)

	Salary	Perquisites	Contribution to Annuity	Commission	Total
Mr. Nikhil J. Danani	21,00,000/-	5,20,020/-	5,25,000/-	22,94,400/-	54,39,420/-
Mr. Nakul P. Mehta	21,00,000/-	16,57,503/-	5,25,000/-	22,94,400/-	65,76,903/-

Apart from sitting fees, the Non-Executive Directors are not paid any commission/remuneration.