

32nd
ANNUAL
REPORT
2005-2006

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BHURUKA GASES LIMITED

BOARD OF DIRECTORS

S.N.AGARWAL	Chairman
R.C.PUROHIT	Director
SAROSH J GHANDY	Director
SHAMIK ROY	Nominee IDBI (up to 23/7/2005)
PRASAD M KUMAR	Director (w.e.f 28/09/2005)

AUDITORS

M/s R.S.AGARWALA & COMPANY

BANKERS

STATE BANK OF INDIA

**REGISTERED OFFICE
& WORKS**

Whitefield Road
Mahadevapura Post
Bangalore-560 048

SHARES LISTED AT

1. Bangalore Stock Exchange Ltd
2. The Stock Exchange Mumbai

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Annual General Meeting	
Date	: 25th August, 2006
Day	: Friday
Venue	: Bhuruka Gases Limited Whitefield Road Mahadevapura Post Bangalore-560 048
Time	: 10.00 A.M.

NOTICE

NOTICE is hereby given that the 32nd Annual General Meeting of the Members of the Company will be held on Friday 25th August, 2006 at 10.00 A.M at Bhuruka Gases Limited, Whitefield Road, Mahadevapura Post, Bangalore-560 048 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt Balance Sheet as at 31st March 2006 and the Profit & Loss Account for the year ended 31st March, 2006 and the Reports of the Directors' and Auditor's thereon.
2. To appoint a Director in place of Mr.Sarosh J Ghandhy who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors and fix their remuneration. M/s. R.S. Agarwala & Company, Chartered Accountants, who retire at this meeting are eligible for re-appointment.

SPECIAL BUSINESS

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

Resolved that Mr.Prasad M Kumar who was appointed as an Additional Director of the Company by the Board of Directors with effect from 28th September, 2005 and who holds office upto the date of this Annual General Meeting under section 260 of the companies Act, 1956, being eligible for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a Member proposing his candidature for the office of the Director be and is hereby appointed as a Director liable to retire by rotation.

For and on behalf of the Board

S.N.Agarwal
Chairman

Place : Bangalore
Date : 22.07.2006

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the commencement of the Meeting.
3. Members/Proxies should bring their attendance slip/proxy form duly filled in for attending the Meeting. A copy of the proxy form and attendance slip is appended hereto.
4. The Register of Members and Share Transfer books of the company will remain closed from 22nd August, 2006 to 25th August, 2006 (both days inclusive)
5. All documents referred to in the Notice are open for inspection at the Registered Office of the Company at Whitefield Road, Mahadevapura, Bangalore - 560 048 between 11 am and 1 pm on any working day of the Company upto the date of the Annual General Meeting.
6. Members are requested to notify immediately any change in their address to the Registrar and Share transfer Agent
M/s. Kirloskar Computer Services Limited,
Unit : Bhuruka Gases Limited
412 & 415 10th Cross, 5th Main,
R.M.V. II Stage,
BANGALORE - 560 094
Tel No. 23519311
Fax No. 080- 23519294
7. As the shareholders of the company are aware, the Company is already listed with National Securities Depository Ltd (NSDL) and Central Depository Services Limited to facilitate the shareholders to dematerialise their shares.

The International Securities Identification Number (ISIN) allotted for the equity shares of the Company is INE 880D01011. Shareholders who desire to dematerialise their shares may do so by opening an account with any Depository Participant (DP) and avail themselves of the demat facility.

The physical segment of the shares will continue to be handled by M/s. Kirloskar Computer Services Limited at the address given above.

8. Members are requested to bring their copies of the Annual Report to the Meeting.

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

ITEM NO. 4

Mr.Prasad M Kumar was appointed as an Additional Director of the company by the Board of Directors with effect from 28th September,2005. In terms of Section 260 of the Companies Act, 1956 Mr.Prasad M Kumar holds office as a Director till the date of the ensuing Annual General Meeting of the company and is eligible for appointment. The company has received Notice in writing from a shareholder of the company signifying his intention to propose Mr.Prasad M Kumar as a candidate for the office of the Director. Mr.Prasad M Kumar has held senior

positions in public / private sectors for well over three decades. The Board considers it desirable that the company continues to avail the services and wise counsel of Mr.Prasad M Kumar and accordingly, the Directors recommend that he be appointed as a Director of the company. Other than Mr.Prasad M Kumar, none of the other Directors is in any way concerned or interested in the resolution. The details of the Director is mentioned in the Corporate Governance.

For and on behalf of the Board

Place : Bangalore
Date : 22.07.2006

S.N.Agarwal
Chairman

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the 32nd Annual Report together with the Audited Accounts for the year ended 31st March, 2006

1. FINANCIAL RESULTS:

(Rs.in lacs)

	Year ended 31.03.2006	Year ended 31.03.2005
Sales & Services	4852	4968
Other Income	44	210
Profit before Interest & Depreciation (incl. Other income)	1445	1316
Operational profit before Interest & Depreciation.	1401	1106
Interest & Finance Charges	105	85
Profit for the year before Depreciation & Taxes	1340	1231
Depreciation	434	401
Profit after Depreciation	906	830
Taxation	76	62
Deferred tax assets	-	34
Deferred Tax Liability	238	-
Fringe Benefit Tax	299	-
Profit after Tax	589	802

2. DIVIDEND :

Your Directors decided not to recommend any dividend for the year ended 31st March, 2006.

3. OPERATIONAL HIGHLIGHTS:

During the year under review, the performance of your company has witnessed improved working and financial results through increased capacity utilization and vigorous marketing efforts on one hand and the cost cutting measures on the other. Event though company's sales value has come down compare to last year to the tune of Rs.116 lakhs, the cost of Raw materials and other manufacturing cost has also come down drastically. The result of this, the operational profit before Interest & Depreciation for the year was Rs.1401 lakhs as against Rs.1106 lakhs during the previous year.

To this remarkable performance full credit goes to the fast growing economy of the country and more particularly to the increased demand for steel in which industrial gases are used as inputs.

Also the long-term sales agreement for sale of 50% of the liquid Oxygen and Nitrogen with M/s. Praxair India (P) Ltd., has helped the company in achieving its goal of 100% capacity utilization as well as operational cost reduction.

4. FINANCIAL HIGHLIGHTS:

During the year under review, there is induction of fresh capital to the extent of Rs.134 lakhs by the promoters. As a result of good operational profits and financial re-structuring coupled with settlement and clearance of full secured and other liabilities against the company not only the net worth has enhanced significantly and the company has come out of BIFR as per order dated 2.5.2005. The debt equity ratio has also reached around 2:1 level. The company has become a totally debt free company during the year.

5. FUTURE OUTLOOK:

Your Company is proposing to expand its activities to Power Generation through Windmill source of Energy Power generation will be distributed for business /Commercial purposes. The capacity upto 12 MW with a total project outlay of Rs.55 Crores. This will reduce the power cost by Rs.2 to Rs.3 per unit over the years making the final product cost more competitive to withstand the future market conditions.

6. DIRECTORS:

1. Mr. Sarosh J Ghandhy, Director who retires by rotation and being eligible, offers himself for re-appointment.
2. Mr.Prasad Mahadeva Kumar was appointed as an Additional Director of the company by the Board of Directors with effect from 28th September,2005. In Terms of Section 260 of the Companies Act, 1956, Mr.Prasad M.Kumar holds office as a Director till the date of the ensuing Annual General Meeting of the company and is eligible for appointment.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO:

As required under Section 217 (i) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, wherever applicable are annexed.

8. CORPORATE GOVERNANCE:

Pursuant to clause 49 of the listing agreement, a report of compliance of Corporate Governance as on 31/3/2006 is annexed together with the certificate from the Auditors of the company on compliance.

9. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors based on the representations received from the operating management confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- b) they have in the selection of the accounting policies, consulted the statutory auditors and have applied them consistently and made judgments 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 and of the profit of the company for that period.
- c) They have taken proper and sufficient care, to the best of their knowledge and ability, 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;
- d) They have prepared the annual accounts on a going concern basis.

10. HUMAN RESOURCES:

The relationship with employees continued to be cordial throughout the year. The Directors

record their appreciation of the dedication of all the employees of the Company for their support and commitment to ensure that the company continues to grow.

There are no employees covered under sub-section 2A of Section 217 of the Companies Act 1956 and Companies (Particulars of employees) Rules 1975.

11. SUBSIDIARY COMPANIES:

Your Company has acquired the entire equity share capital of M/s Caliberation Gas India Ltd., with effect from 2nd June 2005. Consequently, Caliberation Gas India Ltd., has become a wholly owned subsidiary of your company.

Accordingly, the reports and audited accounts of M/s Caliberation Gas India Ltd., along with the statement as at 31st March 2006 pursuant to Section 212 of the companies Act, 1956 are appended.

12. OBSERVATIONS OF AUDITORS:

The observations of the Auditors in the Report are explained in the notes and Accounts at Schedule 19 which are self explanatory

13. AUDITORS:

At the Annual General Meeting, the members are requested to appoint Auditors and to fix their remuneration for the ensuing year. M/s. R.S. Agarwala & Company, Chartered Accountants, the present Auditors have furnished their certificate of eligibility for appointment.

14. ACKNOWLEDGMENTS:

Your Directors wish to place on record their appreciation of the support, which the company has received from its promoters, financial institutions, bankers, suppliers, customers and most importantly the Government of Karnataka, Government of India and our employees.

For and on behalf of the Board

Place : Bangalore
Date : 22.07.2006

S.N.Agarwal
Chairman

ANNEXURE I TO DIRECTORS' REPORT**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO**

Particulars as per Section 217(i) (e) of the Companies Act, 1956 forming part of the Directors' Report for the year ended March 31, 2006

A. CONSERVATION OF ENERGY:

The Company has suitable systems for monitoring the consumption of electrical energy and to conserve the same wherever possible. The Energy Audit was conducted during 1991-92 following which several measures were taken which have resulted in substantial savings and improved productivity. Further, the Company has imported a power efficient State-of-art Air Separation Plant which has resulted in reduction of power consumption.

B. TECHNOLOGY ABSORPTION:

Research and Development:

The Company has a Research and Development division, which has been recognized by the Ministry of Science and Technology, Government of India. This division is constantly engaged in development of new products and technologies for indigenous manufacture of several products, which are presently being imported into the country.

C. FOREIGN EXCHANGE EARNINGS/OUTGO:

The Company incurred an expenditure of Rs.263 Lakhs in foreign exchange towards import components, spares and ultra high pure gases and traveling during the year 2005-2006 and the export earnings were Rs.3.92 Lakhs.

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ANNEXURE II TO THE DIRECTOR'S REPORT**REPORT ON CORPORATE GOVERNANCE**

In pursuance of the Listing Agreement with the Stock Exchanges, the Company is furnishing below information on "Corporate Governance" for the benefit of the shareholders.

1. THE COMPANY PHILOSOPHY ON CODE OF GOVERNANCE:

The Company's Philosophy is to aim at the highest levels of quality management through transparency and commitment to all the stakeholders viz. its shareholders, employees, Government lenders and the promoters.

2. BOARD OF DIRECTORS:**a) Composition:**

The Board of Directors of the company headed by Non - Executive Chairman, consists of the following Directors, as on 31st March, 2006

Name of the Director Category

Mr.S.N.Agarwal	Non - Executive Chairman and Promoter
Mr.Sarosh J Ghandy	Non - Executive and Independent Director
Mr.R.C.Purohit	Non - Executive Director
Mr.Prasad M Kumar	Non - Executive and Independent Director

b) Attendance at the Board Meeting and last Annual General Meeting and details of other Directorships etc.,

During the year Five Board Meetings were held on 13th May 2005, 27th July 2005, 28th September 2005, 28th October 2005 and 30th January 2006

Name of Director	No. of Board Meetings Attended	Attendance at last AGM held on 6/7/2005	Number of Other Directorships	Memberships Other Board Committees
1. S.N.Agarwal	5	Yes	7	4
2. Mr.Sarosh J Ghandy	5	No	9	2
3. Mr.R.C.Purohit	4	Yes	2	2
4. Mr.Prasad M Kumar	-	No	3	2

c) DETAILS OF RE-APPOINTMENT AND APPOINTMENT OF DIRECTORS:

1. Mr. Sarosh J Ghandy who retires by rotation and, being eligible, offers himself for re-appointment. Mr.Sarosh J.Ghandy is 44 years working for Tata Motors and Telco Construction Equipment Co.Ltd, and also Executive director of Tata Motors for 18 years and he become a Managing Director of Telecon for 3 years. He had held various positions in Tata Group and he had very good experience in Technology, Manufacturing and General Management.

Sl.No.	Name of the Company	Nature of Interest	Committee
1	TRF Limited	Director	-
2	NTTF Industries Limited	Director	-
3	Rapsri Engineering Co.Ltd.	Director	-
4	Kirloskar Electric Company Ltd.	Director	-
5	Indian Infrastructure Equipment Ltd.	Director	-
6	Servion Global Solutions Ltd.	Director	-
7	Tele Radiology Solution Pvt Ltd	Director	-
8	Maini Material Movement Pvt Ltd	Director	-
9	Nettur Technical Training Foundation Ltd	Director	-

2. Mr.Prasad Mahadeva Kumar was appointed as an Additional Director of the company by the Board of Directors with effect from 28th September, 2005. In Terms of Section 260 of the Companies Act, 1956, Mr.Prasad M.Kumar holds office as a Director till the date of the ensuing Annual General Meeting of the company and is eligible for appointment. Mr.Prasad a Post Graduate in Management with advanced certification in Manpower Management from the University of Manchester. Certified in Applied Behavioral Sciences and Process Consultation, besides being accredited to administer and interpret leading psychometrics tests. Integrates specialization in Process Consulting with a sound understanding of Business and Socio-political issues, across varied industries and sectors private, public, social and political. Is an accredited worldwide facilitator for the Forum of the Young Presidents Organization and the World Presidents Organization.

Worked for twenty years in industry in senior leadership positions. For the last fourteen years, consults in Strategic Organization Development, Leadership Development, Group and Community Facilitation, Change Management and Process consultation.

Over the last thirty five years, has engaged with over fifty reputed organizations across a wide range of industries and built successful brand equity in consulting.

Sl.No.	Name of the Company	Nature of Interest	Committee
1	Vulcan Engineers Limited	Director	-
2	Entrusture Advisers Private Ltd.	Director	-
3	GMR Foundation	Director	-

3. AUDIT COMMITTEE:

I. Constitution ;

The Audit Committee comprises of Two Non Executive Independent directors, who are professionals having vast experience in finance. The Audit Committee met Three Times during the financial year

II. The Attendance of Directors at the Audit Committee Meeting held during the year 2005-2006 is given below.

Name of the Director	Category of Membership	Attendance particulars	
		Meetings Held	Meetings Attended
Mr.Sarosh J Ghandy	Chairman	4	4
Mr.S.N.Agarwal	Member	4	4
Mr.R.C.Purohit	Member	4	4
Mr.Prasad M Kumar	Member	-	-

III. Terms of reference:-

The Audit Committee has been mandated with the same terms of reference as specified in Clause 49 of the Listing Agreements with the Stock Exchange and as specified under Section 293 A of the Companies Act, 1956

4. SHAREHOLDERS COMMITTEE

The Committee comprise of Mr. Sarosh J Ghandy, Mr. S.N.Agarwal and Mr.Prasad M Kumar as Members. The Committee facilitates prompt and effective redressal of the shareholders complaints.

During the year the company had received 97 Complaints from the shareholders and all of them were resolved to the satisfaction of the shareholders by furnishing the requisite information /documents. There were no complaints pending at the end of the financial year.

5. REMUNERATION COMMITTEE:

A "Remuneration Committee" compressed of Mr. Sarosh J Ghandy, Mr. S.N. Agarwal and Mr.R.C.Purohit it was constituted to look into the remuneration of non-executive directors as and when the company starts making profits. Mr. Sarosh J Ghandy is the Chairman of the Committee.

6. ANNUAL GENERAL MEETINGS (AGM):

The dates, time and venue of the previous Annual General Meetings held during the last three years are given below:

DATE	TIME	VENUE
06.07.2005	10.00 Hrs	Bhoruka Steel Limited, whitefield Road, Bangalore.
17.09.2004	10.00 Hrs	Registered Office, Bangalore
31.07.2003	12.00 Hrs	Registered Office, Bangalore

The shareholders passed all the resolutions including the special resolutions set out in the respective Notices

No postal ballot was used for voting at these meetings

7. DISCLOSURES :

During the year electricity has been purchased from Bhuruka Power Corporation Limited and the total value of the purchases is Rs 778 lakhs.

No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the period under review

8. COMPLAINE WITH CORPORATE GOVERNANCE NORMS:

The Company has complied with all the mandatory requirements of corporate Governance norms as enumerated in clause 49 of the Listing Agreement with Stock Exchanges.

9. MEANS OF COMMUNICATION :

The quarterly, half-yearly and yearly financial results and the annual audited financial results are sent to the Stock Exchanges immediately after the Board Meetings and are also published in the newspapers. The results are not sent individually to the shareholders.

10. GENERAL SHAREHOLDERS INFORMATION:

The 32nd Annual General Meeting of the members of the company is scheduled to be held on Friday 25th August, 2006 at Registered office of Bhuruka Gases Limited, Whitefield Road, Bangalore -560 048.

The company's financial years is divided into four quarters, viz.,

First Quarter	1st April	to 30th June
Second Quarter	1st July	to 30th September
Third Quarter	1st October	to 31st December
Fourth Quarter	1st January	to 31st March

The Share Transfer books would remain closed during the period from 22nd August, 2006 to 25th August, 2006 (both days inclusive).

The Company's shares are listed at the Bangalore and Mumbai Stock Exchanges. The company has paid the annual listing fee to these exchanges.

11. STOCK MARKET PRICE DATA FOR THE YEAR 2005-2006 :

The high/low quotation of the Company's shares on the Mumbai Stock Exchange during the year (April 2005 to March 2006) are as follows :

(In Rupees)

Month	Apr -05	May -05	June -05	July -05	Aug -05	Sep -05	Oct -05	Nov -05	Dec -05	Jan -06	Feb -06	Mar -06
High	30.95	42.95	46.80	46.75	67.50	77.35	69.40	57.95	54.00	44.75	49.75	48.60
Low	22.25	27.25	35.95	38.50	38.00	48.15	38.60	38.10	43.15	45.35	37.50	30.80

12. ADDRESS FOR CORRESPONDENCE :

For any assistance regarding Share transfers, transmissions, change of address, non-receipt of dividends, duplicate/missing share certificates and other relevant matters, please write to the Share Transfer Agents of the Company at the address given below:

M/s. Kirloskar Computer Services Limited,
412 & 415 10th Cross, 5th Main, R.M.V. II Stage,
BANGALORE - 560 094 Tel No. 23519311 Fax No. 080- 23519294