

ANNUAL REPORT 2005 - 2006



BHUWALKA STEEL INDUSTRIES LIMITED

"Bhuwalka Centre", No. 71, III Cross, Residency Road, Bangalore- 560 025.



**BHUWALKA
STEEL INDUSTRIES LIMITED**

BOARD OF DIRECTORS : **Dr. S.K. Gupta**
Chairman
Shri. Suresh Kumar Bhuwalka
Managing Director
Shri Sajan Kumar Bhuwalka
Shri Sushil Kumar Bhuwalka
Shri Kamal Kumar Bhuwalka
Shri Kishan Kumar Bhuwalka
Shri Ajay Kumar Bhuwalka
Shri Sanjay Kumar Bhuwania
Shri N. Srinivasan
Shri K.C Kondaiah
Shri S.S Naganand

**VICE PRESIDENT (FINANCE):
& COMPANY SECRETARY** **P.K. Chamaria**

AUDITORS : **M/s. P.K. Rungta & Co.**
 Chartered Accountants
 Bangalore

BANKERS : **Canara Bank**
Karnataka Bank Limited

REGD. OFFICE : **No. 71, III Cross,**
Residency Road,
Bangalore - 560 025

FACTORIES :

1) at 10th Mile Old Madras Road Bangalore - 560 049.	4) at Sadarmangla Village Hoody-Whitefield Road Bangalore - 560 066.
2) 204, Mauji Khupri Taluka Wada District Thane Yeshwanthpur Mumbai - 421 312	5) at 23/B-2, II Stage Industrial Suburb Yeshwanthpur Bangalore - 560 022
3) at Melambi Village Kanchipuram Changalapattu District Tamilnadu - 631 501	6) at Plot Nos. 18 & 19 Tamaka Industrial Area Kolar - 563 101

SHARE TRANSFER AGENTS : **Alpha Systems Private Limited**
 No.30, Ramana Residency,
 Ground Floor, 4th Cross,
 Sampige Road, Malleshwaram,
 Bangalore - 560 003.



BHUWALKA STEEL INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the 24th Annual General Meeting of the Company will be held on Thursday, the 28th September, 2006, at 11.30 A.M. at Hotel Woodlands, No. 5, Raja Ram Mohan Roy Road, Bangalore- 560 025 to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Statements of Accounts of the Company for the year ended 31st March 2006, and the Reports of the Directors' and the Auditors' thereon.
2. To declare dividend on Preference Shares.
3. To declare dividend on equity shares.
4. To appoint a Director in place of Shri. Suresh Kumar Bhuwalka, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri. Sajan Kumar Bhuwalka, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri. N. Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Shri. Ajay Kumar Bhuwalka, who retires by rotation and being eligible, offers himself for re-appointment.
8. To re-appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS:

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

"Resolved that Sri. K.C.Kondaiah, who was appointed an additional director of the company w.e.f. 31st December, 2005 by the Board of Directors and who holds such office upto the date of this Annual General Meeting and in respect of whom the company has received a notice in writing under section 257 of the Act from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation.

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

"Resolved that Sri. S.S. Naganand, who was appointed an additional director of the company w.e.f. 28th July, 2006 by the Board of Directors and who holds such office upto the date of this Annual General Meeting and in respect of whom the company has received a notice in writing under section 257 of the Act from a member proposing his candidature for the office of the

Director, be and is hereby appointed as Director of the Company, liable to retire by rotation.

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

"RESOLVED that the Article 17 of the Articles of Association be altered by deleting therefrom the word and figures 'not exceeding Rs. 1000/- as the Board may determine' and substituting therefor the words "such sums as may be prescribed for the time being by the central government or such authority as may be authorized as the maximum fee payable as sitting fees and as may be determined by the Board".

12. To consider and if thought fit, to pass the following, resolution as special resolution, with or without modification.

"Resolved that pursuant to Section 372A and any other applicable provisions of the Companies Act, 1956 and subject to approval of Reserve Bank of India and such other authorities as may be required the consent of the Shareholders be and is hereby given to the Board of Directors of the company to invest in Equity of Bhuwalka Steel Industries (UAE), FZE, a Wholly owned subsidiary of the company in Hamriyah Free Zone, U.A.E upto Rs.30 crores in foreign currency and to give any guarantee or to provide security in connection with any loan made by bank/institution/any other person to the said subsidiary upto an amount not exceeding Rs. 75 Crores."

13. To consider and if thought fit, to pass the following, resolution as special resolution, with or without modification.

"RESOLVED THAT in accordance with the provisions of Section 81 (1-A) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of Securities And Exchange Board of India (SEBI), Reserve Bank of India (RBI) and such other appropriate authorities, as may be necessary, consent of the company be and is hereby accorded to the Board of Directors of the Company (hereinafter called "The Board") to issue and allot on private placement basis and/or by way of firm or preferential allotment, to Non-resident Indians (NRIs), Overseas Corporate Bodies (OCBs) and/or to the shareholders of the company or to any person or persons of the promoter or management group, their friends, relatives, associates and associate companies as the Board may in its absolute discretion decide to be subscribed and to foreign investors whether individuals or otherwise, whether or not such investors are members of the company, to be subscribed in

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foreign currency(ies), to all or any of them, jointly or severally Equity Shares with or without warrants and/or Securities/debentures/bonds convertible into Equity Shares at the option of the company or of the holders thereof and/or Securities linked to Equity Shares and/or Securities with or without detachable warrants and/or only warrants without any securities with a right exercisable by the warrant holder to convert or subscribe to and be allotted Equity Shares and/or any shares; instruments or securities for an aggregate amount not exceeding Rs. 15 Crores at such price as may be decided by the Board and not lower than the minimum price as arrived in accordance with the pricing provisions mentioned in Securities And Exchange board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time.

"FURTHER RESOLVED that the Board be authorised to issue and allot such number of shares as may be required to be issued and allotted upon conversion of or exercise of option, if any, attached to any securities or as may be necessary in accordance with the terms of the above offer and/or issue any other security convertible into Equity Shares whether initially or otherwise and which, upon conversion, may or, may not carry voting or other rights or which may, subject to the provisions of applicable laws, carry any rights which are disproportionate or different from the rights attached to any other security issued/to be issued by the Company and with such rights as may be decided by the Board and provided under the terms of the issue and the offer documents".

"FURTHER RESOLVED that the convertible debenture/bond, if any issued, together with interest, costs, charges and other amount payable in respect thereof would be secured by such mortgage and/or charge on or hypothecation of such of the Company's movable and immovable properties and of the undertaking(s) of the Company and in such form and manner and subject to such prior and pari passu charge, if any, existing on the said properties and undertaking(s) as may be decided by the company in consultation with the Agents and Trustees for the holders of the existing Debentures or other mortgagees and charge holders".

"FURTHER RESOLVED that the equity shares so allotted shall rank pari passu in all respects with the existing Equity Shares of the company .

FURTHER RESOLVED that for the purpose of giving effect to the above, the Board be and is hereby authorised to agree to and make and accept all such conditions, modifications and alterations stipulated by any relevant authorities while according approvals or consents to the issues as may be considered necessary, proper or expedient

and to take all actions as may be necessary, desirable or expedient to effect such modifications and to resolve and settle all questions and difficulties that may arise in the proposed issues and allotment or allotments of the new securities and to do all acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose including, if necessary, creation of such mortgage and/or charges in respect of the Securities on the whole or any part of the undertaking of the Company under section 293(1) (a) of the Companies Act, 1956 and to execute such documents or writings as they may consider necessary or proper or incidental to these Resolutions".

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. The instrument appointing a Proxy, shall be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.
3. The Register of Members and Share Transfer Book of the Company will remain closed from 16th September, 2006 to 28th September, 2006 (both days inclusive).
4. The dividend, if declared at the annual general meeting, shall be paid to those shareholders whose names are appearing in the Register of Members as on 28.09.2006 and in case of shares held in dematerialized form shall be paid to beneficial owners at the end of business hours on 15th September, 2006 as per details furnished by NSDL/CDSL for this purpose.
5. The relative Explanatory statements pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business under item Nos.9 & 10 as set out above are annexed hereto.
6. Members are requested to bring their copies of the Annual Report to the meeting.
7. Members/proxies should bring their attendance slip sent herewith duly filled in for recoding the attendance at the meeting.
8. A statement containing the details of directors seeking appointment/re-appointment at the forthcoming Annual General Meeting is attached.

Registered Office:	By Order of the Board
No.71, III Cross	
Residency Road	
Bangalore - 560025	(SURESH KUMAR BHUWALKA)
28th July 2006	Managing Director


**BHUWALKA
STEEL INDUSTRIES LIMITED**
EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.
Item No. 9 & 10 :

Sri. K.C.Kondaiah and Advocate S.S. Naganand who were appointed as additional director of the Company as per the Provisions of Section 260 of the Companies Act, 1956, vacate their office at ensuing Annual General Meeting.

Due notice under Section 257 of the Companies Act, 1956, have been received from a member of the company signifying his intention to propose the appointment of Sri. K.C.Kondaiah and Advocate S.S. Naganand for the office of the director at the forthcoming Annual General Meeting.

Your directors seek your approval to the above resolution. None of the directors except Sri. K.C.Kondaiah and Advocate S.S. Naganand is concerned or interested in the above resolutions.

Item No. 11 :

Article 17 of the Articles of Association relates to the sitting fees presently payable to a director for attending the meeting of the Board or committees thereof. The fees which was fixed is upto Rs. 1000/- per meeting remained stationary for a very long time. It was felt that the articles of association be amended so as to provide payment of such sum of money as sitting fee as may be prescribed by the Central Government from time to time.

Your directors seek your approval to the above resolution as a special resolution. Every director shall be deemed to be concerned and interested in the proposed resolution.

Item No. 12 :

Under section 372A of the Companies Act, 1956, no company can acquire by way of subscription purchase or otherwise the securities or give any guarantee or provide security in connection with a loan made by any person to any body corporate if it exceeds certain limits unless previously authorised by a special resolution passed in a General Meeting. Company had passed a special resolution at the annual general meeting held on 24.09.2005 for an investment upto an amount not exceeding Rs. 20 Crores. As per the project report and appraisal by banks, the Company may be required to invest in the equity of Bhuwalka Steel Industries (UAE) FZE upto Rs. 30 Crores and provide corporate guarantee to the funding bank for term loan and working capital loan facilities provided to the wholly owned subsidiary.

Your directors seek your approval to the above resolution as a special resolution. None of the directors is deemed to be interested or concerned in this resolution.

Item No. 13 :

Company requires funds for its growth plan and may approach some investors to subscribe to the equity by way of preferential allotment route. As per Section 81(1-A) of the Companies Act, 1956, the Company require to pass a special resolution. The allotment shall be made at a price not less than the price as arrived by pricing provisions laid down in Chapter XIII of the Securities And Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. It will enable the Company to improve network and debt equity ratio for the ongoing projects and investments proposed in UAE.

Your directors seek your approval to the above resolution as a special resolution. None of the directors is deemed to be interested or concerned in this resolution.

Registered Office:
No. 71, III Cross
Residency Road
Bangalore
Date : 28th July, 2006

BY ORDER OF THE BOARD

(SURESH KUMAR BHUWALKA)
Managing Director

Annual Report 2005 - 2006**Details of Directors seeking appointment/reappointment at 24th Annual General Meeting
(In pursuance of Clause 49 of Listing Agreement)**

Name of Director	Mr. Suresh Kumar Bhuwalka	Mr. Sajan Kumar Bhuwalka	Mr. N.Srinivasan
Date of Birth	01.11.1950	30.09.1953	04.11.1947
Qualification	B.Com.,	B.Com.,	B.Sc., B.L. FCA. ACS
Expertise in specific functional area	More than 35 years experience as Industrialist in Manufacturing.	More than 30 years experience as Industrialist in Manufacturing.	More than 35 years experience in Various Manufacturing units in Senior position and is in practice since 1991.
List of other Companies in which Directorship held	Navakarnataka Steels Pvt.Ltd. Bhuwalka Trade Links Pvt.Ltd., Bhuwalka Ispat Ltd. Bhuwalka Steel Ind.(Srilanka) Ltd. Bhuwalka Steel Ind. (UAE) FZE Bhuwalka Metal Ind. Pvt. Ltd.	Deccan Alloys Pvt.Ltd., Vishwakarma Refractories Pvt.Ltd. Bhuwalka & Sons Pvt.Ltd., Bhuwalka Alloys Pvt. Ltd. Bhuwalka Castings & Forging Pvt. Ltd.	None
Chairman/ Member of the Committees of the Board of Directors of other companies In which he is a director	None	None	None

Name of Director	Mr. K.C.Kondaiah	Mr. S.S. Naganand	Mr. Ajay Kumar Bhuwalka
Date of Birth	10.07.1950	06.09.1957	08.02.1976
Qualification	B.Com.,	B.Com, LLB, A.C.A., Dip in French.	B.Com.,
Expertise in specific functional area	More than 35 years in industry and had been MLC	25 years experience in practice as Advocate in Company Law, Taxation Arbitration, Constitutional Law.	10 years experience as Industrialist in Manufacturing.
List of other Companies in which Directorship held	Navakarnataka Steels Pvt.Ltd.	Sumana Developers & Investments (P) Ltd. Innova Securities & Investments Ltd.	Navakarnataka Steels Pvt.Ltd. Bhuwalka Trade Links Pvt.Ltd., Bhuwalka Ispat Ltd.
of the Committees of the Board of Directors of thier companies In which he is a director	None	None	None

**BHUWALKA
STEEL INDUSTRIES LIMITED**
DIRECTORS' REPORT
TO THE MEMBERS OF
BHUWALKA STEEL INDUSTRIES LIMITED:

Your Directors have pleasure in presenting before you the 24th Annual Report of the Company together with Audited Statement of Accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS:

	(Rs.in lakhs)	
	2005-06	2004-05
Profit Before Interest,		
Depreciation and Taxation	1526.77	1726.12
Less: Interest	889.38	973.52
Depreciation/Amortization	402.08	393.01
Income Tax for the year (including FBT and Deferred taxation)	9.94	156.21
Income tax for earlier years	9.64	0.15
Add: Income -tax refunds	-	2.64
Balance of profit brought forward from last year	478.19	475.67
Appropriations:		
Proposed Dividend with Dividend tax		
on Preference shares	3.99	3.35
on Equity shares	88.72	-
Transfer to General Reserve	50.00	200.00
Balance of Profit carried forward	551.21	478.19

2. OPERATIONS REVIEW:

Total income from operations during the year under review was Rs. 553.84 crores as compared to Rs. 470.46 crores in the previous year showing a year on year growth of 17.72% and Profit After Tax (PAT) was flat at Rs. 2.16 Crores as against Rs. 2.06 Crores in the last year.

Though the Company achieved all time high production/turnover, the operating margins were adversely affected. W.e.f. 01.03.2005, the rate of excise duty was enhanced from 12.24% to 16.32% and this hike could not be passed on to the customers immediately and affected the bottomline. Hike in power tariff and hardening of petroleum prices took a pie from our operating margins. The average rate/unit of electricity consumed was Rs. 4.96 as against Rs. 4.58 and average price of furnace oil was 15.45/Ltr as against 10.62/ Ltr in the previous year. It resulted in increase in Power & Fuel charges from Rs. 26.88 Crores to Rs. 32.67 Crores. Margins were also affected due to un-hedged position of foreign currency on account of import of raw materials..

Company's thrust on marketing is paying off and company could bag some prestigious orders against stiff competition. This could happen due to

company's marketing efforts, reduction in interest cost and higher capacity utilisation.

Company's TMT bars under Thermex Brand has been well received by the discerning customers. Company has chalked out an expansion and modernization plan for its units at Wada and Hoskote which will enable it to expand its base and improve the margins.

Due to thrust on Housing, Power, Telecom and Infrastructure sectors, Steel industry is expected to do well in the next 3 years and Bhuwalka is poised to realize the benefits of its strengths and market position for future business growth.

Company has initiated steps to implement mini steel project under the banner of Bhuwalka Steel Industries (UAE) FZE and leasehold land has already been secured and financial closure is under progress. It will drive the future growth of the Company.

3. DIVIDEND

Your Directors have proposed a Dividend @ 12.5% on Cumulative Redeemable Preference Shares placed with IDBI.

Your Directors have also proposed a Dividend @15% on Equity Shares of the Company and return to the dividend list.

4. SUBSIDIARY COMPANY

As required under section 212 of the Companies Act, 1956, the Audited Statement of Accounts along with the report of the Board of Directors of Bhuwalka Steel Industries (Srilanka) Limited together with the Auditors' Report as at and for the year ended 31st March, 2006, are appended. Since the first audited accounts of Bhuwalka Steel Industries (UAE) FZE, shall be prepared only for the period ended 31.12.2006, the same will be attached with the next year's Balance Sheet of the Company.

5. CONSERVATION OF ENERGY:

Total energy consumption and energy consumed per unit of production as per Form 'A' is annexed - forming part of this Report.

6. TECHNOLOGY ABSORPTION:

The Company is keeping abreast of the latest developments in product technology, manufacturing process and methods and using indigenous technology

7. FOREIGN EXCHANGE EARNINGS AND OUTGOINGS:

Foreign Exchange Earnings and Expenditure are given under Note 16(F) and 16(G) of Schedule '19' forming part of the Accounts for the year ended 31st March 2006.

Annual Report 2005 - 2006**8. PERSONNEL:**

Industrial Relations remained cordial through out the year.

There are no employees of the categories specified under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended. Hence, this information is not given.

9. DIRECTORS:

Sri. Suresh Kumar Bhuwalka , Sri. Sajan Kumar Bhuwalka , Sri N. Srinivasan and Sri Kishan Kumar Bhuwalka retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Sri T.N. Vidyasagar and Sri Mothisayeeram, nominees of FIs were withdrawn from the Board. The Board places on record its gratitude for the services rendered by them during their tenure as member of the Board and committees thereof.

Advocate S.S. Naganand and Sri K.C. Kondaiah were appointed as Additional Directors during the period and they hold office till the date of forthcoming annual general meeting. The appointment of Advocate S.S. Naganand and Sri K.C. Kondaiah as directors requires the approval of the members at the forthcoming Annual General Meeting.

10. AUDITORS:

The Auditors, M/s. P.K. Rungta & Company, Chartered Accountants, Bangalore, retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

11. AUDITORS' REPORT:

The Notes on accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments under section 217(3) of the Companies Act, 1956

12. DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217 (2AA) :

Your Directors hereby confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- that the directors had 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 and of the profit of the company for the year;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting

records in accordance with the provisions of the Companies Act, 1956, to safeguard the assets of the Company and for preventing and detecting fraud and other irregularities;

- that the directors had prepared the annual accounts on a going concern basis.

13. REPORT ON CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, the following form part of this Annual Report:

- Management Discussion and Analysis;
- Report on Corporate Governance;
- Auditors' Certificate regarding compliance of conditions of Corporate Governance

14. CONSOLIDATED FINANCIAL STATEMENTS:

In terms of Clause 32 of the Listing Agreement with Stock Exchanges, consolidated financial statements has not been prepared and attached as part of the Annual Report. Financial Statement of wholly owned subsidiary ,Bhuwalka Steel industries (Srilanka) Ltd. is not required to be consolidated as the control is intended to be temporary because the subsidiary is held exclusively with a view to its disposal by September, 2006. First Audited Report of Bhuwalka Steel industries (UAE) FZE, shall be drawn up only for the period ending on 31.12.2006 and shall be consolidated as per Clause 32 of the Listing Agreement in next year's Report.

15. ACKNOWLEDGEMENTS:

Your Directors wish to place on record their appreciation for the continued support, encouragement and co-operation extended by all the stakeholders namely; Financial Institutions, Bankers, shareholders, customers and suppliers.

Your Directors also place on record their appreciation for the contributions made by the employees of the Company at all levels.

FOR AND ON BEHALF OF THE BOARD

Bangalore - 560025
29th June, 2006

(SURESH KUMAR BHUWALKA)
Managing Director



Management Discussion and Analysis

Industry Structure & Developments:

The Company's primary product, steel rolled product, is primarily cater to the demand of construction and engineering industries. There are large no. of re-rolling mills across the country who are largely local player.

During the year under review, the steel prices were very volatile. The price of rolled products is market driven and to sustain margins, Company continuously makes efforts for reduction in the cost of production, interest cost and overheads. Company is also putting up efforts to have wider product range under one roof for meeting needs of discerning customers. In this direction, Company has drawn modernization and expansion plan to upgrade its facilities at Hoskote and Wada. At Wada Unit, heavier sections shall be added to product fold under expansion plans.

OPPORTUNITIES, THREATS AND CONCERNS:

There is good opportunity for growth as user industries like infrastructure, construction, power, telecom and engineering are doing exceedingly well.

Competition from un-organised sector is a threat to the Company. However, renowned builders and infrastructure companies are keen to source their requirement from organized company like ours. Any slowdown in economy may affect the operations. However, company is expanding its product portfolio and shall be up in the value chain to improve operating margin gradually.

Price volatility remain serious concern of the Company. However, Company has taken steps to mitigate this risk.

Segment-wise/product-wise performance:

Company operates in single segment, i.e., Steel Rolled Products.

Outlook:

The year ahead looks buoyant with construction activities in full bloom and infrastructure sector upbeat. Company is catering to requirements of Housing, Power, Telecommunication and Engineering Sectors. Large integrated plant are mainly focusing on flat products and long products are generally the domain of secondary steel makers like us. Though India is the world's 9th largest steel producer, its per capita steel consumption is only 32 Kg. p.a. as compared to 260 Kg p.a. for China. The National Steel Policy 2005 envisages a consumption of 65 Mn MT p.a. by 2012 and 110 Mn. MT by 2020 at a growth rate higher than the global industry average. The long term goal of the country is to become self reliant and globally competitive in steel sector.

Risks and concerns:

The cost of power and raw materials are the major costs. High power tariffs and volatility in steel prices may adversely affect the profitability of the Company. However, it is not significant considering the level of operations of the Company and normal correlation in the price of raw material and finished goods. Company is also exposed to financial risks like exchange fluctuation and interest rate variations. Management is identifying these risks and taking necessary steps to mitigate the risks. Company has taken insurance cover for all its fixed assets.

Internal control systems and their adequacy:

The Company's internal control systems and procedures are adequate and commensurate with the size and nature of Company's operations. Company has sufficient procedures that form part of internal control system which provide for check and balances.

Cautionary Statement:

This report contains forward-looking statements which are based on certain assumptions and future events. It cannot be guaranteed that these are accurate or realized in future. Company's actual results may materially differ from those projected in forward looking statements. The reader should bear this in mind. Further, Company undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE GOVERNANCE

1. The philosophy of the Company on corporate governance envisages the attainment of the highest level of transparency, accountability, trusteeship, integrity and equity in all areas of its operations. Company is committed to good corporate governance. The fundamental objective of the Company is enhancement of shareholder value, whilst taking into account the interest of all other stakeholders for wealth creation.

During the year under report, the company has adopted the various governance systems and practices as per clause 49 of the listing agreement.

2. **Composition of Board of Directors:**

The Board of Directors is comprised of 11 Directors of which three are executive and Eight are non-executive (of which four are independent). Chairman of the board is non-executive and independent.

Dr. S.K. Gupta, Chairman	- Non Executive Independent
Sri. Suresh Kumar Bhuwarka Managing Director	- Executive
Sri. Sajan Kumar Bhuwarka, Director	- Non Executive
Sri. Sushil Kumar Bhuwarka,	- Non Executive
Sri. Kamal Kumar Bhuwarka, Director	- Non Executive
Sri. Kishan Kumar Bhuwarka Wholetime Director	- Executive
Sri. Ajay Kumar Bhuwarka, Director	- Non Executive
Sri. Sanjay Kumar Bhuwania, Wholetime Director	- Executive
Sri. N. Srinivasan, Director	- Non Executive Independent
Sri. K.C.Kondaiah	- Non Executive Independent
Sri. S.S. Naganand	- Non Executive Independent

3. Details of attendance at Board Meetings and last AGM and details of memberships in other Boards & Board Committees:

The Board met 6 times during the year on 30th May 2005, 30th June 2005, 30th July 2005, 31st October 2005, 31st December 2005 and 31st January 2006 during the year 2005-06.

Name of the Directors	No. of Board Meetings attended	Whether attended last AGM	Director ship in other Boards	Committee	
				Membership	Chairmanship
Dr. S. K. Gupta	4	Yes	5	10	2
Suresh Kumar Bhuwarka	6	Yes	6	—	—
Sajan Kumar Bhuwarka	4	Yes	4	—	—
Sushil Kumar Bhuwarka	3	No	3	—	—
Kamal Kumar Bhuwarka	2	Yes	6	—	—
Kishan Kumar Bhuwarka	3	Yes	—	—	—
N. Srinivasan	4	No	—	—	—
T. N. Vidyasagar*	4	Yes	3	—	—
Ajay Kumar Bhuwarka	5	No	—	—	—
Saurav Bhuwarka*	2	No	1	—	—
A. Mothi Sayeeram*	Nil	No	—	—	—
Sanjay Kumar Bhuwania	Nil	No	—	—	—
K. C. Kondaiah**	Nil	No	1	—	—

* Since resigned ** appointed as additional director on 31.12.2005