

Reaching new heights through innovation



DEEPAK NITRITE LIMITED

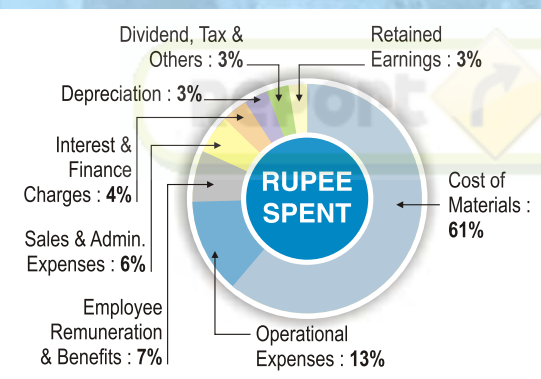
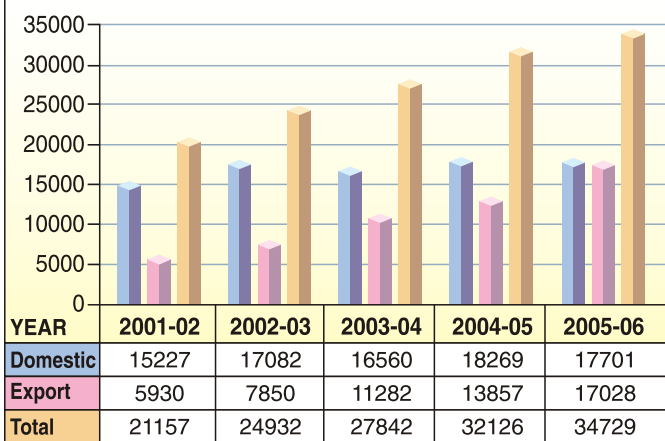
Thirty Fifth Annual Report 2005-2006



FINANCIAL HIGHLIGHTS

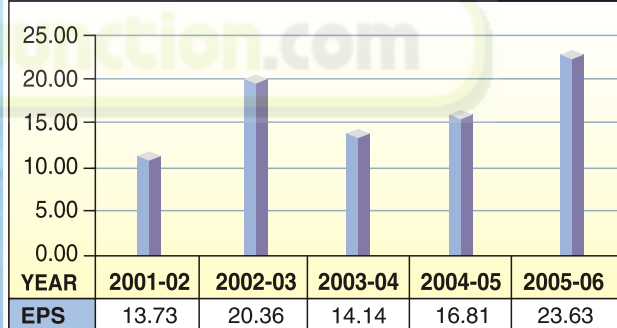
SALES

Rs. in Lacs



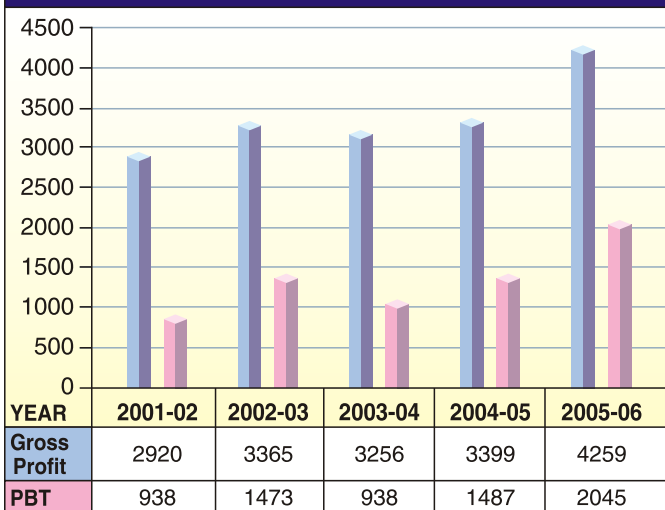
EPS

Rupees



GROSS PROFIT / PBT

Rs. in Lacs





35th ANNUAL GENERAL MEETING

Day/Date : Saturday, 5th August, 2006
Time : 10.30 a.m.
Venue : Hotel Surya Palace, Opposite Parsi Agiari,
Sayajigunj, Vadodara - 390 005

BOARD OF DIRECTORS

Chimanlal K. Mehta *Chairman*
Deepak C. Mehta *Managing Director*
Ajay C. Mehta *Managing Director*
Shrenik Kasturbhai Lalbhai
S.S. Aggarwal
D.D. Udeshi (upto 3rd August, 2005)
M.R.B. Punja
A.K. Dasgupta
Hasmukh Shah
Nimesh Kampani
Sudhin Choksey

VICE PRESIDENT (FINANCE) & COMPANY SECRETARY

Sanjay Upadhyay

BANKERS

State Bank of India • Dena Bank • Bank of Baroda • ICICI Bank Ltd.
UTI Bank Ltd. • ING Vysya Bank

SOLICITORS

M & M Legal Ventures, Mumbai

AUDITORS

B.K. Khare & Co., *Chartered Accountants*, Mumbai

REGISTERED OFFICE

9/10, Kunj Society, Alkapuri, Baroda - 390 007

CORPORATE OFFICE

Deepak Complex, National Games Road, Yerawada, Pune - 411 006

PLANTS

- (1) 4-12, GIDC Chemical Complex, Nandesari - 391 340, Dist. Vadodara
- (2) Sahyadri Dyestuffs & Chemicals, 117, Parvati, Vithalwadi,
Pune - 411 030
- (3) Taloja Chemical Division, Plot Nos. K/9-10, MIDC Taloja
Dist. Raigad - 410 208
- (4) APL Division, Plot Nos. 1, 2, 26 & 27, MIDC Dhatav,
Roha, Dist. Raigad - 402 116.

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NOTICE

NOTICE is hereby given that the Thirty-fifth Annual General Meeting of the Company will be held at Hotel Surya Palace, Opposite Parsi Agiari, Sayajigunj, Vadodara - 390 005 on Saturday, the 5th August, 2006 at 10.30 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the financial year ended 31st March, 2006 together with the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Shri C. K. Mehta, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri M. R. B. Punja, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Dr. S. S. Aggarwal, who retires by rotation and being eligible, offers himself for reappointment.
6. To 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 of Directors to fix their remuneration.

Registered Office :

9/10 Kunj Society
Alkapuri
VADODARA - 390 007
Dated : 24th May, 2006

By Order of the Board of Directors,

Sanjay Upadhyay
Vice President (Finance) &
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER.
2. A Proxy, in order to be effective, should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 25th July, 2006 to Saturday, 5th August, 2006 (both days inclusive).
4. The dividend as recommended by the Board, if declared at the meeting, will be paid on or after 7th August, 2006, to those members whose names appear on the Company's Register of Members on 5th August, 2006. In respect of the shares in electronic form, the dividend will be paid to those beneficial owners as per details furnished by the Depositories for the purpose.
5. In order to avoid risk of loss of dividend warrants in transit and/or fraudulent encashment of dividend warrants, the Company has provided a facility to the Shareholders for remittance of dividend through Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Shareholders are advised to avail of ECS facility whereby the dividend will be directly credited electronically to their respective Bank Account. Shareholders holding shares in physical form who have not availed the ECS facility and are desirous of availing this facility may send ECS Mandate with necessary details to the Company's Registrar and Share Transfer Agent M/s. Sharepro Services (India) Pvt. Ltd., Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099, quoting their Registered Folio Number.
6. Members holding shares in dematerialised mode are requested to intimate any changes pertaining to their bank details, ECS mandates, nominations, power of attorney, change of address / name etc. to their Depository Participant only and not to the Company's Registrar & Share Transfer Agent. Changes intimated to the Depository participant will then be automatically reflected in the Company's records which will help the Company and its Registrar & Share Transfer Agent to provide efficient and better service to the members.



7. Members holding shares in physical form are requested to intimate all changes pertaining to their bank details, ECS mandates, nominations, power of attorney, change of address / name etc. to the Company's Registrar & Share Transfer Agent, quoting their Registered Folio Number. The Bank Account particulars of the members will be printed on the Dividend Warrant.
8. Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act 1956, the dividend remaining unclaimed / unpaid for a period of seven years from the date they became due for payment are required to be transferred to the 'Investor Education and Protection Fund' set up by the Central Government. Members who have so far not claimed dividends are requested to claim the same from the Company, as no claim shall lie against the Fund or the Company in respect of individual amounts once credited to the said Fund.
9. Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report duly filled in and signed and handover the same at the entrance of place of the Meeting. Proxy/Representative of a Member should mark on the Attendance Slip as "Proxy" or "Representative" as the case may be. Members holding shares in electronic form and desirous of attending the meeting are required to bring alongwith them Client ID and DP ID Numbers for easy identification.
10. At the ensuing Annual General Meeting, Shri C. K. Mehta, Shri M. R. B. Punja and Dr. S. S. Aggarwal retire by rotation and being eligible offer themselves for reappointment. A brief profile of the Directors retiring by rotation and eligible for reappointment, as required by Clause 49 VI A of the Listing Agreement with the Stock Exchange, is given under :

1. Shri C. K. Mehta is the founder of the Company and is associated with the Company since 2nd May, 1970, the date of inception of the Company. He is a well known Industrialist having 50 years of versatile experience in the Chemical Trade and Industry and is also founder of Deepak Fertilisers and Petrochemicals Corporation Limited. He is the Chairman of both the Companies. His Directorships as on 31st March, 2006 are as under :

Chairman : Deepak Fertilisers and Petrochemicals Corporation Ltd.

Director : Blue Shell Investments Pvt. Ltd. • Deepak Medical Foundation • Sofotel Software Services Pvt. Ltd. • The Lakaki Works Pvt. Ltd. • Deepak Asset Reconstruction Pvt. Ltd. • Storewell Credits & Capital Pvt. Ltd.

2. Shri M.R.B. Punja is a Director of the Company since 28th January, 1988. He is Ex-Chairman and Managing Director of The Industrial Development Bank of India (IDBI), a premier financial institution of the Country. He possesses rich experience in the field of Finance and Management. His Directorships as on 31st March, 2006 are as under :

Chairman : Andhra Petrochemicals Ltd. • Suprajit Engineering Ltd.

Director : Hindoostan Spg. Wvg. Mills Ltd. • Apollo Tyres Ltd. • Chowgule Steamships Ltd. • Sushruta Medical Aid & Research Hospital Ltd. • Seshasayee Paper & Boards Ltd. • Delite Engineering Private Limited • Suprajit Chemicals Pvt. Ltd.

3. Dr. S. S. Aggarwal is associated with the Company as a Director right from the inception viz. 2nd May, 1970. He is M. Tech. from IIT, Bombay and has a doctorate in Chemistry. He is a member of the Institute of Standard Engineers and Institute of Foundry Men. He has also done specialisation as a Chemical Technologist from USSR. He is an expert in the field of chemical industry and has developed many technologies in India. His Directorships as on 31st March, 2006 are as under :

Managing Director : Foundry Chemical Industries Pvt. Ltd • S. S. Foundry Chemical Industries Pvt. Ltd. • Buse India Pvt. Ltd. • Bihar Hydro Carbon Products Pvt. Ltd.

Director : NMC Carbonic Industries Pvt. Ltd.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirty-fifth Annual Report together with the Audited Statement of Accounts for the financial year ended 31st March, 2006.

FINANCIAL RESULTS :

	Current Year Rs.	Previous Year Rs.
Sales and Other Income	3,53,81,36,627	3,27,49,65,427
Gross Profit (before interest, depreciation and tax)	42,59,46,217	33,99,27,679
Less :		
(i) Interest	10,70,65,124	9,12,18,492
(ii) Depreciation	11,44,18,365	9,99,67,700
(iii) Provision for :		
– Current tax	4,82,51,000	1,03,39,746
– Fringe benefit tax	43,43,262	–
– Deferred tax	1,05,04,148	3,78,35,111
Net Profit (after interest, depreciation and tax)	14,13,64,318	10,05,66,630
Surplus in Profit & Loss Account Brought Forward	35,40,90,105	33,08,53,648
Amount available for appropriation	49,54,54,423	43,14,20,278
Appropriation :		
Proposed Dividend	3,58,92,372	2,39,28,248
Directors recommend a Dividend of 40 % on Equity Shares of Rs. 10/- each. (Previous year 40%)		
Corporate Dividend Tax	50,33,905	34,01,925
General Reserve No. 1 (as required by Section 205 (2A) of the Companies Act, 1956)	5,00,00,000	5,00,00,000
Balance carried to the Balance Sheet.	40,45,28,146	35,40,90,105
	49,54,54,423	43,14,20,278

DIVIDEND :

Your Directors are pleased to recommend the payment of dividend of Rs. 4/- per Equity Share (40%), on the enhanced Equity Share Capital of 8973093 Equity Shares (post Rights Issue) (Previous year : 40% on 5982062 Equity Shares). The dividend, if approved, alongwith the Corporate Dividend Tax, will absorb a sum of Rs.409.26 lacs (Previous year Rs. 273.30 lacs).

REVIEW OF THE YEAR :

The Company has delivered strong business performance in the year 2005-06. The net sales grew by 8% from Rs. 321.27 crores to Rs.347.29 crores. The Company continued to build exports initiative and consolidate the strong domestic market presence throughout the year. The profit before tax for the year was Rs. 20.44 crores registering a growth of 37% compared to Previous Year. The exports turnover registered a healthy growth of 23% over the last year, from Rs.138.57 crores to Rs.170.27 crores.

With the large product range and the strong brand image created by the Company with technical competencies and capabilities of its people in customizing the process package for high profitability to quality consistency and cost effectiveness, thereby creating value for its customers, the Company enjoys the status of preferred supplier in the international market.



OUTLOOK AND FUTURE PLANS :

The Company's focus on knowledge intensive high value added fine chemicals and intermediates has helped maintain the growth in the international market. Continuous process improvement has enabled the Company to protect and improve margins. With further enhancement of R&D and pilot plant facilities the Company expects to be in a position to improve its response time and success rate in converting new leads into business. The Company has also planned to make a beginning in the area of custom research and manufacture.

As a consequence of relocation of manufacturing plants from Pune to other locations, and other initiatives of consolidation and rationalisation of capacities at various locations, the Company has been able to keep costs under control. In-house gas based power plant and continuous efforts on energy conservation also helped to withstand competition from domestic as well as international manufacturers.

RIGHTS ISSUE OF EQUITY SHARES :

The Company's Rights Issue of Equity Shares of Rs. 10/- each at a premium of Rs. 140/- per share was oversubscribed by 1.22 times. The Committee of Directors being authorised by the Board of Directors allotted 2981171 Equity Shares (excluding 9860 Equity shares in abeyance) alongwith 1490586 Detachable Warrants (excluding 4930 warrants in abeyance) on 5th May, 2006 as per the basis of Allotment approved by the Bombay Stock Exchange Ltd.

Allotment Advice, Refund Orders and Certificates have been dispatched to the Applicants.

The Detachable Warrants issued along with the Equity Shares allotted on Rights basis are freely tradeable in the market. The warrant holders will be entitled to exercise their right to apply for One Equity Share of Rs. 10/- each at a premium of Rs. 240/- per share payable in cash in full during the warrant exercise period, which shall be a period not less than 30 days and within 45 days after completion of 18 months from the date of allotment i.e. 5th May, 2006. The Record Date will be fixed by the Company during the 18th month from the date of allotment of Equity Shares & Detachable Warrants.

These securities have been listed on the Bombay Stock Exchange Ltd. and the Vadodara Stock Exchange Ltd.

FINANCE :

- 1) During the year under review, the Company paid-off unsecured short-term loans of Rs.10 crores and ICDs of Rs.8.55 crores.
- 2) The Company raised long-term secured loans of Rs.26.50 crores. The Company also repaid installments of Rs.12.26 crores during the year.
- 3) The Company entered into factoring arrangements for its export debts during the year.

FIXED DEPOSITS :

The total amount of Fixed Deposits held by the Company from the Shareholders and Public stood at Rs. 23.20 crores at the close of the financial year. The Company has no deposits, which are matured and claimed, but remained unpaid.

CORPORATE GOVERNANCE :

Your Company believes in transparency and has always maintained high level of Corporate Governance. The Report on Corporate Governance as required by Clause 49 of the Listing Agreement and the Management Discussion and Analysis are included as a part of this Annual Report. A Certificate from the Statutory Auditors of the Company confirming compliance of the Corporate Governance requirements is attached to the Report on Corporate Governance.

RELOCATION OF PLANTS OF SAHYADRI DYESTUFFS & CHEMICALS DIVISION :

During the year the Company decided to relocate its Sahyadri Dyestuffs & Chemicals Division at Sinhagad Road, Pune in view of the environmental considerations. The plant being located in the midst of fast growing residential area, the Company was not able to plan the much needed plant modernization / expansion to ensure viability of the said manufacturing facility.

The Company is in the process of relocating / shifting its manufacturing activities to other locations of the Company. Accordingly, Company has drawn the relocation plan and has initiated the process of transferring usable assets to other Divisions / Scrapping non-usable assets as per Technical Evaluation carried out. Resultantly, loss on discarding of assets so far identified as non usable has been charged to accounts net of provision for Impairment of Assets recognised in earlier years.

The Company paid VRS compensation to those employees of SDC Division who did not opt for transfer to other divisions of the Company.

Consequent upon relocation of the Plants of SDC Division, the Board of Directors has decided to sell its factory plot located at Sinhagad Road, Pune for a consideration of Rs. 30.00 crores.

RESEARCH & DEVELOPMENT AND PILOT PLANT :

Consequent to relocation of the manufacturing facilities from Pune to other manufacturing locations, R&D lab has now been shifted to the National Chemical Lab Innovation Park campus, next to NCL, Pune. This modern R&D lab with enhanced facilities was inaugurated by Dr. R A Mashelkar, DG, Council of Scientific and Industrial Research (CSIR). The Company has also entered into a Memorandum of Understanding with NCL to jointly offer services in the area of custom research, development and manufacture. The Pilot Plant situated at Pune has also been relocated with substantial enhancement to the APL manufacturing site at Roha. This new Pilot Plant will enable us to carry out scale-up studies for new products as well as manufacture small quantities of products for initial customer trials.

ENVIRONMENT & SAFETY :

The Company is signatory to Responsible Care Initiative and adheres to the best practices on issues related to safety, health and environment. The Company has accreditation for ISO 9000:2000. During the year, it also received ISO 14001 certificate for its manufacturing site at Nandesari.

OTHER INFORMATION :

The operation of the Nandesari division of the Company was affected during the month of June, 2005 due to heavy floods in Gujarat. The plant was fully covered under insurance policy.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

Your Company has been striving hard in the field of energy conservation. Several measures to conserve energy and to reduce the costs associated with it have been taken during the year.

A statement under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed, which forms an integral part of this report.

INSURANCE :

All properties and insurable interest of the Company including buildings, plant and machinery, stores and spares have been adequately insured.

COMMUNITY SERVICE :

The Company through Deepak Medical Foundation (DMF) and Deepak Charitable Trust (DCT) remains committed to social welfare. DMF, a registered non-governmental organization set-up by Deepak group, implements its social activities in partnership with Government of Gujarat, international NGOs and through the network of civil societies and community based organizers. The major activities of the foundation are in the following areas:

- Safe Motherhood and Child Survival Services
- Pre-school Education
- HIV/AIDS and Reproductive Health Care Services targeted towards Adolescents and Industrial Workers
- Disaster Relief and Rehabilitation Services
- Livelihood through Women's Dairy Cooperatives and Savings Groups

The Foundation facilitates the existing government health delivery systems by conducting weekly gynaecological and pediatric OPDs in partnership with teaching staff of Government Medical College, quarterly facility surveys of 50 Primary Health Centers and 198 sub-centers located in the Vadodara District.

The Company and its employees contribute for relief measures in times of natural calamity affecting sections of the society.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association, Shri C. K. Mehta, Shri M. R. B. Punja and Dr. S. S. Aggarwal retire by rotation and, being eligible, offer themselves for reappointment.

During the year Shri D. D. Udeshi resigned as a Director of the Company. Shri D. D. Udeshi was associated with the Company since 1982 and during his tenure as a Director, he was instrumental in sharing his expertise in the areas of

Corporate Laws including Labour Laws, which was of immense benefit to the Company.

The Board places on record its appreciation for the valuable contribution made by Shri D. D. Udeshi.

EMPLOYEE RELATIONS :

Employee relations were cordial at all locations. The Directors are pleased to place on record their appreciation of the services rendered by the employees at all levels.

AUDITORS :

At the Thirty-fourth Annual General Meeting, M/s. B.K. Khare & Co., Chartered Accountants, Mumbai, were re-appointed as Statutory Auditors of the Company to hold Office until the conclusion of the Thirty-fifth Annual General Meeting.

Accordingly, the said Statutory Auditors retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment. The Statutory Auditors have furnished to the Company the requisite certificate under Section 224 (1) of the Companies Act, 1956. The Board of Directors recommend their reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT :

In accordance with the requirements of section 217(2AA) of the Companies Act, 1956, the Directors, based on the information provided by the operating management, confirm that :

1. In the preparation of accounts the applicable accounting standards have been followed and that there are no material departure;
2. Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so to give a true and fair view of the state of affairs of the Company as of 31st March 2006 and of the profit of the Company for the year ended on that date;
3. Proper and sufficient care has been taken 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; and
4. The annual accounts of the Company have been prepared on a going concern basis.

PERSONNEL :

Information on particulars of Employees' Remuneration as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 forms part of this report. However, as per the provisions of Section 219 (1) (b) (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 obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENTS :

The Company continues to receive excellent support and guidance from the Financial Institutions and Consortium of Banks and your Directors would like to place on record their sincere appreciation for the same.

The Directors also wish to thank the Shareholders, Deposit holders and all other business associates for the confidence reposed by them in the Company.

For and on behalf of the Board,

Mumbai,
Dated : 24th May, 2006

C. K. MEHTA
Chairman

ANNEXURE - A TO DIRECTORS' REPORT

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo. Section 217(1)(e) of the Companies Act, 1956.

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988

A - CONSERVATION OF ENERGY

FORM - A

Disclosure of particulars with respect to Conservation of Energy (to the extent applicable)

(a) POWER AND FUEL CONSUMPTION

		2005-2006					2004-2005				
		Nitrite	N.A.Divn.	T.C.D.	APL	S.D.C.	Nitrite	N.A.Divn.	T.C.D.	APL	S.D.C.
		(Nandesari)	(Taloja)	(Roha)	(Pune)		(Nandesari)	(Taloja)	(Roha)	(Pune)	
1. Electricity:											
(a) Purchased											
Unit	KWH	1954945	1002035	2036360	8015505	461280	10239821	5981819	1831416	9211054	3402491
Total Amount	Rs.	14320887	7102256	7122209	24918343	1978740	56058342	32190545	6231956	31475810	12008873
Rate/Unit		7.33	7.09	3.50	3.11	4.29	5.47	5.38	3.40	3.42	3.53
(b) Own Generation											
(i) Through own diesel Generator Unit	KWH	15020	13370	581	263296	50578	4135	20245	3774	135064	314631
Units per litre of Diesel Oil	KWH	3.00	3.26	2.19	3.57	2.77	1.83	3.26	2.28	3.59	3.69
Cost/Unit	Rs.	11.56	10.64	15.05	9.87	12.08	16.26	9.12	11.66	7.87	8.32
(ii) Through Steam Turbine/Generator Unit	KWH	8811296	6546540	Nil	Nil	Nil	1594730	1108970	Nil	Nil	Nil
Total Amount	Rs.	28616945	21261569				3854811	2569871			
Rate/Unit		3.25	3.25				2.42	2.32			
2. Coal	Rs.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
3. Furnace Oil											
Quantity	KL	1579	527	1477	2618	164	3813	4678	2058	2737	1992
Total Amount	Rs.	23220124	8084599	20985852	36217286	2521854	37182765	49414927	21347625	30262924	23011643
Average Rate/KL	Rs.	14702	15333	14208	13837	15353	9752	10563	10372	11057	11552
4. L.S.H.S./L.D.O											
Quantity	KL	5.84	6.82			20	167	-	-	-	176
Total Amount	Rs.	137868	161015	-		546942	3363571	-	-	-	4754851
Average Rate/KL	Rs.	23612	23609	-		27837	20087	-	-	-	26968
5. OTHERS											
By Product Steam in tons (Nandesari)	MT	-	-	-	-	-	-	-	-	-	-

(b) CONSUMPTION PER UNIT OF PRODUCTION

	2005-2006		2004-2005	
	Electricity	Furnace Oil	Electricity	Furnace Oil
	KWH	Ltr.	KWH	Ltr.
Inorganic Salts	309	107	287	101
DNPT	1509	355	1443	364
Nitro Aromatics	336	219	361	238
Dye Intermediates	4134	1327	3448	1847
Aromatics Amines	226	164	236	265
Organic Intermediates	1099	347	900	264

B – TECHNOLOGY ABSORPTION

FORM- B

Disclosure of Particulars with respect to Technology Absorption (to the extent applicable)

a) RESEARCH & DEVELOPMENT (R & D)

- Development of value added fine chemicals was the special focus of R&D efforts for the year under review. New products were developed based on synergy with our core expertise.
- Benefits derived as a result of the above R & D:
Continuous improvement in terms of quality, energy efficiency as well as development of ecofriendly processes enabled the Company's products to be competitive in the world market.
- Expenditure on R & D:

	Rs. in lacs	
	2005-06	2004-05
a) Capital	207.75	1.98
b) Recurring	285.73	236.06
c) Total	493.48	238.04
d) Total R & D expenditure as a percentage of total turnover	1.42	0.74

b) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

Our existing products as well as for further growth and diversification plans are primarily based on inhouse R & D work. Continuous interaction of R & D team with all the manufacturing divisions ensures successful absorption and adaptation of these technologies.

c) FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information is contained in items No. 13 (c), (d) and (e) of Schedule 21 (Notes forming part of Accounts) of the Annual Report.

For and on behalf of the Board

Mumbai,
Dated : 24th May, 2006.

C.K. MEHTA
CHAIRMAN