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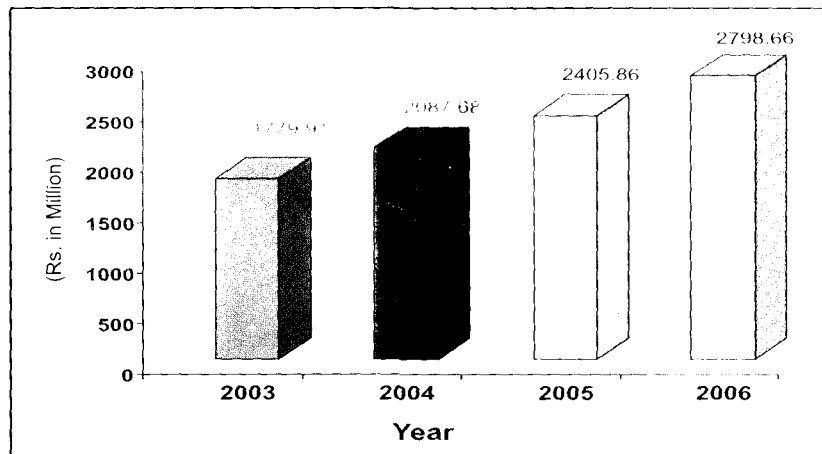
ANNUAL REPORT 2005-2006

Fedders Lloyd Corporation Limited

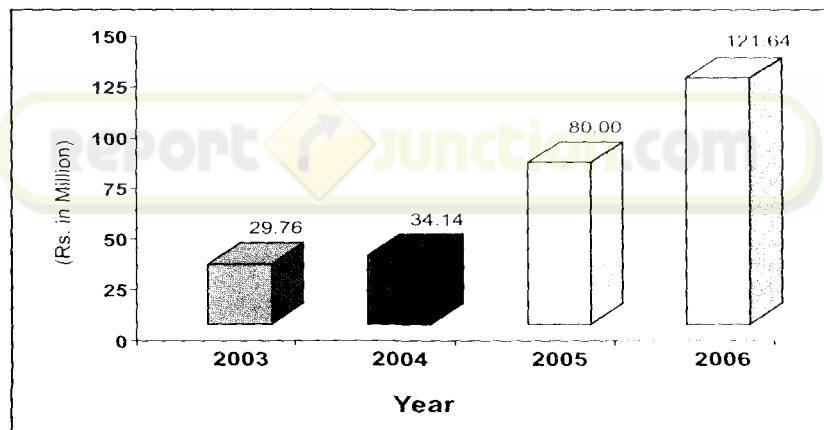
FEDDERS LLOYD

FINANCIAL HIGHLIGHTS

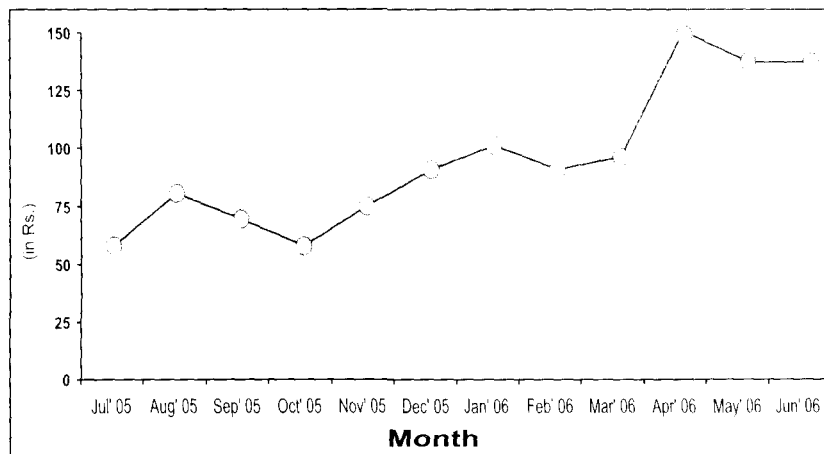
Sales



Profit after Tax



Market Value Per Share



BOARD OF DIRECTORS

Mr. Brij Raj Punj	Chairman-cum-Managing Director
Mr. S. S. Kumar	Director
Mr. T. V. P. Punj	Director
Mr. K. Lall	Director
Mr. Sanjay Behari	IFCI Nominee Director

CORPORATE OFFICE

B-10/1, Okhla Industrial Area,
Phase-II, New Delhi-110 020
Ph. : 011-41609457, 58, 59,
Fax : 011-41609909

WEB SITE : www.fedderslloyd.com

COMPANY SECRETARY

Ms. Purnima Sharma

AUDITORS

M/s. Suresh C Mathur & Co.
64, Regal Building
Connaught Place,
New Delhi

WORKS

- I. C-4, Phase - II, Noida
Distt. Gautam Budh Nagar
U.P. 201 305
- II. Saketi Road, Industrial Area
Kala- Amb, Tehsil Nahan
Distt. Sirmor, Himachal Pradesh

REGISTRAR & SHARE TRANSFER AGENT

Skyline Financial Services Private Limited
123, Vinobha Puri, Lajpat Nagar-II,
New Delhi-110 001
Phone: 011-29833777, 29847136

BANKERS

State Bank of India
State Bank of Patiala
State Bank of Hyderabad

REGISTERED OFFICE

C - 4, Phase - II, NOIDA
Distt. Gautam Budh Nagar,
U.P. 201 305

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NOTICE

Notice is hereby given that **50th** Annual General Meeting of **FEDDERS LLOYD CORPORATION LIMITED** will be held on Saturday, the 30th day of December 2006 at 9.00 A.M. at C - 4, Phase - II, Noida, Distt. Gautam Budh Nagar, U.P- 201305 for transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 2006 and the Profit and Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To declare final dividend on Equity Shares.
3. To appoint a Director in place of Mr. Tulsi Vansh Prakash Punj, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT M/s. Suresh C. Mathur & Co., Chartered Accountants, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company.

RESOLVED FURTHER THAT the Statutory Auditors be paid such remuneration and travelling and other out-of-pocket expenses incurred by them for the purpose of the audit, as may be decided by the Board of Directors, who be and is hereby authorised to fix the same."

**By order of the Board of Directors
For Fedders Lloyd Corporation Ltd.**



**Sd/-
Purnima Sharma
Company Secretary**

Place : New Delhi

Date : 28.11.2006

NOTES:

KINDLY NOTE THAT THERE SHALL BE NO GIFT DISTRIBUTION AT THE ANNUAL GENERAL MEETING.

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. PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DULY STAMPED, COMPLETE AND SIGNED AND MUST REACH TO THE COMPANY AT C - 4, PHASE - II, NOIDA, DISTT. GAUTAM BUDH NAGAR, U.P. - 201305 NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING.**
2. The Register of Members and Share transfer Books of the Company will remain closed from Thursday, the 28th day of December 2006 to Saturday, the 30th day of December 2006 (both days inclusive).
3. Dividend upon its declaration at the meeting will be paid to those members whose names appear:
 - i) on the Register of Members of the Company as on 28th December, 2006 after giving effect to all valid share transfers in physical form which would be received by the Company up to closing hours of the business on 27th December, 2006.
 - ii) as beneficial owners as per list to be furnished by Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the closing hours of the business on 27th December, 2006.

4. Members are requested to promptly notify any change in their addresses to the Company at B-10/1, Okhla Industrial Area, Phase-II, New Delhi-110 020 or to the Company's Registrar and Share Transfer Agent i.e., M/s SkyLine Financial Services Limited, 123, Vinoba Puri, Lajpat Nagar - II, New Delhi.
5. Members are requested to send queries, if any, so as to reach the Registered Office of the Company at least seven days before the meeting to enable the company to have the relevant information ready.
6. Member(s) / Proxy(s) desirous of attending the meeting are requested to bring the attendance slip and fill-in and sign the same and deliver it at the entrance of the Meeting Hall.
7. Members attending the Annual General Meeting are requested to bring along with them their copies of the Annual Reports as the same will not be distributed at the meeting.
8. Members, who hold shares in dematerialised form, are requested to bring their Client ID and DP ID Numbers for easier identification of attendance at the Annual General Meeting.
9. All the documents as mentioned in the notice are available for inspection at the Registered office of the Company during working hours up to the date of Annual General Meeting.

**By order of the Board of Directors
For Fedders Lloyd Corporation Ltd.**

**Sd/-
Purnima Sharma
Company Secretary**

**Place : New Delhi
Date : 28.11.2006**

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the **FIFTIETH ANNUAL REPORT** of your Company alongwith the Audited Annual Accounts for the year ended 30th June 2006.

FINANCIAL RESULTS

Particulars	Rs. in Million	
	Current Year 2005-2006	Previous Year 2004-2005
Sales	2798.66	2405.86
Total Income	2799.84	2407.20
Gross profit before depreciation	149.14	107.41
Less: Depreciation	16.73	19.20
Provision for taxation including deferred tax	10.77	8.20
Profit after tax	121.64	80.01
Balance brought forward from the previous year	6.03	6.02
Profit available for appropriation	127.67	86.03
Transferred to General Reserve	83.20	80.00
Balance Carried forward to Balance Sheet	8.95	6.03

RESULTS OF OPERATIONS

During the year under review, the gross revenue of the Company increased to Rs. 2799.84 million as compared to Rs. 2407.20 million in the previous year, registering an impressive growth. The net profit after taxation provision rose from Rs. 80.01 million in the previous year to Rs. 121.64 million during the year under review, evidencing a growth of 52%.

DIVIDEND

The Board of Directors recommends a final dividend of 8% on the paid up capital of the Company. The final dividend is in addition to the interim dividend of 7% paid by the Company in February 2006. Thus, the total dividend for the year 2005-2006 is 15%. The final dividend of 8%, if approved at the forthcoming Annual General Meeting shall be paid to those shareholders whose names appear in the Register of Members as on the book closure date at the closing hours of business on 27th December 2006. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership furnished by Depositories viz., NSDL/CDSL for this purpose.

The Register of Members and Share Transfer Books of the Company will remain closed from 28th December 2006 to 30th December 2006 (both days inclusive).

BUSINESS OPERATIONS

The Year 2005-06 has been a defining year for the Company in many ways. This is the 50th Annual Report of the Company since the date when the Company came into existence. A pioneer in Airconditioning industry combined with an impressive growth focus saw the company entering new business segments and new markets.

Reviewing the significant events and milestones faced by your Company during the current year, the Company achieved following significant developments:

Diversification in Real Estate Development

With the growing economic developments in the country, the major emphasis is on the real-estate development across the country. Real-Estate development had lead to employment generation and given reign to domestic entrepreneurial talent and accelerated the country's GDP growth to unprecedented levels. There is a significant size of investments earmarked by the government and there are tremendous opportunities in the sector for private players to contribute in the nation's growth.

As a step towards embarking with the growth and expansion plans, your company has vision to broaden its activity base by diversifying into Real-Estate development and sustain a healthy growth rate.



The Company has earmarked the sector and foresees the Real Estate Development vertical to create new source of revenues and growth for the Company. The key focus areas of vertical includes but not limited to development of residential and commercial complex.

Your Company had acquired land in certain locations and is in advanced stages of acquiring land in various other places across the Globe for similar ventures. Your Company is also looking forward for the establishment of Wholly Owned Subsidiary in UAE for the development of township, construction of residential and commercial purposes.

Your company strongly believes that diversification in Real Estate will help create value for shareholders.

Setting up of new manufacturing facility

Presently, your Company has manufacturing facility at Distt. Gautam Budh Nagar, Noida and Kala-Amb, Himachal Pradesh. The Company is in the process of setting up of a new plant at Pantnagar, Uttaranchal for manufacture of Split A.C., Window A.C. Vehicular Bodies and structures. This plant is likely to be operational by June, 2007.

FIXED DEPOSITS

During the year under review, the Company has not accepted any fixed deposits from public under section 58A or 58AA of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS

Pursuant to the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Tulsi Vansh Prakash Punj, Director of the Company is liable to retire by rotation and being eligible, offers himself for re-appointment.

Mr. Tulsi Vansh Prakash Punj is a Non-Executive Director on the Board of Directors of the Company. He has been associated with the Company for more than a decade. He has a rich and vast experience in the industry. Your directors recommend his re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of section 217(2AA) of the Companies Act, 1956, and to the best of their knowledge and belief and according to the information and explanations obtained and save as mentioned elsewhere in this Report, the attached Annual Accounts and the Auditors' Report thereon, your Directors hereby confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed.
- (ii) the directors had selected such accounting policies and 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 or loss of the Company for that period.
- (iii) 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 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) the directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s Suresh C. Mathur & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. A certificate under section 224(1) of the Companies Act, 1956 regarding their eligibility for the proposed re-appointment has been obtained from them. Your Directors recommend their re-appointment.

The observations of the Auditors as contained in the Auditor's Report read with Notes on Accounts are self explanatory and do not call for any further clarification.

CORPORATE GOVERNANCE

Your Company gives utmost importance to good Corporate Governance and has been complying with the requirements of Listing Agreement with the Stock Exchanges. A report on Corporate Governance and Management Discussion and Analysis is included as a part of Directors' Report.



A certificate from the Auditors' of the Company regarding the compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

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

Information as per section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report Board of Directors) Rules, 1988 is given as annexure to Directors' Report.

PARTICULARS OF EMPLOYEES:

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars of Employees) Rules, 1975 and forming part of the Directors' Report is given as under:

A. Employed for the whole year and were in receipt of remuneration which was not less than Rs. 24,00,000/- p.a. in aggregate,

NIL

B. Employed for part of the year and were in receipt of remuneration which was not less than Rs. 2,00,000/- p.m. in aggregate,

NIL

LISTING OF SECURITIES

At present the Equity Shares of the Company are listed at Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

INDUSTRIAL RELATION

The Company values and appreciates the dedication which its employees have contributed towards improved performance during the year under review. The Company continued to maintain harmonious employee relations and both parties sustained their efforts towards improvement of organizational productivity, quality and overall operational flexibility, leading to the committed performance at all levels.

ACKNOWLEDGEMENTS

Your Directors wish to convey their appreciation to all the Company's employees for their enormous personal efforts as well as their collective contribution to the Company's record performance.

Your Directors acknowledge with gratitude the co-operation and support extended by Industrial Finance Corporation of India (IFCI) Ltd., State Bank of India, State Bank of Patiala, State Bank of Hyderabad and other bankers, Central and State Governments and other concerned agencies.

Your Directors also take this opportunity to convey their thanks to the Company's valued customers, shareholders, suppliers and all other business associates for the continuous support given by them to the Company and their confidence reposed in the management.

**For and on behalf of the Board of Directors
For Fedders Lloyd Corporation Ltd.**

**Place : New Delhi
Date : 28.11.2006**

**Sd/-
Brij Raj Punj
Chairman-cum-Managing Director**

ANNEXURES TO THE DIRECTORS' REPORT

Statement pursuant to section 217(1)(e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forms part of this report for the year ended 30th June, 2006.

A. CONSERVATION OF ENERGY:

Your Company has been continuously monitoring the measures for conservation of energy at all levels of production. The Company keeps incurring cost for upgrading its technology for conservation of energy and hopes to maintain the trend in future also.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

The Company continues to use the latest technologies for improving the productivity and quality of its services and products. The R&D division works on the following objectives and areas :

1. Improvement of product quality and process efficiency.
2. Optimizing production efficiency.
3. Developing and producing eco-friendly air-conditioners.
4. Diversify the product range.
5. Cost reduction and economical efficient production.

C. EXPENDITURE INCURRED FOR RESEARCH AND DEVELOPMENT.

Capital Expenditure	:	NIL
Revenue Expenditure	:	Charged out as expenses through the respective heads of accounts.

D. FOREIGN EXCHANGE EARNING AND OUTGO:

Foreign Exchange earned	:	Nil
Foreign Exchange outgo	:	Nil



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The Heating, Ventilation, Air Conditioning and Refrigeration (HVACR) Industry has been expanding in India at a very fast rate since the economic liberalization. Today, India is a host of number of International and local air conditioning manufacturers, dealers, agencies and service providers. With a vast market potential, the entry of multi national corporations into India has pressed the need for quality Air Conditioning up to the International Standards.

Industrial plants, nuclear power plant, large hotels, modern hospitals, shopping centers and office complexes are major users of central or applied air conditioning equipments. The other specialized users of air conditioning and refrigeration equipments include dairy, chemical and pharmaceutical industries, vegetable storage, growing fruits, milk chilling and processed food sector, etc.

Since, these are booming sectors with a huge potential of investments in infrastructure and due to buoyant economic environment, the commercial air conditioning and refrigeration industry is expected to grow further with a more rapid pace.

Business Overview

Fedders Lloyd Corporation Limited is celebrating its **golden jubilee** for serving as trusted manufacturer of Air Conditioners in India. Due to ongoing efforts, customers' patronage and investors' faith, the Company has well established its name in air-conditioning & refrigeration industry. The Company fulfils the needs of large number of corporate and commercial customers and has been serving the specialized demanding needs of customers like Defence, Indian Railways, DoT, Mother Dairy, Britannia, BHEL, IOC, MTNL, etc. The Company focuses on high quality products and services, which are supported by strong in-house R&D division. The Company has also emphasized on sustaining its competitive edge and maximizing the growth through available opportunities, by means of offering value-added products and services.

The Company has 50 years of experience in vertically integrated business with large volumes, best HVACR solutions and efficient Project Management. The Company is committed to continue with all of its best practices including but not limited to:

- Good Corporate Governance,
- Value added products with excellence,
- Best HVACR solutions and customers' satisfaction,
- Offering value for money,
- Maintaining effective Sales Network,
- Creating better Quality of Life.

The Company has sound financial practices and is managed by efficient, transparent and highly professional team supported by valued engineers, technicians and project managers. The management of the Company foresees and endeavors further improvement in business practices and enhancement in Shareholders' Value in the years to come.

Outlook

The Company focuses on strategic planning and procedures at all levels of operations and thereby focusing on increasing the earning potential. The Company aims at improving productivity, efficiency at all levels and thus manages its expenses effectively. The Company believes in sound business practices, manufacturing facilities, human resource base with which it believes to be the largest and most preferred provider of expert cooling solutions in the years to come.

Risks and concerns

The Indian economy is integrated with world economy and therefore in the changing context, Indian Industry has to redefine its priority and realize the challenges in the market place.

Due to inflationary pressure, interest rates have been hardening over the last couple of years. There could be some impact caused by interest rates on the overall performance.

Other risks and uncertainties include but not limited to changes in government policies, changes in fiscal policies, multilateral and bilateral trade agreements, rise in the cost of raw materials, risk inherent in the business due to cyclic nature of the business, natural calamities, etc.