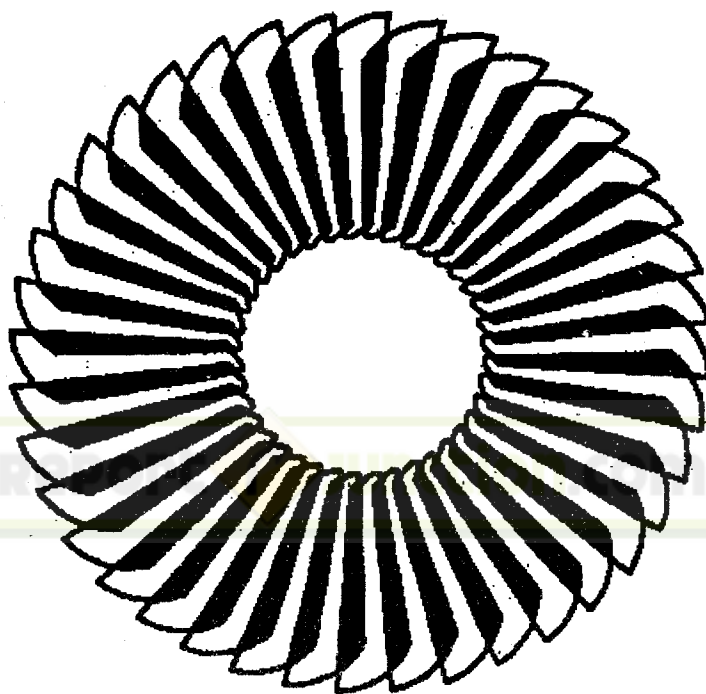


ISO : 9001-2000



FM 82849

An ISO 9001-2000 Certified Company



FLUIDOMAT LIMITED
Thirtieth Annual Report

2005 - 06

Board of Directors :
ASHOK JAIN *Chairman and Managing Director*
D.K. KEMKAR
M.K. SHAH
K.C. JAIN
NARENDRA KATHED
A.K. SINHA *(Nominee of IFCI)*

Compliance officer and D.G.M.- Finance :
PRAMOD JAIN

Auditors :
J.P. SARAF & CO.
 Chartered Accountants

Corporate Law Advisor :
D.K. JAIN & COMPANY
 Company Secretaries

Bankers/ Financial Institution :
CENTRAL BANK OF INDIA
IFCI LTD.

Registered Office :
 117, 1st Floor, 'Navneet Darshan',
 16/2, Old Palasia, INDORE-452 018 (M.P.)
 Tel.: 0731-2564820

Share Transfer Agent :
 For Dematerialised & Physical Shares
 Ankit Consultancy Services Pvt. Ltd.
 Alankar Point, Geeta Bhawan Chouraha,
 A.B. Road, Indore
 Ph. : 91-731-2491298
 Fax : 91-731-4065798

Works & Head Office :
 7C-8J, Industrial Area,
 Agra-Bombay Road,
 DEWAS-455 001 (M.P.)
 Tel.: 07272-258582, 258583
 Fax : 07272-258581
 e-mail : fludomat@sancharnet.in
 info@fluidomat.com
 Website : www.fluidomat.com

30th Annual General Meeting

Date : 28th July, 2006
 Day : Friday
 Time : 2.00 p.m.
 Place : 117, 1st Floor
 'Navneet Darshan'
 16/2, Old Palasia,
 Indore - 452 018 (M.P.)
 Book Closure : 24.07.2006 to 28.07.2006
 (Both days inclusive)

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NOTICE

NOTICE is hereby given that 30th Annual General Meeting of the Members of FLUIDOMAT LIMITED will be held at the Registered Office of the Company at 117, 1st Floor, "NAVNEET DARSHAN", 16/2 Old Palasia, Indore (M.P.) on Friday the 28th day of July, 2006 at 2.00 P.M. to transact the following businesses:

I. ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit & Loss Account of the Company for the year ended 31st March 2006 and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Ashok Jain who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri D. K. Kemkar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint the Auditors to hold office from conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

BY ORDERS OF THE BOARD

Place: Indore
Date : 10th June, 2006

ASHOK JAIN
CHAIRMAN & MANAGING DIRECTOR

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. PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. Register of Members and Share Transfer Book shall remain closed from 24.07.2006 to 28.07.2006 (both days inclusive).
 - a) Members are requested to notify immediately any change of address;
 - (i) to their Depository Participants (DPs) in respect of their electronic share accounts; and
 - (ii) to the Company to its Share Transfer Agents in respect of their physical share folios, if any.
 - b) In case the mailing address on this Annual Report is without the PINCODE, members are requested to kindly inform their PINCODE immediately.
3. Non-resident Indian Shareholders are requested to inform Share Transfer Agents immediately:
 - a) Change in the residential status on return to India for permanent settlement.
 - b) the particulars of NRE Account with Bank in India, if not furnished earlier.
4. All documents referred to in the accompanying notice are open for inspection at the Registered office of the Company on all working days, except Saturdays between 11.00 A.M. to 1.00 P.M.

5. Members who are holding shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the share certificates for consolidating their holdings in one folio. The share certificates will be returned to the members after making requisite changes thereon.
6. Members desires of obtaining any information concerning Accounts and Operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the Meeting so that the information required may be made available at the Meeting.
7. The Company has connectivity from the CDSL & NSDL and equity shares of the Company may also be held in the Electronic form with any Depository Participant (DP) with whom the members/ investors having their depository account. The ISIN No. for the Equity Shares of the Company is INE459C01016. In case of any query/difficulty in any matter relating thereto may be addressed to the Share Transfer Agents Ankit Consultancy Pvt. Ltd., Alankar Point, Gita Bhawan Chouraha A.B. Road, Indore (M.P.).
8. As per the provisions of the Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B prescribed by the Government can be obtained from the Share Transfer Agent or may be down load from the website of the Ministry of Company affairs.
9. Pursuant to the Clause No.49 of the Listing Agreement, profile of the directors proposed for appointment/re-appointment being given in a statement containing details of the concerned directors is attached hereto.

STATEMENT REGARDING THE DIRECTORS PROPOSED FOR APPOINTMENT

Name and Designation of Appointee	Age/ years	Qualifications	Expertise Experience	Date of Appointment	Other Directorships if any
Shri Ashok Jain Chairman & Managing Director	57	BE(Electricals)	More than 35 years experience in the manufacturing of fluid couplings.	11.12.1975	Nil
Shri D.K.Kemkár	57	BE(Mechanical)	More than 35 Years	11.12.1975	Kehmes Engg. Pvt. Ltd Christopia Energy System (I) P.Ltd

DIRECTORS' REPORT

AND

MANAGEMENT DISCUSSION AND ANALYSIS

To the Members,

Your Directors are pleased to present their 30th Annual Report on the business and operation of the company together with the Audited Balance Sheet & Profit and Loss Accounts for the year ended 31st March, 2006.

Financial Results (Rupees in Lacs)

	As on <u>31.03.2006</u>	As on <u>31.03.2005</u>
Sales and income from operation	935.24	731.54
Other Income	4.28	4.05
Total Income	939.52	735.59
Total Expenses	781.12	615.94
Operating Profit (PBIDT)	158.40	119.65
Interest	43.14	48.64
Depreciation	29.97	28.62
Profit/Loss before tax	85.29	42.59
Previous year adjustment	(2.74)	(1.24)
Fringe benefit tax	(2.14)	0.00
Profit/loss after tax	80.41	41.35
Reserves excluding Revaluation		
Reserves	9.12	9.12
Paid up Equity Capital	494.95	494.95
Earning Per Share		
Basic	1.63	0.84
Diluted	1.56	0.86
Profit & Loss Account	(198.36)	(278.77)

DIVIDEND

Though the company has generated profit during the financial year 2005-06, but looking to the accumulated losses of the previous financial years, it is not possible for the Board to recommend any dividend for the year under review.

OVERALL REVIEW AND FUTURE PROSPECTS :

Indian Economy continued to perform well with strong fundamentals and the real GDP growth is around 8% in 2005-06. With various reforms on anvil and Govt. commitment and thrust to develop infrastructure rapidly, many new projects are coming up in the country offering good opportunity for overall growth for your Company.

During the year under report your Company has achieved and registered growth and improvement in all operations and parameters. Comparative data's over the previous year are:

❖ Order booking increased to Rs.920 lacs from Rs.610 lacs.

❖ Turnover increased to Rs.935 lacs from Rs.731 lacs.

❖ Export order executed for Rs.35 lacs from Rs.16 lacs.

❖ No. of Scoop Control Couplings manufactured increased 4 folds.

❖ Large number of Projects orders executed in sector of Plants, Steel, Metal and other Sectors. Some of the major project orders executed during the year are:

- NTPC - Sipat II
- UPSEB - Parichha
- MPEB - Birsingpur
- Bellary Thermal Power Station
- NTPC - Unchahar
- Hindalco - Muri
- Bhooshan Steel
- GHCL - Veraval
- PSEB - Lehramohabbat, etc.

During past 3 years your Company has executed more than 58 Project Orders. These projects will provide high volume orders for spares and replacements.

❖ Net profit increased to Rs.80.41 lacs from Rs.41.35 lacs.

❖ Your Company developed new types of SC couplings type TU. This design has advantage of fast production.

Your Company has high growth prospects and opportunities with following positive factors.

Strong capability, own technology and expertise covering a wide range and types of fluid couplings upto 3500 KW to meet market and quality requirements.

Strong Product Quality and brand image.

Approval and acceptance from all major consultants and buyers in the country.

Large number of projects coming up in the country in sector of Power Plants, Steel and Metal.

Your Company has already secured orders for supply of fluid coupling for the following major projects.

- NTPC - Sipat-I
- PSEB - Bathinda



- MPEB Amarkantak
- CSEB - Korba
- Bhooshan Steel
- Jindal Steel - Raigarh
- DVC - Mejia
- Reliance Energy
- NTPC-Tanda
- HSEB-Panipat
- GMDC-Akrimota
- Shree Cement
- Younghung Power Plant - Korea

Our Company has large number of orders from OEM Machinery Manufacturers and many of the couplings are being exported to Middle East and Asia Pacific Countries these OEM.

Building strong capabilities is an important agenda of your company. For continuous development and Research and development activities, technology up gradation, investment in new patterns, modernization of plant, addition of equipments and market development, etc. your directors are considering an investment of about Rs.100 crores. With above prospects your Company envisages good growth in future.

DIRECTORS:

The Board consists of executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning.

In view of impending retirement from the directorship of Sri Ashok Jain and Sri D.K. Kemkar, by rotation at the forthcoming Annual General Meeting, they being eligible, for themselves for re-appointment.

Sri L.N Dube, has resigned from the Board w.e.f. 16th December, 2005. Your Board appreciates the valuable support and contribution made by him as the Director of the Company.

AUDITORS AND THEIR REPORT:

Comments of the Auditors in their report and the notes forming part of the Accounts are self-explanatory and need no comments. M/s J.P.Saraf & Co., Chartered accountants, the Statutory Auditors has to vacate their office at the conclusion of the ensuing Annual General Meeting. The Company has received a certificate from the auditors, to the effect that their re-appointment, if made, would be in accordance with the provisions of section 24(1) of the Companies Act, 1956.

INSURANCE:

The Company's assets are adequately insured against the loss of fire and other risk, as considered necessary by the Management from time to time.

DEPOSITS:

Your Company has not accepted any public deposit within the meaning of provisions of section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975 and there is no outstanding deposit due for re-payment.

DIRECTORS RESPONSIBILITY STATEMENT:

In accordance with the provisions of section of 217(2AA) of the Companies Act, 1956, your directors state that:

- ❖ In the preparation of accounts, the applicable accounting standards have been followed.
- ❖ Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of affairs of the company as at the end of March 31, 2006 and the profit of the company for the year ended on that date.
- ❖ Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
- ❖ The annual accounts of the company have been prepared on a going concern basis.

PERSONNEL:

The Company continued to have cordial and harmonious, rooted in the philosophy of bilateralism. In totality our employees have shown a high degree of maturity and responsibility in responding to the changing environment, economic and the market conditions.

CORPORATE GOVERNANCE:

Your Company is committed to good Corporate Governance Practices. Being a value driven organisation, the company's good corporate governance practices and the disclosures are need based, duly complied with the statutory and the regulatory requirements of the Companies Act, 1956, together with all the relevant clause of the Listing Agreement and all the others applicable laws. The Company's Corporate Governance policies and the practices are also in accordance with the clause 49 of the listing agreement. A report on the Corporate Governance along with the auditors Certificate form part of the Director's report, being annexed herewith.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, PARTICULAR OF EMPLOYEES AND FOREIGN EXCHANGE:

Information as required 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 have been annexed herewith.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. Financial Arrangements

The Company is generating profit since past three years and has increased liquidity position at the close of the financial year under review. There are no overdue liabilities towards IFCI. Further during the year under report Central Bank of India, has sanctioned increased working capital limits to meet out working capital requirements.

B. Industry structure and developments

Your company deals only in one segment i.e. manufacture and sale of the hi-tech products "Fluid Couplings" which are used in various sectors of industries including Thermal Power Plants, Steel, Metal, Cement, paper, Chemical and Fertilizer, Coal and Ore mining and Port handling Facilities etc. New Projects in these sectors have important contribution towards growth and profitability of the Company.

C. Strategy for export market development

Your Company is now focussing on export market and is taking necessary steps to establish itself in the international market. Two senior executives of the Company were sent for special training for exports to Netherlands and initial exploratory tour to pacific countries was made by the CMD.

Your Company also plans to participate in the "Hannover Engineering Trade Fair" (Germany) during April, 2007. Hannover is the largest and strongest show case in the world for Mechanical Power Transmission Equipments and is visited by decision makers from all over the world.

The Asia pacific and Middle East markets have high potential for export of your Company's fluid couplings and we are focusing on the area through repeated visits and participation in Fairs in these countries.

The Company supplied its fluid couplings to two major projects in Korea namely

- (i) Hyundai Heavy Industries.
- (ii) Young Hung Power Plants # 1 and 2

High performance of the Company's fluid couplings have earned high reputation and established the product in Korean market. Good Market potential is seen in Korea.

D. Quality Management System:

Your Company continued to be certified under ISO:9001:2000 by British Standard Institution - BSI Management System for the Company's Quality System.

The Quality management System in the Company is well defined and is well in place

E. Internal control systems and their adequacy:

The Company has reasonable system of internal control comprising authority levels and the powers, supervision, checks, policies and the procedures. During the year the company is having Audit Committee under the Chairmanship of Shri M.K.Shah, (FCA). The Committee reviews the adequacy of internal control systems and the compliance thereof.

Further, the annual financial statement of the company are reviewed and approved by the Audit Committee from time to time and placed before the Board for the consideration. The Committee also reviewed the internal control systems during the year.

F. Risk factors:

Fierce competitions offered by large and multinational companies can cause pressure on selling prices and margin in project orders. Input costs of metals, fuel, power and transportation, etc. are rising continuously which may have direct impact on margin.

G. Cautionary statement:

Our out look and expectations for the economy and infrastructure growth is optimistic. For a medium scale engineering company, manufacturing hi-tech industrial product, several factors can make significant direct impact on its performance. These include cutthroat competition from multi nationals, import, economic conditions and fiscal policies, affecting demand and supply, cost and selling prices.

ACKNOWLEDGEMENTS

Your directors acknowledge the vital role played by conscientious and hardworking employees of the company at all levels towards its overall success. Your Directors also acknowledge the valuable support extended and confidence shown in the management of the Company by Central Bank of India, Bankers to the Company, and IFCI Ltd. Your directors also acknowledge the support provided by suppliers, vendors and valued customers including the investors and share holders of the Company in its efforts to provide high quality products. Your Board takes this opportunity to record their appreciation in this regard.

For & On Behalf of the Board

Place : Indore
Dated: 10th June, 2006

Ashok Jain
Chairman & Managing
Director



Annexure to the Directors' Report

[Information as per the Companies (Disclosure of particular in Report of Board of Directors) Rules,1988]

CONSERVATION OF ENERGY

The Company has taken many steps for the Conservation of Energy.

	Current Year	Previous Year
POWER & FUEL CONSUMPTION		
1. Electricity (Purchased) Units	534360	473200
Total Amount (Rs.)	3023759	2597760
Rate per Unit (Rs.)	5.66	5.48
2. Electricity (Generated) units	10593	10972
Total Amount (Rs.)	120417	103406
Rate per Unit (Rs.)	11.37	9.42

TECHNOLOGY ABSORPTION AND RESEARCH & DEVELOPMENT:

R & D activities are an integral part of operations and all the expenses relating to R & D debited to Profit and Loss Account

FOREIGN EXCHANGE EARNING AND OUTGO :

Information in respect of Foreign Exchange Earning & Outgo is:

	Current Year	Previous Year
Earning :	Rs.31,50,133	Rs. 5,97,560
Outgoing :	Rs.11,51,268	Rs. 4,10,406

PARTICULARS OF THE EMPLOYEES

As required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules 1975, are not applicable since, none of the employee of the company is drawing more than Rs.24,00,000/- p.a. or Rs.2,00,000/- p.m. for the part of the year, during the year under review.

MANAGEMENT RESPONSIBILITY STATEMENT

The Management of Company accepts responsibility for the integrity and objectivity of these financial statements, as well as, for estimates and judgements relating to matters not concluded by the year-end. The management believes that the financial statements reflect fairly the form and substance of transactions and reasonably presents the company's financial condition, and results of operations. To ensure this, the company has installed a system of internal controls, which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the company's established policies and procedures have been followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls.

These financial statements have been audited by M/s J.P.Saraf & Co., Chartered Accountants, the Statutory auditors of the Company.

For & On Behalf of the Board

INDORE

Dated : 10th June, 2006

PRAMOD JAIN
D.G.M. Finance

ASHOK JAIN
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

Under Clause 49 of the Listing Agreement

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Our corporate governance policies recognise the accountability of the Board and the importance of its decisions to all our constituents, including customers, investors, employees and the regulatory authorities and to demonstrate that the shareholders are the cause of and ultimate beneficiaries of our economic activities. The functions of the Board and the Executive Management are well defined and are distinct from one another. We have taken a series of steps including the setting up of sub-committees of the Board to oversee the functions of Executive Management. These sub-committees of the Board, which mainly consists of Non-Executive Directors, meet regularly to discharge their objectives.

2. BOARD OF DIRECTORS AND THEIR MEETINGS

The Board consists of executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning. Shri Ashok Jain, the Chairman & Managing Director of the Company is overall incharge for the affairs of the Company who exercise his powers and discharges his duties under the superintendence and control of the Board of directors of the Company from time to time. The Board of directors of the company comprises of five non executive directors out of them four directors are independent.

(a) Composition of the Board of Directors and Meeting held: During the financial year 2005-06 the Board of directors met 6 (six) times on 29th April, 2005; 30th June, 2005; 30th July, 2005; 22nd Sept., 2005; 28th Oct., 2005 and 27th January, 2006:

The composition of the Board of Directors and their attendance at the meetings during the year were as per table appended here below :

(b) Change in the Directors

Shri S.C.Chhajed has resigned w.e.f. 30th July, 2005 and Shri L.N. Dube has also resigned w.e.f 16th December 2005.

Shri Ashok Jain, the Chairman and Managing Director of the Company was re-appointed w.e.f.1st July, 2005 for a further period of five years by the Members of the Company at their 29th annual General Meeting held on 22nd Sept., 2005.

Shri Ashok Jain and Shri D.K.Kemkar, the directors of the company shall retire at the forthcoming AGM and being eligible, offer themselves for re-appointment.

3. AUDIT COMMITTEE

As a measure of good Corporate Governance and to provide assistance to the Board of Directors and to meet the requirement of section 292A of the Companies Act, 1956 and the Clause 49 of the Listing Agreement and in fulfilling the Board's overall responsibilities, an Audit Committee is functioning consisting of only independent directors. The Audit Committee inter-alia has the following mandate in terms of the Clause 49 of the Listing Agreement:

1. Oversight of company's financial reporting process and the disclosure of the financial information in the annual accounts.
2. To review and discuss with management, internal audit team and external auditors regarding any significant finding of material nature.
3. To consider and review the adequacy of management control system and internal audit function and frequency of internal audit process.
4. To review with Management the quarterly and annual financial statements before submission to the Board focusing primarily on any change in accounting policies and compliance with accounting standards,

Name	Category	Designation	No. of meetings held during the last financial year	No. of Meetings attended	Attendance of director in the last AGM	No. of memberships Board of other companies	No. of Chairman/ Member of committee in other Co.
SHRI ASHOK JAIN	Promoter & Executive Chairman	Chairman & Managing Director	6	5	Yes	Nil	Nil
SHRI M.K.SHAH	Independent/NED	Director	6	5	Yes	1	Nil
SHRI K.C.JAIN	Independent/NED	Director	6	6	Yes	1	Nil
SHRI N.K.KATHED	Independent/NED	Director	6	5	Yes	Nil	Nil
SHRI D.K.KEMKAR	Promoter/NED	Director	6	5	Yes.	4	Nil
SHRI A.K. SINHA	Independent/NED	Nominee	6	4	Yes	1	Nil
# SHRI L.N.DUBE	Independent/NED	Director	5	5	Yes	Nil	Nil
@ SHRI S.C. CHHAJED	Promoter/NED	Director	2	0	No.	1	Nil

Shri L.N.Dube has Resigned w.e.f.16th December, 2005

@ Shri S.C.Chhajed has Resigned w.e.f. 30th July, 2005