



INDUSTRIES LIMITED

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**ANNUAL REPORT
2005-2006**

GTC INDUSTRIES LIMITED

50TH ANNUAL GENERAL MEETING

Date : 24th August, 2006
 Day : Thursday
 Time : 3.00 p.m.
 Venue : Shri Bhaidas Maganlal Sabhagriha,
 U-1, Juhu Development Scheme,
 Vile Parle (West), Mumbai-400056.
 Book Closure : 18th August to 24th August, 2006
 Dates (both days inclusive)

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Stock Exchanges where Company's shares are listed

National Stock Exchange of India Ltd.
 Bombay Stock Exchange Ltd.

Board of Directors

Managing Director

J. P. Khetan

Directors

R. R. Kumar
 M. H. Patil
 B. B. Merchant
 R. V. Iyer - B. I. F. R. Nominee
 D. K. Jain - IFCI Nominee
 Viney Mehra - Whole Time Director
 A. K. Joshi - Whole Time Director

Vice-President (Corporate Affairs) & Secretary

Kamal K. Gupta

Auditors

Lodha & Co., Mumbai

Solicitors

Khaitan & Partners

Bankers

Canara Bank
 Syndicate Bank
 Vijaya Bank
 State Bank of Bikaner & Jaipur
 Allahabad Bank

Registered Office

Tobacco House,
 Vile Parle (West),
 Mumbai - 400056.
 Phone : 2671 3951
 Fax : 2671 5481

Registrar & Transfer Agent

Intime Spectrum Registry Ltd.
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Road, Bhandup (West),
 Mumbai - 400 078.
 Phone : 2596 3838
 Fax : 2594 6969/ 2596 2691

NOTICE

NOTICE is hereby given that the Fiftieth Annual General Meeting of the Members of GTC Industries Limited will be held on Thursday, the 24th day of August, 2006, at 3.00 p.m., at Shri Bhaidas Maganlal Sabhagriha, U-1, Juhu Development Scheme, Vile Parle (West), Mumbai-400 056, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended on 31st March, 2006, the Audited Balance Sheet as on that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Bharat B. Merchant, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A. K. Joshi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold the office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), and subject to the approval of the Central Government, if required, the Company do hereby approves the re-appointment of Shri J. P. Khetan as the Managing Director of the Company for a period of five years with effect from 1st August, 2006, i.e. up to 31st July, 2011; and on such terms and conditions, including the terms of his remuneration, perquisites / benefits (for a period of three years, i.e. from 1st August, 2006 to 31st July, 2009) as the Managing Director of the Company; as are set out in the Explanatory Statement attached to the Notice of this Meeting, a copy of which initialed by the Chairman for the purpose of identification is placed before this Meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary the said remuneration, perquisites/benefits payable to the Managing Director, as may be mutually agreed between the Company and Shri J. P. Khetan, subject to the applicable statutory provisions and approval of the Central Government, if required.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the tenure of first three years of Shri J. P. Khetan as the Managing Director, i.e. from 1st August, 2006 to 31st July, 2009, the remuneration, perquisites/benefits (except Commission) as set out in the said Explanatory Statement, or as altered and varied subsequently as aforesaid, be paid or granted to Shri J. P. Khetan as the minimum remuneration, notwithstanding the fact that such remuneration is in excess of the statutory ceiling specified in this regard as in force and amended from time to time, and necessary approval of the Central Government be obtained as may be required, to make up the shortfalls if any, without any further reference to the shareholders."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to approval of the Central Government if required, and in partial modification of the Special Resolution passed by the members of the Company at their Annual General Meeting held on 24th September, 2004, consent of the members of the Company be and is hereby granted for revision in the terms of remuneration of Shri Viney Mehra, the Whole-time Director of the Company, for a period covering from 1st April, 2006 till the end of the tenure of his present office, i.e. up to 1st August, 2007, or up to any further extension in his tenure beyond the end of his present tenure as aforesaid, which may be granted to him by the Remuneration Committee/Board of Directors as are set out in the Explanatory Statement attached to the Notice of this Meeting, a copy of which initialed by the Chairman for the purpose of identification is placed before this Meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to alter and vary the said remuneration, perquisites / benefits payable to Shri Viney Mehra as the Whole-time Director as may be mutually agreed between the Company and Shri Viney Mehra, subject to the applicable statutory provisions and approval of the Central Government, if required.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of Shri Viney Mehra as the Whole-time Director, the remuneration, perquisites / benefits (except Commission) as set out in the said Explanatory Statement be paid or granted to Shri Viney Mehra as the minimum remuneration, notwithstanding the fact that such remuneration is in excess of the statutory ceiling specified in this regard as in force and amended from time to time, and necessary approval of the Central Government be obtained as may be required, to make up the shortfalls if any, without any further reference to the shareholders."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to approval of the Central Government if required, and in partial modification of the Special Resolution passed by the members of the Company at their Annual General Meeting held on 24th September, 2004, consent of the members of the Company be and is hereby



granted for revision in the terms of remuneration of Shri A.K. Joshi, the Whole-time Director of the Company, for a period covering from 1st April, 2006 till the end of the tenure of his present office, i.e. up to 20th October, 2006, or up to any further extension in his tenure beyond the end of his present tenure as aforesaid, which may be granted to him by the Remuneration Committee/Board of Directors as are set out in the Explanatory Statement attached to the Notice of this Meeting, a copy of which initialed by the Chairman for the purpose of identification is placed before this Meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to alter and vary the said remuneration, perquisites / benefits payable to Shri A.K. Joshi as the Whole-time Director as may be mutually agreed between the Company and Shri A.K. Joshi, subject to the applicable statutory provisions and approval of the Central Government, if required.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the term of Shri A.K. Joshi as the Whole-time Director, the remuneration, perquisites / benefits (except Commission) as set out in the said Explanatory Statement be paid or granted to Shri A.K. Joshi as the minimum remuneration, notwithstanding the fact that such remuneration is in excess of the statutory ceiling specified in this regard as in force and amended from time to time, and necessary approval of the Central Government be obtained as may be required, to make up the shortfalls if any, without any further reference to the shareholders."

By Order of the Board

Place : Mumbai
Dated : 27th May, 2006.

(Kamal K. Gupta)
Vice President (Corporate Affairs) & Secretary

Regd. Office:
Tobacco House, Vile Parle (West),
Mumbai - 400 056.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING MAY APPOINT A PROXY INSTEAD OF HIMSELF. A PROXY SO APPOINTED SHALL BE ENTITLED TO VOTE ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER. AN INSTRUMENT OF PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING.
2. The Register of members and share transfer books of the Company shall remain closed from Friday, the 18th day of August, 2006 to Thursday, the 24th day of August, 2006 (both days inclusive).
3. The explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 giving material facts in respect of item of special business set out under Item No.5 to 7 of the notice is annexed herewith, and forms part of this notice.
4. All the documents referred to in this Notice and explanatory statements are open for inspection of the members at the registered office of the Company on all working days between 11.00 a.m. to 1.00 p.m., up to the date of the Annual General Meeting and during the time of the meeting.
5. Members are hereby informed that all unpaid dividends up to 1993-94 declared by the Company have been transferred by it to the General Revenue Account of the Central Government. Unpaid dividend pertaining to the year 1994-95 is being paid as per the schedule fixed by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) vide its order dated 16.12.2002.
6. M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai-400 078, is the connectivity registrar for dematerialization of shares and also the Registrar and Transfer Agents of the Company to handle work relating to the transfer of physical shares and other related matters. Members holding shares in the physical form are requested to notify/send the following to them to facilitate better service:-
 - i) any change in their address, particularly mentioning the pin code number, the folio number, number of shares held, etc,
 - ii) share certificates, if held in multiple folios in identical names or joint accounts in the same order of names, for consolidation of such shareholdings into one folio.
7. Any query relating to the Annual Accounts or otherwise must be sent to the Registered Office of the Company, at least 10 days before the date of the Annual General Meeting.
8. Members/proxies attending this Annual General Meeting are requested to bring with them the following:
 - i) The copy of the Annual Report as no separate copy shall be given at the time of the Annual General Meeting.
 - ii) The attendance slip sent herewith duly filled in to be lodged with the Company at the venue. The holders of shares in demat form are requested to fill in their DP Id and client Id in the attendance slip/ proxy for easy identification. In case of joint holder(s), if more than one holder intends to attend the meeting, they may obtain the additional admission slip(s) on request from the Registered Office of the Company on or before 21st August, 2006 to avoid inconvenience.
9. The shareholding of the Non-executive Director, Shri Bharat B. Merchant seeking re-appointment at the ensuing Annual General Meeting is 100 equity shares of the Company as disclosed by him to the company as per clause 49 (IV) (E) (v) of the listing agreement.
10. Information of all the Directors seeking appointment/re-appointment as required by clause 49 (G) (i) of Listing Agreement is given under para I and para VIII (II) of Report of Corporate Governance for the Year 2005-06 which forms part of the Annual Report for the year ended 31st March, 2006.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956, ANNEXED TO AND FORMING PART OF THE NOTICE.**Item Nos. 5, 6 & 7:**

The members of the Company had granted their approval to the re-appointment of Shri J. P. Khetan, as the Managing Director of the Company for a period of 3 years with effect from 1st August, 2003 to 31st July, 2006 vide a Special Resolution passed at the 47th Annual General Meeting of the Company held on 24th September, 2003 and fixed the terms and conditions of his re-appointment as such in accordance with the applicable provisions of the Companies Act, 1956 and Schedule XIII thereto. Further, at the Annual General Meeting held on 24th September, 2004, the members had approved the terms and conditions of Shri J. P. Khetan as such by passing a Special Resolution in accordance with the revised Schedule XIII as amended by the Central Government on 16th January, 2002, by inserting para 1, in Section II, of part II of the said Schedule, for payment of remuneration in the scale prescribed therein.

The members had further re-appointed Mr. Vinay Mehra, as Whole-time Director of the Company for a period of three years with effect from 2nd August, 2004 vide a Special Resolution passed at the 48th Annual General Meeting of the Company held on 24th September, 2004 and fixed the terms and conditions of his re-appointment as such in accordance with the applicable provisions of the Companies Act, 1956 and Schedule XIII thereto.

Shri A. K. Joshi was appointed as Whole-time Director of the Company effective from 21st October, 2003 for a period of three years by the Board of Directors of the Company at their meeting held on even date. The appointment was made in accordance with the applicable provisions of the Companies Act, 1956 and the Schedule XIII thereto. The Schedule XIII requires the Company inter alia to obtain approval of its members to the appointment by passing a special resolution at a general meeting.

As the tenure of Shri J. P. Khetan upon his re-appointment as above was expiring on 31st July, 2006, the Remuneration Committee and Board of Directors of the Company at their respective meetings held on 27th May, 2006 have re-appointed Shri J. P. Khetan for a further period of Five years with effect from 1st August, 2006, i.e. up to 31st July, 2011, inter alia, on the following terms and conditions, including the terms of his remuneration, which is fixed by them only for a period of three years, i.e. from 1st August, 2006 up to 31st July, 2009, as the proposed remuneration package of Shri J.P.Khetan as Managing Director falls under the scale prescribed by Schedule XIII, Section II, Para 1 (C).

Further, considering the need to revise the scale of pay and revise the remuneration of Shri Vinay Mehra and Shri A.K Joshi, the Whole-time Directors, the Remuneration Committee and the Board of Directors at their respective meetings held on 27th May, 2006, have approved grant of increments to both these Whole-time Directors, and revised their scale of pay, which is beyond the scale of pay approved by the members of the Company at their Annual General Meeting as aforesaid. Further, they are now also being made entitled to Commission @ 0.5% of the net profit of the Company for a financial year, subject to overall ceiling of Rs. 15 lacs per annum for each of them.

The re-appointment of Shri J. P. Khetan, as the Managing Director and the terms and conditions of his re-appointment as made by the Board/Remuneration Committee as aforesaid w.e.f. 1st August, 2006, and the changes in the remuneration of both the aforesaid Whole-time Directors made effective from 1st April, 2006, are subject to the overall ceiling under the provisions of Companies Act, 1956 and Scheduled XIII thereto, approval of the members at the ensuing Annual General Meeting by special resolution and approval of the Central Government, if required.

The terms of remuneration as approved for the above three managerial personnel at the aforesaid meetings of the Remuneration Committee/ Board of Directors are as under:

Particulars of Remuneration	Shri J. P. Khetan Managing Director	Shri A. K. Joshi Whole-time Director	Shri Vinay Mehra Whole-time Director
Basic Salary & Grade	Rs. 1,82,000/- p.m. in the grade of Rs. 1,82,000/- — 4,50,000/-	Rs. 1,20,000/- p.m. in the grade of Rs. 1,20,000/- — 2,00,000/-	Rs. 1,20,000/- p.m. in the grade of Rs. 1,20,000/- — Rs. 2,00,000/-
Commission	2% of the net profit subject to a ceiling of Rs. 60 Lacs per annum	0.5% of the net profit subject to a ceiling of Rs. 15 Lacs per annum	0.5% of the net profit subject to a ceiling of Rs. 15 Lacs per annum

Perquisites:

Besides the above remuneration, all the aforesaid Managerial Personnel shall be entitled to the perquisites such as Accommodation/HRA @ 60% of the basic salary, Home maintenance, Servant Allowance, Children Education Allowance, Medical Benefits, Group Hospitalisation Benefits, Leave Travel Allowance / Reimbursement of Expenses for self and family (for inland/foreign travel), Club Fees, Personal Accident Insurance, Privileged Leave and Encashment of unutilised Privileged Leave upon end of the term, Reimbursement of Gas, Electricity and Water Expenses, Books and Periodicals, Business Promotion and any other benefits, facilities, allowance and reimbursement of expenses as per the Rules of the Company prescribed in this regard. The perquisites shall be restricted to the Annual Salary of the aforesaid Managerial Personnel.



For the aforesaid purpose, "Family" means the Spouse, dependent children and dependent parents of the Managerial Personnel.

Other Perquisites to the Managerial Personnel are:

- i) Contribution to Provident Fund, Superannuation Fund and other Retirement benefits in accordance with the rules of the Company. The Company's contribution to such funds is not to be included in the computation of the ceiling on perquisites stated above to the extent these either singly or put together are not taxable under the Income-tax Act.
- ii) Encashment of Leave at the end of the term as per rules of the Company shall not be considered for the valuation of perquisites.
- iii) Gratuity as per the Scheme of the Company, provided the Gratuity payable shall not exceed half a month's salary for each completed year of service.
- iv) Provision of the Company's maintained Car and driver's salary for use of the Company's business and telephone at residence shall not be considered as perquisites. Personal long distance calls and use of car for private purpose, if any, shall be billed by the Company to the Whole-time Director.
- v) Reimbursement of entertainment, travelling and all other actual expenses properly incurred for the purpose of the Company's business shall not be considered as remuneration.
- vi) No sitting fees to be paid for attending Meetings of the Board of Directors or any of its Committee.

In the event of absence or inadequacy of profit in any financial year during the tenure of the aforesaid managerial personnel, the remuneration, perquisites / benefits (except commission) as mentioned above be paid or granted to them as the minimum remuneration, notwithstanding the fact that such remuneration is in excess of the statutory ceiling specified in this regard as in force and amended from time to time, and necessary approval of the Central Government will be obtained as may be required, to make up the shortfalls if any, without any further reference to the shareholders.

The aforesaid remuneration has been/ shall be reviewed by the Remuneration Committee/Board of Directors after the close of every financial year and Shri J. P. Khetan, Shri Viney Mehra and Shri. A. K. Joshi be paid such increment within the limits of the respective salary grades specified above, as the Remuneration Committee/Board may then decide, subject to the ceiling limits laid down aforesaid and under the provisions of the Companies Act, 1956, or any modification or re-enactment thereof.

Shri J. P. Khetan shall not be liable to retire by rotation, whereas Shri A.K. Joshi and Shri Viney Mehra shall be the Directors liable to retire by rotation during their tenure as Managerial Personnel of the Company as aforesaid.

The information required under the Sub-clause C (iv) of Para I of Section II, Part II, of the Schedule XIII to the Companies Act 1956 is given here below:

I. General Information:

1. Nature of Industry	: Cigarette Manufacturing and Marketing	
2. Date or expected date of commencement of Commercial Production	: Not applicable	
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	: Not applicable	
4. Financial performance based on given indications (Rs. in Lacs)	2004-2005	2005-2006
i. Sale	35162.12	33104.11
ii. Net Profit after taxation	1972.87	1987.42
iii. Export	2249.26	1277.35
iv. Foreign investments or collaborators, if any	NIL	NIL

II. Information about the appointees:

i. Background details :	Shri J. P. Khetan	Shri A.K. Joshi	Shri Viney Mehra
	Shri J. P. Khetan is having 42 years experience in Commerce and Industries. He has been with Company for over 27 years and possesses rich experience in various managerial capacities.	Shri A.K. Joshi is a Graduate in Commerce and a Fellow member of the Institute of Chartered Accountants of India. He is having rich experience of 26 years.	Shri Viney Mehra holds an Advanced Diploma in Production Engineering from Punjab Engineering College, Chandigarh. Before joining GTC Industries, he was with ITC Ltd. for a period of eighteen years. He has a rich experience of 40 years in this industry.
ii. Past remuneration :	Rs. 1,54,000/- per month	Rs. 67,100/- per month	Rs. 85,750/- per month
iii. Recognition or Awards:	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
iv. Job profile and suitability :	Shri J. P. Khetan is managing and supervising all the affairs of the Company. With his background and experience stated above, no emphasis needs to be made as to his suitability to the job.	Shri. A.K. Joshi, who has a rich background and experience as stated above in finance, is managing and supervising the finance function in the Company.	Shri. Viney Mehra with the rich background and experience as stated above in the technical field, is managing and supervising the technical function in the Company
v. Remuneration proposed :	Rs. 1,82,000/- per month**	Rs. 1,20,000/- per month**	Rs. 1,20,000/- per month**
vi. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person as Managing Director is around Rs. 2,00,00,000/- per annum and as Whole-time Director is around Rs. 65,00,000/- per annum			
vii. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any :			
	Professional	Professional	Professional
iii. i. Reasons of loss or inadequate profits: The company has been earning profits for the past 6 financial years but due to accumulated losses (incurred inter alia, on account of frequent changes in excise duty structure, imposition of luxury tax, coercive action taken by the Income Tax Department, interest cost) carried forward since 1995-96 the net profit turns into loss.			
ii. Steps taken or proposed to be taken for improvement : Scheme for rehabilitation of the Company has been passed by the Board for Industrial and Financial Reconstruction (BIFR), vide its order dated 16 th December, 2002. Several cost saving measures have been undertaken by the Company in its operations. Savings in interest has been effected due to concessional rate of interest sanctioned by the BIFR scheme. The new marketing initiatives as planned have been and are in the process of being implemented.			
iii. Expected increase in productivity and Profits : Productivity of the Company is in line with the demand patterns in the market and will continue in future to meet the demands. With sustained market initiatives, the Company is expecting further increase in profits in the future.			

**Application will be made to the Department of Company Affairs for approval of the remuneration.

Shri J. P. Khetan, is proposed to be re-appointed as the Managing Director and is interested in the proposed resolution at item No. 5 above to the extent of the remuneration, perquisites and benefits he would enjoy. Further, Shri Viney Mehra and Shri A. K. Joshi are interested respectively in the proposed resolutions at item Nos. 6 and 7 above, to the extent of the revised remuneration, perquisites and benefits that they would enjoy. Except them, no other Director of the Company is in any way concerned or interested in the above resolution.

Your Directors recommend the above Special resolutions at Item Nos. 5, 6 and 7 of the Notice, for your approval.

The resolutions given under the item Nos. 5, 6 and 7 and this Explanatory Statement taken together, may be construed as an Abstract and Memorandum of Concern and Interest under Section 302 of the Companies Act, 1956.

By Order of the Board

Place : Mumbai

Dated : 27th May, 2006.

Regd. Office:

Tobacco House, Vile Parle (West), Mumbai – 400 056.

(Kamal K. Gupta)
Vice President (Corporate Affairs) & Secretary



DIRECTORS' REPORT

Your Directors hereby submit their Fiftieth Annual Report with the Audited Accounts for the year ended 31st March, 2006.

SUMMARY OF FINANCIAL RESULTS :

	For the year ended 31.03.2006	For the year ended 31.03.2005
	(Rs. in lacs)	
Profit for the year before Interest, Depreciation , Exceptional Items and Tax	3245.98	3114.82
Interest	377.83	479.26
Depreciation	200.50	206.14
Profit before Tax and Exceptional Items	2667.65	2429.42
Exceptional Items	576.95	609.98
Profit before Taxation	3244.60	3039.40
Provision for Taxation		
Current Tax (Wealth Tax)	6.29	5.25
Fringe Benefit Tax	160.40	-
Deferred Tax	1090.49	1061.28
Profit after Taxation	1987.42	1972.87
Balance brought forward from last year	(10377.49)	(12350.36)
Balance of loss carried over to Balance Sheet	(8390.07)	(10377.49)

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE & DIVIDEND

Your Directors are pleased to report that the Company consolidated its position in the lower category segment through extensive marketing initiative in the rural areas, and grew by 13% in the lower segments. This helped the Company to continue its leadership position in the segment. The Company introduced new variants in the non-filter segments in certain markets.

Better performance in the mini segment, coupled with the successful implementation of the rehabilitation package, stringent cost controls and aggressive marketing efforts taken by your management have helped the Company in posting satisfactory performance. Your Company takes great pride on being the lowest cost manufacturer of quality cigarettes in the country.

In view of the carried forward losses, your Directors do not recommend any dividend.

REHABILITATION PACKAGE

Implementation of the rehabilitation package as approved by the Board for Industrial and Financial Reconstruction (BIFR) is being implemented satisfactorily. The Management Committee is monitoring the progress of the scheme, and the rehabilitation has helped your Company to come on the profit track.

FIXED DEPOSITS

There are no fixed deposit dues pending repayment by the Company. In respect of interest free contributions received from Promoters' Associates towards 'Promoters' Contribution', as directed by the BIFR vide its order dated 16th December, 2002 approving the Rehabilitation Scheme, in response to the Company's application requesting exemption of the same from the purview of section 58A of the Companies Act, 1956, the Company has received letter dated 9th January, 2006 from the Ministry of Company Affairs inter-alia informing that the funds to be brought in by the promoters do not fall within the ambit of deposits as defined under Section 58A of the Companies Act, 1956 and Rules made thereunder.

ISSUE OF WARRANTS TO PROMOTER GROUP COMPANIES

During the year the Company has made preferential allotment of 8,00,000 warrants (Part A & B) to promoters' group/associate companies. Each part entitling the warrant holder to acquire one share at a price of Rs. 100/- per share, thus in aggregate, entitlement to acquire 16,00,000 equity shares. The Company had allotted on 29.03.2006, 8,00,000 equity shares to the warrant holders against exercise of options by them attached to Part A of the warrants. The proceeds of the issue were utilized for the purpose of the issue as mentioned in the explanatory statement to the notice calling the general meeting for the said issue, i.e. to augment long term working capital requirement of the Company. As a result, the Company's paid-up Capital and the Share Premium Account have increased by Rs. 80,00,000 & Rs. 7,20,00,000 respectively.

CORPORATE GOVERNANCE

In compliance with Revised Clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance is included as part of the Annual Report.

Your company has taken necessary steps to ensure compliance with the provisions of Corporate Governance.

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

Management Discussion and Analysis Report is given under the Separate Head at the end of the Directors' Report.

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY

At the root of a good performance is a good environment and safe and healthy working conditions. Your Company has been in a constant quest for providing to its employees, a very congenial work environment which will in turn add to the performance of the Company. Keeping in mind the dynamism in the environment, your Company is continuously imparting requisite training to its employees in their respective fields of work.

Health and safety of our employees is of primary importance to us. The workplace is designed to abate the hazards naturally connected to our product. There was no serious accident or any pollution problem noticed during the year at any of the three units. Care is taken that all laws pertaining to environmental pollution, health and safety of employees and other associated enactments are being scrupulously adhered to. Our commitment towards the society in terms of providing a clean and healthy environment is of our utmost concern and we pledge to take active efforts to preserve the same.

DELISTING OF COMPANY'S EQUITY SHARES

In accordance with the SEBI (Delisting of Securities) Guidelines 2003, shares of your Company have been delisted from eight stock exchanges including Calcutta Stock Exchange Association Ltd. with effect from 30th March, 2005. The shares of your Company will continue to be listed on The Bombay Stock Exchange Limited and National Stock Exchange of India Ltd., both Stock Exchanges having nationwide trading terminals, thereby meeting the stipulated statutory requirements.

DIRECTORS

Shri Dileep Kumar Jain has been appointed as a Nominee Director (IFCI) with effect from 27th January, 2006. In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Bharat B. Merchant and Shri A. K. Joshi, Directors, will be liable to retire by rotation at the forthcoming Annual General Meeting. Being eligible, the re-appointment of Shri Bharat B. Merchant and Shri A. K. Joshi, are recommended by the Directors for your approval.

Your Directors recommend the re-appointment of Shri J. P. Khetan as the Managing Director of the Company for a term of five years at the ensuing Annual General Meeting.

PARTICULARS OF EMPLOYEES

As required under provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended, the requisite particulars in respect of the employees of the Company, who were in receipt of remuneration in excess of the limits specified under the said section are set out in the annexure herewith and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under section 217(2AA) of the Companies Act, 1956, your Directors confirm having:

- (i) followed in the preparation of the Annual accounts, the applicable accounting standards in the preparation with proper explanation relating to material departures, if any ;
- (ii) selected such accounting policies and applied them consistently and made judgments and estimates that were 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 your Company for that period;
- (iii) 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 your Company and for preventing and detecting fraud and other irregularities; and
- (iv) prepared the Annual accounts on a going concern basis.

AUDITORS' REPORT

With reference to the observations and qualifications made by the Auditors in their report, the Directors wish to state that the relevant notes forming part of the Company's accounts as given under Schedule 'Q' to the Accounts, are self-explanatory in this regard and hence do not require any further explanation.

AUDITORS

The Auditors, M/s Lodha and Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The necessary certificate pursuant to Section 224(1B) of the Companies Act, 1956 has been received from them. Your Directors recommend their re-appointment for your approval at the ensuing Annual General Meeting.



SUBSIDIARIES

Following Companies are the subsidiaries of your Company:

1. Golden Investment (Sikkim) Private Limited; and
2. Western Express Industries Ltd.

Pursuant to Accounting Standard (AS 21) issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company include financial information of its subsidiaries. The Company has received an exemption from the Government of India under Section 212(8) of the Companies Act, 1956, from attachment of the documents of its subsidiaries. The annual report and accounts of Subsidiaries will be kept for inspection at your Company's registered office. Shareholders desirous of obtaining the annual accounts of the Company's subsidiaries may obtain the same on request.

OTHER INFORMATION

Certificate, as required under Clause 49 of the Listing Agreement with the Stock Exchanges in India, confirming compliance by the Company with the provisions of Corporate Governance as given by the Auditors, M/s. Lodha and Co. is annexed herewith. Information pursuant to 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 relating to Foreign Exchange Earnings and Outgo, Conservation of Energy and Technology Absorption and Export Market Developments is also provided as an annexure to this report.

Additional disclosures in the form of Consolidated Financial Statements and Related Party transactions have been made by your Company in compliance with the Listing Agreement and the Accounting Standards of the Institute of Chartered Accountants of India.

ACKNOWLEDGEMENTS

Your Directors express their deep gratitude and sincere appreciation for the whole-hearted assistance and co-operation extended to the Company by the Bankers, Financial Institutions, Business Associates, Employees and above all the Shareholders of the Company, who continued to repose utmost faith in the Company.

For and on behalf of the Board

Place : MUMBAI

Dated : 27th May, 2006

Managing Director

Director

ANNEXURE TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FOR THE YEAR ENDED 31ST MARCH, 2006.

Name	Designation/ Nature of duties	Remuneration (Rupees)	Qualification	Experience (Years)	Date of commencement of Employment	Age (years)	The last employment held before joining this Company and also the Designation & number of years put in there.
Khetan J. P.	Managing Director	28,64,687	Inter (Arts)	42	10.02.79	63	Dalmia Industries Ltd.- Commercial Manager- 7 Years.

NOTES:

- 1) Remuneration includes Salary, Company's contribution to Provident Fund and Superannuation Fund, House Rent, Medical, Insurance, Re-imbursement of Gas, Electricity and Water expenses and where it is not possible to ascertain the actual expenditure incurred by the company in providing a perquisite, the monetary value of such perquisite is calculated in accordance with the Income Tax Act, 1961 and the rules made there under.
- 2) The employee is not related to any Director of the Company.
- 3) The appointment is contractual.
- 4) No employee who is employed for a part of the financial year, was in receipt of the remuneration for any part of the year, at a rate which, in the aggregate, was exceeding Rs. 2,00,000/- p.m.
- 5) No employee holds by himself/herself or along with his/her spouse and dependent children 2% or more of the equity shares of the company.