

30th
Annual Report
2005-2006

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IST LIMITED



IST LIMITED

30th Annual Report 2005-2006

BOARD OF DIRECTORS

AIR MARSHAL (RETD.) D. KEELOR *Chairman*

P.V.S.M., K.C., A.V.S.M., V.r.c.

BRIG. (RETD.) G.S. SAWHNEY V.S.M.

SHRI A. N. MUKHERJEE

SHRI MAYUR GUPTA *Managing Director*

COMPANY SECRETARY

SHRI SANDEEP GUPTA

BANKERS

STATE BANK OF INDIA

AUDITORS

O.P. DADU & CO.

REGISTERED OFFICE & WORKS

VILLAGE DUNDAHERA
DELHI GURGAON ROAD
DISTRICT GURGAON (HARYANA)

HEAD OFFICE

A/23, NEW OFFICE COMPLEX
DEFENCE COLONY,
NEW DELHI-24

CONTENTS

Notice	1-3
Directors' Report	4-11
Auditors' Report	12
(Corporate Governance)	
Auditors' Report	13-15
Balance Sheet	16
Profit & Loss Account	17
Schedules	18-29
Balance Sheet Abstract	30-31
Cash Flow Statement	32

IST LIMITED



NOTICE

Notice is hereby given that the 30th Annual General Meeting of the company will be held on Saturday, the 30th September, 2006 at 11.00 a.m. at IST Factory, Village Dundahera, Delhi-Gurgaon Road, Gurgaon (Haryana), to transact the following business :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit & Loss A/c for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Brig. (Retd.) G.S. Sawhney, who retires by rotation and being eligible offers himself for reappointment as a Director.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT the tenure of Sh. Mayur Gupta by the Board of Directors as Managing Director of the Company for a period commencing from 3rd March, 2006 and ending on 30th September, 2006 on the terms and conditions mentioned below, be and is hereby approved :

Basic Pay	: Rs. 20,000/- per month
Dearness Allowance	: Rs. 10,000/- per month
Other Allowances	: Rs. 20,000/- per month

PERQUISITES

PART - A

- i) **MEDICAL BENEFIT FOR SELF AND FAMILY :**
Reimbursement of medical expenses incurred by the Managing Director and his family subject to the ceiling of Rs.15,000/- per annum.
- ii) **LEAVE TRAVEL ALLOWANCE :**
Expenses incurred by the Managing Director and his family subject to the ceiling of one month's basic pay in a year.

PART - B

- iii) **COMPANY'S CHAUFFEUR DRIVEN CAR:**
All the expenses incurred by the Managing Director in connection with the running and maintenance of a car for the purposes of business of the Company will be borne by the Company.
- iv) **TELEPHONE :**
Free use of one telephone.

PART-B

- v) **EARNED LEAVE :**
One month's leave with full pay and allowances as per the rules of the Company for every eleven

months of service. However, leave accumulated and not availed of during his tenure as Managing Director will be allowed to be encashed as per rules of the Company.

vi) REIMBURSEMENT OF EXPENSES :

The Managing Director shall be entitled to reimbursement of reasonable entertainment expenses actually and properly incurred in the course of the business of the Company.

vii) SITTING FEES :

The Managing Director is not entitled to any sitting fees for attending the meetings of the Board or of a Committee thereof.

viii) TERMINATION CLAUSE :

This appointment is terminable by the Company giving to the Managing Director, a notice of three months of such termination or on payment of three months salary in lieu thereof and by the Managing Director, by a notice of three months.

OTHER CONDITIONS

If during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate in any financial year, the payment of salary, perquisites and other allowances shall be governed by the limits prescribed under Section II of the Part-II of Schedule-XIII of the Companies Act, 1956.

5. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT the reappointment of Sh. Mayur Gupta by the Board of Directors as Managing Director for a period commencing from 1st October, 2006 and ending on 30th September, 2008 on the terms and conditions mentioned below, be and is hereby approved:

Basic Pay	: Rs. 20,000/- per month
Dearness Allowances	: Rs. 10,000/- per month
Other Allowances	: Rs. 20,000/- per month

PERQUISITES

PART-A

- i) **MEDICAL BENEFIT FOR SELF AND FAMILY**
Reimbursement of medical expenses actually incurred by the Managing Director and his family subject to the ceiling of Rs.15,000/- per annum.
- ii) **LEAVE TRAVEL ALLOWANCE**
Expenses incurred by the Managing Director and his family subject to the ceiling of one month's basic pay in a year.
- iii) **COMPANY'S CHAUFFEUR DRIVEN CAR**
All the expenses incurred by the Managing Director in connection with the running and maintenance of a car for the purposes of business of the Company will be borne by the Company.

- iv) **TELEPHONE :** Free use of one telephone.



IST LIMITED

PART-B

v) EARNED LEAVE

One month's leave with full pay and allowance as per the rules of the Company for every 11 months of service. However, leave accumulated and not availed off during his tenure as Managing Director will be allowed to be encashed as per rules of the Company.

vi) REIMBURSEMENT OF EXPENSES

The Managing Director shall also be entitled to reimbursement of reasonable entertainment expenses actually and properly incurred for the purposes of business of the Company.

vii) SITTING FEE

The Managing Director is not entitled to any sitting fee for attending the meetings of the Board or a committee thereof.

viii) TERMINATION CLAUSE

This appointment is terminable by the company giving to the Managing Director, a notice of three months of such termination or on payment of three months salary in lieu thereof and by the Managing Director, by a notice of three months.

OTHER CONDITIONS

If during the currency of tenure of the Managing Director, the company has no profits or its profits are inadequate in any financial year, the payment of salary, perquisites and other allowances shall be governed by the limits prescribed under Section II of the Part-II of Schedule-XIII of the Companies Act, 1956.

6. To consider and if thought fit, to pass with or without modifications, the following resolution as **Special Resolution**:

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956,

the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, or any amendment or modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary in this regard, the Equity Shares of the Company be voluntarily delisted from the Delhi Stock Exchange."

" RESOLVED FURTHER THAT Shri Sandeep Gupta, Company Secretary of the Company be and is hereby authorised to seek voluntary delisting of Company's Equity Shares and to take all necessary steps in this regard and to execute all such documents as may be necessary for this purpose and to do various acts, deeds and things required to be done in this behalf."

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

" RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and other applicable provisions, the Articles of Association of the Company be altered in the following manner :

ARTICLE 75

- (i) For the word "Rs. 500" appearing in the third line, the word "Rs.10,000" be substituted."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board

Place : New Delhi
Dated : 26th August, 2006

Sandeep Gupta
Company Secretary

NOTES:

1. A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member. Proxies, in order to be effective, must reach the Head Office of the Company not less than 48 hours before the time fixed for the meeting.
2. Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and the Share Transfer books of the Company will remain closed from 20th September 2006 to 30th September 2006 (both days inclusive).
4. Members are requested to intimate their queries, if any, relating to the accounts or any other matters at least seven days in advance of the meeting so that the information can be made readily available and furnished at the meeting.
5. All the documents referred to in the accompanying notice are open for inspection by members at the registered office of the Company between 10.00 a.m. and 12.00 noon on any working day of the Company till 30th September 2006.
6. The details pertaining to the appointment / reappointment of Director / Managing Director are furnished in statement of Corporate Governance in the Director's Report

By Order of the Board

Place : New Delhi
Dated : 26th August, 2006

Sandeep Gupta
Company Secretary

IST LIMITED**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 4 & 5**

Sh. Mayur Gupta was appointed as Managing Director of the Company by the Board at its meeting held on 3rd March, 2006 for a period commencing from 3rd March, 2006 and ending on 30th September, 2006. The Directors opine that the company would benefit with the educational background and exposure of Sh. Mayur Gupta. Hence, the Board has reappointed him as Managing Director of the Company at its meeting held on 26th August, 2006 for a further period of two years from 1st October, 2006.

The payment of remuneration has been approved by the Remuneration Committee at its meeting held on 26th August, 2006.

The Board recommends this resolution to the members for their approval.

None of the Directors other than Sh. Mayur Gupta himself, is interested or concerned in this resolution.

Item No. 6

Presently, the Company's securities are listed on Mumbai and Delhi Stock Exchanges.

The Listing fee for the year 2005-06 has been paid to Mumbai and Delhi Stock Exchanges.

It has been for quite sometime that there has been no or very little trading in your Company's shares on Delhi Stock Exchange (DSE). Your Directors feel that there is no purpose served by continuing the listing of Company's shares on this Stock Exchange particularly when the shares of the Company are already listed on Mumbai Stock Exchange where these are actively traded. It is, therefore, considered

desirable to get the equity shares of your Company delisted from DSE. The exit opportunity to shareholders is not required to be given in this case as the equity shares of the Company shall continue to be listed on Mumbai Stock Exchange which has nationwide trading terminals and where the shares of your Company are regularly traded. Hence, the interest of the shareholders is not affected by the proposed delisting.

The Securities & Exchange Board of India (Delisting of Securities) Guidelines 2003, permit the Listed Companies to get their securities voluntarily delisted from the stock exchanges including the regional stock exchange.

Your Directors recommend the resolution for your approval by way of a Special Resolution.

None of the Directors of the Company is concerned or interested in the resolution.

Item No. 7

The Non-Executive Directors of your Company are entitled to sitting fees, as determined by the Board of Directors ('the Board') from time to time, for attending meetings of the Board. The sitting fees presently is Rs.500/- for each meeting of the Board.

It is proposed to enhance the ceiling of sitting fees from Rs. 500 to Rs. 10,000.

The proposed resolution also requires amendment in Article 75 of the Articles of Association of the Company.

The Non-Executive Directors of your Company are concerned or interested in the resolution.

By Order of the Board

Place : New Delhi
Dated : 26th August, 2006

Sandeep Gupta
Company Secretary

**DIRECTORS' REPORT****To the Members,**

Your Directors are pleased to present their 30th Annual Report together with the Audited Statement of Accounts of the Company and the Report of the Auditors thereon for the year ended 31st March, 2006.

FINANCIAL RESULTS

Your Directors are pleased to report that the year under review has ended in a net surplus of Rs.171.13 lacs (previous year Rs.89.83 lacs) after providing for income tax - Rs.76.00 lacs (previous year Rs.50.00 Lac). As a result, the carry forward losses of Rs. 5.06 lacs have been completely absorbed.

Your company has been able to achieve these results due to the increase in sales and services from Rs.1618.74 lacs in the previous year to Rs. 2460.17 lacs in the year under review. Increase in sales of Defence components manufactured within plant has further contributed to the profitability.

The efforts by your management towards cost control and diversifying activities of your Company continue unabatedly.

Your Company has received Industrial Licence for manufacturing of fuzes, night vision devices and sensor based systems from Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, during the year under review. Your Company has also received "in-principal" approval from Department of Commerce, Ministry of Commerce and Industry, Government of India for setting up a sector specific Special Economic Zone for IT/ITES sector at its factory land. The feasibility report of the project is being worked-out.

MATERIAL CHANGES

There are no material changes affecting the affairs of the Company since the date of Balance Sheet and the date of this Report except that M/s. IST Steel and Power Limited, M/s Neil Builders Limited and M/s Gurgaon Infospace Limited became Subsidiaries of the Company.

AUDITORS' REPORT

The Auditors have drawn attention to Note No.1(iv), Note No. 7 appearing in Schedule 'S' attached with the Balance Sheet. Your Directors consider that these Notes are self explanatory and do not require any specific clarification.

DIVIDEND

Although past losses have been completely absorbed during the year under review, your Directors express their inability to recommend payment of any dividend.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and Articles of Association of the Company, Brig. (Retd.) G. S. Sawhney, retires by rotation as Director of the Company at this meeting and is eligible for reappointment.

Sh. M. L. Rustagi, estwhile Manging Director of the Company, expired on 5th February, 2006. The Board expresses condolences. Sh S. R. Bansal has resigned from the directorship of the Company on 17th August, 2006. The Board records its deep appreciation for the services rendered by Sh. S. R. Bansal and Late Sh. M. L. Rustagi.

Sh. Mayur Gupta was elected as Managing Director of the Company by the Board at its meeting held on 3rd March, 2006 subject to the approval of the members of the Company. The current tenure of Sh. Mayur Gupta as Managing Director will expire on 30th September, 2006. However, the Board proposes to extend his tenure for a further period of two years subject to the approval of the members of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217 (2AA) of the Companies Act 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed.

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed ;
- ii) that the appropriate accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) that 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;

IST LIMITED



- iv) that the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance and Management Discussion and Analysis are annexed hereto and form an integral part of this Report.

PERSONNEL & INDUSTRIAL RELATIONS

The Company is professionally managed and has very cordial relationship with all its employees. Qualified personnel from the field of engineering, finance and administration assist the management.

Your Directors wish to place on record their appreciation of the dedicated services rendered by the employees of the Company at all levels without whose wholehearted efforts such performance of the Company would not have been possible.

Information required U/s 217(2A) of the Companies Act, 1956 may be treated as Nil.

AUDITORS

M/s. O.P. Dadu & Co., Chartered Accountants who are auditors of your Company, retire at the ensuing Annual General Meeting. They have offered themselves for reappointment.

FIXED DEPOSITS

The Company has not accepted any deposits covered by Companies (Acceptance of Deposit) Rules, 1975.

FOREIGN EXCHANGE EARNING AND OUT-GO

Your Company utilised foreign exchange equivalent to Rs.1054.38 lacs for import of raw material and components, stores and spares, capital goods and expenses on overseas travelling (previous year Rs. 67.98 lacs). The foreign exchange earned by your Company was Rs. 190.06 lacs in respect of exports made by it (previous year Rs. 231.25 lacs).

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation and most grateful thanks to Govt. of Haryana and State Bank of India for their continued support and co-operation.

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By Order of the Board

Place : New Delhi
Dated : 26th August, 2006

AIR MARSHAL (Retd.) D. KEELOR
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY STRUCTURE AND DEVELOPMENT

The Auto component manufacturing is globally very hightech. The Company has been striving to upgrade manufacturing technology to be able to increase its share with major automobile manufacturing companies. To meet zero defect requirement of automobile manufacturing companies, your Company has worked out a detailed plan to import modern CNC Sliding Headstock Lathes, CNC Universal Milling Machines etc., Two Citizen Automatic Lathes have been imported from Japan during this financial year. These two machines have successfully been installed. More such machines are planned to be imported during next financial year 2006-07.

2. OPPORTUNITY AND THREATS

Information Technology has emerged as Sunrise Industry and is substantially contributing to Indian Economy and more particularly to exports. Recognising the contribution of IT Industry to the overall Indian economy, Government of India is promoting infrastructure development for IT/ITES related projects. With a view to give further boost to the infrastructure development, Government of India has recently announced SEZ Policy. Your Company proposes to set up an IT/ITES specific SEZ on Company's land and is in the process of completing necessary formalities in this regard.

Technological advancements are evolving fast in the auto industry which is currently the focus of your Company. This requires deployed technology to keep pace with such developments to remain competitive. The Company does not foresee any immediate threat on this account as the Company has already started implementing modernization plan.

3. OUTLOOK

Auto Component Manufacturing and the Infrastructure development for IT/ITES sector which

remain the main stream of your Company are sunrise areas of Indian economy. The Company is looking to continuous growth over next few years driven primarily by the emerging opportunities in these two areas.

4. STATEMENT OF CAUTION

Representations and statements made under 'Management Discussion and Analysis' is based on the projection and expectation on the basis of present market conditions. Actual results may materially differ due to several factors which could influence Company's business operations such as demand and supply conditions, prices of input, changes in Government levies and regulations, industrial relations and other economic developments in the country.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has strong internal control systems, commensurate with its size, in all financial and functional areas.

6. MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF EMPLOYEES EMPLOYED

The Company believes that human resources and industrial relations are at the core of its business strategy. Participation at all levels is encouraged through suggestion schemes and other means. Industrial relations continue to be harmonious and positive. As a result, employee motivation is high and turnover low.

The total number of employees as on March 31, 2006 was 495.

IST LIMITED



REPORT ON CORPORATE GOVERNANCE

The information covered under Corporate Governance is given below in compliance with Clause 49 of Listing Agreement with Stock Exchanges :

1) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Board of Directors and the Management of IST Limited commit themselves to :

- strive towards enhancement of shareholders value through
 - sound business decisions
 - prudent financial management, and
 - high standards of ethics throughout the organization
- ensure transparency and professionalism in all decisions and transactions of the Company
- achieve excellence in Corporate Governance by
 - conforming to, and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance
 - regularly reviewing the Board processes and the Management systems for further improvement

In addition to compliance with regulatory requirement, IST Limited endeavours to ensure that higher standards of ethical and responsible conduct are met throughout the organization.

2) BOARD OF DIRECTORS

- (a) **Composition** : The Board of Directors of the Company, headed by a non-executive Chairman,

consisted of the following Directors, as on March 31st, 2006, categorized as indicated :

(i) Non- Executive Directors

Independent Sh. S. R. Bansal
Air Marshal (Retd.) D. Keelor
(Chairman)
Brig. (Retd.) G. S. Sawhney
Sh. A. N. Mukherjee

(ii) Executive Director

Managing Director Sh. Mayur Gupta

(b) Attendance at Board Meetings and last Annual General Meeting and details of membership of Directors in other Board and Board Committees.

Details of Board meetings held during the year 2005-06.

Date of Meeting	Board Strength	No. of Directors present
June 3, 2005	6	6
August 6, 2005	6	6
November 21, 2005	6	5
February 8, 2006	5	5
March 3, 2006	5	5

- The time gap between any two meetings did not exceed four months.
- The last Annual General Meeting was held on September 30, 2005.

Name of Directors	No. of Board Meetings attended	Whether last AGM attended	Membership as on 31.3.06 in	
			Other Board (excluding IST Limited)	Other Board Committees (excluding IST Limited)
Sh. M. L. Rustagi (Note 1)	3	Yes	11	Nil
Sh. Mayur Gupta	5	Yes	1	2
Sh. S. R. Bansal (Note 2)	5	Yes	5	2
Air Marshal (Retd.) D. Keelor	4	Yes	1	Nil
Brig. (Retd.) G. S. Sawhney	4	Yes	1	Nil
Sh. A. N. Mukherjee	5	Yes	1	1

Note 1 : Expired on February 5, 2006

Note 2 : Resigned on August 17, 2006.



IST LIMITED

(c) Brief Resume of the Directors proposed for appointment/re-appointment

1. Shri Mayur Gupta

Shri Mayur Gupta has a Masters Degree in Business Administration (Management Information System and E-Business) Bentley College, Boston, USA. He has been functioning as the Jt. Managing Director of the Company since June 3, 2003.

2. Brig. (Retd.) G. S. Sawhney VSM

He has been on the Board of the Company since March 1985. He has had several distinctive positions such as Director of Inspection (Armt.) in the Department of Defence Production and Chairman - Technical Committee (Armt.) Stores etc.

All the information required under Annexure-1 to Clause-49 of the Listing Agreements with Stock Exchanges are being placed before the Board at every meeting, with the current status duly updated.

3. AUDIT COMMITTEE

(a) Constitution

The Audit Committee was constituted on 14th December, 2002 and consists of three members namely Sh. S.R. Bansal, Sh. A.N. Mukherjee and Brig. (Retd.) G.S. Sawhney. Sh. S.R. Bansal (Independent Director) is the Chairman of the Committee.

(b) Power, Role & Review of Information by Audit Committee

The role and terms of reference of the Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement and Section 292-A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors. These interalia include review of Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible, reviewing annual and quarterly financial statement with the management before submission to the Board, reviewing the adequacy of internal control system with the management, external and internal auditors and reviewing the Company's financial risk and management policies.

(c) Date & number of Committee meetings held

The Audit Committee met four times during the year on June 3, 2005, August 6, 2005, November 21, 2005 and February 8, 2006.

(d) Attendance of Directors

Name of the Committee Member	No. of meetings held	No. of meetings attended
Sh. S. R. Bansal Independent Non-Executive	4	4
Sh. A. N. Mukherjee Independent Non- Executive	4	4
Brig. (Retd.) G. S. Sawhney, Independent Non- Executive	4	4

4. REMUNERATION COMMITTEE

(a) The Remuneration Committee was reconstituted on June 3, 2005. The Remuneration Committee consists entirely of Non-Executive Directors. Brig. (Retd.) G. S. Sawhney (Independent Director) is the Chairman of the Committee. Air Marshal (Retd.) D. Keelor and Sh. A. N. Mukherjee are the other members. The Committee, on behalf of the Board and the shareholders, determines, with agreed terms of reference, the Company's policy on specific remuneration packages for Executive Directors.

(b) Two meetings, held during the year, were attended by all the Directors.

(c) The details of remuneration paid/payable to the Directors for the year 2005-06 are :

i) Non-executive Directors-Sitting fees (excluding reimbursement of travel and other expenses incurred for the Company's business)

Name	Amount is Rs.
Sh. S. R. Bansal	2,500/-
Sh. A. N. Mukherjee	2,500/-
Air Marshal (Retd.) D. Keelor	2,500/-
Brig. (Retd.) G. S. Sawhney	2,000/-

At present there is no other remuneration to Non-Executive Directors.

ii) Executive Directors (No sitting fees is payable)

Name	Amount in Rs.
Sh. M. L. Rustagi (Note 1) Erstwhile Managing Director (01.04.2005 to 05.02.2006)	5,56,128.00
Sh. Mayur Gupta Managing Director (Joint Managing Director till 02.03.2006)	6,51,728.00

Note 1 : The above amount does not include gratuity amounting to Rs. 86,538.45