

Jai Corp LIMITED

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21st ANNUAL REPORT 2005 - 2006

HIGHLIGHTS

(Rs. in Lacs)

	2005 - 2006	2004 - 2005	2003 - 2004	2002 - 2003	2001 - 2002
Turnover & Other Income	22,064.97	30,784.14	22,844.43	23,288.67	20,294.59
Depreciation	818.52	772.40	830.26	900.25	934.36
Profit before tax	662.12	960.43	3,918.53	1,874.86	2,295.55
Tax for the year	(37.44)	118.15	1,159.31	166.07	148.09
Profit after tax	699.56	842.28	2,759.22	1,708.79	2,147.46
Dividend (including tax thereon)	Nil	Nil	Nil	Nil	Nil
Plough back including depreciation	1,518.95	1,618.52	3,590.25	2,627.87	3,084.23
Shareholders' Funds (Net Worth)	26,727.01	26,030.39	25,202.97	22,416.07	20,812.50
Debt / Equity Ratio	0.00/1	0.00/1	0.00/1	0.00/1	0.00/1

JAI CORP LIMITED

21st ANNUAL REPORT 2005 - 2006

BOARD OF DIRECTORS

(As on 3rd May, 2006)

J. K. Jain
Chairman

S. P. Jain
Managing Director

Virendra Jain

K. M. Doongaji

S.H. Junnarkar

D. K. Contractor

Dr. P. P. Shah

S. N. Chaturvedi

Gaurav Jain

V. S. Pandit
Director-Works

REGISTERED OFFICE :

A-3, M.I.D.C. Indl. Area,
Nanded-431 603,
Maharashtra.

MANUFACTURING FACILITIES AT :

- Plastic Processing Division :**
Plot No. A-2/4, Plot No. A-2/8, Plot No. C-2/1
M.I.D.C., Murbad, Dist. Thane, Maharashtra.
140/1/1/1-1-140/1/1/9, Village Khadoli
Silvassa [(Dadra & Nagar Haveli (U.T.))]
- Spinnings Division :**
Survey No. 246, Village Vasona,
Silvassa [(Dadra & Nagar Haveli (U.T.))]
- Sipta Coated Steels Division :**
A-3, M.I.D.C. Indl. Area,
Nanded, Maharashtra.
- Comet Steels Division :**
A-4, M.I.D.C. Indl. Area,
Nanded, Maharashtra.

REGISTRARS & TRANSFER AGENT

KARVY COMPUTERSHARE PVT LIMITED

- "KARVY HOUSE"
46, Road No. 4, Street No. 1,
Banjara Hills, Hyderabad - 500 034.
Tel. : 040-23420818/28
Fax : 040-23420814 / 23323049
- 7, Andheri Industrial Estate,
Off Veera Desai Road,
Andheri (West),
Mumbai - 400 053.
Tel. : 022-26730153/0292/0311/0799/0843
Fax : 022-26730152

CHIEF FINANCIAL OFFICER

Umesh Agrawal

AUDITORS

Chaturvedi & Shah
Chartered Accountants

BANKERS

Canara Bank



NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of JAI CORP LIMITED will be held on **Thursday, the 24th August, 2006** at 2.00 p.m. at the Registered Office of the Company at A-3, MIDC Industrial Area, Nanded-431 603, Maharashtra to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2006 and Balance Sheet, as at that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri D K Contractor, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri S N Chaturvedi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Gaurav Jain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors who shall hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the appointment of Shri Gaurav Jain as Executive Director, for a period of 5 (Five) years with effect from 1st October, 2006 upto 30th September, 2011, upon the terms and conditions, including remuneration and minimum remuneration as set out in the Agreement to be entered into between the Company and Shri Gaurav Jain, a draft whereof is placed before this meeting which Agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or Agreement so as not to exceed the limits specified in Sections 198, 269, 309 and Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment thereof, for the time being in force, or any amendments thereto, as may be agreed between the Board of Directors and Shri Gaurav Jain.

RESOLVED FURTHER THAT the amount of remuneration to Shri Gaurav Jain in a financial year shall not exceed the ceiling of 5% of the net profits of that financial year and 10% of the net profits to all such managerial personnel taken together in that financial year, as laid down in Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of any statutory amendments or modifications or relaxations by the Central Government to the Schedule XIII or to any of the Sections of the Companies Act, 1956, the Board of Directors, be and are hereby authorised to vary or increase the remuneration within such prescribed limit or ceiling and the aforesaid Agreement between the Company and Shri Gaurav Jain be suitably amended to give effect to such modifications, relaxations or variations without any further reference to the Company in General Meeting.

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

By Order of the Board of Directors

Mumbai,
3rd May, 2006

J. K. JAIN
Chairman

NOTES :

1. An Explanatory Statement under Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. The instrument appointing a proxy or the Power of Attorney if any under which it is signed should be deposited at the Registered Office of the Company not less than 48 hours before the time of holding the aforesaid meeting.
3. The Register of Members and Share Transfer books will remain closed from Tuesday, the 8th August, 2006 to Thursday, the 24th August, 2006 (both days inclusive).
4. The amount of unclaimed dividend for the financial year ended 31st March, 1998 has been transferred to the "Investors Education and Protection Fund" pursuant to the provisions of Section 205C of the Companies Act, 1956.

The Members who have not encashed the dividend warrant(s) for the financial Years ended 31-03-1999 to 31-03-2001 are requested to make their claim to the Registrars and Transfer Agent, M/s. Karvy Computershare Pvt. Ltd. It may also be noted that once the unpaid dividend is transferred to the aforesaid Fund, no claim shall lie with the Company/Fund in respect of such amount.

5. The Members who are holding shares in identical order of names in more than one folio are requested to send to the Company details of such folios together with the share certificates for consolidating their holding in one folio. The Share certificate will be returned to the member after making requisite changes thereon.
6. Non-resident Indian Shareholders are requested to inform the Company immediately :-
 - The Change in the Residential status on return to India for permanent settlement.
 - The particulars of NRE Bank Account maintained in India.
 - Copy of RBI permission.
7. Consequent upon the introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agents, M/s. Karvy Computershare Pvt. Ltd..

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 :

Item No. 6 :

The Board of Directors at their meeting held on 3rd May, 2006, have appointed Shri Gaurav Jain as the Executive Director of the Company for a period of five years commencing from 1st October, 2006 to 30th September, 2011. Shri Gaurav Jain, fulfils the conditions of appointment set out in Part I of Schedule XIII to the Companies Act, 1956 (the "Act").

The appointment of Shri Gaurav Jain is subject to the provisions of Sections 198, 269, 309 and all other applicable provisions of the Act, read with Schedule XIII of the Act. The draft Agreement proposed to be entered into with Shri Gaurav Jain inter-alia, contains the following terms: Salary : Rs. 2,00,000/- per month. Commission : In addition to salary and perquisites, based on the net profits of the Company in a particular financial year computed in the manner laid down in Section 309 (5) read with Section 349

of the Act, commission may also be paid, as may be approved by the Board. Perquisites and Allowances : Accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilisation of gas, electricity, water, furnishing and repairs, medical expenses/reimbursement for self and his family including dependants, leave travel concession for self and his family including dependants, club fees, medical insurance and such other perquisites and allowances as agreed/ authorised by the Board of Directors upto Rs. 2,00,000/- per month, subject to overall ceiling of remuneration as stipulated under the Act. The minimum remuneration to be paid to Shri Gaurav Jain in the event of loss or inadequacy of profits in any financial year during the period of his appointment will be subject to a maximum ceiling limit of Rs. 24,00,000/- per annum or upto Rs. 2,00,000/- per month, including the perquisites as set out in Section II Part II of Schedule XIII to the Companies Act, 1956.

The terms of appointment and remuneration are to be approved by the Members in general meeting in terms of Schedule XIII to the Companies Act, 1956 and the Board commends the passing of the Ordinary Resolution.

The draft Agreement proposed to be entered between the Company and Shri Gaurav Jain is available for inspection by the members of the Company at the Registered Office of the Company between 11.00 a.m. to 2.00 p.m. on any working day of the Company upto the date of the meeting.

The above may be treated as an abstract of the Agreement proposed to be entered into between the Company and Shri Gaurav Jain, pursuant to Section 302 of the Companies Act, 1956.

Shri Gaurav Jain may be considered interested in the resolution since it relates to his appointment. Shri J K Jain, Shri Virendra Jain and Shri S P Jain, Directors of the Company being relatives of Shri Gaurav Jain, may be deemed to be interested in the resolution. Save and except the above, none of the other Directors are, in any way, concerned or interested in the resolution.

By Order of the Board of Directors

Mumbai,
3rd May, 2006

J. K. JAIN
Chairman

Registered Office :
A-3, MIDC Industrial Area,
Nanded - 431 603,
Maharashtra.



DIRECTORS' REPORT

The Directors have pleasure to present the Twenty first Annual Report and Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	(Rs. In lacs)	
	Year ended 31-03-2006	Year ended 31-03-2005
Sale & Services (Gross)	20063.00	29933.97
Less: Excise duty recovered on sale	1136.73	927.16
Net Sales	18926.27	29006.81
Operating Profit	1588.29	1788.86
Less: Provision for diminution in Investments	7.37	0.19
Less: Finance Charges	100.28	55.85
Gross Profit	1480.64	1732.82
Less: Depreciation	818.52	772.40
Profit Before Tax	662.12	960.43
Less: Provision for Tax	(37.44)	118.15
Profit after Tax	699.56	842.28
Balance brought forward from last year	5778.09	5034.67
Prior period Adjustments (Net)	0.87	(3.84)
Excess provision for Income Tax in earlier years	(3.81)	(11.02)
Amount available for Appropriations	6474.71	5862.09
Appropriations :		
General Reserve	70.00	84.00
Surplus carried to Balance Sheet	6404.71	5778.09
Total	6474.71	5862.09

DIVIDEND :

Your Directors do not recommend any dividend on the Equity Shares of the Company.

OPERATIONS :

During the year under review, the turnover of the Company's Steel Division has declined to Rs. 155.34 Crores as compared

to last year turnover of Rs. 277.09 Crores due to substantial reduction of the steel prices in the International Markets.

The Plastic Division recorded a turnover of Rs. 31.20 Crores with exports constituting a turnover of Rs. 24.47 Crores. The Company's outlook is optimistic about the potential of the international market and the Company is continuously taking steps in improving its competitive strength to maintain its margins.

During the year company has acquired fixed assets of a spinning unit of Sonu Synthetics Ltd. at Vasona, Silvassa from Assets Reconstruction Company of India Ltd. The Spinning Division recorded a turnover of Rs. 14.08 Crores.

FIXED DEPOSITS :

The Company has not accepted any fixed deposits within the meaning of Section 58-A of the Companies Act, 1956, and the rules framed there under.

LISTING OF EQUITY SHARES :

The Company's equity shares are listed on the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. The Company has paid the Listing fee to both the above Stock Exchanges for the period 01-04-2006 to 31-03-2007.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association, Shri D. K. Contractor, Shri S.N. Chaturvedi and Shri Gaurav Jain retire by rotation and being eligible offer themselves for reappointment. The Directors of your Company recommend their appointment.

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 :

- that in the preparation of the accounts for the financial year ended 31st March, 2006, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgements 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 year and of the profit of the Company for the year under review;
- That 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;
- that the directors had prepared the accounts for the financial year ended 31st March, 2006 on a 'going concern' basis.

AUDITORS AND AUDITORS' REPORT :

M/s. Chaturvedi & Shah, Chartered Accountants, the present Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. It is proposed to re-appoint them as the Statutory Auditors of the Company until the conclusion of the next Annual General Meeting. The Company has received a certificate of their eligibility for re-appointment, pursuant to the provisions of Section 224 (1B) of the Companies Act, 1956. The notes to the Accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

DISCLOSURE OF PARTICULARS RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE :

Information in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the Annexure A forming part of this report.

SUBSIDIARY COMPANY :

As required under the provisions of Section 212 of the Companies Act, 1956, copy of Balance Sheet and Profit and Loss account and report of Directors and Auditors in respect of Subsidiary Company is attached for members' perusal.

PARTICULARS OF EMPLOYEES :

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars

of Employees) Rules, 1975 as amended, the names and other particulars of the employees are given in the Annexure B forming part of this report.

INDUSTRIAL RELATIONS :

The relations with the employees continued to be cordial and satisfactory.

CORPORATE GOVERNANCE :

The Company has complied with the applicable requirements under Clause 49 of the Listing Agreement with the Stock Exchange. A separate section on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as Stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, forms part of the Annual Report.

ACKNOWLEDGEMENTS:

Your Directors express their grateful appreciation for the assistance and co-operation received from the Banks, Institutions, Government Authorities, Customers, Vendors and Shareholders during the year under review. Your Directors place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company.

By Order of the Board of Directors

Mumbai,
3rd May, 2006

J. K. JAIN
Chairman



ANNEXURE "A" TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A) CONSERVATION OF ENERGY :

- (a) The Company has taken various steps for minimisation of energy consumption by putting continuous efforts towards optimisation of operating and processing activities, upgradation of plant equipments etc.
- (b) Additional investments and proposals if any, being implemented for reduction of consumption of energy :
The Company is not planning any major additional investments and proposals in this regard.
- (c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
Due to various steps taken, the Company has been able to conserve the energy more effectively.
- (d) **FORM- A**
Form for Disclosure of Particulars with respect to Conservation of Energy.

Consumption per unit of production :

Product	Year ended 31.03.2006				Year ended*31.03.2005		
	GP/GC Coils/ Sheets Bags	CR Coil/ Sheets	Woven sacks / Fabrics	Spinning Yarn	GP/GC Coils/ Sheets Bags	CR Coil/ Sheets	Woven Sacks/ Fabrics
Production (MT)	35379	38668	4675.60	1292.79	61934	71266	1989.62
Electricity	104.38	248.77	2884.14	3577	74.40	196.31	2176.24
Others							
a) HSD (KL)	0.03	0.01	0.01	-	0.02	0.01	-
b) LPG (KL)	0.01	-	-	-	0.01	-	-

B. RESEARCH & DEVELOPMENT (R & D) :

In house Research & Development work is carried out to develop the new products/improve the existing products by the Company. No significant expenditure is incurred.

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

The Company has not imported any technology during last five years from the beginning of the financial year ended 31-03-2006, hence the required information is not applicable to the company.

D. FOREIGN EXCHANGE EARNINGS AND OUTGO :

The Company has exported its products during the year under review and has imported raw materials, store items and capital items, the details of which are as follows :

	(Rs. in lakhs)
1) FOB Value of Exports	10,123.42
2) CIF Value of Imports	2,399.75
3) Expenditure in Foreign Currency	135.35

ANNEXURE "B" TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975.

A) Employed throughout the year and in receipt of remuneration aggregating not less than Rs. 24,00,000/- per year.

Name	Age (Years)	Designation/ Nature of duties	Remuneration Per Annum Rs.	Qualification	Total Experience years	Date of Employment	Last employment held Designation - period for which post held
S. P. Jain	51	Managing Director	26,61,248/-	B. Com.	30	01.10.95	Comet Steels Ltd. Managing Director (11 years)

Notes :

- Remuneration as above includes salary, allowance, bonus, ex-gratia, leave travel assistance, reimbursement of medical expenses, Company's contribution to Provident Fund and monetary value of other perquisites calculated in accordance with provisions of the Income-Tax Act, 1961 and rules thereunder.
- The nature of employment in all cases are contractual.
- No employee mentioned above is related to any director of the Company except Shri J. K. Jain and Shri S. P. Jain, who are related to each other and they are also related to Shri Virendra Jain and Gaurav Jain, Directors of the Company.

By Order of the Board of Directors

Mumbai,
3rd May, 2006

J. K. Jain
Chairman

MANAGEMENT DISCUSSION & ANALYSIS (M D & A)

Business Review :

The Indian economy is among the fastest growing economies in the world and despite high crude prices, India's GDP is estimated at 8% in the year 2005-06. The performance of the company during the year ended 31st March 2006 and the management's view on the future outlook are discussed below.

STEEL DIVISION :

The year under review witnessed one of the worst years for the steel processors in general. As already cautioned in our earlier report, the Chinese market completely collapsed in the month of April 2005 and the rates of the raw material fell down by nearly U.S.\$ 200 per MT. However, the Indian HR manufacturers did not reduce their prices to the same extent thereby, forcing the company to reduce production since, if the production would have continued the company would have made a net loss in the vicinity of Rs.3000-5000 per MT. Hence, the production during the year had a setback and our company could only produce 35379 MT of GP Coils as compared to 61934 MT in the previous year.

Our company had also undertaken the modernization and upgradation of the GP Line which was not done since the last 20 years. The GP Line was taken for shutdown in the first week of February 2006, the modernization has been completed and the trial production has resumed from 5th April, 2006 onwards.

The international markets of HR Coils have been very erratic in the last one year and there are very "highs" and "lows" in a very short span of time due to which, the markets are very uncertain and it has put a lot of stress on the margins of the company.

During the current quarter, the prices of HR Coils have again rebounded and there is an acute shortage of HR Coils from the local manufacturers who are opting to export their product rather than supply to the home industry. Hence, the company is in process of finalizing conversion business with some of the leading HR steel producers in India after which, we are expecting continuity of production on regular basis, which has been very irregular especially in the year under review.

PLASTIC PROCESSING DIVISION :

Your Company is one of the leading manufacturers of small woven sacks / fabric and is a market leader in manufacturing of fabrics used in Geotextile Application. Your Company is fully equipped to cater to the growing export market in a big way as the Company is developing market in USA. The Company's Plastic Processing Division has achieved production of 4676 M.T. during the year under review.

The expansion of the International Markets for niche products like wide width quoted fabric represents the new opportunity for the Plastic Processing Division. The Company looks at Exports as a major thrust area and intends to focus on Exports as the mainstay of business.

The Major threat the Company faces is from small manufacturers operating in semi-organised sector which results in unhealthy competition as they are exempt from majority of government levies and regulations. There is significant price pressure due to such competition.

The Plastic Processing Division is engaged in manufacturing of woven sacks and fabrics of Polypropylene (PP), High Density Polyethylene (HDPE) and Low Density Polyethylene (LDPE) at units located at Murbad in Maharashtra and Khadoli (100% EOU) (Dadra & Nagar Haveli U. T.). The Plastic Processing Division has achieved the turnover of Rs. 31.20 crores with exports constituting a turnover of Rs. 24.47 crores.

In Plastic Processing Division, the Company's outlook is optimistic about the potential of the international market as the Company is fully equipped

to cater the international demand. The Company is continuously taking steps in improving its competitive strengths in order to maintain its lead over competition and improve its margins and profitability. However, unprecedented volatility and/or increase in key raw material prices can adversely affect the performance of Company.

SPINNING DIVISION :

The Company has entered in the textile spinning operations at the end of third quarter of the financial year 2005-06. The overall Textile business after global opening of the business has been encouraging and Indian Textile Industry has and will be benefitted due to it. The Company has thus strategically decided to enter into textile business at appropriate time. The capacity utilization has been around 100% since inception. The Textile market will be encouraging for manufacturer of quality product. The Company has imported Autoconers and has undertaken the modernisation plan to become one of the leading quality yarn manufacturer. The turnover of the division for the period ended 31st March, 2006 is 14.08 Crores.

Risks concerns & Risk Management :

The Company is exposed to the normal industry risk factors of competition, economic cycle, raw material availability, and uncertainties in the international and domestic markets and credit risk. The Company manages these risks by maintaining a conservative financial profile and by following prudent business and risk management practices. The Company is carrying out a modernization and upgradation exercise in the Steel Division for improving the quality and increasing the line speed of the existing continuous galvanizing line and cold rolled mills. The Company is confident that with this modernisation and upgradation, the Company will be able to produce skin passed material, which has a good demand in the export markets.

Internal Control system and their adequacy :

The Company has a proper and adequate system of internal controls which are designed to assist in the identification and management of risks to ensure the integrity of accounting system, proper authorization, recording and reporting of all transactions, monitor and control against any unauthorized use or disposition of assets, safeguarding of Company's assets.

The Company ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines and ensuring the reliability of financial and operational information. The Audit Committee of the Company reviews the adequacy of internal Control systems.

Human Resources and Industrial Relations :

The relation with the employees at all the units continued to be cordial and satisfactory. The total number of employees as on 31st March, 2006 were around 1500.

Forward – Looking Statements :

The report contains forward-looking statements that involve risks and uncertainties. When used in this discussion, the words like 'plans', 'expects', 'anticipates', 'believes', 'intends', 'estimates' or other similar expressions as they relate to Company or its business are intended to identify such forward-looking statements.

Forward-looking statements are based on certain assumptions and expectations of future events. The Company's actual results, performance or achievements could differ materially from those expressed or implied in such Forward-looking statements. The Company undertakes no obligation or responsibility to publicly amend, update, modify or revise, any forward-looking statements, on the basis of any new information, future events, subsequent developments or otherwise.



REPORT ON CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange on Corporate Governance, the Company submits, hereunder, a report on the matters mentioned in the said Clause and the practice followed by the Company.

1. Company's philosophy on code of governance :

The Company strongly believes in fair, efficient and transparent business operations, proper disclosure of relevant information and to serve the best interests of all the stakeholders, viz., the employees, shareholders, customers, the Government and the Society at large. The Company strives towards excellence through adoption of best governance and disclosure practices.

Name of the Director	Category of Directorship	No. of Board Meetings Attended	# No. of Other Directorships Held (in Public Companies)	No. of other Board committee positions held
@ Shri J. K. Jain	Chairman (Non-Executive)	5	1	NIL
Shri S. P. Jain	Managing Director (Executive)	4	3	2- Chairman
Shri Virendra Jain	Non-Executive	5	4	Nil
Shri K. M. Doongaji	Non-Executive, Independent	5	1	NIL
Shri S.H. Junnarkar	Non-Executive, Independent	4	13	10 - Member 2- Chairman
Shri D.K. Contractor	Non-Executive, Independent	4	5	1-Member 1- Chairman
Shri V. S. Pandit	Executive, Director -Works	1	NIL	NIL
Dr. P. P. Shah	Non-Executive, Independent	3	6	4 - Member
Shri S N Chaturvedi	Non-Executive, Independent	5	2	2-Chairman
Shri Gaurav Jain	Non-Executive	1	1	NIL

* Represents Chairmanship/membership of Audit Committee, Shareholders'/Investors Grievance Committee and Other Committee's
 @ ceased to be Executive Chairman w.e.f. 1st April, 2005

Excludes Directorship in Foreign Companies, Private Limited Companies and Companies incorporated under Section 25 of the Companies Act, 1956.

None of the Director is a member in more than ten committees and acts as a chairman in more than five committees across all companies in which he is a director.

Equity shares of the Company held by Non- Executive Directors as on 31.03.2006 :

Sr. No	Name of the Non - executive director	Equity shares held
1.	Shri J. K. Jain	239
2.	Shri Virendra Jain	4,92,000
3.	Shri K. M. Doongaji	Nil
4.	Shri S. H. Junnarkar	Nil
5.	Shri D. K. Contractor	Nil
6.	Dr. P. P. Shah	Nil
7.	Shri S. N. Chaturvedi	Nil
8.	Shri Gaurav Jain	5,36,360

Brief Resume of Directors who are proposed to be re- appointed :

Shri D K Contractor :

Shri D K Contractor is a commerce graduate from Bombay University and Member of Certified Associate and fellow of Indian Institute of Bankers. He is having a very wide experience of over 40 years in Banking and Administrative matters. He retired as Executive Director of Central Bank of India. He is also on the Board of Infrastructure Leasing & Financial Trust Company Ltd., Lupin Ltd., Mazda Ltd., Zoroastrian Co-operative Bank Ltd., Victoria Mills Ltd.

Shri S N Chaturvedi :

Shri S.N.Chaturvedi is highly qualified professional having degrees and qualifications of B.Tech (Hons), MBA, FCA.

He has over 20 years experience as a practicing Chartered Accountant as partner of M/s. Chaturvedi & Company, Chartered Accountants. He is heading the Mumbai Branch of the Firm.

He is having vast knowledge in the areas of Audit & Taxation, Project Finance, Corporate Finance, Investment Banking, Amalgamation & Mergers, Corporate laws, International Finance, Corporate Advisory Services, International Taxation, Due Diligence exercises, Valuation of business/companies, Restructuring & Rehabilitation and Strategic Business Planning.

He is also having varied experience of Audit of Banks, Financial Institutions, Public Sector Units and large Corporates. He is also having valuable

2. Board of Directors :

The Board of Directors of the Company has an optimum combination of executive and non-executive Directors. The present strength of the Board is ten Directors, of which two Directors i.e. Managing Director and Director - Works are Executive Directors and eight Directors are Non-Executive Directors, five being independent Directors. The number of independent Directors on the Board is in conformity with the requirement of the Listing Agreement.

Five Board Meetings were held during the year ended 31st March, 2006, with a time gap of not more than four months between two Meetings. The dates of the Board Meetings are 06th April, 2005, 28th June, 2005, 30th July, 2005, 28th October, 2005 and 30th January, 2006, as against the minimum requirement of four meetings.

experience in monitoring/ inspection/ investigation of units/companies at the behest of Financial Institutions/Banks, Income Tax authorities, High Courts, Company Law authorities as well as inspection of Mutual Funds, Stock Exchange Brokers and Plantation companies on behalf of SEBI.

He is also on the Board of Balkrishna Industries Ltd. and N R Agarwal Industries Ltd.

Shri Gaurav Jain :

Shri Gaurav Jain has graduated with dual degrees from The Wharton School-Bachelor of Science in Economics with specialisation in Finance and School of Engineering and Applied Science - Bachelor of Science in Engineering with major in Computer Science and Engineering from University of Pennsylvania, USA.

He is on the Board of Adventity BPO India Private Limited which is a Business Process Outsourcing (BPO) Company focused in voice operations. He has set up the company from base and recruited a professional team to take management control of the organisation. He is also on the Board of Pet Fibres Limited which is engaged in the manufacturing of woven sacks.

Shri S. P. Jain, Managing Director and Shri Umesh Agrawal, Dy. General Manager are designated as Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company respectively as per the revised clause 49 of the Listing Agreement.

The Company holds minimum of four Board Meeting in a year after the end of each of the financial quarter.

The Board is given presentation covering Finance, Sales & Marketing and Operations of the Company, before taking on record the quarterly results of Company.

In special and exceptional circumstances, additional or supplementary items on the agenda are permitted. The Company Secretary records/enters the minutes of the proceedings of each Board and Committee Meeting within 30 days from the conclusion of the meeting.

The Minutes of Board Meetings of Sarbags Pty. Ltd. (Non-Indian Subsidiary) were placed before the board.