

11th
ANNUAL REPORT
2005 - 2006

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MORARJEE TEXTILES LTD

Annual Report 2005 - 2006

BOARD OF DIRECTORS**Ms. Urvi A. Piramal***Chairperson***Mr. Harshvardhan A. Piramal***Executive Vice Chairman***Mr. P. K. Gothi***Managing Director***Mr. Aditya Mangaldas****Dr. Giuseppe Callegari****Mr. Ranjan Sanghi****Mr. Shailesh Haribhakti****Mr. Takao Yajima****Mr. Shobhan Thakore****Mr. Mahesh Gupta****Mr. Pradipta Mohapatra****COMPANY SECRETARY****Mr. S. C. Kashimpuria****AUDITORS****M/s. Shah & Co.***Chartered Accountants***BANKERS**

Allahabad Bank

Export - Import Bank of India

UTI Bank

REGISTERED OFFICE106, Peninsula Centre,
Dr. S. S. Rao Road,
Parel, Mumbai - 400 012.**SHARE TRANSFER AGENT****Amtrac Management Services Limited****Administrative Unit**106, Peninsula Centre, Dr. S. S. Rao Road,
Parel, Mumbai - 400 012.**Processing Unit**Plot No. 101/102, MIDC 19th Street,
Satpur, Nasik - 422 007
Email : amtrac@bom3.vsnl.net.in**CONTENTS**

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Annual General Meeting of the Company will be held on **Wednesday, the 23rd August, 2006 at 3.00 p.m.** at Walchand Hirachand Hall, Indian Merchant's Chamber Building, Churchgate, Mumbai - 400 020.



MORARJEE TEXTILES LTD

NOTICE

Notice is hereby given that the 11th Annual General Meeting of the members of Morarjee Textiles Limited will be held on Wednesday, the 23rd day of August, 2006 at 3.00 p.m. at Walchand Hirachand Hall, Indian Merchant's Chamber Building, Churchgate, Mumbai - 400 020 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr G Callegari, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr Takao Yajima, who retires by rotation and is eligible for re-appointment.
4. To declare dividend on preference and equity shares.
5. To appoint Auditors to hold office from the 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 Mr Mahesh S Gupta, who was appointed as an Additional Director of the Company on 19th January 2006 under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."
7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :
 "RESOLVED THAT Mr Shobhan Thakore, who was appointed as an Additional Director of the Company on 19th January 2006 under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."
8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :
 "RESOLVED THAT Mr Pradipta Mohapatra, who was appointed as an Additional Director of the Company on 8th June 2006 under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Beneficial Owners, Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 17th August, 2006 to Wednesday, 23rd August, 2006 (both days inclusive).
4. Dividend on preference shares and equity shares as recommended by the Directors for the financial year ended 31st March 2006 when declared at the meeting will be paid within 30 days from the date of the meeting.
5. Section 109A of the Companies Act, 1956 permits nomination by shareholders of the Company in the prescribed Form No 2B. Shareholders are requested to avail this facility. The duly filled in and signed Form No 2B should be sent to the Share Transfer Agents of the Company at their Nasik address.
6. In order to render better and efficient services we request you to consolidate the multiple folios which are in the same names and in identical order. Consolidation of folios does not amount to transfer of shares and therefore no stamp duty or other expenses are payable by you. In case you decide to consolidate your folios you are requested to forward your share certificates to the Share Transfer Agents of the Company at their Nasik address.
7. To ensure against misappropriation of dividend warrants to be mailed to you, members holding shares in physical form who have not sent in their bank details are requested to provide their bank account numbers, names and addresses of the bank branches to the Company's Share Transfer Agents for incorporating the same on the dividend warrants.
8. Facility of electronic credit of dividend directly to the respective bank accounts of our shareholders through Electronic Clearing Service (ECS), is available. This facility is currently available at the locations specified in the Mandate Form separately enclosed in this Annual Report. This is in addition to the Bank Mandate Facility that already exists whereby bank account details are printed on the dividend warrants. Shareholders who would like to avail of the ECS Mandate Facility or the Bank Mandate Facility (if not

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done earlier) are requested to complete and submit the Mandate form that is separately enclosed with this Annual Report, so as to reach the Company's Share Transfer Agent latest by 17th August, 2006. Kindly note that shareholders holding shares in dematerialised form would receive their dividend directly to the bank account nominated by them to their Depository Participant, as per SEBI directives.

9. Members holding shares in physical form are requested to immediately intimate to the Company/ Share Transfer Agents, changes, if any, in their registered addresses alongwith the pin code number. Members holding shares in dematerialised mode are requested to forward intimation for change of address, if any, to their respective depository participants.
10. Trading in the Company's shares through stock exchanges is permitted only in dematerialised/ electronic form. The equity shares of the Company have been inducted in both National Securities Depository Limited as well as Central Depositories Services (India) Ltd to enable shareholders to hold and trade the securities in dematerialised/electronic form. In view of the numerous advantages offered by the Depository System, members holding shares in the

Company in physical form are requested to avail of the facility of dematerialisation.

11. Re-appointment of Directors

Dr G Callegari and Mr Takao Yajima, Directors of the Company, who are retiring by rotation at the ensuing Annual General Meeting, are eligible for re-appointment. Approval of the shareholders is also being sought for the appointment of Mr Mahesh Gupta, Mr Shobhan Thakore and Mr Pradipta Mohapatra as Directors of the Company. The information/data to be provided in this regard under the Corporate Governance Code of the Listing Agreement, is given in the Corporate Governance Section of this Annual Report.

By Order of the Board

S C Kashimpuria
Company Secretary

Registered Office:
106, Peninsula Centre,
Dr. S.S. Rao Road,
Parel, Mumbai 400 012.
Mumbai : 8th June 2006

Explanatory Statement

Explanatory Statement under Section 173(2) of the Companies Act, 1956 ("the Act").

Item Nos 6 to 8

Mr Mahesh Gupta and Mr Shobhan Thakore were appointed as Additional Directors of the Company with effect from 19th January 2006 and Mr Pradipta Mohapatra was appointed as Additional Director of the Company with effect from 8th June 2006, under Section 260 of the Companies Act, 1956 and as per the Articles of Association of the Company and they hold office up to the date of this Annual General Meeting.

The Company has received a joint notice alongwith deposit under Section 257 of the Companies Act, 1956 from some members proposing the candidature of the above mentioned persons as Directors of the Company.

Brief Resume of the above mentioned persons, their

experience and other Directorships held by them are given in the section concerning Corporate Governance in the Annual Report.

The Directors, therefore, recommend the resolutions appearing under the item nos 6 to 8 of the accompanying Notice for your approval.

The Directors interested in the above resolutions are Mr Mahesh S Gupta, Mr Shobhan Thakore and Mr Pradipta Mohapatra

By Order of the Board

S C Kashimpuria
Company Secretary

Registered Office:
106, Peninsula Centre,
Dr. S.S. Rao Road,
Parel, Mumbai 400 012.
Mumbai : 8th June 2006



MORARJEE TEXTILES LTD

DIRECTORS' REPORT

Dear Shareholders

The Directors present their 11th Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31st March, 2006.

Financial Results

Particulars	Year ended 31 st March 2006	Rs. In lacs Year ended 31 st March 2005
Income from Operations	17345.85	15067.00
Cash Profit for the year	1888.11	1380.53
Depreciation	807.33	716.30
Profit before tax	1080.78	664.23
Provision for Tax (MAT/ FBT)	126.69	—
MAT Credit Entitlement	(90.95)	—
Profit after tax	1045.04	664.23
Profit / (Loss) brought forward from previous year	363.91	(3813.53)
Amount transferred from Capital Restructuring Account	—	3766.85
Profit available for appropriation	1408.95	617.55
Appropriation :		
Proposed Dividend Preference Shares with Tax	57.01	42.76
Proposed Dividend Equity Shares with Tax	295.96	177.58
Transfer to General Reserve	105.00	33.30
Profit Carried to the Balance Sheet	950.98	363.91
Total Appropriation	1408.95	617.55

Dividend

Preference Shares

The Board of Directors has recommended dividend @ 5% (Rs.5/-) per Preference Share of Rs 100/- each for the year ended 31st March, 2006

Equity Shares

The Board of Directors has recommended dividend @ 25% (Rs.2.50) per equity share of Rs 10/- each for the year ended 31st March, 2006

The dividend will be free of tax in the hands of the shareholders. Total cash outflow on account of these dividend payments together with distribution tax will be Rs. 352.97 Lacs.

Operations of the Company

The Company has registered an impressive performance during the year ended 31.03.2006. The total income for the year was Rs. 174.00 Crs as against Rs. 148.77 Crs. in the previous year. The Net Profit for the year was Rs. 10.45 Crs as against 6.64 Crs in the previous year achieving a growth of 57.38%. The Company has achieved an export Turnover of Rs. 90.42 Crs during the year as against Rs. 78.42 Crs in the previous year.

The Company's policy of rationalization of product portfolio and focus on value added products have contributed to this improved performance.

Subsidiary Companies

Integra Apparels & Textiles Pvt. Ltd

Integra Apparels & Textiles Pvt Ltd is an 85% subsidiary of the Company. The Company has achieved a Turn Over of Rs. 17.67 Crs during the year as against Rs. 2.70 Crs in the previous year. The Company has also setup two state of art manufacturing units in Bangalore for manufacturing of casual wear and formal wear.

Morarjee International s.r.l.

The Company is focusing in marketing and distribution for the finished textile and clothing product in the European Market and in the very first full year of operation the company has been able to procure good order from Customers in Europe.

Joint Venture

During the year, the Company has entered into an agreement with Just Textiles Ltd to acquire 49% equity in the Company. The Company has subsequently, in April, 2006 invested Rs. 7.95 Crs in acquiring the said stake.

Conservation of energy and technology absorption

A statement showing particulars required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, read with Section 217(1)(e) of the Companies Act, 1956, in the prescribed forms (Form A and Form B) is attached herewith and marked as Annexure A.

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Foreign exchange earnings and outgo

During the year foreign exchange earnings were Rs. 9042 Lacs and foreign exchange outgoings were Rs. 3262 Lacs. Thus the Company is a net foreign exchange earner with net inflow of Rs. 5780 Lacs.

Particulars of Employees

A statement showing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is given in the enclosed Annexure B which forms part of the Report.

Directors

Mr. Ajay G. Piramal has resigned from the Board of Directors of the Company on 8th June, 2006. The Board wishes to place on record its appreciation and gratitude for the invaluable contribution made by him.

With the resignation of Mr. Ajay G. Piramal as the Chairman & Director of the Company, Mrs. Urvi A. Piramal was appointed as the Chairperson of the Company.

Dr. G. Callegari and Mr. Takao Yajima, Directors of the Company retire by rotation at this Annual General Meeting and are eligible for re-appointment which the Board recommends.

Mr. Mahesh Gupta and Mr. Shobhan Thakore were appointed as Additional Directors of the Company with effect from 19th January, 2006. Mr. Pradipta Mohapatra was appointed as Additional Director of the Company with effect from 8th June, 2006. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company Mr. Gupta, Mr. Thakore and Mr. Mohapatra vacate office and are eligible for re-appointment.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956 your Directors state that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed with proper explanation relating to material departures, if any.
2. Your Directors have 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 for the year ended 31st March 2006 and its profit for the year ended on that date.

3. Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. Your Directors have prepared the Annual Accounts for the year ended 31st March 2006 on a going concern basis.

Fixed Deposits

During the year under review, the Company has not accepted any fixed deposits neither does it have any unclaimed / unpaid fixed deposits.

ESOP

During the year under review, the Company has obtained shareholders approval through postal ballot for issue of additional shares not exceeding Rs. 30 lacs under the Employee Stock Option Scheme.

Rights Issue

The Board of Directors have approved issue of shares / warrants on rights basis. A draft Letter of Offer was filed with Securities & Exchange Board of India & the Company is awaiting its final clearance.

Corporate Governance

The Company has complied with the mandatory provisions of Corporate Governance as prescribed in the Listing Agreement with the Stock Exchange. A separate report on corporate governance compliance is included as a part of this Annual Report alongwith requisite Auditors certificate.

Auditors

The Auditors, M/s Shah & Co., retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Board recommends their re-appointment.

Acknowledgement

We owe all our employees, customers, bankers and vendors our gratitude for their co-operation and continued support.

By Order of the Board
Urvi A Piramal
Chairperson

Mumbai : 8th June, 2006



MORARJEE TEXTILES LTD

ANNEXURE 'A' FORM - 'A'

Form of disclosure of particulars with respect to conservation of energy

		Units	Current Year 31.03.2006	Previous Year 31.03.2005
A)	Power & Fuel			
1	Electricity			
a)	Purchased Units	Lacs Kwhs	375.35	374.52
	Total Cost	Rs Lacs	1234.14	1131.65
	Rate / Unit	Rupees	3.29	3.02
b)	Own Generation			
	Through Diesel Generator			
	Units	Lacs Kwhs	0.77	0.81
	Unit per litre of Diesel Oil	Kwhs	3.39	3.18
	Cost / Unit (Diesel Oil only)	Rupees	10.68	9.65
	Total Cost of Diesel	Rs Lacs	8.22	7.81
2	Coal (slack coal for Boiler)			
	Quantity	M.T.	16041.58	13346.55
	Total Cost	Rs Lacs	368.40	296.68
	Average rate per M.T.	Rupees	2296.53	2222.90
3	Furnace Oil			
	Quantity	K Ltrs	169.44	718.75
	Total Amount	Rs Lacs	29.05	82.72
	Average rate per K. Ltr.	Rupees	17145	11509
B)	Consumption per unit of Production			

In view of composite nature of its Textile Business, it is not possible to express the consumption of power & fuel per unit of production

FORM - "B"

RESEARCH AND DEVELOPMENT

The addition of Presperometer in lab has strengthened the company's in house technique of RMG dyeing

Expenditure on R&D

a.	Capital expenditure	Rs. 46.38 lacs
b.	Recurring	Rs. 16.08 lacs
c.	Total	Rs. 62.58 lacs
d.	Total R&D expenditure as a percentage of total turnover	0.36%

TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

With the installation of Sophisticated instruments like IQ qualicentre, Tensomax-700 and claasidata – 7000 quality of the yarn has improved and with the introduction of weft straightening system through newly acquired weft straightener we have improved the quality of the fabric.

ANNEXURE - "B"

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 referred to in the Directors' Report for the year ended 31st March, 2006 and forming part thereof showing names & other particulars of the employees who were employed throughout the year and were in receipt of remuneration for the year in the aggregate of not less than Rs. 24,00,000/- or not less than Rs. 2,00,000/- per month in respect of those who were employed for the part of the year.

Name	Age	Qualification	Designation	Date of Joining	Experience	Remuneration (Rs. in Lacs)	Last employment & position held
P. K. Gothi	56	B.E.	Managing Director	26-11-2003	35 years	46.30	Morarjee Goculdas Spg. & Wvg. Co. Ltd (Managing Director)
Harshvardhan A. Piramal	33	B.Sc. M.B.A.	Executive Vice Chairman	01-06-2004	6 years	48.00	Nicholas Piramal India Ltd (Chief Operating Officer - Allied Businesses)
Girish Rao *	48	B.Sc., M.B.A.	President - Sales & Marketing	04-07-2005	26 years	20.58	Malwa Industires Ltd. (Vice President - Marketing)
B B Sharma	51	B.Text.,(Tech) M.B.A.	Executive President - Textile Business	01-05-2003	30 years	25.53	Ashoka Spintex (Division of Arvind Mills Ltd.) (Chief Executive Officer)

* Employed for part of the year.

Notes :

- Remuneration includes Salary, Company's contribution to Provident & Superannuation Funds, Medical Expenses, House Rent Allowance, Leave Travel Assistance, Taxable value of perquisites and other allowances as per Company's Rules.
- None of the employees except the following is related to any Director of the Company :
Mr. Harshvardhan A. Piramal is the son of Mrs. Urvi A. Piramal.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

I) Indian textile and garmenting sector: on the move

The textile and garmenting industry in India is on the move. A flurry of opportunities was thrown up after the abolition of quotas in January 2005. Additionally, with the possibility of further FDI in retail, foreign textile companies are all set to capture the Indian market through both the retailing and sourcing channels. Several foreign brands and retail chains are looking at entering India through strategic tie-ups or licensing agreements with local firms. Today, we as a country are rapidly developing and improving the skill sets needed to become a full solution provider to global and Indian firms, and all necessary ingredients to increase our share of global textile and apparel production.

Despite the high-profile successes of other sectors of Indian industry, the US\$41 billion Indian textile industry still contributes 6% of the country's GDP and 25% of total export earnings. India exports textiles & clothing worth US\$15 billion, while the rapidly growing domestic market is US\$26 billion.

This year's Union budget contains several measures to encourage the competitiveness of the Indian textile industry. TUF allocation has been increased from Rs. 435 cr. to Rs. 535 cr., a scheme for Integrated Textile Parks has been floated, and peak rate of duty has been reduced from 15% to 12.5%.

We believe that technical upgradation, design innovation, quality standards & governmental support will play a crucial role in the growth of textile industry in general and exports sector in particular.

II) Opportunities & Threats

We believe that the Indian textile industry is at a point of inflection. With a chequered history behind it, the sector is faced with a world of opportunities. Indian textiles and garmenting have caught the attention of the world; it is one of the new sunrise industries in India, poised for strong growth for the foreseeable future.

The closure and shifting of many manufacturing units (especially in weaving, processing and garmenting) out of the European Union and the USA is fuelling demand from India and other Asian countries. The dominance & aggression of China is making it imperative for many EU & US companies to have an alternative base for sourcing, thus making India an ideal business partner and alternative to China.

The phasing out of the Multi-Fibre Agreement may impact Indian exports in overseas markets and threaten domestic producers with large scale imports, especially from China. The entry of several new players from India may also put pressure on selling price. China, being the largest producer of cotton and man-made fibre in the world, with the largest spinning and

weaving capacities, the largest garment factories backed by a strong infrastructure and supply chain, will continue to have larger share of world textile market. The only avenues for Indian companies to differentiate and succeed in this environment is to reduce costs, increase productivity and become more design-driven to attract higher-end customers.

Besides China, it should also be noted that India may face steep price competition from its neighbors such as Pakistan and Bangladesh due to their lower labour cost and local availability of raw material.

Attracting fresh investments to remain competitive is the greatest challenge faced by the industry; despite the current spurt of investment in fabric and textile capacities, further large investments across the entire value chain are needed to make our products more competitive in the global markets; to achieve the export target of US\$50 billion by 2010, investments of the order of US\$32 billion are required (this will also generate 12 million additional jobs). However, new investments are not up to desired levels; FDI in the sector is almost non-existent. We feel that this should be encouraged by governmental support.

III) Performance

Morarjee Textiles Ltd. has registered an encouraging performance during the year ended 31.03.2006. On a standalone basis, the total revenue for the year was Rs. 174.00 cr. against Rs. 148.77 cr. in the previous year, a growth of 17%. We also invested and are continuing to invest in the modernisation of our spinning plant to entirely service the high quality requirements for our fabric. EBITDA margin for the year increased to 14.4% from 13.1% in the previous year. This was due to both the capacity increase and also the pruning of our product portfolio. We dropped several low value products and introduced value added, high end products. The company achieved a profit after tax of Rs. 10.45 cr. for the year, against Rs. 6.64 cr. the previous year, a growth of 57.3%.

On a consolidated basis, the total revenue for the company during the year was Rs.189.18 cr. against Rs.173.08 cr. last year. Our garment subsidiary, Integra Apparels, registered sales of Rs.17.67 cr. against sales of Rs.2.70 cr. last year. Some of our customers include prominent brands such as Esprit, Tommy Hilfiger, Marlboro Classics, Massimo Dutti and Next.

IV) Outlook

We are optimistic and confident about prospects for the coming year. We are investing in our spinning, printing, processing and garmenting facilities in the current year, which should provide further growth opportunities in the coming years. To move further into value added products and broaden our product portfolio,



MORARJEE TEXTILES LTD

we are investing further in our product development capabilities. These have so far yielded encouraging results in terms of new and exclusive products.

V) Risks & Concerns

- The Cotton Textile Industry is dependent on the vagaries of nature. Availability of the required quality and quantity of cotton is critical for business and any damage or fall in crop production can adversely impact the price of cotton, which can impact business performance and profitability.
- Competition from China's Textile industry by virtue of it being a very dominant player, and due to its large scale operations, can put price pressure and impact the company's global business. Cheaper imports of fabric can also impact pricing power and adversely affect business performance in the domestic market. The appreciation of the rupee and reduction in DEPB rates is a matter of concern.
- Non – tariff barriers: In the post quota regime there could be a threat to Indian companies in terms of non-tariff barriers imposed by the US & Europe – mainly being stringent quality adherence standards, labour policy standards, environmental / pollution concerns. Also preferential treatment could be given to countries in certain trading blocs like NAFTA by US & Europe.

VII) Internal Control Systems & their Adequacy

The Company has proper and adequate system of Internal Control to ensure that all the assets are safeguarded from loss, damage or disposition. Checks & balances are in place to ensure that transactions are adequately authorised and recorded, and that they are reported correctly. The internal control system is further supplemented by a programme of internal audit conducted by an independent firm of chartered accountants.

The Board of Directors considers internal controls as adequate.

VII) Financial Performance

Standalone

Rs. in lacs

	Year ended 31.03.06	Year ended 31.03.05	Growth %
Income	17400	14877	17
EBIDTA	2507	1944	29
% to Income	14.4%	13.1%	
Interest	619	564	
Depreciation	807	716	
Profit before tax	1081	664	63
Profit after tax	1045	664	57

Consolidated

Rs. in lacs

	Year ended 31.03.06	Year ended 31.03.05	Growth %
Income	18918	17308	9
EBIDTA	2531	2183	16
% to Income	13.4%	12.6%	
Interest	653	592	
Depreciation	836	823	
Profit before tax	1042	768	36
Profit after tax	984	583	69

The income of the Company has increased by 17% during the year under review as compared to the previous year. The Company has made a net profit of Rs. 1045 lacs as against Rs. 664 lacs in the previous year. EBITDA stood at Rs.25.07 cr. against Rs.19.44 cr. in the previous year. EBITDA margin increased from 13.1% to 14.4%.

On a consolidated basis, the income of the Company increased by 9% during the year under review as compared to the previous year. The Company has made a net profit of Rs.9.84 cr. as against Rs.5.83 cr. in the previous year. EBITDA stood at Rs.25.31 cr. against Rs.21.83 cr. in the previous year.

VIII) Human Resources

The Company has harmonious employee and industrial relations and there is close interaction between the management and workmen to facilitate smooth functioning of our units. The Company facilitates consistent improvement in performance, productivity and effectiveness by setting targets through an interactive process. Human resources are being recognised as critical to the success of our organisation.

VIII) Cautionary Statement

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable laws or regulations. These statements are based on certain assumptions and reasonable expectation of future events. Actual results could however differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand – supply conditions, finished goods prices, raw materials cost & availability, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and industrial relations.

The Company assumes no responsibility in respect of the forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

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CORPORATE GOVERNANCE

Introduction

Your Company has complied in all material respects with the requirements of Corporate Governance Code as per revised Clause 49 of the Listing Agreement with the Stock Exchange.

A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below :

A. MANDATORY REQUIREMENTS**1. Company's Philosophy on Corporate Governance**

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organization. Good Corporate Governance leads to long term shareholder value and enhances interest of other stake holders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder value.

2. Board of Directors

The Board of Directors of your Company presently consists of majority of Non-Executive/ Independent Directors. The Board comprises of two (2) Executive Directors, two (2) Non-Executive Directors and seven (7) Independent Directors :

The constitution of the Board is given below :

Director	Executive / Non-Executive / Independent	No of other Directorships #	Other Board Committees	
			Chairman / Chairperson	Member
Ajay G. Piramal (resigned on 08.06.2006)	Non-Executive	10	1	2
Urvi A Piramal	Non-Executive	8	3	2
Harshvardhan A. Piramal	Executive	7	—	1
P. K. Gothi	Executive	4	—	—
G. Callegari	Independent	—	—	—
Takao Yajima	Independent	—	—	—
Ranjan Sanghi	Independent	7	1	4
Shailesh Haribhakti	Independent	14	3	6
Aditya Mangaldas	Independent	2	1	—
Mahesh Gupta (appointed on 19.01.2006)	Non-Executive	6	1	2
Shobhan Thakore (appointed on 19.01.2006)	Independent	5	2	2
Pradipta Mohapatra (appointed on 08.06.2006)	Independent	6	—	—

This includes directorships held in Public Limited Companies and subsidiaries of Public Limited Companies and excludes directorships held in Private Limited Companies and Overseas Companies.

Attendance of Directors at Board Meetings and Annual General Meeting

The Board of the Company met five times during the last financial year, on the following dates :

28th April, 2005, 27th June 2005, 28th July 2005, 27th October 2005 and 19th January 2006

The Company placed before the Board the annual operating plans, budgets, performance of the Company and various other information, including those specified under Annexure 1A of Clause 49 of the Listing Agreement from time to time.