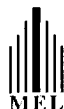


MUKAND ENGINEERS LIMITED

19th Annual Report 2004-2005

**BOARD OF DIRECTORS**Rajesh V. Shah, *Chairman*

Niraj Bajaj

D. S. Mulla

Prakash V. Mehta

T. S. Anand

MANAGER

K. P. Jotwani

COMPANY SECRETARY

P. R. Dhruva

AUDITORS

Dalal & Shah, Chartered Accountants

REGISTERED OFFICE

Bajaj Bhavan, Jamnalal Bajaj Marg,
226, Nariman Point,
Mumbai 400 021.

REGISTRAR AND TRANSFER AGENTS

Big Share Services Pvt. Ltd.

E-2/3, Ansa Industrial Estate, Saki Vihar Road,
Saki Naka, Andheri (East), Mumbai 400 072.

ANNUAL GENERAL MEETING

on Tuesday,
23rd August, 2005
3.30 p.m.
at
Kamalnayan Bajaj Hall,
Bajaj Bhavan, Jamnalal Bajaj Marg,
226, Nariman Point, Mumbai 400 021.

A Request :

As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copy of the Report to the meeting.

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NOTICE

NOTICE is hereby given that the 19th ANNUAL GENERAL MEETING of the Members of the Company will be held on **Tuesday, the 23rd day of August, 2005 at 3.30 p.m.** at Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021, to transact the following business:-

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2005 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Niraj Bajaj who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri T. S. Anand who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Dalal & Shah, Chartered Accountants, retiring Auditors of the Company who are eligible for re-appointment for the period commencing from the conclusion of this annual general meeting till the conclusion of the next annual general meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

RESOLVED THAT the members hereby do approve and ratify accounting of the income of Rs. 8,48,58,072/- (representing the difference between the debt of Rs. 16,08,58,072/- due by Mukand Limited to Commerz Bank AG and amount of Rs. 7,60,00,000/- paid by the Company to Commerz Bank AG in lieu of the Assignment of the debt of Rs. 16,08,58,072/- by Commerz Bank AG to the Company) by the Company as Exceptional Income in the Financial Year 2002-2003.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds matters and things as may be considered necessary, expedient or desirable to give effect to the above Resolution.

NOTES FOR MEMBERS' ATTENTION:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, August 9, 2005 to Tuesday, August 23, 2005, (both days inclusive) for the purpose of Annual General Meeting.
3. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Those Members who have so far not claimed their dividends upto the said period are requested to claim the amount by submitting an application in prescribed Form II to the Registrar of Companies, Maharashtra.

Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividends for the year 1996-97 has been transferred to the Investors' Education and Protection Fund (the Fund) set up by the Central Government. The said Section further provides that amounts remaining unclaimed for a period of seven years from the date of payment shall be transferred to the said Fund. Members are requested to note that no claims shall thereafter lie against the Fund or the Company in respect of the amount so transferred.

Members who have so far not encashed / claimed their Dividend Warrant(s) for the financial year ended 31st March, 1998 or any subsequent year/s are advised to submit their claim to the Company immediately quoting their folio numbers failing which the amount will be transferred to the Fund pursuant to the provisions of Section 205C of the Companies Act, 1956.

4. Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, change in name etc. to their Depository Participant (DP). These changes will be

Mukand Engineers Limited

automatically reflected in Company's records, which will help the Company to provide efficient and better service to the Members.

5. The Company's Equity Shares are listed on The Stock Exchange, Mumbai and The National Stock Exchange of India Ltd., Mumbai. The Company has paid listing fees to these exchanges for the year 2005-06.

By Order of the Board
For Mukand Engineers Limited

P. R. Dhruva
Secretary

Place : Mumbai
Date : 15th June, 2005

Registered Office

Bajaj Bhavan,
Jamnalal Bajaj Marg,
226, Nariman Point,
Mumbai 400 021.

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]]

Item No.5

Mukand Ltd. (Mukund) had taken loan from Commerz Bank AG (Bank), the outstanding whereof as on November 30, 2001 was of Rs. 16,08,58,072/- (Debt.)

The members had passed a resolution under Section 192A of the Companies Act, 1956 by Postal Ballot in June, 2002 (Resolution) whereby the members had authorised the Company to stand Surety to the Bank to the extent of Rs. 7,60,00,000/- in respect of the Debt pursuant to a Consent Decree dated April 5, 2002 filed by the Bank before the Debt Recovery Tribunal in Original Application no. 38 of 2001. The members had also resolved that upon payment of the said sum of Rs. 7,60,00,000/- or two months after the restructuring package of Mukand comes into operation, whichever is earlier, the Company obtain from the Bank an assignment of the Debt in the Company's favour. The Explanatory Statement and the Reasons for proposing the Resolution had among other things informed the members that the Company will be able to book profit representing the difference between the Debt assigned to the Company and the debt discharged by it to the Bank in the proportion of payments received by the Company from Mukand. However, based on legal opinion received by the Company, the Company accounted the aforesaid Income as Exceptional Income in the Financial year 2002-2003 instead of accounting the same in the proportion of payments received by the Company from Mukand as stated in the Explanatory Statement to the Resolution. The members are now requested to approve and ratify the aforesaid accounting method followed by the Company.

Shri Rajesh V. Shah, Shri Niraj Bajaj and Shri D. S. Mulla, Directors of the Company being also on the Board of Mukand Limited may be deemed to be concerned / interested in the aforesaid Resolution.

None of the other Directors of the Company, are in any way, concerned or interested in this Resolution.

The Directors recommend the Resolution for approval of the members.

By Order of the Board
For Mukand Engineers Limited

P. R. Dhruva
Secretary

Place : Mumbai
Date : 15th June, 2005

Registered Office

Bajaj Bhavan, Jamnalal Bajaj Marg,
226, Nariman Point, Mumbai 400 021.

DIRECTORS' REPORT

TO THE MEMBERS,

1. Your Directors present below the Nineteenth Annual Report and the Audited Statement of Accounts of the Company for the year ended 31st March 2005.

2. Financial Results

	(Rs. in Millions)	
	Current Year	Previous Year
Profit/(Loss) for the year before Exceptional Items	(38.76)	(67.72)
Less: Exceptional Expenditure	-	(34.89)
(Loss) for the year before tax	(38.76)	(102.61)
Less: Provision for tax (including deferred tax)	7.14	7.89
(Loss) after tax	(31.62)	(94.72)
Less/Add: Prior period adjustments	1.29	(0.67)
Add: Tax provision no longer required (net)	-	2.83
Add: Balance brought forward from previous year	(63.92)	28.64
Withdrawn from General Reserve	86.37	-
Balance carried to Balance Sheet	(7.88)	(63.92)

3. Dividend

Due to the losses incurred by the Company during the year, your Directors do not recommend payment of dividend on the equity shares.

4. Operations

4.1 The income from operations, waivers and other income during the year was Rs.305.65 million compared to Rs. 178.21 million in the previous year. The Company incurred a loss of Rs.31.62 million during the year under review as compared to loss of Rs.94.72 million in the previous year.

4.2 Three major orders of Rs.255 Millions were received during the year.

4.3. The Company has received Rs.10.77 Millions by way of interest and installments from Mukand Ltd. against debts purchased from Commerzbank AG, without any default or delay.

4.4 During the year, Company has fully repaid Term Loan of SICOM and Hire Purchase Loan of Canara Bank. Company has reduced Short Term & Long Term Loans by Rs.70.78 Millions from Rs.361.91 Millions to Rs.291.13 Millions.

5. Corporate Governance

Pursuant to Clause 49 of the listing agreement, a report on Corporate Governance, along with Auditor's certificate regarding compliance of conditions of Corporate Governance and Management Discussion and Analysis is separately given in this Report.

6. Other Information

6.1 As the Company does not own an undertaking where manufacturing operations are carried out, the information to be furnished under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not applicable.

6.2 During the year under review there are no foreign exchange earnings nor foreign exchange outgo.

6.3 None of the employees is covered within the purview of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

7. Directors' Responsibility Statement

As required by Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

(i) In the preparation of the annual accounts, the applicable accounting standards have been followed;

(ii) appropriate accounting policies have been selected and applied consistently, and have 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 as at 31st March 2005 and of the loss of the Company for the year ended 31st March 2005;

(iii) 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;

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

8. Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company Shri Niraj Bajaj and Shri T. S. Anand, Directors of the Company retire by rotation and are eligible for re-appointment.

9. Auditors

Messrs. Dalal & Shah, Chartered Accountants, Auditors of the Company retire and are eligible for re-appointment.

10. Auditors' Report

The observations made in the auditors' report, read together with the relevant notes thereon are self-explanatory and hence, do not call for any comments under section 217 of the Companies Act, 1956.

For and on behalf of the Board of Directors

Rajesh V. Shah
Chairman

Place: Mumbai,
Date: June 15, 2005.

Mukand Engineers Limited

REPORT ON CORPORATE GOVERNANCE

(As required by Clause 49 of the Listing Agreement with Stock Exchanges)

1. Company's Philosophy :

The Company has always worked towards building trust with shareholders, employees, customers, suppliers, and diverse stake-holders on four key elements of corporate governance transparency, fairness, disclosure and accountability and would constantly endeavour to improve on these aspects.

2. Board of Directors :

(a) Composition and size of the Board :

The Board of Directors of the Company consists of five Directors including the Non-Executive Chairman. All these five Directors are Non-Executive Directors out of which three Directors are Independent Directors. The Company did not have any pecuniary relation or transaction with Non-Executive Directors during the year under review.

(b) Board Meetings :

During the year five Board Meetings were held on June 3, 2004, July 29, 2004, September 20, 2004, October 29, 2004 and January 31, 2005. The Board was presented with the relevant and necessary information. None of the Directors is a member of more than ten Committees or acting as Chairman of more than five Committees across all Companies in which he is a Director. The attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other directorships are given herein below:

Name	Category	Attendance Particulars		No. of outside Directorships in Public Limited Companies	No. of Membership (M) / Chairmanship (C) in other Board Committee(s)
		Board Meetings	Last AGM		
Shri Rajesh V. Shah	C. NED	4	Yes	10	1(C) 3(M)
Shri Niraj Bajaj	NED	4	No	11	-
Shri D. S. Mulla	NED	5	Yes	7	2(C) 7(M)
Shri Prakash V. Mehta	NED	1	No	10	1(C) 6(M)
Shri T. S. Anand	NED	5	Yes	2	-

C : Chairman, NED: Non-Executive Director.

(c) Re-appointment of Directors :

Shri Niraj Bajaj and Shri T. S. Anand are liable to retire by rotation and being eligible offer themselves for re-appointment. Information as required under Clause 49 of the Listing Agreement are given hereunder:-

Name of the Director	Shri Niraj Bajaj	Shri T. S. Anand
Date of appointment	July 27, 1992	June 27, 2001
Expertise in Specific Functional areas	Providing valuable guidance on matters relating to strategic planning and performance, expansion, diversification, new business.	Coordinating with Financial Committees of Parliament. Expertise in Management and Internal Audit. Finance Director of Indian Oil Corporation Ltd. Director of The Institute of Internal Auditors, Florida for 4 years.
List of other Directorships held (in listed Companies)	1) Mukand Ltd. 2) Bajaj Hindusthan Ltd. 3) Hind Rectifiers Ltd. 4) RPG Life Sciences Ltd.	NIL
Chairman / Member of the Committee of the Board of other Companies in which he is a Director	Chairman : NIL Member : NIL	Chairman : NIL Member : NIL

3. Audit Committee :

The Audit Committee consists of Shri D. S. Mulla, Chairman, Shri Prakash V. Mehta and Shri T. S. Anand, all of whom are independent Directors. The terms of reference of the Audit Committee specified by the Board are as contained in Clause 49 of the Listing Agreement.

During the year under review, the Audit Committee met four times on June 3, 2004, July 29, 2004, October 29, 2004 and January 31, 2005. These meetings were also attended by the Internal Auditors, Shri Rajesh V. Shah and Shri Niraj Bajaj, Directors, Shri K.P. Jotwani, "Manager" and Shri M. R. Karandikar, Senior Manager- Accounts, Mr. P. R. Dhruva, Secretary act as Ex-officer, Secretary of the audit Committee. The Statutory Auditors of the Company attended two meetings. The Internal Auditor of the Company M/s. N. S. Shetty & Co., Chartered Accountants had attended one meeting and they ceased to be the Internal Auditors of the Company w.e.f. April 1, 2004. The Company then appointed M/s. M. M. Nissim & Co., Chartered Accountants as the Internal Auditors w.e.f. April 1, 2004. The Company Secretary acts as Secretary to the Audit Committee. Apart from considering unaudited and/or audited financial results for the relevant quarter, half year and the year, before submission to the Board for its approval, the Committee focused its attention on other matters which *inter-alia* included key areas impacting the overall performance of the Company and major accounting policies and practices, review of internal control system, review of current site progress and Management Information System.

The attendance at the Audit Committee Meetings during the year is given herein below:

Name	Category	Attendance Particulars Number of Meetings Attended
Shri D. S. Mulla	C. NED	4
Shri Prakash V. Mehta	NED	1
Shri T. S. Anand	NED	4

C: Chairman, NED: Non-Executive Director.

**4. Remuneration Committee & Policy :**

The Company has not constituted a Remuneration Committee. The decision regarding remuneration of the "Manager" under the Companies Act, 1956 are taken by the entire Board subject to such approvals as may be necessary. The Company does not pay any remuneration to the Non-Executive Directors except payment of sitting fees for attending the Board / Committee meetings. However, Shri Rajesh V. Shah, Chairman and Shri Niraj Bajaj, Director of the Company have waived their sitting fees w.e.f. June 30, 2003.

Remuneration Package of Shri K. P. Jotwani "Manager" under the Companies Act, 1956.

Particulars	(Rupees)
Salary and allowances	808,703
Contribution to Provident Fund and Other Funds	72,607
Perquisites (including approx. money value)	216,476

The Company has not issued stock options to any of its Directors.

5. Shareholders'/ Investors' Grievance Committee:

The Company had constituted Shareholders'/ Investors' Grievance Committee consisting of Shri Rajesh V. Shah as the Chairman, Shri Niraj Bajaj and Shri K. P. Jotwani as manager. During the year under review Shri K. P. Jotwani resigned w.e.f. February 15, 2005 and in his place Shri T. S. Anand was appointed by the Board in their meeting held on May 30, 2005. The Company Secretary acts as Compliance Officer to the Committee. The meeting of the said Committee was held on June 15, 2005 which was attended by all the members.

The functions of Shareholders'/ Investors' Grievance Committee are to review and redress Shareholders' / Investors' query/grievance/complaint on matters relating to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. and there were no major complaints from the shareholders.

The Committee also oversees the performance of the Registrar and Transfer Agents and recommends measures for overall improvement in the quality of Investor Services.

6. Annual General Meetings :

- (a) The last three Annual General Meetings were held at Kamalnayan Bajaj Hall, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021 on the following dates and time:

Financial Year	Date	Time
2003-2004	September 20, 2004	3.30 p.m.
2002-2003	September 17, 2003	3.30 p.m.
2001-2002	September 17, 2002	3.30 p.m.

- (b) No resolution was put through postal ballot during the financial year 2004-2005.

7. Disclosures :

There were no transactions by the Company of material significance with its promoters, directors or companies or the management or their relatives during the year, which may have potential conflict with interest of the Company, at large. The details of transactions with related parties are disclosed in the accounts. There was no default in compliance on any matters related to capital markets. Consequently, during the last three years neither any penalties were imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.

8. Means of Communication :

Quarterly / half yearly unaudited and yearly audited results are published in English and local language newspapers as specified by SEBI and as required under the Listing Agreement. The Management Discussion and Analysis is a part of the annual report. All financial and other vital information is promptly communicated to the Stock Exchanges on which the Company's Shares are listed.

9. General Information for Shareholders :

- a) **Registered Office** Bajaj Bhavan,
Jamnalal Bajaj Marg ,
226, Nariman Point,
Mumbai 400021.
- b) **Date, Time** Tuesday, August 23, 2005
and at 3.30 p.m.
Venue of Annual Kamalnayan Bajaj Hall,
General Meeting Bajaj Bhavan,
Jamnalal Bajaj Marg ,
226, Nariman Point,
Mumbai 400 021.
- c) **Financial reporting for the quarter ending**
- June 30 Last week of July
 - September 30 Last week of October
 - December 31 Last week of January
 - For the year ending March 31 Last week of June
- d) **Dates of Book Closure** Tuesday, August 9, 2005 to
Tuesday, August 23, 2005.
(both days inclusive)
- e) **Listing Details**
- The Company's Shares are listed on the Stock Exchanges at Mumbai (The Stock Exchange, Mumbai and The National Stock Exchange of India Ltd.)
- f) **Stock code**
- 1. The Stock Exchange, Mumbai (BSE) 532097
 - 2. The National Stock Exchange of India Ltd. (NSE) Mukand Engg.
 - 3. ISIN INE 022B01014

Mukand Engineers Limited

g) Stock Market Data

Month	The Stock Exchange, Mumbai (BSE) (in Rs.)			National Stock Exchange (NSE) (in Rs.)		
	Month's High Price	Month's Low Price	Total Volume of Shares Transacted (Nos.)	Month's High Price	Month's Low Price	Total Volume of Shares Transacted (Nos.)
Apr- 04	10.80	8.55	63,630	10.65	8.50	77,501
May- 04	10.08	7.40	27,957	10.05	8.05	27,341
June-04	9.00	6.58	23,770	9.90	6.90	28,575
July- 04	8.97	6.81	39,245	9.40	6.80	34,084
Aug- 04	10.53	7.55	1,274,817	10.95	7.45	163,850
Sep- 04	21.94	9.06	775,939	22.40	9.45	984,664
Oct- 04	19.15	13.10	277,026	19.05	16.00	174,264
Nov- 04	19.50	13.60	335,002	NIL	NIL	NIL
Dec- 04	25.00	15.65	1,213,359	25.00	16.20	1,940,634
Jan- 05	27.00	20.00	487,052	27.00	20.00	819,721
Feb- 05	38.00	24.05	3,077,606	36.80	24.10	3,633,516
Mar- 05	51.15	30.50	7,402,380	51.20	30.00	11,785,540

h) Registrar and Transfer Agents

(For share transfers and other communication relating to share certificates, dividend and change of address etc.)

Big Share Services Pvt. Ltd.
E-2/3, Ansa Industrial Estate, Saki Vihar Road,
Saki Naka, Andheri (East), Mumbai 400 072.
Tel : (022) 28473474/28470652/53 Fax : (022) 28475207
E-Mail : bigshare@bom.7.vsnl.net.in

i) Share Transfer System

The Share Transfers are approved by a committee of Directors and are registered within a period of 15 days from the date of receipt, if the documents are complete in all respect. During the year under review, the Company has followed the guidelines issued by SEBI for dematerialisation of shares sent for transfer by the investors.

Total number of shares transferred in physical form (non-ematerialised) during 2004-05 were 9019 shares.

There were no transfers which remained unattended as of March 31, 2005.

The Board in their respective Board Meetings held duly ratifies the transfers.

j) Investor Services (Complaints received during the year)

Nature of Complaints	2004-2005		2003-2004	
	Received	Cleared	Received	Cleared
Relating to Transfer, Transmission, Dividend, Demat & Remat, Change of address and others	182	182	273	273

There were no complaints / queries pending reply as on March 31, 2005.

k) Distribution of Shareholding as on 31st March

No. of Equity shares held	2005				2004			
	No. of share holders	% of share holders	No. of shares held	% of share holding	No. of share holders	% of share holders	No. of shares held	% of share holding
1-100	25,811	84.44	574,234	4.57	27,630	86.80	577,720	4.59
101-200	1,983	6.49	346,255	2.76	1,820	5.72	311,742	2.48
201-500	1,595	5.22	589,229	4.69	1,411	4.43	514,120	4.09
501-1000	564	1.85	468,268	3.72	488	1.53	397,095	3.16
1001-5000	453	1.48	1,060,432	8.43	382	1.20	850,903	6.77
5001-10000	88	0.29	641,702	5.10	48	0.15	332,270	2.64
10001 & above	71	0.23	8,892,280	70.73	52	0.17	9,588,550	76.27
Total	30,565	100.00	12,572,400	100.00	31,831	100.00	12,572,400	100.00



I) Categories of Shareholding as on 31st March

Categories	2005				2004			
	No. of share holders	% of share holders	No. of shares held	% of share holding	No. of share holders	% of share holders	No. of shares held	% of share holding
Individuals	29,950	97.98	4,105,238	32.65	31,401	98.65	3,791,625	30.16
Corporate	537	1.76	2,514,286	20.00	352	1.11	2,743,379	21.82
Financial, Institutions	6	0.02	20,810	0.17	8	0.02	132,592	1.05
FII's	1	0.00	65	0.00	1	0.00	65	0.00
NRIs/OCBs	55	0.18	190,212	1.51	47	0.15	161,481	1.28
Banks	11	0.04	1,208	0.01	17	0.05	2,177	0.02
Mutual Funds	3	0.01	800	0.01	3	0.01	1,300	0.01
Promoters	2	0.01	5,739,781	45.65	2	0.01	5,739,781	45.66
Total	30,565	100.00	12,572,400	100.00	31,831	100.00	12,572,400	100.00

m) Dematerialisation of Shares and Liquidity

62.64% of outstanding equity have been dematerialised up to March 31, 2005.

Trading in Equity Shares of the Company on any Stock Exchanges is permitted only in the dematerialised form from July 24, 2000 as per notifications issued by SEBI.

n) Plant Locations

The Company has no plants but carries out jobs at various sites of customers.

o) Investor Correspondence

For any queries, investors are requested to get in touch with the Company's Registrar and Transfer Agent: Big Share Services Pvt. Ltd. E-2/3, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai 400 072.

Registered Office of the Company : Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai 400 021.

p) Auditors' Certificate of Corporate Governance

The Company has obtained a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated in the Listing Agreement with stock exchanges. This is annexed to the Directors' Report. The certificate will be sent to the stock exchanges along with annual return to be filed by the Company.

Auditors' Certificate on Corporate Governance

The Board of Directors
Mukand Engineers Limited
Bajaj Bhavan
226, Nariman Point
Mumbai 400021.

We have reviewed the records concerning the Company's compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into, by the Company, with the Stock Exchanges of India, for the financial year ended 31st March, 2005.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for the review, and the information and explanations given to us by the Company.

Based on such a review and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the said Listing Agreements.

On the basis of the certificate issued by the Registrars of the Company and the Minutes of meetings of the Shareholders / Investors Grievance Committee of the Company, we state that, there were no investor grievances pending against the Company for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the Company, nor as to the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
DALAL & SHAH
Chartered Accountants

ASHISH DALAL
Partner

Mumbai : 15th June, 2005

Mukand Engineers Limited

MANAGEMENT DISCUSSION AND ANALYSIS

1. ENGINEERING AND CONSTRUCTION DIVISION :

1.1 INDUSTRY STRUCTURE AND DEVELOPMENTS :

The Company undertakes detailed Engineering, Civil and Structural work including Mechanical, Electrical and Piping, for its client's in Petroleum, Power Generation and Steel & Aluminium manufacturing industries.

1.2 OPPORTUNITY AND THREATS :

During the year, Company received three orders for Kochi Refinery Ltd., Bharat Aluminum Co. Ltd. and Indian Oil Corporation Ltd. projects amounting to Rs.255 Millions. Company has completed Kochi Refinery Ltd. project order. Other two project orders will be completed by 2nd quarter of the year in progress.

Effective steps have been taken to control costs and strengthen internal control procedures for purchase of Inventories and Fixed assets. Manpower costs have been rationalized.

Engineering business has become competitive. New projects attract competitive bids and have the wider choice of contractors. This situation puts pressure on Contractor's margin.

Most of the projects are situated at remote areas and lack amenities. This, along with local area disturbances do sometimes put further pressure on execution of contract work.

1.3 OUTLOOK :

The economy during current fiscal is expected to grow at about 8%. New projects will be undertaken for capacity expansion and infrastructure developments. Steel & Petroleum industries are expanding their production capacities. Company has a good track record of executing expansion projects in these industries. However the Company does need to have a greater availability of guarantee limits from Banks to quote for larger jobs.

1.4 RISK MANAGEMENT :

Project execution and profitability largely depends on the Client providing the project site free from obstructions and support facilities in time to complete project within stipulated period and control project costs. Therefore the Company plans to quote for projects only to such clients and locations where we have reasonable assurance of the above.

2. INFOTECH DIVISION :

The Company continues to undertake Electronic Data

Processing and ERP advisory & support activities. The efforts are being made to optimise utilisation of available resources.

3. SEGMENTWISE PERFORMANCE :

The Income from operations of the Engineering and Construction amounted to Rs.234.78 million as against Rs.104.57 million in the previous year. Infotech business income amounted to Rs.37.50 million in the current year against Rs.36.00 million in the previous year. The detailed disclosures in respect of both the segments of the Company are available in the financial statements.

4. INTERNAL CONTROL SYSTEM :

The Company has instituted a system of internal control to safeguard and protect the assets of the Company from unauthorized use or disposition. The internal control systems are regularly reviewed by Management, and guidelines and audit programmes are formulated for proper controls. The system ensures recording and reporting of the transactions as a result of which records prepared become reliable for correctly reflecting transactions of assets in the financial statements.

5. FINANCIAL PERFORMANCE :

For the year under review turnover, waivers and other receipts amount to Rs.305.65 million compared to Rs.178.21 million in the previous year. The profit for the year before interest and depreciation amounted to Rs.28.19 million as against loss of Rs.14.85 million in the previous year.

The Company is anticipating new orders in addition to three orders received during the year amounting to Rs.255 Million. Discussions with the Bankers are underway to get Bank Guarantees by offering escrow mechanism. Effective steps are being taken to arrest the cost so that bids of the Company become competitive.

6. HUMAN RESOURCE MANAGEMENT INITIATIVES :

Steps are being taken for effective use of the available manpower. Wherever possible, the Company is making efforts to rationalize its manpower.

7. CAUTIONARY STATEMENT :

Statements made herein describing the Company's expectations or predictions, are "forward-looking statements". The actual results may differ from those expected or predicted. Prime factors that may make a difference to the Company's performance include market conditions, input costs, interest costs, Government regulations, economic developments within/outside the country.