



4) Investors' Grievance Committee :

The Board constituted an Investors Grievance Committee on 31st October 2001, which looks into Shareholders and investors grievances. The following are the members of the committee. During the year 2 meetings were held on 27.07.2005, 31.01.2006.

Name	Designation	Whole time/ Independent	Profession	Committee meetings attended
M. Kanna Reddy	Chairman	Independent	Chartered Accountant	2
K. Madhu	Member	NED	Business	2
GDLSN Raju	Member	NED	Business	2

Name and designation of compliance Officer :

Mr B.Subrahmanyam, Sr. Vice President & Company Secretary

i) Details of Investors letters / complaints received during the year ended 31st March 2005.

Sl No	Nature of letter / complaints	Received	Disposed	Pending
1	Non-receipt of Dividend warrant(s)	6	6	Nil
2	Non-Receipt of Share certificates after transfer/ duplicate.	2	2	Nil
3	Non – Receipt of Annual Report	2	2	Nil
4	Miscellaneous – others	1	1	Nil

ii) Number of Complaints pending with the Company:

All the complaints / letters received during the financial year were replied / resolved to the satisfaction of the shareholders.

5) Remuneration Committee:

The Remuneration committee was set up by the Board of Directors during August 2001. The constitution of the committee is given hereunder.

Name	Designation	Whole-time/ Independent	Profession
K.Jayabharath Reddy	Chairman	Independent	IAS(Retd. from Govt Service)
M.Kanna Reddy	Member	Independent	Chartered Accountant
K. Madhu	Member	Non Executive	Business

During the year, no meeting was conducted.

6) Remuneration of Directors:

Details of remuneration paid to non-executive Directors are given below:

(Rupees in lakhs)

Directors	Sitting Fee	Total Fees
Shri K.Jayabharath Reddy	0.28	0.28
Shri R.Anand	0.02	0.02
Shri M.Kanna Reddy	0.29	0.29
Shri S.R. Gokul	0.14	0.14
Shri VV Goradia	0.08	0.08
Shri K Madhu	0.27	0.27
Shri M. Bhaskara Rao	0.26	0.26
Shri GDLSN Raju	0.17	0.17

Details of remuneration paid to Managing Director are given below:

(Rs in lakhs)

Director	Salary	Perquisites	Commission	Sitting Fee	Total
K. Ravi	6.74	2.78	6.42	Nil	15.94

· Perquisites include HRA, Contribution to PF etc.

· Commission payable to MD at 1% of Net profits of the company computed in accordance with Section 198 Companies Act, 1956 which was separately shown in Notes to Accounts.



7) General Body Meetings:

a) Details of the location of the last 3 Annual General Meetings (AGM) are given hereunder:

Year	Date & time of AGM	Place
2004-2005	15 th December 2005 at 10.00 A.M.	Bharatiya Vidya Bhavan, King Koti, Hyderabad
2003-2004	17 th September 2004 at 10.00 A.M.	Bharatiya Vidya Bhavan, King Koti, Hyderabad
2002-2003	22 nd September 2003 at 10.00 A.M.	KLN Prasad Auditorium, Federation House Red Hills, Hyderabad.

b) No resolution was put through postal ballot last year.

8) Management discussion & Analysis Report:

Management Discussion and Analysis Report is separately published in this Report

9) Disclosures:

- There are no materially significant related party transactions made by the Company with its promoters, Directors or management or relatives etc that may have conflict with the interest of the company at large. The register of contracts containing the transactions in which directors are interested are placed before the board regularly for its approval.
- There was separate disclosure on this item in the notes to accounts, which is forming part of the Annual Report.
- During the last 3 years there were no strictures or penalties imposed by either the SEBI or the Stock Exchanges or any statutory authority for noncompliance of any matter related to the capital markets.

10) Means of communication:

The quarterly and half year results are published in any two of the national and local daily's Business Standard, Economic Times, Eenadu and Deccan Chronicle and Andhra Bhoomi.

- Quarterly / Half yearly financial results of the company are forwarded to the stock exchanges and published in Business Standard and Andhra Bhoomi. Half yearly report is not sent to each household of shareholders as the results are published in the news papers
- Results or official news were not displayed in any web site however the same are posted in the SEBI's web site on EDIFAR.
- Company has not made any presentations to any institutional investors / analysts during the financial year. 2005-06

11) Shareholders information:

- AGM : 25th Annual General Meeting
Date : 9.12.2006
Time : 9.30 AM
Venue : Bharatiya Vidya Bhavan, King Koti, Hyderabad
- Financial Calendar
Tentative
Annual General meeting : 9th December, 2006
Results for the quarter ending June : Last week of July 2006
Results for the quarter ending September : Last week of October 2006
Results for the quarter ending December : Last week of January 2007
Results for the year ending March : Last week of April 2007
- Date of Book Closure : 1.12.2006 to 9.12.2006
- Dividend payment date : Within 30 days from the date of declaration
- Regd & Admn Office : 7th Floor, Raghava Ratna Towers,
Chirag Ali Lane, Hyderabad 500 001
- Listing of Shares on Stock Exchanges at : Mumbai & Calcutta.
Securities have been delisted from
the Hyderabad Stock Exchange w.e.f 01.04.2004
(Applied for de-listing from Calcutta Stock
Exchange – formal de-listing awaited)
- Listing fee : Listing fee for the year 2006-2007 has been paid to BSE
- A) Script Code : BSE 502168, CSE 24028
B) Demat ISIN No in NSDL & CDSL
for equity shares : INE 732CO1016
C) Corporate Identification Number : L33130AP1979SGC002521

**ix) Stock Market Data****SHARE PRICE (BSE)**

Month & Year	High	Low	Close	No of Shares
Apr-05	20.90	18.50	18.90	518877
May-05	24.00	18.20	20.75	1156614
Jun-05	24.50	18.55	23.40	1438686
Jul-05	34.45	22.10	27.05	9269765
Aug-05	30.95	24.55	29.60	2689072
Sep-05	32.70	22.30	24.30	2936075
Oct-05	25.85	18.20	20.60	558562
Nov-05	24.00	19.95	23.50	705045
Dec-05	25.00	19.65	20.30	706941
Jan-06	24.00	20.40	20.50	799673
Feb-06	26.45	19.75	22.50	1409774
Mar-06	24.70	19.05	21.50	1506991

x) Address of Registrar and Share Transfer Agents:**Venture Capital & Corporate Investments Ltd**

6-2-913/914, 3rd floor,
Progressive Towers, Khairtabad,
Hyderabad 500 004

xi) Share transfer system:

Transfer of securities in physical form is registered and the duly transferred share certificates are despatched within 30 days of receipt, provided transferred documents are in order. The Board of Directors have delegated powers to approve the transfer, transmissions, folio considerations etc to Shri K.Madhu, Director.

xii) DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2006

ORDINARY	NO. OF SHAREHOLDERS		%	SHARES HELD		%
Upto - 5000	38114	92.55		48,16,651	29.67	
5001 - 10000	1743	4.23		14,13,323	8.71	
10001 - 20000	654	1.59		1,00,50,100	6.19	
20001 - 30000	217	0.53		56,31,170	3.47	
30001 - 40000	97	0.24		34,92,670	2.15	
40001 - 50000	96	0.23		45,60,610	2.81	
50001 - 100000	0	0.00		0	0.00	
100001 & ABOVE	262	0.64		7,63,13,960	47.01	
TOTAL	41183	100.00		16,23,48,250	100.00	

The Company has also adopted a Code of Conduct for Prevention of Insider Trading in the shares of the Company pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The Board has designated Shri B.Subrahmanyam, Sr Vice President & Company Secretary, as the Compliance Officer.

xiii) SHAREHOLDING PATTERN AS ON 31.03.2006

	NO. OF SHARES HELD	%
Indian Public	1,02,50,840	63.14
Indian Financial Institutions, Mutual Funds, Banks	63,690	0.39
Promoters	44,04,764	27.14
Others	15,15,531	9.33

**xiv) Dematerialisation of Shares:**

The shares of the company are compulsorily traded in DEMAT form by all categories of investors with effect from 26-02-2001. The company has arrangements with National Securities Depositories Ltd (NSDL) and Central Depository Services India Ltd (CDSL) to establish electronic connectivity of our shares for script-less trading. As on 31st March 2006, 76.60% of shares of the company were held in Dematerialised form with the following depositories.

1) NSDL	1,06,03,407	65.31%
2) CDSL	18,33,402	11.29%
Total	1,24,36,809	76.60%

xv) Plants Location:

Cement & Cement Boards
Simhapuri, Mattampalli Mandal
Nalgonda District – 508 204 (AP)

- 1) Prefab Units
Plot No. 34/A, IDA Jeedimetla
Hyderabad 500 055
- 2) Indira Industrial Complex, Naharpur
Tigoan Road, Old Faridabad 121 002

**xvi) Any other query on Annual Report &
Investor Correspondence**

Secretarial Department
NCL Industries Limited
7th Floor, Raghava Ratna Towers
Chirag Ali Lane, Hyderabad 500 001.

The above report was adopted by the Board of Directors at their meeting held on 25th October 2006.

CEO'S CERTIFICATION

The Board of NCL Industries Limited has laid down a Code of Conduct for all the Board Members and the Senior Management. The Code of Conduct has been posted in Uniform Resource Locator (URL) namely, www.nclind.com. All the Board Members and the Senior Management personnel have affirmed compliance of the Code.

Place : Hyderabad
Date : 25-10-2006

K.Ravi
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of NCL INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by NCL Industries Limited, for the year ended on 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India we have to state that no investor grievances were pending for a period of one month against the Company as per the records maintained by the Shareholders / Investor's Grievance Committee.

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

for PRAYAGA & CO.
Chartered Accountants

Hyderabad
Dated:25-10-2006

L.N. Prayaga
Partner



CEO AND CFO CERTIFICATION

We, K.Ravi, Managing Director and N.G.V.S.G.Prasad, Sr. Vice President (F&A), responsible for the financial functions certify that:

- a) We have reviewed the financial statements and cash flow statement and to the best of our knowledge and belief;
 - i) These statements do not contain any material untrue statements or omit any material fact or contain statements that might be misleading;
 - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2006 are fraudulent, illegal or violative of the company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal control for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we were aware have been disclosed to the Statutory Auditors and Audit Committee and steps have been taken to rectify these deficiencies.
- d)
 - i) There has not been any significant changes in internal control over financial reporting during the year under reference.
 - ii) There has not been any significant changes in accounting policies apart from implementing AS 26 and AS 29 during the year requiring disclosures in the notes to the financial Statements; and
 - iii) We are not aware of any instance during the year of any significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place : Hyderabad
Date : 25.10.2006

N.G.V.S.G.PRASAD
Sr. Vice-President (F&A)

K.RAVI
Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management discussion and analysis report on the business of the company as applicable to the extent relevant is given below:

OVERALL REVIEW:

Your Company is operating in 3 segments, out of which Cement contributes about 55% of turnover while the Boards and Prefab segments contribute about 45%.

Cement demand is derived from housing, infrastructure and industrial sector. Housing sector accounts for 65% of share of total cement demand and is expected to continue to remain a major contributor to cement demand. Huge investment in the industrial sector over the next 3 years is expected to lead to higher cement off-take on the back of strong GDP growth across the Country.

As per the research reports, it is expected that the domestic cement consumption would grow at a CAGR of 8% for the next 5 years. By FY 2011 the domestic consumption is expected to grow to 199 Million Tons from 136 Million Tons consumption in FY 2006. Various new avenues for cement have opened which are expected to propel the growth in the years to come, which are expected to take the cement demand to new heights in the next 5 years. Which is why we find sudden rush for increasing the cement capacities across the country.

During the year 2005-06 your Company's Gross Sales increased by about 38% to Rs.12708 Lacs from Rs.9224 Lacs in FY 2004-05. Net Sales increased by about 39% to Rs.10337 Lacs from Rs.7448 Lacs in FY 2004-05. Improved sales from all the three divisions particularly from Prefab division contributed for increased turnover.

SEGMENT-WISE PERFORMANCE:

a) CEMENT DIVISION

Cement Turnover increased by about 9% from Rs.6172 Lakhs to Rs.6721 Lakhs. The Segment profit of this Division (before interest and tax) decreased by 42% from Rs.535 Lakhs to Rs.311 Lakhs due to lower selling prices for major part of the financial year. Cement prices started firming up from the last quarter of the financial year. The Company produced all time high of 296701 Tons of Cement as against 296500 Tons in the previous year, which itself was the highest in the history of the company. The Sales realization increased marginally by about 3% during the year. There was a Trading Turnover of Rs.280 Lakhs and Clinker sale of Rs.365 Lakhs during the year.

b) BOARDS DIVISION

In the Boards Division, the Turnover increased by over 22% from Rs.2311 Lakhs to Rs.2824 Lakhs. The Segment profit increased from Rs.343 Lakhs to Rs.647 Lakhs. The Company surpassed its previous record by producing 27,729 MTs of

Board in different thicknesses as against 24599 MTs in previous year, which is an increase of about 13%. The Company sold 28,732 MTs of Board as against 23,566 MTs in the previous year.

c) PREFAB DIVISION:

Turnover of Prefab Division increased by 283% from Rs.741 lakhs to Rs.2838 Lakhs. The Segment profit recorded was Rs.278 Lakhs as against a Loss of Rs.3 Lakhs in the previous year. The Company executed Prefab orders to the tune of 62415 sq.mts. as against Rs.17,167 sq.mts. in the previous year. Sales Realization increased by about 12% compared to the previous year.

OUTLOOK:

The Company is optimistic of alround improvement in turnover and profitability in all the three divisions for the year 2006-07. Having envisaged the improved fortunes for the Cement Industry, the company has launched the expansion programme for the Cement as well as Boards Divisions, which are expected to commissioned by end of 2006-07.

OPPORTUNITIES & CHALLENGES:

Since the present expansion of cement capacity is nearing completion during the year 2006-07 and seeing the increased demand for cement in future in view of overall increase in the cement consumption in different segments namely Infrastructure, Housing, Government Projects, Private Projects, Irrigation Projects, Special Economic Zones etc., your Company is contemplating further increasing the cement capacity by another 8.25 lakh TPA, which will take the overall capacity to the economical level of about 1.5 Million Tons per annum. The company has certain inbuilt advantages in taking up the expansion programme, like existing lime stone reserves, existing infrastructure, well developed market for the cement etc. This is expected to make the project cost lower than a green field project and improve overall operational efficiencies.

The Company is adding additional Lamination Capacity which will increase the Lamination production from 10000 sq.mts. to 25000 sq.mts./per month in order to meet the increased demand.

The Company is taking necessary steps for merger of NCL Energy Limited which is in the business of Hydel Power Generation. NCL Energy Ltd has two existing hydel power generating units in operation. The first one in Kurnool Dist of Andhra Pradesh with a capacity of 3x2.50 MW (7.50 MW) and the other one on Tungabhadra Dam Right Bank Canal with a capacity of 3x2.75 (8.25 MW). This merger is expected to help the company in tax planning and other benefits.

Your company is also expected to have the benefit of carbon credits for the energy efficiency to be achieved on completion of the Energy Efficiency and Conservation Project.



RISKS AND CONCERNS.

Cement being a commodity, is prone to risks associated with the commodity business cycles. However, since the company is a diversified one, the risk on this count is minimized as in the past few years where the company performed better compared to the companies which are engaged purely in cement business.

Cement Industry particularly in the State of Andhra Pradesh has been facing competition which was a major concern in the last few years. However, this situation has been slowly changing and the prices have been firming up in view of increased demand within the State itself.

Cement continues to be one of the highest taxed items in our Country and possibility of increase in taxes is a concern.

Delay in implementation of the ongoing expansion projects or cost over runs could be a factor for concern, but the Management is confident that these concerns have been addressed to.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company is having adequate internal control system. External firm of Chartered Accountants has been appointed as Internal Auditors. Audit Committee reviews the internal audit reports and suggests remedial actions from time to time, wherever required.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONS

Expenditure:

Total Expenditure increased by over 38% to Rs.9629 Lakhs in FY 2006 from Rs.6944 lakhs in FY 2005. The increase is due to increase in production & dispatches of all the three divisions. Cement production was at 100% of its capacity, the Boards production was around 92% of its capacity and the Prefab has made an all time high in its performance.

Depreciation:

Depreciation has marginally increased from Rs.451.80 Lakhs in FY 2005 to Rs.466.04 lakhs in FY 2006.

Profit before Interest, Depreciation and Tax (PBITD):

Despite increase in input costs, with improved turnover, Profit before Interest, Depreciation, extra-ordinary items and Taxation has increased by 29.18% from Rs.1321 lakhs for the FY 2005 to Rs.1707 lakhs in FY 2006.

Net Profit:

Net Profit after tax increased by over 35% to Rs.341 Lakhs in FY 2006 from Rs.252 Lakhs in FY 2005. Interest cost has increased by 46% in FY 2006 compared to FY 2005 due to increased volume of business of the company.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS:

The company recognizes the importance and contribution of its human resources for its growth and development and is committed to the development of its people.

The company has cordial relations with employees and staff. As on 31st March 2006, the company has 558 employees working in its factories and various offices. There were no industrial relations problems during the year and no mandays have been lost. The Company does not anticipate any problems on this count in the current year.

CAUTIONARY STATEMENT

Statements in this management discussion and analysis may be considered to be forward looking statements within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or inclined. Factors which could make a significant difference to the company's operations include demand supply conditions, market prices, input component cost and availability, changes in Govt. regulations and tax laws besides other factors such as litigations, over which the company does not have any control.



AUDITORS' REPORT

To the Members of NCL INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of NCL Industries Limited, as at 31st March 2006, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books;

- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956.
- (e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on that date from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2006;
 - in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Prayaga & Co
Chartered Accountants

Hyderabad
Dated : 25.10.2006

L.N.PRAYAGA
Partner

ANNEXURE TO AUDITORS' REPORT –31st MARCH 2006

[Referred to in paragraph 3 of the Auditors' Report the members of NCL Industries Limited on the financial statements for the year ended 31st March, 2006]

1. (a) The company has maintained adequate records showing full particulars including quantitative details and situation of fixed assets.
- (b) A substantial portion of the fixed assets of the company has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, fixed assets disposed off by the company during the year were not substantial and therefore do not effect the going concern assumption.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with

third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.

- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. According to the information and explanations given to us, the company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist