

The Board of Directors

Sunder Lal Dugar, Chairman & Managing Director
Krishna Gopal Sinha
Ishwar Chand Parakh
Rajendra Kumar Baradia
Manish Kumar Jain
Ravi Prakash Pincha, Executive Director

Board Committees

AUDIT COMMITTEE

Manish Kumar Jain, Chairman
Ishwar Chand Parakh
Krishna Gopal Sinha

REMUNERATION COMMITTEE

Rajendra Kumar Baradia, Chairman
Krishna Gopal Sinha
Ishwar Chand Parakh

INVESTORS' GRIEVANCES AND SHARE TRANSFER COMMITTEE

Manish Kumar Jain, Chairman
Ishwar Chand Parakh
Krishna Gopal Sinha

Company Secretary

Vimal Kumar Taparia

Registered Office

"Bikaner Building"
8/1 Lal Bazar Street
Kolkata – 700001

Factory

B. T. Road
Kamarhatti
Kolkata - 700058

Auditors

Agarwal Shankar & Associates, Kolkata
S. M. Daga & Co., Kolkata (*Proposed to be
Appointed for F.Y. 2006-07*)

Bankers

Corporation Bank
Standard Chartered Bank

Registrar & Share Transfer Agent

Niche Technologies Private Limited

Solicitors

Dipayan Choudhury, Advocates

Notice

Notice is hereby given that the Fifteenth Annual General Meeting of the members of M/s RDB Industries Limited will be held on Monday, 25th September 2006 at 3.30 p.m. at the Aryans Auditorium at its NTC Factory Complex, Barrackpore Trunk Road, P.O. Kamarhati, Kolkata - 700 058 to transact the following business :

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2006 and the Profit and Loss Account for the year ended as on that date and the report of the Board of Directors and Auditors thereon.
2. To declare dividend on preference and equity shares.
3. To appoint a Director in place of Shri Sunder Lal Dugar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri Ravi Prakash Pincha, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s S. M. Daga & Co., Chartered Accountants as Statutory Auditors to hold office from the conclusion of this Meeting until the conclusion of next Annual General Meeting, in place of retiring Auditors M/s Agarwal Shankar & Associates and to fix their remuneration.

By order of the Board

Place : Kolkata
Date : 30th June 2006

Vimal Taparia
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, SHOULD BE COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE COMPANY'S REGISTRAR AND SHARE TRANSFER AGENT NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING.
2. The Register of members and share transfer books of the Company will remain closed from Monday 18th day of September 2006 to Monday 25th day of September 2006 (both days inclusive).
3. Facility of electronic credit of dividend directly to the respective bank account of the shareholder through Electronic Clearing Service (ECS) is available at selected cities. To avail this facility,

members are requested to provide to M/s Niche Technologies Pvt. Ltd., our Registrars and Transfer Agent their bank account details along with the photo copy of a cancelled cheque bearing the 9 digit MICR code number of the bank. The ECS facility is in addition to the Bank Mandate Facility that already exists whereby bank account details are printed on dividend warrants.

4. Dividend on equity shares and preference shares when declared at the meeting, will be paid on and from 25th September 2006 to those members :
 - a. whose names shall appear on the Company's Register of Members after giving effect to valid share transfers lodged/ received by the Company's Registrars on or before 17th September 2006.
 - b. whose names shall appear as Beneficial Owner as at the end of business hours on 17th September 2006 to be furnished by National Securities Depository Limited and Central Depository Services Limited in respect of shares held in electronic form.
5. The information that required to be given for appointment and / or re-appointment of Directors under the Corporate Governance Code of the Listing Agreement, is given in the Corporate Governance Section of this Annual Report.
6. Members seeking any information with regard to the accounts are requested to write to the Company at least 7 days before the day of the meeting so that the information be made available by the management at the day of the meeting.
7. Members are requested to bring the attendance slip along with copies of Annual Report at the Meeting.
8. Notice of change of address should be intimated to the Company's Registrar and Share Transfer Agents.
9. Members who hold shares in the physical form and wish to make/ change a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, may submit such information in the prescribed Form 2B to the Company's Registrar & Share Transfer Agent.

By order of the Board

Place : Kolkata
Date : 30th June 2006

Vimal Taparia
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

We take pleasure in presenting the Fifteenth Annual Report and Audited Accounts for the year ended 31st March 2006.

Performance Highlights

Particlurs	(Rs. in lacs)	
	Financial Year 2005-2006	Financial Year 2004-2005
Income from operations	2755.95	1537.86
Other income	223.45	129.26
Profit before interest and depreciation	197.18	10.59
Less: a) Interest & Financial Charges	4.14	1.33
b) Depreciation	53.83	52.96
Profit/ (Loss) before Exceptional Items	139.21	(43.70)
Add:- Exceptional Items	369.81	222.54
Profit before taxation	509.02	178.84
Less:- Provisions for current tax, deferred tax and fringe benefit tax	30.43	12.35
Profit After Tax	478.59	166.49
Add: Balance Brought Forward from last year	111.53	(54.96)
Balance available for appropriation	590.12	111.53
Less: Appropriations: -		
a) Provision for dividend on 2644000 Preference Share	26.44	-
b) Provision for dividend on 6350000 Equity Shares	31.75	-
c) Provision for dividend on 3650000 Equity Shares	18.25	-
d) Provision for dividend tax	10.72	-
e) Transfer to general reserves	50.00	-
Balance carried to the Balance Sheet	452.96	111.53

Review of operations

The segment wise growth during the financial year 2005-06 is as under: -

<u>Total income</u>	2005-06	2004-05	Growth (%)
Tobacco Division	1359.41	1166.97	16.49
Real Estate Division	1392.18	365.34	281.06
Commission and Services	4.36	5.55	(-) 21.44

During the year, the Company has changed its accounting policies pertaining to following transactions consequent to which the profitability of the Company has been impacted.

<u>Nature of transaction</u>	<u>Change in Accounting Policy</u>	<u>Impact on Profits</u>
a) Recognition of revenue from construction contracts	Recognized on percentage of completion method (<i>earlier year recognized on completed contract method</i>)	(+) 162.92
b) Accounting of Gratuity	Accounted for on accrual basis (<i>earlier year accounted for on actual liability basis</i>)	(-) 146.87

Hence, the aggregate effect of the above changes in the accounting a policy is that profit after tax is higher by Rs. 16.05 lacs only.

In view of the final sale confirmation order dated 19th April 2006 passed by Calcutta High Court on NTC, following one time transactions have been accounted for during the year: -

<u>Particulars</u>	<u>Amount</u>
a) Profit on sale of Bicavalu Unit	83.12
b) Profit on sale of land to Taxmacco Ltd.	444.73
c) Inter Branch Balances written off (Bicavalu Unit)	(52.15)
d) Lease Fund written off (Bicavalu Unit)	(38.50)
e) Workers claim relating to post acquisition period (Bicavalu Unit)	(67.39)
Net effect	369.81

Excess payment of purchase consideration of NTC: - In accordance with the confirmation of sale order delivered by Calcutta High Court on 19th April 2006 in connection with assets and properties of New Tobacco Co. Ltd. (Under Liquidation) the Company has provided for or undertaken to pay Rs. 29.50 crores against the original purchase consideration of Rs. 23.00 crores. Such excess payment of Rs. 6.50 crores being no more recoverable has been capitalized as on 31st March 2006 in the Gross Block of fixed assets in proportion to the fixed assets as classified and allocated for Rs. 23.00 crores.

Dividend

Considering the Company's financial performance, the Directors propose payment of following dividends: -

- a) 10% i.e. Re. 1/- per preference share on 2644000 preference shares.
- b) 5% i.e. Re. 0.50 per equity share on 6350000 equity shares and further on 3650000 equity shares that may be allotted by the Company prior to September 18, 2006 (being the book closure date for the purpose of dividend entitlement).

Order on NTC

Your Directors are happy to inform that after more than ten years of proceedings at different levels of judiciary, the Calcutta High Court vide its Order dt. 19th April, 2006 had set aside all the appeals and confirmed the sale of assets of New Tobacco Company Limited (In Liquidation), which your Company hitherto was running as "Lessee". The Calcutta High Court had directed the joint special officers to execute the necessary sale certificates for plant and machineries and all assets and properties in favour of the Company.

It may be noted that your Company had emerged sole bidder in the auction held on 29th June 1995 for the sale of assets of New Tobacco Company Limited (In Liquidation) for purchase consideration of Rs. 23.00 crores subject to order of the Appeal Court in appeals filed by several interested parties.

Preferential Issue of Equity Shares

Pursuant to the Special Resolution passed at Extra Ordinary General Meeting of members held on 26th May 2006 for preferential offer of 3650000 Equity Shares of Rs. 10/- each at a premium of Rs. 60/- per Equity Share, your Company has raised Rs. 25.55 crores from Promoters and others towards subscription for aforesaid shares, which shall rank parri pasu in all respects including dividend with the existing equity shares of the Company.

The fund so raised shall be utilized to finance the growth plans in real estate segment of the Company.

Your Company has applied to the Bombay Stock Exchange Limited for in-principal approval for allotment of aforesaid shares.

Management Discussion and Analysis

A separate report on Management Discussion and Analysis as per Clause 49 – “Corporate Governance” of the Listing Agreement with the Stock Exchanges is annexed.

Corporate Governance

Your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance, as provided under the amended Clause – 49 of the Listing Agreement with the Stock Exchanges, are complied with.

A separate Report on Corporate Governance along with the Auditors’ Certificate for its due compliance is annexed hereto and form a part of this Annual Report.

Directors

Shri Sunder Lal Dugar, Chairman & Managing Director and Shri Ravi Prakash Pincha, Executive Director retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Particulars of Employees

The Company does not have any employee falling within the scope of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of the Employees) Rules, 1975.

Directors’ Responsibility Statement

As required under section 217(2AA) of the Companies Act, 1956, your directors confirm that: -

1. in the preparation of the annual accounts, the applicable accounting standards had been followed.
2. the directors had selected such accounting policies and applied them consistently and made judgments 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 financial year and of the profit or loss of the Company for that period.
3. 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.
4. the directors had prepared the annual accounts on a going concern basis.

Auditors

M/s Shankar Agarwal & Associates, existing Statutory Auditors’ vide letter dated 30th June 2006 have expressed unwillingness to continue as statutory Auditors after expiry of their present term.

M/s S. M. Daga & Co., Chartered Accountants have vide letter dated 30th June 2006 offered themselves for appointment as Statutory Auditors from the conclusion of ensuing Annual General Meeting and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956.

The Directors recommend their appointment.

Audit Report

Regarding unsecured loan of Rs.200 lacs, in view of matter being disputed and pending before the Calcutta High Court, no provision of interest has been made. Moreover, the loan of Rs. 27.70 lacs is also disputed, hence no provision of interest is made. Regarding refund of excise duty liability in respect of Badarpur and Assam units, since the matter is pending before the court of law and a revision petition appeal is filed before the Supreme Court of India, hence no provision

is made towards the same. Regarding provision made for proposed dividend on 3650000 Equity shares un-allotted up to 30.06.2006, the Company has received the application money after taking permission from shareholders. The application for in-principal approval for allotment of the same is already made to Bombay Stock Exchange. The provision for dividend is made on the ground that if the allotment is made before the book closure date, the Company is liable to pay the dividend to all the shareholders whose names appear in the Register of Members on the record date. Regarding balance confirmation from sundry debtors, loans and advances, sundry deposits, sundry creditors, unsecured loans, the Company has already received confirmations from many parties and is in the process of collecting the remaining confirmations.

Public Deposit

The Company has not accepted or renewed any public deposit, as defined under Section 58A of the Companies Act, 1956, during the year.

Particulars of conservation of energy, technology absorption and foreign exchange earning and outgo

Particulars of conservation of energy, technology absorption and foreign exchange earning and outgo as required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are given in the annexure attached hereto and forms part of this Report.

Acknowledgements

Your Directors wish to place on record their appreciation and acknowledgement of the support and co-operation extended by the customers, suppliers, bankers, shareholders, employees, Government and their agencies.

Place: Kolkata
Date: 30.06.2006

For & on behalf of the Board
Sd/-
S. L. Dugar
Chairman & Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Particulars of conservation of energy, technology absorption and foreign exchange earning and outgo

Information under section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

A. CONSERVATION OF ENERGY

The disclosure of particulars relating to conservation of energy in Form A under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is not applicable to the Company.

B. TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO

The Company has no particulars relating to Research & Development, Technology Absorption, adaptation and innovation as per Form B under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988.

Foreign Exchange Earning	---	Nil
Foreign Exchange outgo	---	Rs.2, 13,474/-



MANAGEMENT DISCUSSION AND ANALYSIS

Cautionary Statement: - Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations may be considered to be "forward looking statements" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations are changes in the government regulations, tax laws, other statutes and other incidental factors.

INDUSTRY STRUCTURE AND DEVELOPMENTS

REAL ESTATE BUSINESS

The boom in the Indian economy is fuelling a massive demand for housing, transportation, water supply, sanitation and commercial facilities such as shopping malls and hotels and public utility services. Unlike earlier years, the real estate in housing sector now is more in the hands of organised and large business houses. This has set certain benchmarks with regard to quality, common facilities and fulfilments of commitments to the prospective buyers of residential units.

Further, the existence of a land bank and a sound land sourcing strategy are the most critical factors contributing to the success of a real estate development company. The sourcing of land at the right place and at the right time shall have a huge impact on the financials of the Company. Your Company has been in the construction business from 1991 and has gained expertise in land sourcing as well as in construction.

TOBACCO BUSINESS

Of late, there has been a growth in the industry due to the stability in the rates of excise taxes and the cigarette industry has started showing growth potentials after years of stagnation. During the year under review, the cigarette industry witnessed a growth of approx 9% which was mainly on account of the growth contributed by lower segment brands.

Your Company has achieved a growth of 16%, despite the fact that the Government is imposing stiff and stringent regulations to discourage smoking and any communication/ advertisement in any form whatsoever which promotes smoking.

OPPORTUNITIES AND THREATS

REAL ESTATE BUSINESS

Opportunities

- As per findings of Cushman & Wakefield, (4th Quarter, 2005) following are the Opportunities for Private Equity Investment in Indian Real Estate," (4th Quarter, 2005) Cushman & Wakefield):
 - there is a shortage of 12 million housing units in urban areas;
 - there is scope for 400 township projects over the next five years spread across 30 to 35 cities, each having a population of 0.5 million;
 - total project value dedicated to low and middle income housing in the next seven years is estimated at \$40 billion;
 - the retail market for mortgages is currently valued at slightly over \$5 billion; and
 - considering that the outstanding loan to GDP ratio in India is less than 2%, the mortgage market is expected to grow in excess of 25% over the next five years, so as to be at par with Asian peers.
- Additionally, according to the NCAER, income classes with annual incomes between Rs. 2 million and Rs. 5 million per year, Rs. 5 million and Rs. 10 million per year, and in excess of Rs. 10 million per year are expected to increase in size by 23%, 25% and 28%, respectively, from fiscal 2005 to fiscal 2010.

- The rising income trend for middle and upper class people coupled with easy availability of credit from banks and private players will further push the demand for houses.

The real estate development holds huge potential for growth in India. Hence, your Company foresees a bright future and good realizations for its forthcoming real estate projects.

Threats

- Increase in rate of interest on housing loans thereby restricting the flow of money at all levels in society.
- The increase in cost of prime raw materials such as steel and cement.
- Government policies on land acquisitions in private sector
- Withdrawal of income tax benefits for buyers of residential units.
- High incidence of stamp duty.

TOBACCO BUSINESS

Opportunities

- Unexploited Southern Markets.
- Possibility of launching products in the premium segment and upper medium segment.

Threats

- The discriminative tax policies on cigarettes, by exempting non-cigarettes from excise levy would continue to have adverse impact upon consumption and pose a major threat for the growth opportunities.
- The excise increase of 10% on cigarettes is likely to intensify the shift from cigarettes to non-cigarette tobacco form and it is possible that the cigarette share in total tobacco consumption may be eroded.
- Imposition of entry tax, as a substitute of luxury tax and VAT implementation is gaining momentum and is a major concern for the Company.
- The anti- tobacco campaign held by the health and religious organizations also primarily focus on non-consumption of cigarettes and other tobacco products.

SEGMENT WISE PERFORMANCE

The Company is operating in following two major segments and their performance are as under:-

Name of the Segment	% of Segment Revenue	Turnover (In lacs)
Real Estate Development	50.51	1392
Tobacco	49.31	1359
Services	00.18	5
	100.00	2756

FUTURE OUTLOOK

Your Company has drawn aggressive growth plan to tap the potential in residential real estate development, spread across the country.

So far as the tobacco business is concerned, the Company is in process of installing an automatic packaging unit, which will help in capacity expansion of existing brands and also in introducing some new brands.

RISKS AND CONCERNS

Some of the risks and concerns have already been discussed under the section 'Opportunities and Threats'.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate system of internal controls commensurate with the size and nature of its business. The Company has also a well-defined organization structure, authority level and internal rule and regulations. Internal controls are in place at work sites and offices and are reviewed periodically. The internal control systems have been fine-tuned in line with the industry practices and have been adapted keeping in mind our environment. Quarterly internal audit is conducted by the Internal Auditors. Their reports are placed before the Audit Committee.

HUMAN RESOURCES

The Company recognizes the fact that in order to survive and grow in today's competitive environment it needs to retain and grow the best talent in the industry and develop a team, well conversant in both technical and commercial knowledge.

The employees and management relations have remained harmonious and frequent interactive sessions are conducted regularly.

Total employees strength of the Company is 282 people.

SOCIAL REPORTING

Your company is aware of the needs for improving the socio – economic problems of the society. The Company is creating employment opportunities for eligible persons by way of expanding & diversifying its various activities; ensuring appropriate energy conservation and optimum utilization of available resources in its activities; ensuring timely contribution to Government exchequer.