

ANNUAL REPORT 2005-06

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BOARD OF DIRECTORS

Shri Abhey Oswal - Chairman
 Shri R.K. Singhania - Director
 Shri B.N. Gupta - Director

AUDITORS

Gupta Bhalla & Associates
 Chartered Accountants
 Ludhiana

BANKERS

ABN AMRO Bank N.V.

REGISTERED OFFICE

Near Jain Colony, Vijay Inder Nagar,
 Daba Road, Ludhiana - 141 003
 Punjab

WORKS

Mandideep (Bhopal)

REGISTRARS & SHARE TRANSFER AGENTS

Skyline Financial Services Pvt. Ltd.
 123, Vinoba Puri, Lajpat Nagar-II
 New Delhi-110024
 Ph: 29833777, 29847136



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NOTICE OF THE MEETING

Notice is hereby given that the 26th Annual General Meeting of the Company will be held at Regd. Office of the Company at Near Jain Colony, Vijay Inder Nagar, Daba Road, Ludhiana – 141003 (Punjab) on Saturday, the 30th September, 2006 at 2.00 P.M. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, and Profit & Loss Account of the Company for the year ended 31st March, 2006 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Abhey Oswal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint auditors in place of M/s Gupta Bhalla & Associates.
To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.
"RESOLVED THAT M/S T.R. Chadha & Company, Chartered Accountants be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on the remuneration as may be fixed by the Board in place of M/s Gupta Bhalla & Associates, Chartered Accountants, who have resigned as Auditors of the Company.

By Order of the Board
For **OSWAL AGRO MILLS LIMITED**

(Neelam Prakash Sharma)
Company Secretary

Place: New Delhi
Date : 31.07.2006

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no.3 is enclosed herewith and forms part of this notice.
3. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Book of the Company will remain closed from 28th September, 2006 to 30th September, 2006 (both days inclusive). The Members are requested to:
 - (a) take the advantage of dematerialisation of shares as Company's scrip has been put under compulsory dematerialisation. Shareholders are requested to get in touch with any Depository Participant for getting the shares dematerialised.
 - (b) Bring their copy of Annual Report at the Annual General Meeting.
5. Members desirous of any information concerning the accounts and operation of the Company are requested to send their queries to the Company at least one week before the meeting, so as, to enable the management to keep information ready. Replies will be provided only at the meeting.
6. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company between 10.00 A.M. to 1.00 P.M. on all working days except Sundays and other holidays upto the date of the Annual General Meeting.
7. In all correspondences with the Company, members are requested to quote their account/folio numbers and in case their shares are held in the dematerialised form, they must quote their client ID Number and their DP ID Number.

INFORMATION REQUIRED TO BE FURNISHED IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES

Brief Resume of the person to be appointed/re-appointed as Director:

Shri Abhey Oswal is a Director of the Company and has been actively associated with all the business activities of the Company. He has vast experience, administrative skills and has made valuable contribution in the growth of the company at all levels. He is holding 3360 shares in the Company as on 31.03.2006. He is a Director on the Board of Oswal Chemicals & Fertilizers Ltd. and Oswal Aluminium Ltd. He is also a trustee of Aruna Abhey Oswal Trust. He is a member of Share Transfer Committee, Investor Grievance Committee and Audit Committee in your Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NO. 3 OF THE ACCOMPANYING NOTICE IS AS UNDER:

ITEM NO 3

M/s Gupta Bhalla & Associates, Chartered Accountants, Ludhiana, the Auditors of the Company who are retiring after the conclusion of this Annual General Meeting have sent their resignation letter expressing their inability to continue as Statutory Auditors of the Company. M/s T.R.Chadha & Company, Chartered Accountants, a leading firm have consented to act as Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and have submitted a letter pursuant to section 224(1) of the Companies Act, 1956 confirming that their appointment as Auditors, if made, will be within the limits specified under section 224(1B) of the Companies Act, 1956. Their appointment has also been recommended and approved by the Audit Committee.

The Board recommends the resolution for approval of the shareholders. None of the director is interested or concerned in this resolution.

By Order of the Board
For **OSWAL AGRO MILLS LIMITED**

(Neelam Prakash Sharma)
Company Secretary

Place: New Delhi
Date : 31.07.2006

DIRECTORS' REPORT

To,
 The Members,
 Oswal Agro Mills Limited

Your Directors have pleasure in presenting the 26th Annual Report along with the Audited Statement of Accounts of the company for the financial year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

	(Rs.in Lacs)	
	Current Year 31.03.2006	Previous Year 31.03.2005
Operating & other Income	545	500
Profit before Depreciation & Provision for taxation	28	21
Less : Depreciation	12	15
: Provision for Tax	4	1
: Deferred Tax Credit	4	-
Add : Deferred Tax Asset	-	5
Profit/ (Loss) after Depreciation & Tax	8	10
Add : Balance brought forward from Previous year	(1013)	(1023)
	(1005)	(1013)
Transferred from General reserve	-	-
Balance carried to balance Sheet	(1005)	(1013)

REVIEW OF OPERATIONS AND FUTURE OUTLOOK

During the year under review, the company achieved gross income of Rs.545.14 lacs and net profit of Rs.8.53 lacs as compared to Rs.499.72 lacs and Rs. 9.59 lacs respectively for the previous year. The Company has decided to enter into high growth business segments such as real estate development, petrochemicals and petroleum etc. The company has approx. 63 acres of land at Chembur in Mumbai which is proposed to be developed for commercial (including retailing), entertainment and residential use. The company has applied for requisite permissions from the Govt. authorities for development of the land and the approvals are expected shortly. Once developed, this will be one of the largest single location real estate development comprising commercial, residential and entertainment in Mumbai. Given the huge opportunity in the real estate sector, the company is also looking at other opportunities in the real estate sector. The Company has also been exploring opportunities in another high growth sector of petrochemicals and petroleum. Overall, the management impetus is to be part of high growth sectors with a view to maximize shareholders wealth.

DIVIDEND

With a view to conserve the resources for the business plans of the Company in real estate and petrochemicals & petroleum sectors, the directors do not recommend any dividend for the year.

PUBLIC DEPOSITS

Your Company has not accepted any deposits with in the meaning of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Abhey Oswal will retire at the ensuing Annual General Meeting of the Company and being eligible, offers himself for reappointment. Your directors recommend his re-appointment.

CHANGE OF REGISTERED OFFICE

The Registered Office of the Company has been changed from G.T. Road, Phagwara, Distt. Kapurthala (Punjab)-144401 to Near Jain Colony, Vijay Inder Nagar, Daba Road, Ludhiana – 141 003 (Punjab) with effect from 1st April, 2006.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The particulars of conservation of Energy and Technology absorption as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable as the company's plants were not in operation during the year. During the year under review, the foreign exchange earnings and outgo of the Company were NIL.

SUBSIDIARY COMPANY

The Company has promoted a wholly owned subsidiary Company named "Oswal Overseas Ltd." in UAE for pursuing various international projects.



EMPLOYEE RELATIONS

The industrial relations continued to be cordial and harmonious. Your directors wish to place on record the appreciation for the devoted services rendered by the workers, staff and executives of the Company at all levels who have contributed to the efficient and successful management of the Company.

LISTING

Presently, Your Company's equity shares are listed on Calcutta Stock Exchange, Ahmedabad Stock Exchange, Delhi Stock Exchange, Ludhiana Stock Exchange, U.P. Stock Exchange, Madras Stock Exchange, Bombay Stock Exchange (BSE) and National Stock Exchange of India (NSE).

MATERIAL CHANGES

There are no material changes affecting the affairs of the Company since the date of Balance Sheet and upto the date of this Report.

PARTICULARS OF EMPLOYEES

There was no employee receiving remuneration during the year in excess of limits prescribed u/s 217 (2A) of the Companies Act, 1956, and the relevant rules made thereunder.

AUDITORS' REPORT

The Auditors' report on audited accounts for the year 2005-06 contains qualifications regarding non-accounting for the fluctuation in the exchange rate on interest free export advance received, non-provision of disputed income tax demand, non-accounting of interest income on loans given to various enterprises and recognition of deferred tax asset on carry forward losses.

The Management is of the view that necessary adjustment for exchange rate fluctuation will be made as and when advance will be refunded and adjustment in respect of disputed income tax demand will be made in the accounts as and when said liabilities are crystallized. As regards non-accounting of interest income on loan given to various enterprises, the management is of the view that recovery of interest was uncertain due to losses incurred by such enterprises and the company has agreed during arbitration that no interest will be charged from 31st March 2004 onwards. The Management is confident of earning capacity of the company in future which justifies the recognition of deferred tax asset.

AUDITORS

M/s Gupta Bhalla & Associates, Chartered Accountants, Ludhiana, the Auditors of the Company who are retiring after the conclusion of this Annual General Meeting have sent their letter of resignation expressing their inability to continue as Company's Auditors. M/s T.R.Chadha & Company, Chartered Accountants have consented to act as Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and have submitted a letter pursuant to section 224(1) of the Companies Act, 1956. The Company has received letter from them to the effect that their appointment, if made, would be within the limits prescribed U/s 224(1B) of the Companies Act, 1956. Their appointment has also been recommended by the Audit Committee.

AUDIT COMMITTEE

The audit committee has met and reviewed the financial statements for the financial year ended 31.03.2006 and has not given any adverse observations. It has also recommended the appointment of M/s.T.R. Chadha & Company, Chartered Accountants as statutory auditors of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed by the Company.
- ii) that the directors have 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 as at 31st March, 2006 and of the profit of the Company for the year end 31st March, 2006.
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) that the annual accounts have been prepared on going concern basis.

CORPORATE GOVERNANCE

As per clause 49 of the listing agreement with Stock Exchange(s), Corporate Governance Report and Management Discussion & Analysis Report are annexed as Annexure - I and Annexure-II.

ACKNOWLEDGEMENT

Your directors take this opportunity to thank and deeply acknowledge the cooperation, assistance and support extended by various departments of the State Governments, Central Government, Banks and Investors.

For and on behalf of the Board

Place : New Delhi
Date : 31.07.2006

ABHEY OSWAL
Chairman

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company strongly believes in Corporate Governance and endeavours to continuously take initiatives to strengthen areas of Corporate Governance. The Company's philosophy on Corporate Governance is to practice transparency in operations and maintain a professional approach in dealing with its stake holders. The Company strongly believes that Corporate Governance is an important tool to achieve all round excellence with ultimate objective of enhancing the shareholders' value. The company took initiatives in practicing good Corporate Governance procedures even before they were mandated.

2. BOARD OF DIRECTORS

a) Composition

At present there are 3 Directors on the Board of the Company and the composition of the Board is in consonance with clause 49 of the Listing Agreement. The Company has non-executive Chairman and has two non-executive directors. None of the directors on the Company's Board is a member of more than 10 committees and Chairman of more than 5 committees across all the companies in which they are director. All the directors have made necessary disclosures regarding committee positions held by them in other companies. Further, none of the directors on the Board of the Company holds office of directorship in more than 15 companies. The required information as enumerated in Annexure 1A of Clause 49 of the Listing Agreement is made available to the Board of Directors for discussions and consideration at the Board meetings.

b) Category of Directors and Attendance of each Director at the Board Meetings and at the last Annual General Meeting

The Composition of the Board, attendance of each of the Directors at the Board Meetings held during the financial year ended 31st March, 2006 and at the last Annual General Meeting is as under:-

Name	Designation	Category	No. of Board Meetings Attended	Attendance at the Last AGM
Sh. Abhey Oswal	Chairman	Non-Executive Non-Independent	2	No
Sh. R.K. Singhania	Director	Non-Executive Independent	2	No
Sh.B.N. Gupta	Director	Non-Executive Independent	3	Yes

c) Number of Directorship in other Companies and membership in the Board Committees of all Companies (including your Company) in which the Director is a Member/Chairman as on 31.03.2006

Name of Director	No. of Directorships of other Companies	No. of Membership in all Board Committees	
		As Chairman	As Member
Shri Abhey Oswal	2	Nil	5
Sh.R.K. Singhania	10	3	Nil
Sh.B.N. Gupta	Nil	Nil	3

d) Number of Board Meetings held and the dates of the Board Meetings

After dismissal of the winding up petition against the Company by the Hon'ble High Court of Punjab & Haryana in December, 2005, three (3) Board meetings were held. The dates of the meetings are: 20th December, 2005, 23rd February, 2006 and 31st March, 2006. The maximum time gap between two consecutive Board meetings was not more than four calendar months.

e) Board's Procedures

It has always been the Company's policy and practice that apart from matters requiring Board's approval by statute, all major decisions including quarterly results of the Company, financial restructuring, capital expenditure proposals, collaborations, material investment proposals in joint venture/promoted companies, sale and acquisitions of material nature of assets, mortgages, guarantees, donations etc. are regularly placed before the Board. This is in addition to information with regard to actual operations, major litigation feed back reports, information on senior level appointments just below the Board level and minutes of all Committee Meetings.

3. AUDIT COMMITTEE

(a) Terms of Reference

The term of reference of the Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, besides other terms as may be referred by the Board of Directors.

(b) Composition, Names of Members and Chairman

As on 31st March, 2006, the Audit Committee consists of 3 Non-Executive Directors viz. Shri Abhey Oswal, Shri R.K. Singhania and Shri B.N. Gupta. Majority of the members of the Audit Committee are independent directors. Shri R.K. Singhania is the Chairman of the Audit Committee.

Company Secretary is the Secretary to the Audit Committee.

All the members of the Audit Committee are highly knowledgeable in the Corporate finance, accounts and Company Law matters. The statutory Auditors are invited at the Audit Committee meetings.

(c) Meetings and attendance during the year

The Audit Committee met once during the year on 23rd February, 2006. The names of Members, Chairman and their attendance at the Audit Committee Meeting is as under:

Members	Category	Meetings Held	Meetings Attended
Sh. R.K. Singhania (Chairman)	Non-Executive Independent	1	1
Sh. Abhey Oswal	Non-Executive Non Independent	1	1
Sh. B.N. Gupta	Non-Executive Independent	1	1

4. REMUNERATION COMMITTEE

At present the Company has no whole time directors and the Non-Executive directors are not paid any remuneration, as such, the Remuneration Committee has not been formed. The Board shall constitute Remuneration Committee as and when the need arises.

5. SHAREHOLDERS/INVESTORS' GRIEVANCE COMMITTEE**(a) Terms of Reference**

The terms of reference of the Shareholders/Investors' Grievance Committee is to look in to the redressal of shareholders and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends and dematerialisation of shares and other related matters.

(b) Composition, names of members and Chairman

As on 31st March, 2006, the Shareholders/Investors' Grievance Committee consists of 3 non-Executive directors viz. Shri. Abhey Oswal, Shri R.K. Singhania and Shri B.N. Gupta. Shri R.K. Singhania is the Chairman of the Shareholders/Investors' Grievance Committee.

(c) Attendance during the year

The Shareholders/Investors Grievance Committee met once during the year on 23rd February, 2006. The names of Members, Chairman and their attendance at the Committee meeting is as under:

Members	Category	Meetings Held	Meetings Attended
Sh. R.K. Singhania (Chairman)	Non-Executive Independent	1	1
Sh. Abhey Oswal	Non-Executive Non Independent	1	1
Sh. B.N. Gupta	Non-Executive Independent	1	1

(d) Details of Complaints

The Company received 25 complaints during the quarter ended 31.03.06, out of which 20 complaints have been resolved till 31.03.2006 and 5 complaints were resolved in April, 2006.

6. GENERAL BODY MEETINGS

The last three Annual General Meetings were held as under:

Sl.No.	Financial Year	Location	Date	Time	Special Resolutions Passed
1.	2004-05	G.T. Road, Phagwara,	25.03.2006	11.30 A.M.	1 (One)
2.	2003-04	Dist. Kapurthala	25.03.2006	10.30 A.M.	Nil
3.	2002-03	(Punjab) – 144401	30.09.2003	11.00 A.M.	1 (One)

7. POSTAL BALLOT

The following resolutions were passed through Postal Ballot during the year under review:

- (1) Special Resolution for Alteration in Object Clause of Memorandum of Association of the Company u/s 17 of the Companies Act, 1956, as per postal ballot notice dated 08.06.2006, and the postal ballot exercise was conducted by Mr. R.P. Singh, Chartered Accountant in practice, as scrutinizer. The valid votes casted in favour of the resolution were 64812590. No vote was casted against the resolution. Accordingly, resolution under section 17 of the Companies Act, 1956, was declared as having been passed by ¾th majority.
- (2) Special Resolution for carrying other Objects of Memorandum of Association of the Company u/s 149(2A) of the Companies Act, 1956, as per postal ballot notice dated 08.06.2006, and the postal ballot exercise was conducted by Mr. R.P. Singh, Chartered Accountant in practice, as scrutinizer. The valid votes casted in favour of the resolution were 64812590. No vote was casted against the resolution. Accordingly, resolution under section 149(2A) of the Companies Act, 1956, was declared as having been passed by ¾th majority.

- (3) Ordinary Resolution under section 293(1) (a) of the Companies Act, 1956 authorizing the Board of Directors of the Company to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking(s) of the Company, as per postal ballot notice dated 23.02.2006. The postal ballot exercise was conducted by Mr. R.P. Singh, Chartered Accountant in practice as scrutinizer. The valid votes casted in favour of the resolution were 5,21,62,693. The total votes casted against the resolution were 17,970. Accordingly, resolution under section 293(1)(a) of the Companies Act, 1956, was declared as having been passed by majority.
- (4) Special Resolution for shifting of the Registered Office of the Company within the State of Punjab from G.T. Road, Phagwara (Punjab) to Near Jain Colony, Vijay Inder Nagar, Daba Road, Ludhiana, Punjab - 141003 under Section 17 of the Companies Act, 1956, as per postal ballot notice dated 23.02.2006, and the postal ballot exercise was conducted by Mr. R.P. Singh, Chartered Accountant in practice, as scrutinizer. The valid votes casted in favour of the resolution were 5,21,62,743. The total Votes casted against the resolution were 17,920. Accordingly, resolution under section 17 of the Companies Act, 1956, was declared as having been passed by $\frac{3}{4}$ th majority.

8. DISCLOSURES

- 1) During the financial year ended 31st March, 2006, the following were the related party transactions of material nature:
- A. Enterprises over which major shareholders, key management personnel and their relatives have significant influence.
- Oswal Chemicals & Fertilizers Ltd.
 - Lucky Star Entertainment Ltd.
 - Aruna Abhey Oswal Trust
 - Sohanaa International Ltd.
- B. Key Management Personnel and their relatives:
- Shri Abhey Oswal, Shri R.K. Singhania, Shri B.N. Gupta

Details of transactions carried out with the related parties in the ordinary course of business:

Rs. in Lacs

Particulars of Transactions	For the Year ended 31.03.2006			For the Year Ended 31.03.2005
	With Enterprises Mentioned in A	With Persons Mentioned in B	Total	
Leased Accommodation Rent	-	-	-	0.11
Managerial Remuneration	-	-	-	1.59
Expenses paid on behalf of the Company	227.01	-	227.01	335.76
Funds given to enterprises	4000.35	-	4000.35	322.83
Funds/income received from enterprises	296.89	-	296.89	94.89
Adjustment of funds paid/amount paid on behalf of the company	940.15	-	940.15	-
Investment purchased from enterprises	1000.00	-	1000.00	-
Amount invested in enterprises	300.00	-	300.00	-
Balance outstanding at year end	3332.46	-	3332.46	1534.18
Investments	28276.15	-	28276.15	27004.89

- 2) There were no instances of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any Statutory authority on any matter related to capital markets during the last three years. The trading in shares of the Company was suspended by NSE in the year 2001 and by BSE in the year 2003 due to certain non-compliances with the listing requirements.
- 3) The Company has not adopted a Whistle Blower Policy. However, no person of the Company has been denied access to the Audit Committee.
- 4) After the disposal of the winding up petition against the company by the Hon'ble High Court of Punjab & Haryana in December, 2005, the company has complied with all the Mandatory requirements of Clause 49 of the Listing Agreement with Stock Exchanges on Corporate Governance. As regards the Non-mandatory requirements, the company will endeavour to implement them to the extent possible.

9. CHAIRMAN'S CERTIFICATE

The Chairman of the Company has furnished the requisite certificate to the Board of Directors under revised clause 49 of the Listing Agreement.

10. CODE OF CONDUCT

The Company has adopted a Code of Conduct for all Board Members and Senior Management of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the Code on annual basis.

11. MEANS OF COMMUNICATION

The Quarterly Financial Results of the Company are published in newspapers in terms of Clause 41 of the Listing Agreement. The quarterly financial results are generally published in Punjabi Tribune (Punjabi Edition) and The Tribune (English Edition).