

PENTAMEDIA GRAPHICS LIMITED



30th Annual Report 2005 - 2006

CONTENTS Page No.

From Chairman's Desk	1
Notice to Shareholders	2
Directors' Report & Management	
Discussion and Analysis	5
Report on Corporate Governance	9

Parent

Auditor's Report	16
Balance Sheet	19
Profit and Loss Account	20
Schedules	21
Notes on Accounts	25
Statement of Cash Flows	31

Consolidated

Auditor's Report	32
Balance Sheet	33
Profit and Loss Account	34
Schedules	35
Notes on Accounts	40
Statement of Cash Flows	43
Section 212 Statements	
Subsidiary Companies	44

Mayajaal Entertainment Limited

Directors Report	45
Auditor's Report	47
Balance Sheet	50
Profit and Loss Account	51
Schedules	52
Notes on Accounts	56

NumTV Limited, Mauritius

Directors Report	59
Auditor's Report	59
Balance Sheet	60
Profit and Loss Account	61
Statistical Data	62

BOARD OF DIRECTORS

Dr.V.Chandrasekaran	Chairman & CEO
Mr.S.D.Viswanathan	Director
Mr.T.V.Krishnamurthy	Director (Upto 28.07.2006)
Mr.K.Ganesh Babu	Director (Upto 28.07.2006)
Mrs.Sumathi Sridharan	Director (w.e.f 15.05.2006)
Mr.R.Balaji	Director (w.e.f 24.05.2006)

AUDITORS

M/s.Sudhindran & Company
Chartered Accountants Chennai

Bankers

Bank of India
Oriental Bank of Commerce
UTI Bank Ltd.
HDFC Bank Ltd.
ICICI Bank Ltd.
State Bank of India

REGISTERED OFFICE

No.25, "Taurus", First Main Road
United India Colony, Kodambakkam
Chennai-600 024, Tamil Nadu
Tel: 044 - 24833067 Fax: 044 -24726042
E-Mail: shares@penta-media.com
Visit us at : www.penta-media.com

REGISTRAR & TRANSFER AGENT

Cameo Corporate Services Ltd.,
Unit "Pentamedia Graphics Limited"
"Subramaniam Building", No.1 Club House Road,
Anna Salai, Chennai 600 002.
Tel: 044 - 28460390-394 Fax: 044 - 28460129
E- Mail: cameo@cameoindia.com

From the Chairman's desk....

Dear Shareholders,

'You live only once, enjoy it', is the saying world over by elders who look at life positively. During my career in USA in 80's, I have learnt that whatever technology discovered or invented it should always enable mankind to use it effectively to make himself or society happy. Technology is not intelligent, but it is only obedient! With this motto our company has used technology in the entertainment field and have done many pioneering works in 2D, 3D, Motion Capture, Special Effects, Digital Film, Production & Distribution, Intelligent Malls, Resorts, Theatres etc. We have not only preached but also practiced as many of these technologies have been used in various products and services and entertained people all over the world, especially children and young adults. Though many entertainment leaders have looked at Studio, Media, Web, Themed and Sports Entertainment in an analog way, we have looked at it digitally, so that Production, Distribution and Exhibition activities are more efficient, effective and reusable. With this in mind we have restructured various activities of Pentamedia, Mayajaal, Media Dreams, Intelivision, Krish Srikanth Sports Entertainment and most of the process of restructuring completed except the listing of Mayajaal and Distribution of shares. After all, when we are entertaining people all over the world, the natural justice should also make all our stakeholders happy and enjoy not only the products but also the envisaged growth due to the restructure. Let us hope that this will happen soon with the approval of all the authorities.

Dr.V.Chandrasekaran
Chairman & CEO

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Thirtieth Annual General Meeting of Pentamedia Graphics Limited will be held on Friday the 29th December 2006 at 10.00 a.m. at Rani Seethai Hall, No.603, Anna Salai, Chennai – 600 006 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 Profit and Loss Account for the year ended 31st March 2006 together with the Directors' Report and Auditor's Report thereon.
2. To elect a Director in the place of Mr.S.D.Viswanathan, Director who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint and fix the remuneration of M/s. Sudhindran & Co., Chartered Accountants, Chennai, Statutory Auditors retiring at the conclusion of this Annual General Meeting and being eligible offer themselves for re-appointment.

SPECIAL BUSINESS

To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

4. **APPOINTMENT OF MRS. SUMATHI SRIDHARAN AS DIRECTOR**

"RESOLVED THAT pursuant to provisions of Section 257 and other applicable provisions if any of the Companies Act, 1956 and Article 33 of the Articles of Association of the company, Mrs. Sumathi Sridharan be and is hereby appointed as director of the company whose office shall be liable to retire by rotation."

5. **APPOINTMENT OF MR.R.BALAJI AS DIRECTOR**

"RESOLVED THAT pursuant to provisions of Section 257 and other applicable provisions if any of the Companies Act, 1956 and Article 33 of the Articles of Association of the company, Mr.R.Balaji, be and is hereby appointed as director of the company whose office shall be liable to retire by rotation."

6. **REAPPOINTMENT OF Dr.V.CHANDRASEKARAN AS CHAIRMAN & CEO: -**

To Consider and if thought fit to pass with or without modification(s) the following resolution as ordinary resolution:

RESOLVED THAT pursuant to provisions of Section 198, 269, 309, 310, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be required, Dr.V.Chandrasekaran, be and is hereby re-appointed as Chief Executive Officer of the Company for a term of 5 years with effect from 1st August 2006 on such terms and conditions of remuneration as prescribed below subject to overall limit of 5% of the net profits of the Company for each financial year computed in the manner prescribed in Section 349 and Section 350 of the Companies Act, 1956.

a) **Salary**

Rs.1,00,000/-per month in the scale of Rs.1,00,000/- to Rs.2,00,000/-. Increments to be decided by the Remuneration Committee.

b) In terms of the provisions of Article 37 of the Articles of Association of the Company, Dr.V.Chandrasekaran shall not be subject to retirement by rotation during his tenure as Managing Director.

c) Perquisites (evaluated as per Income-Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like the benefit of the gas, electricity, water, club fees, personal insurance, use of car and telephone at residence or reimbursement of expenses in lieu thereof, medical reimbursement, leave and leave travel concession, education benefits, provident fund, superannuation fund, gratuity and other retirement benefits in accordance with the scheme(s) and rule(s) applicable to the members of the staff from time to time, for the aforesaid benefits.

d) Dr.V.Chandrasekaran shall not be entitled to any sitting fee for the meeting of the Board or of any committee thereof.

e) Dr.V.Chandrasekaran will be subject to all other service conditions as applicable to any other employee of the company.

RESOLVED FURTHER THAT the Mrs. Sumathi Sridharan, Director of the Company be and is hereby authorized to sign physically or digitally the necessary returns required to be filed with the Registrar of Companies, Chennai

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things that may be required to give effect to the aforesaid resolution.

By Order of the Board
For PENTAMEDIA GRAPHICS LIMITED

V.CHANDRASEKARAN
CHAIRMAN & CEO

Place: Chennai
Date: 27.11.2006

PENTAMEDIA GRAPHICS LIMITED

3

NOTES:-

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL, VOTE INSTEAD OF HIM/HER. A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE, NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- The Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business of this Notice is annexed hereto
- The Register of Members and Share Transfer Books of the Company will remain closed from 23rd December 2006 to 29th December 2006 (both days inclusive).
- Shareholders holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agents, Cameo Corporate Services Limited. Shareholders holding shares in electronic form must send the advice about change in address to their respective Depository Participants and not to the Company.
- Members are requested to hand over the enclosed Attendance Slip, duly signed in accordance with their specimen signatures registered with the Company for admission to the meeting hall.
- As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copy of the Annual report to the Meeting.

DISCLOSURE PURSUANT TO CLAUSE 49 IV (G) OF THE LISTING AGREEMENT WITH REGARD TO THE DIRECTORS SEEKING RE-APPOINTMENT AND APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

Item No 4:-

Name of the Director Mrs.Sumathi Sridharan

Brief resume and nature of expertise in functional area:

Mrs.Sumathi Sridharan joined in Pentasoft group in the year 1993. She has 21 years experience in various fields such as software development. (Penta Bank & CBT/CD Titles), education and training (IBM AS/400, ES/9000 & E-Business solution).

She is a M.Tech, Computer engineer, and before joining Pentasoft Technologies Limited she was with REC-Trichy as a faculty in Department of Computer Science. The Board proposes to appoint Mrs.Sumathi Sridharan as a Director of the Company.

Other Directorship* : Pentasoft Technologies Limited.
Mayajaal Entertainment Limited

Other committee membership: Nil

Item no 5:-

Name of the Director:- Mr.R.Balaji

Brief resume and nature of expertise in functional area :

Mr.R.Balaji is an advocate by profession. He has 20 years of experience in this profession. He has been handling various civil and criminal cases before High Court and Sessions Court

Other Directorship* : Pentasoft Technologies Limited.
Other committee membership : Nil

*Other Directorships/ Committee memberships exclude Directorships in private / foreign companies.

Item No : 6

Name of the Director : Dr. V.Chandrasekaran

Brief Profile of the Director

Dr.V.Chandrasekaran has been the Managing Director of the Company since its Incorporation and he was appointed as Chairman & CEO of the Company in July 2001. Dr.V.Chandrasekaran has worked in the field of computer software for over two decades in positions both in India and Abroad. He began his career with Bharath Heavy Electric Ltd (BHEL) and served that company for over 10 years in positions in which he oversaw the design, development and maintenance of software and systems. He has also worked in Systems & Applied Sciences Corporation in Washington, where he was involved in design, development and implementation of software for media services. Dr.V.Chandrasekaran has an M.E. in computer science from the Regional Engineering College, Trichy

Other Directorship* : Pentasoft Technologies Limited as Chairman
Other committee membership : Nil

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**Item No: 4**

Mrs.Sumathi Sridharan was appointed as an Additional Director of the company with effect from 15.05.2006. In terms of Section 260 of the Companies Act, 1956, Mrs.Sumathi Sridharan holds office only upto the date of the ensuing Annual General Meeting.

Notice in writing as required under Section 257 of the Companies Act, 1956 together with requisite deposit has been received from a member, proposing the candidature of Mrs. Sumathi Sridharan as a Director of the company

Mrs.Sumathi Sridharan is interested in the resolution. None of the other Directors are interested or concerned in the resolution.

Item No: 5

Mr.R.Balaji was appointed as an Additional Director of the company with effect from 24.05.2006. In terms of Section 260 of the Companies Act, 1956, Mr.R.Balaji holds office only upto the date of the ensuing Annual General Meeting.

Notice in writing as required under Section 257 of the Companies Act, 1956 together with requisite deposit has been received from a member, proposing the candidature of Mr.R.Balaji as a Director of the company

Mr.R.Balaji is interested in the resolution. None of the other Directors are interested or concerned in the resolution.

Item No. 6:-

Dr.V.Chandrasekaran was appointed as Chairman and Chief Executive officer of the company on 1st July 2001 and his term comes to end till 30th July 2006. He was reappointed as Chairman & Chief Executive Officer for further period of five years till July 2006 by the Board at its meeting held on 1st August 2006. The reappointment of Dr.V.Chandrasekaran as Chairman & C.E.O of the company requires approval by the shareholders of the company.

The resolution reappointing Dr.V.Chandrasekaran as Chairman & C.E.O was placed before the Shareholders for their approval.

Dr.V.Chandrasekaran is interested in the resolution.



PENTAMEDIA GRAPHICS LIMITED**5****DIRECTORS' REPORT**

The Board of Directors have the pleasure to present the 30th Annual Report to the shareholders together with the Audited Accounts of the Company for the financial year ended 31st March 2006.

Status of Composite scheme of amalgamation

The members at their Extra-Ordinary General meeting held on 03rd May 2004 had approved the Composite scheme of amalgamation / arrangement and compromise with Messrs. Media Dreams Limited, Kris Srikanth Sport Entertainment Limited, Intellivision Limited and Mayajaal Entertainment Limited and their respective creditors and shareholders. The Scheme was sanctioned by the Hon'ble High Court of Judicature at Madras on 12th October 2004 and was subsequently modified vide Order dated 8th November 2004. Pursuant to the provisions of the Scheme 6 Equity Shares of Re. 1/- each credited as fully paid up of MAYAJAAL will be allotted for every 10 Equity share of Rs.10/- each held by them in Pentamedia Graphics Limited. Those equity shares to be issued by Mayajaal in terms of the said scheme were required to be listed at Madras Stock Exchange (MSE), Bombay Stock Exchange Limited (BSE) and National Stock Exchanges (NSE). The Company has filed necessary listing application with enclosures to all the three stock exchanges. MSE has already approved the said scheme and has also accorded its in-principal approval for the listing of the securities. However, Bombay Stock Exchange has raised an objection with regard to the Scheme and also listing of Majayaal Securities. BSE has also filed an appeal before the Hon'ble High Court of Madras and the court has directed the BSE to inform the company for compliance of listing agreement, if any, to be complied. BSE even after the direction has rejected the listing application for listing of the securities of Pentamedia and MAYAJAAL.

The directors further wish to inform the members that based on the rejection of listing of securities of MAYAJAAL by BSE, Your company had filed an application before the Hon'ble Court of Madras challenging the said rejection. The court after hearing both the parties directed the company to refer the matter to Securities Appellate Tribunal (SAT). On account of that the various allotments required to be made by the Company pursuant to the scheme approved by the Hon'ble High Court of Madras is kept in share capital suspense. The Company has filed an appeal in the High Court of Madras and also contemplating to file in Securities Appellate Tribunal (SAT), Mumbai.

Meanwhile the company has obtained the permission from Registrar of Companies, Chennai for extension of 30th Annual General Meeting till 30.12.2006 to effect the restructuring scheme fully as per the order of High Court of Madras.

Financial Results

Particulars	2005-2006 (Rs. In lakhs)	2004-2005 (Rs. In lakhs)
Total Income	252810	648,687
Profit before Interest, Depreciation & Tax	83337	272,304
Net Profit after Tax	11602	40,104
Add: Surplus Brought Forward	724,584	684,480
Profit available for appropriation	735,185	724,584
Transfer to General Reserve	-	-
Surplus carried to Balance Sheet	735,185	724,584

Financial Performance

During the year the company made a turnover of Rs.25.28 Crores as against Rs.64.86 Crores in the previous year. The Profit before Interest, Depreciation and Taxation for the year ended 31st March 2006 was Rs 8.33 Crores against the previous year figure of Rs.27.23 Crores.

Business Review

Your company is focusing in the areas of consultancy on Creative & Professional services on Animation, Multimedia & Visual Effects and pre-production, post-production, distribution of 2D & 3D Animation films.

Dividend

Your Directors have not recommended any dividend and wish to conserve the cash for the future.

Investments

Long term investments are valued at cost. Provision for diminution has not been made for investment to recognize the decline in the market value.

Subsidiary Company Accounts

In compliance with the provisions of Section 212 of the Companies Act, 1956, the Audited Statement of Accounts for the year ended 31st March 2006 of the Subsidiary Companies and also the statement under the said section are attached with the Balance Sheet of the Company.

PERSONNEL

There were no employees in receipt of remuneration in excess of the limits as stipulated under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that, to the best of their knowledge and belief.

1. In the preparation of the Profit & Loss Account for the financial year ended March 31, 2006 and the Balance sheet as at that date ("financial statement"), applicable accounting standards have been followed;
2. Appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the Profit of the company for that period.

3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions for the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. To ensure this, the company has established internal control systems, consistent with its size and nature of operations. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit committee meets at regular intervals to review the internal audit function.
4. The financial statements have been prepared on a going concern basis.
5. The financial statements have been audited by M/s. Sudhindran & Co Associates, Chartered Accountants, the Statutory Auditors and their report is appended thereto.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

The Particulars 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 is annexed separately as Annexure, A which forms part of this report.

Directors

Dr V.Chandrasekaran, was re-appointed as Chairman & CEO of the Company for a term of 5 years with effect from 1st August 2006.

Mrs.Sumathi Sridharan was appointed as additional director of the company on 15th May 2006 and her appointment as Director of the company is proposed in the item no. 3 of the notice.

The company has received notices from a member proposing the appointment of Mrs.Sumathi Sridharan as Director of the company.

Mr.R.Balaji was appointed as additional director of the company on 24th May 2006 and his appointment as Director of the company is proposed in the item no. 4 of the notice.

The company has received notices from a member proposing the appointment of Mr.R.Balaji as Director of the company.

During the year under review, Mr.T.V.Krishnamurthy and Mr.K.Ganesh Babu who was appointed as a Director on 31.10.2001 and 30.03.2005 respectively had resigned from the Board on personal reasons with effect from 28th July 2006. The Board wish to place on record its appreciation for the services rendered by them.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956. The discussion and analysis of the Group's financial condition and results of operations are based upon the Group's Audited Consolidated Financial Statements, which have been prepared in accordance with the accounting standards pronounced by the Institute of Chartered Accountants of India.

The management of PentaMedia accepts responsibility for the integrity and objectivity of these financial statements as well as for various estimates and judgments used therein. In addition to the historical information contained herein, the following discussion includes forward-looking statements which involve risks and uncertainties, including, but not limited to, risks inherent in the Company's growth strategy, dependence on certain clients, dependence on availability of qualified technical consultants and other factors discussed in this report.

Industry & Market Overview:

Indian Animation Industry Expected to Reach USD 950 Million by 2009

The market size of the global animation industry (from the demand perspective) was estimated at USD 55 billion in 2005. The industry is expected to witness a CAGR of eight percent and is estimated to be USD 75 billion by 2009. Of the total animation market, approximately 40- 45 percent goes towards the cost of development. Based on this, the global animation market (from the developers' perspective) was estimated at USD 25 billion in 2005, and is expected to increase to USD 35 billion by 2009. The size of the Indian animation market (from the developers' perspective) was estimated at USD 285 million in 2005. It is expected to witness a CAGR of 35 percent from 2005-2009 and increase to USD 950 million by 2009. Currently, activities at the production stage form a major portion of outsourcing, with postproduction accounting for a small share. The share of post-production activities is expected to increase in future. The entertainment sector contributes as much as 68 percent of the total Indian animation market (from the developers' perspective). In entertainment, the share of fully animated movies is expected to increase significantly, from 15 percent in 2005 to 28 percent by 2009.

Indian Gaming Industry Expected to Reach USD 300 Million by 2009

Introduction of newer technologies and platforms has facilitated the growth of the worldwide gaming industry. The global gaming market (from the demand perspective) was estimated at USD 19 billion in 2005, and is expected to increase to USD 36 billion by 2009, representing a CAGR of 17 percent for the period 2005-2009. Developers cost account for around 25-30 percent of revenues. Therefore, the worldwide gaming market (from the developers' perspective) was estimated at USD 5.8 billion in 2005 and is expected to increase to USD 11 billion by 2009. The market for gaming development in India was estimated at USD 30 million in 2005. It is expected to witness a CAGR of 78 percent and reach USD 300 million by 2009. Mobile gaming will dominate the market with its share in the total Indian gaming market (from the developers' perspective) expected to increase from 53 percent in 2005 to 68 percent by 2009. Key services currently outsourced in gaming include production and testing activities. In animation and as well as in gaming, a number of Indian companies are changing their business model and are moving from an outsourcing to a co-production model.

PENTAMEDIA GRAPHICS LIMITED

7

Focus on Developing Talent Pool and Leveraging Cost Competitiveness

India already offers a significant cost advantage in animation and game development, as compared to other outsourcing destinations such as Taiwan and South Korea. A key factor restricting the growth of animation and gaming in India is the scarcity of skilled professionals. Increased focus on the needs of the segment by key stakeholders can help address these areas and lead to significant growth. Suggested initiatives include increasing the level of interaction between the industry and existing institutes to develop a comprehensive training module can result in bridging the demand-supply gap of skilled professionals. Industry support in the form of funding, and enabling environment for domestic market development can further grow the opportunity.

Cost comparison on animation programme

Cost of animation production in India is the lowest compared to other destinations like Canada, Korea, Taiwan and Philippines as seen in the table.

Rates of production of a half-hour animated programme	
Countries	Cost (in US\$)
US & Canada	250,000 – 400,000
Korea and Taiwan	250,000 – 400,000
Philippines	90,000 – 100,000
India	60,000

There are currently about 5000 animation professionals in the country and if the growth is consistent, we will be requiring around 18,000 to 20,000 animation professionals by the Year 2007, which is a challenging task. Animation professionals are required to have artistic background along with the inclination for acting and even color sense. India has already received several 2D, 3D and TV serial work. We foresee India emerging as a major player in the feature film animation in the near future. Not just the requirement of manpower is a challenge, capturing the big domestic market is a more daunting one. The Indian film industry still sees animation and special effects as a fill in for scenes that can't be shot otherwise practically. One of the main reasons why there is a lack of active interest in special effects is that of economic feasibility and courage. Indian broadcasters pay very small amounts for producing multimedia and graphic clips, though producing animation is very expensive. Setting up infrastructure for 3D animation is also quite an expensive affair, and Indian film-makers are still not daring to experiment with animation in a big way. So what is the future? India has already received several 2D, 3D and Flash TV series work. We foresee India emerging as a major player in the feature film animation in the near future.

Segmental Reporting**Primary Business Segmental Results**

Particulars	Rs. 000s
Sales & Services	
Consultancy, Production & Distribution of Contribution	
For Big, Small & Personal Screens	246899
	246899
Profit Before Interest & Tax	
Consultancy, Production & Distribution of Contribution	
For Big Small & Personal Screens	27758
	27758
Interest	19562
Profit before tax & extraordinary item	8196

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the listing agreement with the stock exchanges, Report on Corporate Governance & Management Discussion & Analysis are made a part of this Annual Report. A Certificate from M/s.R.Sridharan & Associates, Company Secretaries, regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the listing agreement is attached to this report.

HEALTH, SAFETY AND ENVIRONMENT PROTECTION

The Company has substantially complied the applicable Environmental Laws and Labour Laws. It has expended substantial resources, both financial and managerial, in complying with the relevant laws and has taken all reasonable measures to protect the environment, to ensure safety and healthy of the workers.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public.

AUDITORS

M/s.Sudhindran & Co., Chartered Accountants, Chennai, who was appointed at the Extraordinary General Meeting held on 30th June 2006, holds office upto the ensuing annual general meeting and being eligible offers themselves for reappointment and whose reappointment is proposed in the Item No. 2 of the notice. A Certificate pursuant to Section 224 (1-B) of the Companies Act 1956 has been obtained from them, stating that their appointment, if made would be within the limits laid down in the said section

GENERAL / ACKNOWLEDGEMENT

The Directors wish to thank the Government of Tamil Nadu and all government bodies for the co-operation and assistance received. The Board also wishes to thank the Bankers, financial institutions and Customers for their continued support to your company's growth.

The Directors record their sincere appreciation to all employees for their dedication and for their efforts made to enable the company to perform and maintain progress during this difficult period.

The Directors also thank the shareholders for their continued support, encouragement and the confidence reposed in the management.

By and on behalf of the Board

Place: Chennai
Date : 27.11.2006

V.Chandrasekaran
Chairman & CEO

Annexure A**Conservation of energy, technology absorption and foreign exchange earnings and outgo.**

The Company is taking continuous steps in evolving energy conservation by analyzing consumption data of various process equipments. Continuous efforts are being made to improve the energy utilization. We are upgrading the technology employed by making continuous interactions with the technicians of the Company.

Energy conservation measures are implemented and constantly monitored for reduction of energy consumption.

Form A as per Rule 2 of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is as follows

Power and Fuel Consumption

	2005-2006	2004-2005
Power consumption in Units	1365150	1819977
Electricity Charges (Rs.)	7562930	10044548
Cost per Unit (in Rs.)	5.54	5.52
Self generated Units	44707	46563
Fuel Costs (Rs.)	608020	486892
Cost Per Unit (Rs.)	13.60	10.15

FOREIGN EXCHANGE EARNINGS AND OUTGO

	2005-2006	2004-2005
Foreign Exchange Earnings	223,627	743,746
Foreign Exchange outgo	111,197	435,526

Disclosure as per the Companies (Disclosure of particulars in the board of Directors) Rules, 1988

Name	DOB	Designation	Remuneration (Rs.'000s)	Original Appointment	Date Latest of Reappointment
Dr.V.Chandrasekaran	03.05.51	Chairman & CEO	2688	January, 1992	1 st August 2006

By and on behalf of the Board

Place : Chennai
Date : 27.11.2006

V.Chandrasekaran
Chairman & CEO