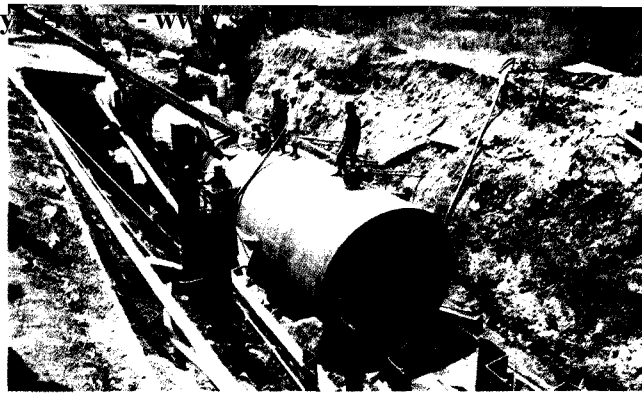
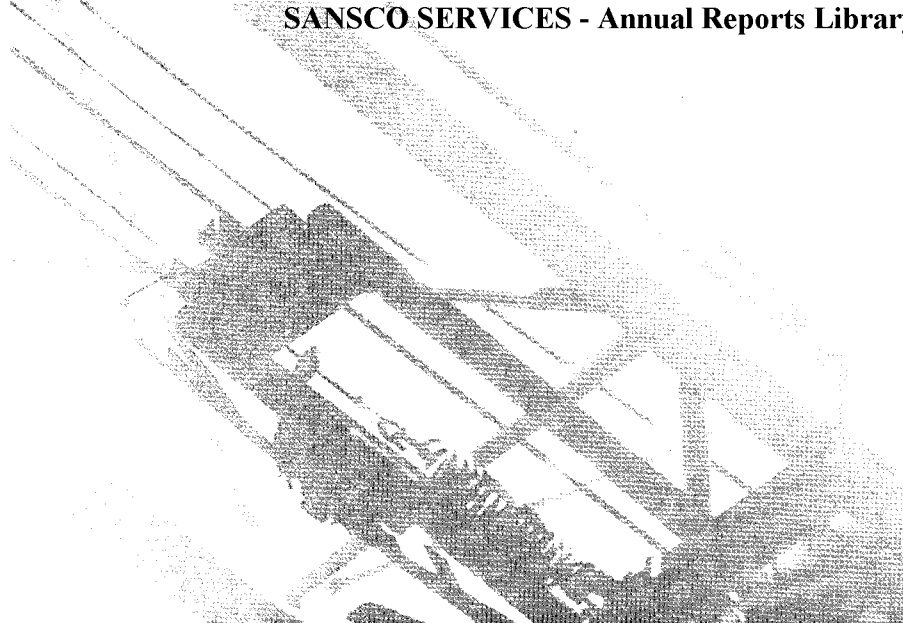


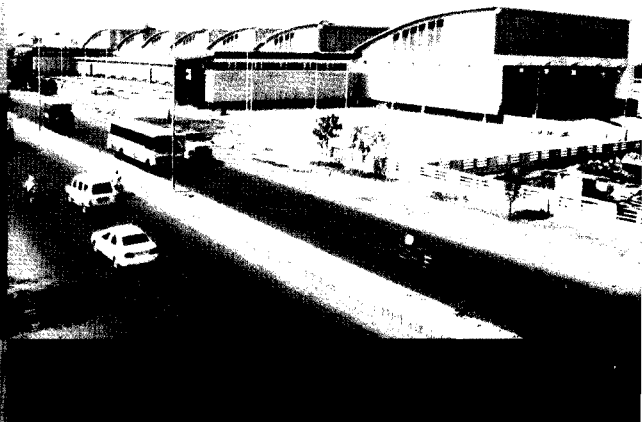


Pratibha Industries Limited

Annual Report 2005 - 06



Mrs. Usha Kulkarni, Chairperson of the Company ringing the gong at the listing ceremony of the shares at BSE on 16th March, 2006.



Courtesy: DNA



Mr. Ajit Kulkarni, Managing Director of the Company receiving the 'SMERA Rating Certificate' at the hands of Mr. P. Chidambaram, Hon. Union Finance Minister on 5th September, 2005.

Pratibha Industries Ltd.

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Board of Directors

Mrs. Usha B. Kulkarni - Chairperson
 Mr. Ajit B. Kulkarni - Managing Director
 Mr. Vinayak B. Kulkarni - Whole time Director
 Mr. Anilkumar G. Karkhanis - Independent Director
 Mr. Awinash M. Arondekar - Independent Director
 Mr. Shrikant T. Gadre - Independent Director

Company Secretary

Mr. Mahesh Joshi

Bankers to the Company

Bank of Baroda
 Bank of India
 ICICI Bank Ltd
 Punjab National Bank
 State Bank of India

Statutory Auditors

Jayesh Sanghrajka & Co.,
 Chartered Accountants

Registered Office

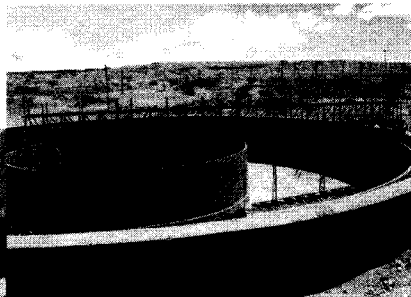
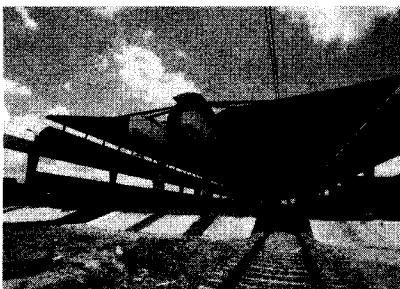
101, Usha Kamal,
 574, Chembur Naka,
 Chembur, Mumbai 400071

Corporate Office

Shrikant Chambers, Phase-II,
 5th Floor, Sion - Trombay Road,
 Next to R.K. Studio, Chembur,
 Mumbai 400071
 Tel: 91 22 6641 4499
 Fax 91 22 2520 1135
 E-mail: info@pratibhagroup.com
 www.pratibhagroup.com

Registrars and Transfer Agents

Intime Spectrum Registry Ltd.
 C-13, Pannalal Silk Mills Compound,
 L.B.S. Marg, Bhandup (W),
 Mumbai - 400 078
 Tel No. 022-25960320
 Fax: 022 - 25960329
 Website: www.intimespectrum.com
 E- Mail: pratibha@intimespectrum.com



Annual General Meeting to be held on 16th day of June, 2006, at
 3.30 p.m. at Patkar Hall, S.N.D.T. Women's University,
 1, Nathibai Thackersey Road, Mumbai - 400 020.

PRATIBHA INDUSTRIES LTD.

Five Years at a Glance (Consolidated)

(Rs. in Lakhs)

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
Total Income	17,463.21	12,144.37	8,181.92	4,261.40	3,531.49
Operating Expenses	15,314.53	10,573.47	7,477.15	3,915.76	3,255.12
Operating Profit	2,148.68	1,570.90	704.77	345.64	276.37
Finance Charges	711.23	660.16	295.43	101.47	103.72
Depreciation	66.27	46.53	36.59	26.40	22.46
Profit Before Tax	1,371.18	864.21	372.75	217.77	150.19
Profit After Tax	1,227.49	808.97	364.94	192.42	137.90
Equity	1,428.50	200.00	200.00	200.00	176.66
Reserves	6,794.90	1,653.90	844.94	480.00	287.57
Net Worth	8,223.40	1,853.90	1,044.94	680.00	464.23

(Rs. in Lakhs)

	2006	2005	2004	2003	2002
What we owned					
Fixed Assets					
Gross Block	1,565.99	995.25	865.23	488.61	448.60
Less : Depreciation	217.09	153.34	117.30	83.19	56.79
Net Block	1,348.90	841.91	747.93	405.42	391.81
Investments	2,945.87	48.70	48.70	18.70	106.43
Working Capital	8,540.17	4,716.98	2,494.50	674.18	542.64
Miscellaneous Expenditure	430.72	0.00	0.23	0.46	0.69
Total	13265.66	5607.59	3291.36	1098.76	1041.57

What we owed

Secured Loans	4157.06	3552.75	2242.42	410.57	577.24
Unsecured Loans	875.59	193.45	0.00	0.00	0.10
Deferred Tax Liability	9.61	7.49	4.00	8.19	0.00
Total	5042.26	3753.69	2246.42	418.76	577.34

Net Worth	8,223.40	1,853.90	1,044.94	680.00	464.23
Represented by					
Share Capital	1,428.50	200.00	200.00	200.00	176.66
Reserves & Surplus	6,794.90	1,653.90	844.94	480.00	287.57

DIRECTORS' REPORT

To,

The Members

Your Directors have great pleasure in presenting the 11th Annual Report together with the statement of Accounts for the Financial year ended 31st March, 2006.

The performance of the Company for the financial year ended 31st March, 2006, is summarised below:

FINANCIAL RESULTS:

(Rs. in Crores)

	Consolidated	
	31.03.2006	31.03.2005
Income	174.63	121.44
EBIDTA	22.56	15.71
Less : Interest & Finance Charges	7.11	6.60
Less : Depreciation	1.74	0.47
Profit Before Tax	13.71	8.64
Provision for Tax	1.43	0.55
Profit After Tax (PAT)	12.28	8.09
Earning Per Share* (Basic) (in Rs.)	14.47	40.45
Earning Per Share* (Diluted) (in Rs.)	14.47	8.09

* Calculated on weighted average number of shares.

PERFORMANCE REVIEW:

The consolidated turnover of the company has substantially increased from Rs. 121.39 crores in 2004-05 to Rs. 174.10 crores in 2005-06.

Also the Company has been awarded the following contracts during the period covered by this report.

(Rs. in Crores)

Sr. No.	Name of Work	Tender Cost	Stipulated period for completion
1	Providing MS or DI Transmission Pipeline from Amminbhavi to Nruthungabetta at Hubli-Dharwad.	31.83	18 months
2	Providing MS or DI Transmission main from Kotnoor to Shorgumaz and removing and relaying of CI Transmission Main from Bennithora to BP tank in Gulbarga.	11.30	15 Months
3	Construction of commercial office Building at Ahmedabad (Gujarat)	6.44	12 months
4	Providing/Laying/Joining and commissioning of Peripheral water main emanating from UGR & BPS near Apollo Hospital for Badarpur Constituency.	11.20	9 Months
5	Providing & Laying 3000 mm Internal Dia M.S Underground water main along west side of Eastern Express Highway, from Tagore Nagar Vikhroli (East) to Amar Mahal Junction at Chembur including cement mortar lining from inside and allied works. (Phase II) - III A MUMBAI WATER SUPPLY PROJECTS	118.95	24 months
6	Design build 10 MGD recycling (Process waste) WTP at Bhagirathi Water Works on Turnkey basis	13.34	30 months
7	Supplying, Manufacturing and laying 2500mm dia M.S. Pipeline from Narmada Main Canal to Kotapur Water Works	18.51	9 Months
8	P/L/J 800-600 mm dia M.S. (Lined & Coated) Feeder main from Najafgarh to UGR at UJWA Village.	12.31	12 Months
9	Improvement, widening and strengthening of existing roads with cement concrete pavement including footpath, median, storm water line, electric line shifting, tree cutting etc. (Indore Vikas Bond Road Project lind - Phase)	43.28	30 Months
10	Civil & Structural work for Proposed Shopping Mall at Mulund (West), Mumbai	70.00	12 months
11	Providing & laying pure water M.S. Transmission main from Kalamboli to Digha, Feeder mains to various ESR/GSR from transmission main and allied works such as construction of MBR, Pump House, Bridges as per requirements, provision of Pumping Machinery, Electrical Sub-stations, Electrical Installations, Generator etc. including Designing 'DEFERRED PAYMENT' basic for NMMC. (B-2/34/2005-2006)	200.90	12 months
		538.06	

The Company has successfully completed the following major projects during the period covered by this report.

(Rs. in Crores)

Sr. No.	Name of Work	Tender Cost
1	Providing, Lowering, Laying & Jointing Raw Water Gravity Main of 1219 mm dia. MS pipes 7.9 mm thick of 41.69 Km. & 1118 mm dia. of 5.14 Km. Branch leading Mains of 610 & 457 mm dia. M.S. pipes.	30.38
2	R. R. Water Supply Scheme for 84 Villages in Akot & Telhara Tahsil of Akola District.	29.88
3	Construction of Railway Offices, finishes to Concourses, subways, forecourt development, electrical work services, landscaping etc., at Ghansoli Railway Station complex, Navi Mumbai.	8.78
4	Providing & laying 3000 mm internal diameter M.S. Rising Main from Amne Bridge to Amnepada & from Wakipada to Proposed pumping station at Panjrapur and 2400 mm internal dia. M.S. injection main from existing dome on Additional Arum and connecting the same to M-II & M-III outlet of M.B.R. Yewai, including cement mortar lining from inside and allied works.	22.11
5	Design and Build Clear Water Transmission Mains for filling Storage Reservoirs in South Delhi for Delhi Jal Board	44.99
	Value of Work as Prime Contrator	136.14

ORDER BOOK POSITION:

The current order book position of the Company is more than Rs. 700 crores.

ISO CERTIFICATION:

Your Company has been awarded certificate for quality assurance standard of ISO 9001 (2000 Revision) by Moody International Limited, a worldwide specialist in quality certification.

RATING - SMERA B2:

Your Company is chosen to be one of the first 25 companies in India to receive "Rating Certificate" from New Rating Agency for Small & Medium Enterprises, SME Rating Agency of India Ltd. Your Company is assigned "SMERA B2" rating by SME Rating Agency of India Ltd. The rating indicates "High" Composite Appraisal / Condition Indicator for Companies with Net Worth between Rs.5 crore and Rs.20 crore.

INITIAL PUBLIC OFFER:

During the period under review the Company made an Initial Public Offer of 42,85,000 equity shares through 100% Book Building Route which opened on February 16, 2006 and closed on February 22, 2006. The issue received overwhelming support with an average over subscription of around 24 times. The shares were allotted on March 7, 2006 and listed on March 16, 2006 on Bombay Stock Exchange Limited and National Stock Exchange of India Limited, the two premier stock exchanges of the Country. As a result of the Public Issue, the net worth of the Company has substantially increased by Rs. 51.42 crores.

IPO FUNDS UTILISATION

The Company had, during the financial year ended March 31, 2006 raised a sum of Rs. 51.42 crores by way of Initial Public Offer. The Company utilized Rs. 16 crores as Long Term Margin for working capital, Rs. 1.2 crores for repayment of debts, Rs. 5.22 crores towards issue expenses. Pending deployment in BOOT/BOT projects the balance amount of Rs. 29 crores has been invested in fixed deposits with banks.

BONUS ISSUE

During the year under review your Company issued bonus shares to all shareholders of the Company in the ratio of 4:1 i.e. four equity share for every one equity share held as on the record date being 21st June, 2005. The issue of bonus equity shares was made solely through capitalization of the Reserves of the Company.

SHARE CAPITAL

At the time of the Initial Public Offer, the paid up share capital of the company was Rs. 10 crores consisting of 1 crore equity shares of Rs. 10/- each. After the Initial Public Offer, the paid up share capital of the Company stood at Rs. 14,28,50,000/- consisting of 1,42,85,000 equity shares of Rs. 10/- each.

DIVIDEND

Your directors are of the opinion that it would be in the interest of the Company to plough back the internal accruals for future projects and hence no dividend has been recommended.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year under review.

DIRECTORS

Mr. Anilkumar G. Karkhanis, Mr. Awinash M. Arondekar and Mr. Shrikant T. Gadre have been appointed additional directors by the Board on September 12, 2005. By virtue of Section 260 of the Companies Act, 1956 they hold office upto the date of the ensuing Annual General Meeting of the Company and are eligible for appointment. The Company has received notices under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- for each of them from a member of the Company proposing their names as candidates for the office of Director.

Mrs Usha B. Kulkarni, Director of the Company would retire by rotation at the forthcoming Annual General Meeting and is eligible for reappointment.

During the year under review Mr. Ramdas B. Kulkarni and Mr. Datta B. Kulkarni resigned as Directors of the Company on September 12, 2005. The Board places on record its appreciation for the services rendered and guidance provided by them during their tenure as Directors of the Company.

DEMATERIALISATION OF SHARES

The Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for dematerialisation of the Shares of the Company. Accordingly the Shares of your Company are available for dematerialisation and can be traded in Demat form.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006 and of the profit of the Company for the year ended on that date;
- (iii) the Directors have 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; and
- (iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-27 on Accounting for Investments in Joint Ventures, your Directors provide the audited Consolidated Financial Statements in the Annual Report.

INFORMATION AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

1	Name	Mr. Ajit Kulkarni
2	Age (Years)	48
3	Designation / Nature of Duties	Managing Director/ Overall control of the affairs of the Company
4	Gross Remuneration (Rs)	Rs. 24,26,400
5	Total Experience (Years)	28
6	Date of Commencement of Employment	July 19, 1995
7	Last Employment	—

AUDITORS AND AUDITORS' REPORT

M/s. Jayesh Sanghrajka & Co., Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received letter from them to the effect that their appointment / re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment / re-appointment within the meaning of Section 226 of the said Act.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Conservation of Energy, which is an on going process in the Company's construction activities, is not furnished as the relative Rule is not applicable to your Company.

There is no information to be furnished regarding Technology Absorption as your Company has not undertaken any research and development activity in any manufacturing activity nor any specific technology is obtained from any external sources which needs to be absorbed or adapted. Innovation is a culture in the Company to achieve cost efficiency in the construction activity to be more and more competitive in the prevailing environment that cannot be quantified.

The Company incurred expenses in Foreign Currency to the extent of INR. 117,450/- on Foreign Travel and INR 25,02,392/- being the CIF Value of Capital Goods imported.

There are no foreign exchange earnings in the year under review.

CORPORATE GOVERNANCE

Pratibha Industries Limited (the 'Company') is committed to conducting the business of the Company with the highest level of integrity and transparency. The commitment of the Company is clearly reflected in the business activities of the Company. Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India forms part of the Annual Report. Certificate from the Auditors of the Company, M/s. Jayesh Sanghrajka & Co., Chartered Accountants, confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is annexed to this Report.

EMPLOYEE RELATIONSHIP

The Company enjoyed cordial relations with the employees during the year under review and the Management appreciates the employees of all cadres for their dedicated services to the Company.

ACKNOWLEDGMENT

Your Directors would like to express their sincere appreciation and gratitude for the support and co-operation received from the Central and State Government, Financial Institutions, Banks, Government, Customers, Suppliers, Associates, Vendors, Sub – contractors and Members during the year under review. The Directors also wish to thank all the employees for their committed services and continued cooperation throughout the year.

For and on behalf of the Board of Directors

Usha B. Kulkarni

Chairperson

Date: 11th May, 2006

REPORT ON CORPORATE GOVERNANCE

1. Philosophy on Corporate Governance

The Company believes that transparency, empowerment, accountability and integrity are the fundamental principles of sound Corporate Governance. This philosophy has guided the operations and the functioning of the Company. The Company complies with various legislations in letter as well as spirit. Our Corporate Governance philosophy stems from our belief that the business strategy and plans should be consistent with the welfare of all stakeholders. The Company has experienced professionals on its Board of Directors who are actively involved in the deliberations of the Board on all important policy matters. The Company believes that all its actions must serve the underlying goal of enhancing overall shareholder value over a sustained period of time.

For implementing the Corporate Governance practices, the Company has a well defined policy framework consisting of the following:

- Code of Conduct and Ethics for Board of Directors and Senior Management Personnel
- Code of Conduct for Prohibition of Insider Trading.
- Committees of the Board viz., Audit Committee, Remuneration Committee, Shareholders/Investors Grievance Committee and Share Transfer Committee.

2. Board of Directors of the Company

The Company's policy is to maintain optimum combination of Executive and Non-Executive Directors. The Board of Directors of the Company (the Board) consists of 6 Directors, out of which 3 are Independent Directors.

Composition of the Board and category of Directors are as follows:

Name of the Members	Designation	Nature of Directorship
Mrs. Usha B. Kulkarni	Chairperson	Executive
Mr. Ajit B. Kulkarni	Managing Director	Executive
Mr. Vinayak B. Kulkarni	Whole time Director	Executive
Mr. Anilkumar G. Karkhanis	Director	Independent Non-Executive
Mr. Avinash M. Arondekar	Director	Independent Non-Executive
Mr. Shrikant T. Gadre	Director	Independent Non-Executive

The directors bring to the Board wide range of experience and skills.

3. Attendance of Directors at Board Meetings, last Annual General Meeting and Number of other Directorships and Membership / Chairmanship of Committees of each Director in various companies:

Name of the Director	Attendance Particulars		No. of other Directorships and Committee Memberships / Chairmanships		
	Board Meeting	AGM	Directorships	Committee Memberships	Chairmanships
Mrs. Usha B. Kulkarni	19	Present	4	-	-
Mr. Ajit B. Kulkarni	19	Present	5	-	-
Mr. Vinayak B. Kulkarni	19	Present	3	-	-
Mr. Anilkumar G. Karkhanis*	4	N.A.	2	-	-
Mr. Avinash M. Arondekar*	4	N.A.	1	2	-
Mr. Shrikant T. Gadre*	5	N.A.	-	-	-
Mr. Ramdas B. Kulkarni**	15	Present	-	-	-
Mr. Datta B. Kulkarni**	15	Present	-	-	-

* Appointed as Additional Director at the Board Meeting held on September 12, 2005

** Resigned from the Company on September 12, 2005 and ceased to be a Director with effect from that date.

4. Number of Board Meetings held and the dates on which held

Nineteen Board meetings were held during the year, as against the minimum requirement of four meetings. The dates on which the meetings were held are: April 7, 2005, April 18, 2005, April 25, 2005, May 5, 2005, May 31, 2005, June 6, 2005, June 21, 2005, June 24, 2005, July 4, 2005, July 6, 2005, July 15, 2005, August 2, 2005, August 10, 2005, August 11, 2005, September 12, 2005, October 24, 2005, January 11, 2006, February 24, 2006 and March 7, 2006. The Company has held at least one Board meeting in every three months and the maximum time gap between any two meetings was not more than four months.

5. Board Committees

Our Company has four committees formed out of the members of the Board. These committees were constituted on September 12, 2005. Details of the Committees and other related information are provided hereunder:

a. Audit Committee

The terms of reference to the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956. The Audit Committee consists of two independent directors and one executive director. The members of the Audit Committee are:

Name of the Members	Designation	Nature of Directorship
Mr. Shrikant T. Gadre	Chairman	Independent & Non Executive Director
Mr. Awinash. M. Arondekar	Member	Independent & Non Executive Director
Mr. Ajit B. Kulkarni	Member	Executive Director

All the members of the Audit Committee are financially literate and Mr. Shrikant T. Gadre, Chairperson possesses financial / accounting expertise.

Mr. Mahesh Joshi, Company Secretary, is the Secretary to the Audit Committee. The main function of the Audit Committee is to provide the Board of Directors of the Company with additional assurance as to reliability of financial information and statutory financial statements and as to the adequacy of internal accounting and control systems. It acts as a link between the management, statutory auditors and the Board of Directors.

During the year, the Audit Committee met once on January 11, 2006. All the members of the Committee were present for this meeting. General Manager (Finance), Head of Internal Audit and representatives of the Statutory Auditors were invited to attend the Audit Committee meeting.

The Committee has recommended the appointment of M/s. Jayesh Sanghrajka & Co., as the statutory auditors of the Company for the financial year ended March 31, 2007 and that the necessary resolutions for appointing them as the statutory auditors be placed before the shareholders.

The Committee has also recommended the appointment of M/s Chokshi & Chokshi as the internal auditors of the Company and determined and approved the fees payable to them.

b. Remuneration Committee

The Committee currently comprises of the following members

Name of the Members	Designation	Nature of Directorship
Mr. Anilkumar G. Karkhanis	Chairman	Independent & Non Executive Director
Mr. Shrikant T. Gadre	Member	Independent & Non Executive Director
Mr. Awinash M. Arondekar	Member	Independent & Non Executive Director
Mr. Ajit B. Kulkarni	Member	Executive Director

The Remuneration Committee has been constituted to recommend / review remuneration of the Managing Director and Wholtime Directors, based on their performance and defined assessment criteria. The remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodic basis. The remuneration policy is in consonance with the existing Industry practice.

The aggregate value of salary and perquisites including commission paid for the year ended March 31, 2006 to the Managing Director and Wholtime Directors is as follows: