

ALLOYING
INNOVATION
& QUALITY



ROHIT FERRO-TECH LIMITED

ANNUAL REPORT 2005-06

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Suresh Kumar Patni	Chairman-cum-Managing Director
Mr. Binit Jain	Executive Director
Mrs. Sarita Patni	Director
Mr. Kailash Chand Jain	Director
Mr. Jayant Chatterjee	Director
Mr. Jatindra Nath Rudra	Director

COMPANY INFORMATION

Company Secretary

Mr. Pramod Kumar Jain

Auditors

M/s. S. Jaykishan
Chartered Accountants
12, Ho-Chi Minh Sarani
Kolkata - 700 071

Bankers

State Bank of India
State Bank of Travancore
State Bank of Hyderabad
United Bank of India
HDFC Bank Limited
ICICI Bank Limited

Registered and Corporate Office

35, Chittaranjan Avenue
Kolkata - 700 012
Ph : +91-33-2211 9805/9806
Fax : +91-33-22114134
E-mail : investors@rohitferrotech.com
Website : www.rohitferrotech.com

Plant Information

Bishnupur

WBIDC Road, P.S. : Bishnupur
P.O. : Dwarika - 722 122
Dist : Bankura, West Bengal

Jajpur

Kalinganagar Industrial Complex
P.O. : Duburi - 755 026
District : Jajpur, Orissa

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DIRECTORS' REPORT

Dear Shareholders

Your Directors have pleasure in presenting their 6th Annual Report together with Audited Statement of Accounts for the Financial Year ending 31st March, 2006.

FINANCIAL RESULTS

(Rs in Lacs)

Particulars	Year ended 31st March, 2006	Year ended 31st March, 2005
Profit Before Depreciation & Tax	3204.15	1311.10
Less : Interest	350.13	263.64
Depreciation	155.73	96.58
Profit Before Tax	2698.29	950.88
Less : Provision for Tax including Deferred & FBT	301.04	176.21
Add : Deferred MAT Credit Entitlement	227.06	—
Profit After Tax	2624.31	774.67
Adjustment for earlier years	—	0.09
Balance brought forward from previous year	1106.18	42
Balance Available for Appropriations	3730.49	1106.18
Less : Proposed Dividend (10%)	344.63	—
Tax on Proposed Dividend	48.33	—
Surplus Carried to Balance Sheet	3337.53	1106.18

DIVIDEND

Your Directors are pleased to recommend a maiden Dividend @ 10% (Re. 1/- per share) on the entire Equity Share Capital of the Company including the Equity Shares allotted in the IPO of the Company on 5th April, 2006.

OPERATIONAL REVIEW

During the year under review, your Company has surpassed its targeted production by utilising its full production capacity and produced 39,439 M.T. of High Carbon Ferro Chrome from its three 9 MVA furnaces, the 3rd being commenced production from April 2005. During the year under review, the turnover of the Company increased to Rs. 139 Crores, up by 37% as compared to Rs. 101 Crores in the previous year. The Company's export drive has been rewarding with the company achieving an export turnover of Rs. 58 Crores, up a good 24% over Rs. 47 Crores in the previous year. During the year under review the Company generated Net Profit of Rs. 26.24 Crores, a growth of 239% as compared to Rs. 7.75 Crores in the previous year. This includes an extraordinary income amounting to Rs. 15.20 Crores which relates to the previous year.

With firm commitment and sustained efforts, your Company continues to maintain cordial relation with global customers. The products of the Company are marketed worldwide and are internationally acclaimed for their premium quality and customisation, to suit individual needs of the end-users. Your Company exported High

Carbon Ferro Chrome to all major user countries, particularly quality conscious countries including Germany, Switzerland, Japan, Korea, Mexico, countries in the Middle-East and China.

NEW PROJECTS AND EXPANSION

Our proposed expansion project, located at the Kalinganagar Industrial Complex in the Jajpur District of Orissa, is expected to commence production from October, 2006. The said expansion project is behind its original schedule by about 5 months due to delay in delivery of some of the critical components by the equipment suppliers. The expansion will add another 110,000 MTPA to the production capacity of the Company.

Your Company is pleased to announce its plans for the addition of another 9 MVA furnace at its existing Bishnupur plant in West Bengal for producing 15,000 MTPA of High Carbon Ferro Chrome. The Company has since received the financial closure from its Bankers, and the non debt component of the project cost shall be funded through internal accruals. The production from the Company's 4th furnace at Bishnupur unit is expected to commence from April 2007.

The total combined capacity of the Company after these expansions shall stand at 165,000 MTPA with its total furnace capacity increasing to 102 MVA comprising of four 9 MVA and four 16.5 MVA furnaces at Bishnupur and Jajpur respectively.

DIRECTORS' REPORT

PUBLIC ISSUE

During the year, the Company has raised money by way of Initial Public Offer (IPO) for 16,947,745 Equity Shares of Rs. 10/- each at premium of Rs. 20/- to part-funding its Jajpur project. Post allotment, the paid-up Share Capital of the Company consists of 34,462,945 Equity Shares of Rs. 10/- each fully paid up. As on 30th June, 2006, Rs. 39.89 Crores has been utilised in the proposed Jajpur Project out of total Issue proceeds of Rs. 50.84 Crores.

DIRECTORS

Mr. Jatindra Nath Rudra, Director of the Company will retire by rotation at the ensuing AGM and being eligible, offers himself for re-appointment.

Mr. Binit Jain, Executive Director, whose term of contract expired on 31st May, 2006, has been re-appointed by the Board on 17th May, 2006 as Executive Director for a period of 3 years subject to approval of the Shareholders in the ensuing Annual General Meeting.

A brief resume/details of the Director seeking re-appointment is given in the explanatory statement to the notice of the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm :

- i) that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and no material departures have been made from the same;
- ii) that they 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 and of the profit or loss of the Company for that period;
- iii) that they 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;
- iv) that they have prepared the accounts for the financial year on a 'going concern' basis;

AUDITORS AND AUDITORS' OBSERVATION

M/s. S. Jaykishan, Chartered Accountants, Statutory Auditors of the Company hold the office until the conclusion of the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

Regarding the observation of the Auditors on default in repayment of bridge loan as mentioned in point no. XI of the

Annexure to the Auditors Report, the Management explained that the Company has already applied to WBIDC for linking the repayment of the said bridge loan with the receipt of admitted subsidy amount.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits from the Public and as such, no amount of principle and interest was outstanding on the date of the Balance Sheet.

CORPORATE GOVERNANCE

A Management Discussion and Analysis Report, and a Report on Corporate Governance along with certificate from Company Secretary in Practice regarding compliance of conditions of Clause 49 of the listing agreement entered into with stock exchanges, form part of the Annual Report.

PARTICULARS OF EMPLOYEES

There were no employees during the year drawing remuneration in excess of the limit specified under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended.

DISCLOSURE OF PARTICULARS

A statement giving details 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 Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, is annexed to this report.

APPRECIATION

Your Directors wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled your Company to grow steadily.

TRADE RELATION

The Board desires to place on record its appreciation for the support and co-operation that your Company received from the Central and State Governments, Suppliers, Customers, Bankers, Investors, as well as the Government Agencies. Your Company has always looked upon them as partners in its progress. It will be your Company's endeavor to build and nurture strong links with trade based on mutuality, respect and co-operation with each other.

Kolkata
10th August, 2006

For and on behalf of the Board
Suresh Kumar Patni
Chairman-cum-Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Particulars as required u/s 217 (1)(e) of the Companies Act, 1956 read with Companies
(Disclosure of Particulars in the Report of Board of Directors) Rule, 1998

A. CONSERVATION OF ENERGY

Measures taken for Conservation of Energy :

- Close monitoring of high energy consuming equipments in plant.
- Using power factor controller/capacitors to maintain power factor.
- Keeping maximum demand under control by scheduling other load during equipments testing, etc.
- Continuation and increasing scale of measures taken.

FORM A

(Form for Disclosure of particulars with respect to conservation of energy)

Particulars	2005-06	2004-05
POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
Total units consumed	167,139,500	112,416,626
Total cost (Rs.)	313,993,678	366,746,463
Average rate per unit (Rs.)	1.88	3.26
2. COAL & COKE		
Total quantity consumed (M.T.)	26,454	19,525
Total cost (Rs.)	200,218,110	177,526,464
Average rate per M.T. (Rs.)	7,569	9,092
CONSUMPTION PER UNIT OF PRODUCTION		
1. Electricity (Unit/M.T)	4,238	4,235
2. Coal & Coke (Kg/M.T.)	670	736

B. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION**Research and Development**

Intensive R & D activity is an overriding priority at the Company. The key areas where R & D resources and initiatives are focused on :

- Improving & optimising furnace efficiency developing process for pre-heating and pre-reduction of inputs,
- Constant process improvement for increasing output quality to customer's specification,
- Testing and certification of products,
- Participation in conference and seminars,
- Analysing feedback from the users to improve products.

C. FOREIGN EXCHANGE EARNING AND OUTGO

During the year under review, the Company is NET FOREIGN EXCHANGE EARNER for the Country.

Total foreign Exchange used and earned :

Used	Rs. 173,746,197/-
Earned	Rs. 558,095,027/-

Kolkata
10th August, 2006

For and on behalf of the Board
Suresh Kumar Patni
Chairman-cum-Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

Your Company is in the manufacturing of High Carbon Ferro Chrome, a kind of Ferro Alloy produced by the pyrometallurgical reduction of Chromite Ore with carbon and/or silicon in high temperature Electric Arc Furnaces. This is essentially an alloy of iron and chromium which may intentionally contain substantial levels of carbon and silicon.

Chromium is the most abundant of the Group-VIA family of metallic elements. At a concentration of nearly 400 parts per million in the earth's crust as various minerals, it is the 13th most common element. It is the supreme additive, endowing alloys or materials with new properties : **Strength, Hardness, Permanence, Hygiene, Colour and Resistance to Temperature, Wear and Corrosion.** This versatility has made chromium indispensable in countless everyday applications.

Reserves & Mine Production of the Chromium

At present consumption levels, the demonstrated reserves will last for several centuries, whilst less economical identified resources are sufficient to double that availability. As per the data available for 2003, active mining operations are widely dispersed worldwide viz. South Africa accounted for 48%, Kazakhstan 19% and India provided 15% of the production. Brazil, Finland, Turkey and Zimbabwe collectively contributed 12%, whilst some 11 smaller producer countries brought the balance of 6%.

Ferro Chrome

The primary commercial supply of Chromium is in the form of Ferro Chrome for the ferrous and non-ferrous metal industries. Chromium is introduced into irons, steels and many super alloys by alloying with the intermediate product, Ferro Chrome.

High Carbon Ferro Chrome is easily recycled as stainless steel and in its metallic form, poses no threat to the environment.

Stainless Steel & Ferro Chrome

About 90% of the High Carbon Ferro Chrome produced is used in the making of Stainless Steel, where chromium is the unique ingredient. **Unique**, because it is Chromium that makes stainless steel 'stainless', the alloying element that allows its remarkable corrosion and oxidation resistance.

Stainless Steel will normally have a 10-30% chromium content and whilst other elements, such as molybdenum and nickel may be added to further enhance particular properties. There is no substitute for chromium for stainless steel production.

The additions of Ferro Chrome in low alloy steels contribute towards a range of improved properties, especially to achieve a balance of through-section hardness and toughness in Engineering Steels such as bearing, tool, high strength/low-alloy and high speed steels, pumps, valves, pipes, rolls and wear plates.

OUTLOOK

The Stainless Steel consumption around world has been growing with China maintaining its role as the largest consumer. This growing consumption of Stainless Steel all around the world is the key driver for the demand of the High Carbon Ferro Chrome. The overall economic growth led by US, Japan, Europe, China and India being sustained, and the boom in the steel market, witnessed over 2004-05, continued in the early quarters of 2005-06. However, most of gains were shed in the second half of the year. China, India, Russia and other developing economies are likely to continue to drive demand growth in steel. Further, the demand is expected to remain strong in Europe and US. The industrial outlook for the country remains positive while there are concerns of rising input costs including raw materials, freight and energy which will impact the corporate margins.

The Indian economy grew at an estimated 8.1% in Financial Year 06. The Stainless as well as Special Steel consuming industries namely utensils, automobiles, engineering, machinery and construction have performed strongly during the year. The public investment in infrastructure development of the nation has also risen, leading to the growing demand of steel.

FUTURE PROSPECTS

Currently, High Carbon Ferro Chrome accounts for 100% of the Company's revenue which is mainly used in making Stainless and Special grades of Steel. The Company looks at future of ferro alloy industry with optimism. The demand outlook for this industry is rising in the domestic as well as international market due to massive investment in core infrastructure sector, growth in consumer durables and automobiles sectors, promotion of stainless steel uses amongst architects and engineers. Our Company is likely to benefit most from an upturn in the ferro alloys as well as steel business cycle, given, its scale of operations and competitive cost positions. The demand for the product of the Company is also expected to grow at an estimated compounded rate of 6-7% per annum in the medium and long term.

R & D ACTIVITIES

In order to meet the challenges of the market and also to take on competition, the Company had embarked at a collaborative project with National Metallurgical Laboratory (NML), Jamshedpur to improve various process parameters like electrical power consumption, coke consumption, pre-reduction of the Ore and also improvement of the quality of the raw-materials

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

charge to reduce the cost of production as also to start development of new types of Alloys required by the Industries. The intent is to be a global major over next few years by introducing cutting edge technology in the areas of product and process.

It is expected that with all these measures, the Company will stay ahead of the competitors in the coming years which will make the Company not only largest producer of Ferro Chrome in the country but also an innovative organisation to bring in improvement in plants performance, product development etc.

OPPORTUNITIES AND THREATS

The Company is currently supplying material to the domestic as well as International buyers on a rational basis due to it's inability to fulfill their bulk demand from it's existing plant at Bishnupur which produce only 40,000 MTPA. After the expansion under implementation at Jajpur, and the proposed 4th furnace at Bishnupur, the Company shall be able to produce 165,000 MTPA. This shall give the Company to tap the opportunities in the domestic as well as in the International Market, and to compete with the other suppliers. The Company is expecting to increase it's export business from the last year 41% to 75% in the coming year.

With the volatility in the market of Ferro Chrome, the Company is also capable of production of other bulk Ferro Alloys like Silico Managese and Ferro Manganese which are relatively stable in nature. All the furnaces of the Company are designed to take care of such eventuality and to take up any challenges in the changing market scenario.

The Jajpur plant of the Company will have locational advantage of proximity to chromite ore mines & sea port for export of its output over its competitors which in turn, shall benefit the Company in the coming period in terms of considerable savings in transportation cost.

The Company had also applied for the mining lease for Chromite Ore, which once allotted, gives the Company an added advantage in terms of huge savings in the cost of raw material.

Our Industry is a Power Intensive Industry, and Power alone constitutes of about 40% of the manufacturing cost of High Carbon Ferro Chrome. The major threat to the Company, thus the availability as well as the cost of power.

The Company is currently having an agreement with West Bengal State Electricity Board (WBSEB) for supply of 25 MVA Bulk power at Bishnupur plant which ensures uninterrupted power supply. Recently, the WBSEB enhanced the power availability to the Company's Bishnupur plant by another 10 MVA. Thus, the Company's Bishnupur plant, has enough power to fulfill it's demand for running 4 x 9 MVA furnaces including the 4th furnace recently proposed to be added. The Company is also enjoying power incentive from the West Bengal Government, and thus, getting power at an effective rate of about Rs.1.60.

For it's requirement of 4 x 16.5 MVA furnaces at Jajpur Plant, the Company has already tied up with NESCO for supply of 70 MVA power at an effective cost of around Rs.2.10 per unit compared to Rs.3.00 to 3.50 in other states.

RISKS AND CONCERNS

Aggressive price rise of raw materials is the main area of concern for the Company. The prices of Chromite Ore and Coke has risen sharply in the first quarter of 2005-06. However, this price rise was across the industry, and thus, was mitigated by the increased price of the finished products. This is a general phenomenon, not limited to the Company alone. In the normal course of business, the Company is also exposed to external risks such as fluctuation in demand, competition in the market etc. as well as internal risks like variations in operational efficiency, manpower issues etc. The Company is also exposed to financial risks like changes in interest rates, foreign exchange fluctuations etc. The risks which are identified, are taken care of by the management by taking appropriate steps such as Insurance, Risk Assessment Exercises, Periodical review of the general business risks by the audit committees and the Board.

INTERNAL CONTROL SYSTEMS & AUDIT

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorised, recorded and reported properly and the applicable statutes are duly complied with. The Company has an internal audit system, which strives to ensure compliance of internal control systems, and the same is reviewed by the Audit committee.

INDUSTRIAL RELATION AND HUMAN RESOURCES

The industrial and employees relation remained cordial during the year. The Company has a team of experienced dedicated personnel who have contributed to the growth of the Company in both the operational as well as the management level. The Company is in the process of appointing the required technical & process personnel for it's Jajpur plant having the necessary experience & expertise in their respective field of operation.

CAUTIONARY STATEMENT

Statements in this report in regard to projections, estimates and expectations have been made in good faith by the management. Many unforeseen factors may affect the actual results, which could be different from what the management envisages in terms of the future performance and outlook. Data and product information contained in this report have been based on the information gathered from various published and unpublished reports, and thus, their accuracy, reliability and completeness can not be assured.

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

We stand committed to good Corporate Governance, Transparency, Disclosure and Independent Supervision to increase the value of the various stakeholders. The Company is committed to transparency in all its dealings and places high emphasis on business ethics. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedication to increasing long-term Shareholder value, keeping in view the interests of the Company's stakeholders.

BOARD OF DIRECTORS

The Company has an Executive Chairman and the Independent Directors comprise of half of the Board's strength. None of the Directors on the Board are member of more than ten Committees and they do not act as Chairman of more than five Committees across all the Companies of which they are the Director.

The composition of the Board of Directors of the Company, Number of Board meetings held during the financial year and attendance of Directors are given below :

Name of Director	Status	No. of Board Meetings of the Company		No. of Membership in other Boards or other Committees as on March 31, 2006		Whether attended the last AGM
		Held during the year	Attended during the year	Board	Committee	
Mr. S. K. Patni	Chairman-cum Managing Director	15	14	11	2	Yes
Mr. K. C. Jain	Independent	15	9	Nil	Nil	Yes
Mrs. Sarita Patni	Non-Executive	15	14	7	Nil	Yes
Mr. J. N. Rudra	Independent	15	11	Nil	Nil	Yes
Mr. J. K. Chatterjee	Independent	15	8	Nil	Nil	No
Mr. Binit Jain	Executive	15	9	2	Nil	Yes
Mr. Vijay Jain *	Independent	15	Nil	Nil	Nil	No

Notes :

- *Resigned from the Board of Directors on 16.05.2005
- None of the Non-Executive Independent Directors have any pecuniary relationship or transactions with the Company except for holding Directorship.
- None of the Directors are holding position as Chairman in any Committee(s) as stated above.
- Fifteen Board Meetings were held during the year 2005-06 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held as follows :
28th April, 2005, 5th May, 2005, 16th May, 2005, 24th June, 2005, 9th July, 2005, 27th July, 2005, 9th August, 2005, 16th September, 2005, 19th September, 2005, 11th October, 2005, 9th December, 2005, 15th December, 2005, 17th January 2006, 20th February, 2006 and 20th March, 2006.

Code of Conduct

A code of conduct for the Board of Directors and Senior Management Personnel was adopted by your Board of Directors in their meeting held on 5th April, 2006. A copy of the same is available on the Company's website www.rohitferrotech.com. All the members of the Board and Senior Management Personnel have affirmed the compliances of the Code of Conduct.

REPORT ON CORPORATE GOVERNANCE

COMMITTEES OF DIRECTORS

1. AUDIT COMMITTEE

The Company had constituted an Audit Committee in the year 2004, and subsequently, reconstituted the same as per the requirement of the Listing Agreement. The scope of the activities of the Audit Committee is as set out in Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee are broadly as follows :

- Oversight (supervision, direction and control) of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- To review compliance with internal control systems;
- To review the findings of the Internal Auditor relating to various functions of the Company;
- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors;
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- To make recommendations to the Board on any matter relating to the financial management of the Company, including the Statutory & Internal Audit Reports;
- Recommending the appointment of Statutory Auditors and the Branch Auditors and also fixation of their remuneration.

The audit committee shall have full access to information contained in the records of the Company and external professional advice, if necessary. The scope of Audit Committee shall be :

- To investigate any activity within its terms or reference;
- To seek information from any employee;
- To obtain outside legal or other professional advice;
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee also has powers as provided in Clause 49A of the Listing Agreement.

Mr. K.C. Jain, Independent Director having expertise in finance, is the Chairman of the Audit Committee, and was present at the Annual General Meeting held on 5th September, 2005.

Present composition of the Audit Committee and details of meetings attended by the Directors are given below :

Name of the Director	Category	No. of meeting attended during the year
Mr. K. C. Jain	Independent Director (Chairman)	5
Mr. J. N. Rudra	Independent Director	5
Mr. J. K. Chatterjee	Independent Director	5

Audit Committee meetings are attended by the VP-Finance & Company Secretary and General Manager (Finance). Company Secretary acts as the Secretary of the Audit Committee.

6 Audit Committee Meetings (1 of old, and 5 of the re-constituted committee) were held during 2005-06 on 28th April, 2005, 5th June, 2005, 2nd August, 2005, 16th November, 2005, 15th December, 2005 and 20th February, 2006 respectively.

The Annual Accounts for the year ended 31st March, 2006 were duly reviewed by the Audit Committee at its meeting held on 6th June, 2006 prior to adoption by the Board.

2. REMUNERATION COMMITTEE

The Company has constituted a remuneration committee in the meeting of its Board of Directors held on 5th April, 2006 consisting of :

Chairman : Mr. J. N. Rudra (Independent Director)
 Members : Mr. K. C. Jain (Independent Director)
 Mr. J. K. Chatterjee (Independent Director)

The terms of reference of the Remuneration Committee are broadly as follows :

- To determine and recommend to the Board of Directors the remuneration package of the Managing Director and Wholtime Directors including periodical revisions therein;
- To approve, in the event of loss or inadequate profit in any year, the minimum remuneration payable to the Managing Director and Wholtime Directors within the limits and subject to the parameters prescribed in Schedule XIII of the Companies Act, 1956.

Since its constitution in the current financial year, 2 meetings of the committee were held on 17th May, 2006 and 10th August, 2006. All the members of the Committee have attended both the meetings.

REPORT ON CORPORATE GOVERNANCE

Remuneration Policy

a. For Managing/Executive Director :

The Board of Director/the Remuneration Committee is authorised to decide the remuneration of the Managing/Executive Director subject to the approval of members. The remuneration structure comprises only of the salary.

No severance fees is payable to the Directors on termination of the employment. The Company does not have a scheme for stock option either for the directors or the employees.

b. For Non-Executive Directors :

The Company proposes to pay sitting fees of Rs. 1000/- for attending the meeting of the Board of Directors or a Committee thereof.

Remuneration to Directors

The Company has paid remuneration by way of salary to its Managing Director and Executive Director within the limit specified under Schedule XIII of the Companies Act, 1956, and approved by the Board as well as by the shareholders of the Company. The details of the remuneration paid to the Directors for the year ended 31st March, 2006 are as follows :

Name of the Director	Salary (Rs.)	Period of Contract		Notice Period
		From	To	
Mr. S. K. Patni	600,000/-	01.07.2004	30.06.2009	2 Month
Mr. Binit Jain*	250,000/-	01.06.2005	31.05.2006	2 Month

* Re-appointed by the Board of Directors on 17th May, 2006 for a period of 3 years subject to approval of the Shresholders in the ensuing Annual General Meeting.

During the year no sitting fee is paid to any Non-Executive Director for attending the meeting of the Board of Directors or a Committee thereof.

None of the Non-Executive Directors holds any Shares in the Company except Mrs. Sarita Patni was holding 180,100 Equity Shares as on 31st March, 2006.

3. INVESTOR GRIEVANCE CUM SHARE TRANSFER COMMITTEE

The Company constituted the Investor Grievance cum Share Transfer Committee as per the requirement of the Listing Agreement consisting of :

Chairman : Mr. J. K. Chatterjee (Independent Director)

Members : Mr. S. K. Patni (Executive Director)

Mr. J. N. Rudra (Independent Director)

The Committee shall comply with the following :

- To review and ensure compliance of statutory provisions of the Companies Act, the guidelines of SEBI and the Stock Exchanges and other statutory requirements relating to transfer and transmission of share of the Company.
- To review and ensure that the Registrar/Company's Transfer House implement all statutory provisions as above.
- Approve transfers/transmission of shares and demat/remat of the shares.
- Approve issue of duplicate shares certificates, consolidate/sub-division of share certificates on completion of the procedures as may be stipulated.
- Ensure all shareholder's queries, grievance and complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. are attended and redressed in an expeditious manner.
- Any other matter referred by the Board relating to equity shareholders of the Company.

Company Secretary, Mr. Pramod Kumar Jain, shall act as secretary to the committee and shall act as compliance officer to the Company.

The share transfer are processed on behalf of the Company by the Registrar & Transfer Agents, Maheshwari Datamatics Pvt. Ltd., which are placed before the committee for approval. No such request of transfer has been received by the Company for approval so far.

The Shares in the public issue were allotted on 5th April, 2006, and as on 30th June, 2006, total 14 Investor's complaints were received, of which, 13 complaints were resolved, 1 pending complaint is being attended to.

CEO/CFO CERTIFICATION

The Company is duly placing a certificate to the Board from CEO and CFO in accordance with the provisions of Clause 49 of the Listing Agreement. The aforesaid certificate duly signed by the CEO and CFO in respect of the financial year ended 31st March, 2006 has been placed before the Board in their meeting held on 6th June, 2006.