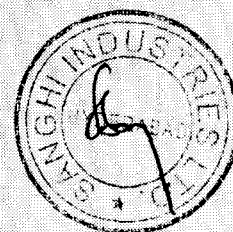





Sanghi
INDUSTRIES LIMITED

//Certified Copy//



19TH ANNUAL REPORT
2005 - 2006

Board of Directors

Shri Ram Sharan Sanghi
 Shri Ravi Sanghi
 Shri Pradeep Kapoor
 Shri Suresh Chandra Kuchhal
 Shri Anand Prakash Sanghi
 Shri Sudhir Sanghi
 Shri Sadashiv Sawrikar
 Shri T M Jagan Mohan
 Shri P.N.K. Rao
 Shri B. Satyanarayana Murthy

Chairman
 Managing Director
 Whole Time Director & CEO
 Director
 Director
 Director
 Director
 IDBI Nominee (from 03.08.2005)
 Director (from 30.01.2006)

Company Secretary

Mr. V. Sessa Sayee

Auditors

M/s. Ankit & Company,
 Chartered Accountants
 4-3-338, R K Estate
 Bank Street, Hyderabad

M/s. Ramanlal G Shah & Company,
 Chartered Accountants
 Shreeji House, Behind M J Library,
 Ellis Bridge, Ahmedabad

Registered Office

Sanghinagar P.O. Hayathnagar Mandal,
 R R District, A.P. - 501 511
 Tel Nos. 08415 - 242217/22
 Fax No. 08415 - 242239/41
 E-mail : hyd1_sanghi@sancharnet.in

Cement Plant

Sanghipuram, Village Motiber, Tal. Abdasa,
 Kutch District, Gujarat - 370 655
 Tel Nos. 02831 - 274131/32/35/36
 Fax. Nos. 02831 - 274106/15/23
 E-mail : info@sanghi-cement.com

Administrative Office

President House, 1 Floor,
 Opp. C N Vidhyalaya,
 Ambawadi Circle,
 Ahmedabad - 380 006
 Tel Nos. 079 - 2656 4535/9939
 Fax No. 079 - 26560408
 E-mail : sanghicmt@eth.net

Mumbai Office

109, B Wing, Krishna Commercial Center,
 6, Udyog Nagar, Near Kamat Club,
 S V Road, Goregaon (West),
 Mumbai - 400 055
 Tel Nos. 022 - 2871 3120/25
 Fax. Nos. 022 - 2871 3126
 E-mail : sanghicement2@rediffmail.com

Hyderabad Office

Bank Street, Hyderabad - 500 095
 Tel Nos. 040 - 2475 6660 to 6664
 Fax No. 040 - 2475 6755
 E-mail : hyd1_sanghi@sancharnet.in

Notice

Notice is hereby given that the **Nineteenth Annual General Meeting** of the members of **M/s. Sanghi Industries Limited** will be held on Thursday, the **1st day of June, 2006 at 10.30 a.m. at the Registered Office of the Company** at Sanghinagar P.O., Hayatnagar Mandal, Ranga Reddy District, Andhra Pradesh – 501 511 to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Directors' Report, Audited Profit and Loss Account for the year ended 31st March, 2006 and the Balance Sheet as on that date together with the Auditor's Report thereon.
2. To appoint a Director in place of Shri Anand Prakash Sanghi, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Sudhir Sanghi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.
5. To appoint Joint Auditors and to fix their remuneration.

Special Business

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution** :

“ **Resolved that**, pursuant to and in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 ('the Act'); and all other applicable laws and regulations including the Foreign Exchange Management Act, 1999; the Securities and Exchange Board of India guidelines, the Reserve Bank of India guidelines, the relevant provisions of the Memorandum & Articles of Association of the Company and the provisions of the Listing Agreement(s) with the stock exchanges on which the securities of the Company are listed or may hereafter be listed (including any amendment to or re-enactment of all or any of the aforesaid) and subject to all such approvals, permissions, sanctions and consents, if any, as may be required under applicable laws and regulations and of concerned authorities, bodies and agencies and subject to such conditions and modifications as may be prescribed by any of the aforesaid authorities, bodies and agencies and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which shall be deemed to include any committee thereof which the Board may have or may hereafter constitute, to which all or any of the powers hereby conferred on the Board by this resolution, have been or may hereafter at any time be delegated), the consent, authority and approval of the Company be and is hereby accorded to the Board to create, issue, offer and allot, from time to time, in one or more tranches, in consultation with Lead Manager(s), and/or underwriter(s), and/or other advisor(s), (i) equity shares at the option of the Company or of the holders thereof and/or securities linked to equity shares; and/or (ii) securities convertible into or exchangeable with or linked to equity shares; and/or (iii) Foreign Currency Convertible Bonds and/or other securities convertible, at the option of the Company and/or entitling the holders thereof to apply and convert at their option into equity shares; and/or (iv)

non-convertible securities with or without detachable warrants; and/or (v) warrants with a rights exercisable by the warrant holders to convert or subscribe to equity shares; and/or (vi) any shares, instruments or securities of the Company through Global Depository Receipts, American Depositories Receipts or otherwise (hereinafter collectively referred to as "the Securities") to such foreign/non-resident(s) and/or domestic institution(s), Foreign Institutional Investor(s) / Off Shore Fund(s) / Bank(s) / Multilateral and Bilateral Financial Institution(s) / Indian Mutual Fund(s) / Company(s) / Individual(s) / Promoters/ Employees of the Company / other investor(s), whether or not members of the Company, as may be deemed appropriate by the Board and permitted under applicable laws, within and under the limits permitted under law, for an aggregate amount not exceeding Rs. 1500 Crores or equivalent thereof in one or more foreign currency and/or rupees (inclusive of such premium as may be fixed on the securities) by offering the securities in one or more countries through public offer and/or offer Letter and/or Circular and/or on private placement basis as may be deemed appropriate by the Board, and such offers, issue and allotment to be made at such time or times at such price or prices, and at market price(s) or at a discount or premium to market price(s) and in such manner and on such terms and conditions as the Board may in its absolute discretion think fit with powers to settle details as to the form and terms of the issue of the securities, and all other terms, conditions and matters connected therewith and to accept any modifications in the proposal as may be required by the authorities / parties involved in such issues but subject to such conditions as the Reserve Bank of India, Securities and Exchange Board of India or such other appropriate authorities may impose at the time according/granting their approvals, consent, permissions and sanctions and as agreed by the Board.

Resolved further that, in the event of any of the aforesaid securities are issued in international/ foreign capital market, the issue of such securities shall be deemed to have been made abroad in the market and/or at the place of issue of such securities in the international market and shall be governed under English Law or such other foreign law as the Board of Directors may in its absolute discretion decide.

Resolved further that, the Board of Directors of the Company be and is hereby authorized to issue and allot equity shares pursuant hereto and/or as may be required to be issued and allotted upon conversion of any of the convertible securities referred to above or as may be necessary in accordance with the terms of offering thereof and all equity shares so issued and allotted shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the existing equity shares of the Company, except that they shall be entitled to dividend, if any declared, with effect from the date of allotment on pro rata basis, for the financial year in which they are allotted and on the capital for the time being paid up thereon.

Resolved further that the Board be and is hereby authorized to accept any modifications in the proposal as may be required by the agencies involved in such issues but subject to such conditions as the Reserve Bank of India, Securities and Exchange Board of India or such other appropriate authorities may impose at the time of their approval and as agreed by the Board.

Resolved further that without prejudice to the generality of the above, issue of securities mentioned hereinabove may have all or any term or combination of terms in accordance with international

practice including but not limited to conditions in relation to payment of interest, additional interest, premium on redemption, prepayment or any other debt services payment, voting rights and dividend and all such terms as are provided in offering of this nature including terms for issue of additional Equity Shares or variation of the conversation prices of securities during the durations of the securities.

Resolved further that the Board be and is hereby authorized to issue and allot such number of Equity Shares as may be required to be issued and attached upon conversion of any securities referred to hereinabove as may be necessary in accordance with the terms of the offering, all such shares to have such rights as may be provided under the terms of the issue and offering department.

Resolved further that for the purpose of giving effect to the above resolution and any offer, issue and allotment of securities, the Board be and is hereby authorized to take all such acts, deeds, and things as may be necessary, desirable or incidental thereto and matter connected therewith including without limitation the entering into of arrangements for underwriting, marketing, listing, trading, appointment of Lead Manager(s), Advisor(s), Registrar(s), paying any conversion agent(s) and to issue and sign all deeds, documents, instruments, and writings and to pay any fees, commission, costs, charges and other outgoings in relation thereto and to settle all questions, and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of securities and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members of the Company.

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution** :

" Resolved that pursuant to Sections 81, 81(1A), and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and in accordance with the guidelines, rules and regulations of the Securities and Exchange Board of India (SEBI) (including the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997), the Reserve Bank of India and the Government of India (including any statutory amendment(s) or re-enactment(s) thereof, for the time being in force) and the enabling provisions of the Memorandum and Articles of Association of the Company and subject to such terms, conditions and modifications as may be considered appropriate and approved by the Board of Directors of the Company (hereinafter referred to as 'the Board' which expression shall include any committee thereof for the time being to which all or any of the powers conferred on the Board by this resolution may have been delegated) and subject also to such approvals, consents, permissions or sanctions (including any conditions thereof or modifications to the terms contained therein), if any, required of the appropriate authorities including Stock Exchanges, SEBI or other Central Governmental agencies etc., as may be required and such terms and conditions, if any, as may be prescribed while granting such consents, approvals, permissions and sanctions which may be agreed to by the Board, the Board be and is hereby authorized to offer, issue and allot upto 20,00,000 shares for cash on a preferential basis in one or more tranches at such price being the price arrived at with respect to the Relevant Date being 30 days prior to the date of the Annual General Meeting i.e., 1st May, 2006 as prescribed under the guidelines

for preferential issues contained in Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and on such terms and conditions as may be deemed appropriate by the Board to the following proposed allottees, forming part of the Promoter Group of the Company:

| Name of the Allottee | No. of Shares | |
|----------------------|---------------|-------------------------|
| | Existing | Proposed to be allotted |
| Mr. Ravi Sanghi | 1,87,000 | 10,00,000 |
| Mrs. Anita Sanghi | 1,40,250 | 5,00,000 |
| Mr. Aditya Sanghi | 26,39,500 | 2,50,000 |
| Mr. Alok Sanghi | 26,39,500 | 2,50,000 |

Resolved further that the Equity shares proposed to be issued and allotted as above shall be subject to Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects with the existing Equity shares of the Company, (including as to dividends and voting rights).

Resolved further that the Relevant Date for the purpose of calculating the issue price of the above mentioned Equity Shares under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 relating to preferential issues shall be 1st May, 2006 being the date 30 days prior to the date of this General Meeting.

Resolved further that the Equity Shares issued and allotted to the proposed allottees as above would bear a lock in period of 36 months from the date of allotment.

Resolved further that the existing shares, if any, held by the proposed allottees shall be under lock in for a period starting from Relevant Date upto 6 months from the date of allotment.

Resolved further that the Board of Directors (including its duly constituted Committee) be and is hereby authorized to accept such terms and conditions as the Government of India, SEBI, The Reserve Bank of India and/or Stock Exchanges may stipulate in that behalf.

Resolved further that for the purpose of giving effect to this Resolution, the Board or a committee duly constituted be and is hereby authorized to resolve and settle all questions and difficulties that may arise in the proposed issue and allotment of the shares and to do all acts, deeds, matters and things in connection therewith and incidental thereto as the Board in its discretion may deem fit without being required to seek any further consent or approval of the Company or otherwise to end and intend that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution** :

" **Resolved that** in partial modification of the resolution passed by the members of the Company at their Extra Ordinary General Meeting of the Company held on 30th November, 2005 regarding re-appointment of Shri Ravi Sanghi as the Managing Director of the Company for a period of five years with effect from 1st October, 2005 at a salary of Rs.5 lakhs per month plus perquisites as detailed in the resolution above referred, consent of the Company be and is

hereby accorded for payment of commission to the Managing Director at a rate not exceeding 1% of the net profits of the Company subject to the limits prescribed under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII of the said Act as may for the time being in force.

Resolved further that where in any financial year during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate, it shall pay him remuneration by way of salary, perquisites, commission not exceeding the limits specified in the resolution(s) containing the terms of appointment of the Managing Director and the provisions of the Companies Act, 1956, as may be applicable in this regard.

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

" Resolved that Shri B. Satyanarayana Murthy, who holds office as an Additional Director upto the date of this meeting as per the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation."

By Order of the Board
for **Sanghi Industries Limited**

Sesha Sayee
Company Secretary

Place : Sanghinagar

Date : 27th April, 2006

Notes :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument of proxy in order to be effective, must be deposited with the Company at its Corporate Office duly completed and signed not less than 48 hours before the meeting.
2. An explanatory statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is annexed hereto regarding the Special Business to be transacted.
3. The Register of Members and Share Transfer Registers of the Company will remain closed from 30th May, 2006 to 1st June, 2006 (both days inclusive) in connection with the ensuing Annual General Meeting of the Company.
4. Members are requested to notify immediately any change in their address to the Company quoting their folio numbers.
5. Members are requested to bring their copies of the Annual Report to the meeting for their reference.
6. Members desiring any information as regards the Accounts are requested to write to the Company at an early date i.e. on or before 25th May, 2006 so as to enable the Management to keep the information ready.
7. For the convenience of members and for proper conduct of the members, entry to the place of meeting will be regulated by attendance slips. Members are requested to affix their signatures at

the place provided on the attendance slip and hand it over at the registration counters.

Annexure to the Notice

Item No. 2

Shri Anand Prakash Sanghi is the Director belonging to the Promoter Group of the Company and is a Non Executive Director of the Company. He holds 1,87,000 shares of the company in his personal name. At the ensuing Annual General Meeting, Shri Anand Prakash Sanghi is retiring by rotation and being eligible has offered himself for reappointment as a Director liable to retire by rotation. The Company has also received a certificate from him conforming that his reappointment if made shall be in accordance with the provisions of Section 274(1)(g) of the Companies Act, 1956.

Shri Anand Prakash Sanghi did his graduation in Commerce. He is an industrialist with rich experience in Textile industry.

Shri Anand Prakash Sanghi is the Managing Director of M/s. Sanghi Polyesters Limited and he is a member of the Shareholders Grievances Committee. He is also on the Board of M/s. Sanghi Spinners India Limited whereat he is a member of the Audit Committee and the Investor Services Committee and also on the Board of M/s. Sanghi Textiles Private Limited.

Shri Ram Sharan Sanghi, Shri Anand Prakash Sanghi, Shri Sudhir Sanghi and Shri Ravi Sanghi are concerned or interested in the resolution as the Promoter Group Directors and your Directors commend the resolution for your approval.

Item No. 3

Shri Sudhir Sanghi is the promoter Director of the Company and is one of the First Directors of the Company. He holds 1,87,000 equity shares of the Company in his personal name. At the ensuing Annual General Meeting, Shri Sudhir Sanghi is retiring by rotation and being eligible has offered himself for reappointment as a Director liable to retire by rotation.

Shri Sudhir Sanghi did his graduation in commerce and holds Post Graduate Diploma in Marketing Management & International Business. He has about 30 years experience and has guided various Companies through his valuable advice and your Company is not an exception to this.

Shri Sudhir Sanghi is the Managing Director of M/s. Sanghi Spinners India Limited and is also on the Boards of M/s. Sanghi Polyesters Limited, M/s. Kinetic Engineering Limited, M/s. Sanghi Textiles Private Limited, M/s. Sanghi Filaments Private Limited, M/s. SZF Private Limited, M/s. Sanghi Threads Private Limited and M/s. Sanghi Polymers Private Limited. In addition to the above, he is the member of Audit Committee of M/s. Sanghi Polyesters Limited, Chairman of Investor Services Committees of M/s. Sanghi Polyesters Limited and M/s. Sanghi Industries Limited and member of Investor Services Committee of M/s. Sanghi Spinners India Limited.

Shri Sudhir Sanghi, Shri Ram Sharan Sanghi, Shri Anand Prakash Sanghi and Shri Ravi Sanghi are concerned or interested in the resolution as the Promoter Group Directors and your Directors commend the resolution for your approval.

Explanatory Statement

(Pursuant to the provisions of Section 173(2) of the Companies Act, 1956)

Item No. 6

The special resolution is proposed by the company for further issue of securities of by way of equity/ equity linked instruments like American Depository Receipt (ADRs) Global Depository Receipts (GDRs) Convertible Debentures (whether fully convertible or not), Foreign Currency Convertible Bonds (FCCBs), Secured Premium Notes, and / or other type of securities for cash or stock swap or acquisition of business or combination thereof through public offer/private placement, as mentioned in the resolution for an amount not exceeding Rs. 1500 crores or equivalent thereof in one or more foreign currency with permissible green shoe option as may be permitted by the Ministry of finance or such other Authorities. The purpose of the offer is to exploit the emerging opportunities for growth through expansion, acquisition, joint ventures and strategic alliances both abroad and in India.

The company will work out the mode of financing plans and also the utilization plans in consultation with the Advisors, Lead Managers and/or other agencies wherever applicable subject to the approval of Government of India, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and other authorities concerned. Since the modalities and the terms of the issue will be decided by the Board the issue price of such securities will be determined by the Board at the time of issue(s) depending on the price and market conditions in accordance with the prevailing and applicable guidelines and may be listed on Stock Exchange(s) whether in India or abroad, as may be deemed fit by the Board and may be represented by depositing receipts and/or such other securities. This resolution gives adequate flexibility in respect of working out the modalities of issue including size, timing and pricing and also issue such securities in such tranches, at such times and at such price and/or such other valuable consideration(s) as the Board may in its absolute discretion deem fit.

The Special Resolution, if passed, will have the effect of allowing the Board to issue and allot shares to investors as detailed above, who may or may not be existing shareholders of the Company.

Your Directors commend the resolution for your approval.

None of the Directors of the company except Shri Ram Sharan Sanghi, Shri Ravi Sanghi, Shri Anand Prakash Sanghi and Shri Sudhir Sanghi, Promoter Group Directors are concerned or interested in the resolution to the extent of allotment to promoter group, if any.

Item No. 7

The information as required under Clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 for preferential issues are as under:

(a) Objects of the issue through preferential offer

For the purposes of part financing the new expansion projects of the Company and the resultant working capital requirements and other incidental project funding requirements.

(b) Intention of the Promoters, Directors and Key management persons to subscribe to the offer

The proposed allotment of equity shares on preferential basis is to persons forming part of the Promoter Group of the Company only.

The entire pre-issue holding of the persons to whom it is proposed to allot the shares are held by

them in demat form. As per SEBI Guidelines, the pre-issue holding shall be locked in for a period of six months from the date of allotment (subject to a minimum of 7.5 months from the relevant date). The following persons would be allotted equity shares as follows:

| Name of the Allottee | Existing Shareholding | | Post Issue Shareholding | |
|---------------------------|-----------------------|-------------|-------------------------|-------------|
| | Shares | % age | Shares | % age |
| Shri Ravi Sanghi | 1,87,000 | 0.10 | 11,87,000 | 0.54 |
| Smt. Anita Sanghi | 1,40,250 | 0.06 | 6,40,250 | 0.29 |
| Shri Aditya Sanghi | 26,39,500 | 1.21 | 28,89,500 | 1.31 |
| Shri Alok Sanghi | 26,39,500 | 1.21 | 28,89,500 | 1.31 |

c) Consequential Changes in the Shareholding Pattern of the Company :

| Category | Existing | | Post Issue | |
|--|---------------------|---------------|---------------------|---------------|
| | Shares held | % | Shares held | % |
| Promoter Group | | | | |
| Individuals | 5,55,92,700 | 25.50 | 5,75,92,700 | 26.18 |
| Group Companies | 5,09,83,300 | 23.39 | 5,09,83,300 | 23.18 |
| Total Holding – Promoters (A) | 10,65,76,000 | 48.89 | 10,85,76,000 | 49.36 |
| Non – Promoters | | | | |
| Mutual Funds/ Banks | 12,000 | 0.01 | 12,000 | 0.01 |
| Non Resident Indians/OCBs | 41,40,895 | 1.90 | 41,40,895 | 1.88 |
| Other Domestic Companies | 80,53,097 | 3.70 | 80,53,097 | 3.66 |
| General Public | 4,41,97,008 | 20.27 | 4,41,97,008 | 20.09 |
| Foreign Financial Investors | 5,50,00,000 | 25.23 | 5,50,00,000 | 25.00 |
| Total Holding – Non Promoters (B) | 11,14,03,000 | 51.11 | 11,14,03,000 | 50.64 |
| Total Shares | 21,79,79,000 | 100.00 | 21,99,79,000 | 100.00 |

There will not be any change in the management control of the Company subsequent to the allotment of Equity shares on preferential basis. The present promoters shall continue to have control over the Company. There will not be any change in the constitution of the Board post allotment of shares on preferential basis.

The proposed issue will be subject to approvals from the SEBI, Stock Exchanges, Members and such other authorities as may be required.

The increase in share capital pursuant to proposed allotment is less than 5% and will not trigger a takeover offer.

The proposed allottees are persons forming part of the Promoter Group but the proposed allotment when made will not exceed 5% of the post issue capital.

The Promoters and persons acting in concert with the Promoters have not acquired 5% of the pre