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SURYA ROSHNI LIMITED

BOARD OF DIRECTORS

B. D. Agarwal	Chairman and Managing Director
B. B. Chadha	
G. S. Gupta	
K. K. Narula	
M. G. Bakre	IDBI Nominee
Rajendra Arya	
Urmil Agarwal	
J. P. Agarwal	Vice-Chairman and Joint Managing Director

MANAGEMENT EXECUTIVES

Corporate

S. N. Bansal	Executive Director & CFO

Lighting Division

Sharad Agarwal	Executive Director
Chatur Singh	Chief General Manager Kashipur Unit
B. B. Pradhan	Chief General Manager Malanpur Unit

Steel Division

Shiv Kumar Gaur	Vice President (Commercial)

COMPANY SECRETARY

B. B. Singal

STATUTORY AUDITORS

Sastry K. Anandam & Company
Chartered Accountants

COST AUDITORS

R. J. Goel & Co.	Lighting Division
H. R. Singal	Steel Division

BANKERS

State Bank of India
Punjab National Bank
State Bank of Patiala

REGISTERED OFFICE AND WORKS-STEEL DIVISION

Prakash Nagar, Sankhol, Bahadurgarh-124507 (Haryana)
E-mail : surya_roshni@satyam.net.in

WORKS-LIGHTING DIVISION

7 k.m. Stone, Kashipur-Moradabad Road,
Kashipur-244713 Distt. Udham Singh Nagar (Uttaranchal)
E-mail:slrks@nda.vsnl.net.in

J - 7, 8 & 9, Malanpur Industrial Area
Malanpur, District Bhind (Madhya Pradesh)
E-mail : srlmlpr@sancharnet.in

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NOTICE

Notice is hereby given that the Thirty Third Annual General Meeting of the members of **SURYA ROSHNI LIMITED** will be held on Thursday, the 28th September, 2006 at 10.30 A.M., at the Registered Office of the Company at Prakash Nagar, Sankhol, Bahadurgarh 124 507 (Haryana) to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Accounts of the Company and the Reports of Directors and Auditors thereon for the year ended 31st March, 2006.
2. To declare dividend.
3. To appoint a Director in place of Shri K. K. Narula, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri B. B. Chadha, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint 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 an Ordinary Resolution:

   "RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situated, present and future and the whole of the undertaking of the Company in favour of Industrial Development Bank of India Ltd. (IDBI Ltd.) acting for itself and as agent of Banks/Financial Institutions to secure:

   a) Rupee Term Loan of Rs.2000 lac (Rupees Two thousand lac only) lent and advanced by IDBI Ltd. to the Company.

   b) Corporate Loan of Rs.1000 lac (Rupees One thousand lac only) lent and advanced by State Bank of India to the Company.

   c) Corporate Loan of Rs.1000 lac (Rupees One thousand lac only) lent and advanced by State Bank of Patiala to the Company.

   d) Corporate Loan of Rs.1000 lac (Rupees One thousand lac only) lent and advanced by State Bank of India to the Company.

   e) Additional Bill discounting limit of Rs. 200 lacs (Rupees Two Hundred lacs only) lent and advanced / agreed to be advanced by Small Industries Development Bank of India (SIDBI) to the Company.

   f) The Working Capital Limits of Rs.18150 lac, secured on Second Charge basis, lent and advanced/agreed to be lent and advanced by State Bank of India, Punjab National Bank and State Bank of Patiala to the Company. The details are as under;

S. No.	Consortium Banks	(Rs. In Lac)
1	State Bank of India	9,250
2	Punjab National Bank	7,800
3	State Bank of Patiala	1,100
	Total	**18,150**

   together with interest thereon at the respective agreed rates, interest tax, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to IDBI Ltd., SIDBI, State Bank of India, State Bank of Patiala and Punjab National Bank under Loan Agreements entered into/to be entered into by the Company in respect of the aforesaid loans.

   RESOLVED FURTHER THAT the Board of Directors of the Company or a Committee of Directors authorised by the Board in this behalf be and is hereby authorised to finalise all agreement(s) for creating mortgage and/or charge as aforesaid and to do all such acts, deeds and matter as may be necessary or expedient for giving effect to the above resolution."

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

   "RESOLVED THAT pursuant to the provisions of Section 198, 269,309, 310 and Schedule XIII and such other applicable provisions, if any, of the Companies Act, 1956, (the Act) including any statutory modification or any amendment or any substitution or reenactment thereof for the time being in force, approval of the members of the Company be and is hereby accorded to increase the remuneration paid to Shri Basu Dev Agarwal as the Managing Director of the Company w.e.f. 01-11-2006 for the rest of his tenure, as set out in the draft Supplementary Agreement to be executed between the Company and Shri Basu Dev Agarwal, which is hereby specifically approved with authority to the Board of Directors of the Company to alter and /or vary the remuneration within the limits, if any, prescribed in the Act and/or any schedules thereto.

   RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the rest of his tenure, the Company will pay Shri Basu Dev Agarwal remuneration, perquisites, benefits and amenities not exceeding the ceiling laid down in Section II of Part II of Schedule XIII of the Companies Act, 1956, as may be decided by the Board of Directors.

   RESOLVED FURHTER THAT the Board of Directors be and are hereby authorised to do all such acts, deeds and things as may be considered necessary to give effect to the aforesaid resolution."

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

   "RESOLVED THAT pursuant to provisions of Section 198, 269, 309, 317 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (the Act) including any statutory modification or any amendment or any substitution or reenactment thereof for the time being in force, approval of the members of the Company be and is hereby accorded to the reappointment of, including remuneration, perquisites, benefits and amenities payable to Shri Jai Prakash Agarwal as the Joint Managing Director of the Company for a period of five years commencing from 1st January, 2007 to 31st December, 2011, as set out in the draft Agreement to be executed between the Company and Shri Jai Prakash Agarwal, the main terms of which are set out in this notice, which is hereby specifically approved with authority to the Board of Directors of the Company to alter and / or vary the terms and conditions of the said re-appointment within the limits, if any, prescribed in the Act and / or any schedules thereto.

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RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the aforesaid period, the Company will pay Shri Jai Prakash Agarwal remuneration, perquisites, benefits and amenities not exceeding the ceiling laid down in section II of Part II of Schedule XIII of the Companies Act, 1956, as may be decided by the Board of Directors.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to enhance, enlarge, alter or vary the scope and quantum of remuneration, perquisites, benefits and amenities payable to Shri Jai Prakash Agarwal in the light of the further progress of the Company which revision should be in conformity with any amendments to the relevant provisions of the Act and / or the rules and regulations made thereunder and / or such guidelines as may announced by the Central Government from time to time."

By Order of the Board

Registered Office :
Prakash Nagar, Sankhol,
Bahadurgarh - 124 507 (Haryana) B. B. SINGAL
Dated : 24th May, 2006 *COMPANY SECRETARY*

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING MAY APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ON HIS BEHALF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

   Proxies, in order to be effective, must be received at 408, Padma Tower-I, Rajendra Place, New Delhi - 110 008 or Registered Office, not less than forty-eight hours before the commencement of this Annual General Meeting i.e. before 10.30 a.m. on 26th September, 2006.

2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item no.s 6, 7 and 8 is annexed hereto.

3. The Register of Members and Share Transfer books of the Company will remain closed from 13.09.2006 to 18.09.2006 (both days inclusive).

4. Members are requested to forward their change of address notifications, Bank Account details including 9 digit MICR number appearing on the cheque pertaining to the respective bank account to facilitate distribution of dividend through Electronic Clearing Service (ECS) to the Company / Registrar and Transfer Agent - Mas Services Pvt. Ltd., AB-4, Safdarjung Enclave, New Delhi - 110 029, in respect of Shares held in physical form and to their respective Depository Participants if the shares are held in electronic form.

5. Pursuant to Section 205A of the Companies Act, 1956, dividend, which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education & Protection Fund of the Central Government.

   Members who have not encashed their dividend warrant so far for the financial year ended 31st March, 1999, or any subsequent financial year(s) are requested to address their claim to The Company Secretary, Surya Roshni Limited, 408, Padma Tower-I, 5, Rajendra Place, New Delhi - 110 008.

6. **Information provided as per Clause 49 IV (G) (i) of the Listing Agreement.**

   The following are the details of the directors seeking reappointment or recommended to be appointed as a Director :

   Shri K. K. Narula, aged about 67 years, has been the director of the Company since March, 2000. He is the Chairman of the Company's Audit Committee and member of the Remuneration Committee. He does not hold directorship in any other company. Shri Narula is a M. Com. from the University of Delhi and also a Certified Associate of Indian Institute of Bankers (CAIIB). He has a vast experience of over 43 years in the field of Banking and Finance. He retired as Chief General Manager from SBI Chandigarh (LHO) and is currently working as Banking and Management Consultant. Further he is not holding any shares of the Company.

   Shri B. B. Chadha, aged about 68 years, has been a director of the Company since October, 2003. He is director in Jay Yushin Ltd. and Delton Cables Ltd. He is a Chairman in Audit Committee and member in Remuneration Committees of Jay Yushin Ltd. Shri Chadha is a Fellow member of Institute of Cost and Works Accountants (ICWA) of India and member of Institute of Internal Auditors, Florida, USA. He has a vast experience of over 47 years in the field of Finance and other functional areas. He was held the position of Chairman and Managing Director in Indian Telephone Industries Limited for three years and at senior position in SAIL for over thirty years. Further he is not holding any shares of the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

The Company has been sanctioned the term / corporate loans from IDBI Ltd., State Bank of India and State Bank of Patiala, Bill discounting limit from SIDBI and working capital limits from consortium Banks i.e. State Bank of India, Punjab National Bank and State Bank of Patiala for its Steel and Lighting Divisions. The details are as under:

a) Rupee Term Loan of Rs.2000 lac (Rupees Two thousand lac only) lent and advanced by IDBI Ltd. to the Company.

b) Corporate Loan of Rs.1000 lac (Rupees One thousand lac only) lent and advanced by State Bank of India to the Company.

c) Corporate Loan of Rs.1000 lac (Rupees One thousand lac only) lent and advanced by State Bank of Patiala to the Company.

d) Corporate Loan of Rs.1000 lac (Rupees One thousand lac only) lent and advanced by State Bank of India to the Company.

e) Additional Bill discounting limit of Rs. 200 lacs (Rupees Two Hundred lacs only) lent and advanced / agreed to be advanced by Small Industries Development Bank of India (SIDBI) to the Company.

f) The Working Capital Limits of Rs.18150 lac, secured on Second Charge basis, lent and advanced/agreed to be lent and advanced by State Bank of India, Punjab National Bank and State Bank of Patiala to the Company.

S. No.	Consortium Banks	(Rs. In Lac)
1	State Bank of India	9,250
2	Punjab National Bank	7,800
3	State Bank of Patiala	1,100
	Total	**18,150**

the financial assistance together with interest thereon at the respective agreed rates, interest tax, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to IDBI Ltd., SIDBI, State Bank of India, State Bank of Patiala and Punjab National Bank under

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Loan Agreements entered into/to be entered into by the Company in respect of the aforesaid loans have to be secured by a joint mortgage of all the immovable and movable properties of the Company, present and future.

Section 293(1)(a) of the Companies Act, 1956, provides inter alia that the Board of Directors of a Public Company shall not, without the consent of such Public Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking. Since the mortgage by the Company of its immovable and movable properties as aforesaid in favour of the Lenders may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956, before creation of the said mortgage/charge.

Copy of the Loan Agreement(s) executed between the Company and Lenders and copies of the relevant documents/ correspondence between the said Lenders and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors of the Company is in any way, concerned or interested in the resolution.

ITEM NO. 7

The Shareholders of the Company at the Extra-Ordinary General Meeting held on 12-12-2003 had appointed Shri Basu Dev Agarwal as a Managing Director for a period of five years from 01-11-2003 to 31-10-2008. Considering the inflationary trend and increased in business activities of the Company which resulted in increase in work and responsibility of the Managing Director and also the amount of remuneration payable in the similar Industries, the Board of Directors deemed fit to revise the remuneration payable to Shri Basu Dev Agarwal, Managing Director w.e.f. 01-11-2006 for the rest of his tenure by executing a Supplementary Agreement for modification of remuneration and the rest clauses of the Principal Agreement dated 21-10-2003 will remain same and effective.

The Board of Directors in their meeting held on 24-05-2006 approved the revised remuneration of Shri Basu Dev Agarwal, as Managing Director w.e.f. 01-11-2006 for the rest of his tenure as follows :

SALARY : Salary of Rs.275000/- per month in the Grade of 275000-30000-305000.

COMMISSION : 1% Commission of the net profit of the company computed in the manner laid down in section 309(5) of the Companies Act, 1956 subject to a maximum of 50% of the annual salary.

PERQUISITES : Perquisites will be allowed in addition to salary and commission restricted to an amount equal to the Annual Salary. For this purpose unless the context otherwise requires, perquisites are classified into three categories: Parts A, B and C and the ceiling shall apply only to Part-A.

PART-A

HOUSING :

I. The expenditure by the Company on hiring unfurnished accommodation for the Managing director shall be subject to the following ceilings:

60% of the Salary, over and above 10% payable by the Managing Director himself.

II. In case the accommodation provided to the Managing Director is owned by the Company, the Company shall deduct 10% of the salary of the Managing Director.

III. In case no accommodation is provided by the Company to the Managing Director, House Rent Allowance shall be paid by the Company to him subject to the ceiling laid down in Housing I, herein above.

IV. The Expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rule, 1962. This shall, however, be subject to a ceiling of 10% of the salary of the Managing Director.

2. **Medical Reimbursement :** Expenses incurred for self and family subject to a ceiling of one month's salary per year or three month's salary in a period of three years.

3. **Leave Travel Concession :** For self and family once in a year incurred with the rules specified by the Company.

4. **Club Fees :** Fees of clubs subject to a maximum of two clubs. Admission and life membership fees shall not be allowed.

5. **Personal Accident Insurance :** Premium not to exceed Rs. 4000/- per annum.

PART-B

Contribution to provident fund, Superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity payable shall not exceed a half month's salary for each completed year of service.

PART-C

The Company shall provide a car with driver and telephone facility at the residence of the Managing Director. Provision of car with driver for use of Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company on the Managing Director.

The aforesaid remuneration shall be subject to the limit of 5% of the net profits as laid down under sub-section (3) of section 309 of the Companies Act, 1956.

If the Company has no profits or the profits are inadequate in any financial year during the terms of his office as the Managing Director, Sh. Basu Dev Agarwal will be entitled to receive the above remuneration and perquisites as minimum remuneration, provided that the total remuneration, of salary, perquisites and any other allowances shall not exceed the ceiling as provided in section II of the Part II of Schedule XIII of the Companies Act, 1956 or such other amount and perquisites as/is may be provided in the said schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.

Apart from the aforesaid remuneration, Shri Basu Dev Agarwal will be entitled to reimbursement of expenses incurred in connection with the business of the Company.

No sitting fees will be paid to him for attending the meetings of the Board of Directors of the Company or Committees thereof.

Copy of the Supplementary Agreement / Draft supplementary Agreement executed / to be executed between the Company and Shri Basu Dev Agarwal are open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of the meeting.

Shri Jai Prakash Agwarwal, Joint Managing Director and Smt. Urmil Agarwal, Director of the Company, are the relatives of Shri Basu Dev Agarwal and to the extent they are interested in the resolution.

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ITEM NO. 8

The Shareholders of the Company at the Annual General Meeting held on 28-09-2001 had re-appointed Shri Jai Prakash Agarwal as a Joint Managing Director for a period of five years from 01-01-2002 to 31-12-2006. The Shareholders are aware that since Shri Jai Prakash Agarwal assumed the office of Joint Managing Director of the Company, the Company has made all-round progress. The Company rather owes its present stature and position to his guidance and foresight. His unshakable determination along with a vast experience has helped the Company scale new heights year after the other. Under the management control and guidance of Shri Jai Prakash Agarwal, Joint Managing Director, the Company has consistently maintained its sales and profitability.

The Board of Directors of the Company, in their meeting held on 24th May, 2006 approved the re-appointment of Shri Jai Prakash Agarwal, as Joint Managing Director for a period of five years w.e.f. 1st January, 2007 on the following remuneration and terms and conditions, subject to the approval of the Members, and other concerned authority, if necessary.

SALARY : Salary of Rs.250000/- per month in the Grade of 250000-30000-370000.

COMMISSION : 1% Commission of the net profit of the company computed in the manner laid down in section 309(5) of the Companies Act, 1956 subject to a maximum of 50% of the annual salary.

PERQUISITES : Perquisites will be allowed in addition to salary and commission restricted to an amount equal to the Annual Salary . For this purpose unless the context otherwise requires, perquisites are classified into three categories: Parts A, B and C and the ceiling shall apply only to Part-A.

PART-A

HOUSING :

I. The expenditure by the Company on hiring unfurnished Accommodation for the Joint Managing director shall be subject to the following ceilings:

   60% of the Salary, over and above 10% payable by the Joint Managing Director himself.

II. In case the accommodation provided to the Joint Managing Director is owned by the Company, the Company shall deduct 10% of the salary of the Joint Managing Director.

III. In case no accommodation is provided by the Company to the Joint Managing Director, House Rent Allowance shall be paid by the Company to him subject to the ceiling laid down in Housing I, herein above.

IV. The Expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rule, 1962. This shall, however, be subject to a ceiling of 10% of the salary of the Joint Managing Director.

2. **Medical Reimbursement :** Expenses incurred for self and family subject to a ceiling of one month's salary per year or three month's salary in a period of three years.
3. **Leave Travel Concession :** For self and family once in a year incurred with the rules specified by the Company.
4. **Club Fees :** Fees of clubs subject to a maximum of two clubs. Admission and life membership fees shall not be allowed.
5. **Personal Accident Insurance :** Premium not to exceed Rs.4000/- per annum.

PART-B

Contribution to provident fund, Superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity payable shall not exceed a half-month's salary for each completed year of service.

PART-C

The Company shall provide a car with driver and telephone facility at the residence of the Joint Managing Director. Provision of car with driver for use of Company's business and telephone facility at the residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company on the Joint Managing Director.

The aforesaid remuneration shall be subject to the limit of 5% of the net profits as laid down under sub-section (3) of section 309 of the Companies Act, 1956.

If the Company has no profits or the profits are inadequate in any financial year during the terms of his office as the Joint Managing Director, Shri Jai Prakash Agarwal will be entitled to receive the above remuneration and perquisites as minimum remuneration, provided that the total remuneration, of salary, perquisites and any other allowances shall not exceed the ceiling as provided in section II of the Part II of Schedule XIII of the Companies Act, 1956 or such other amount and perquisites as/is may be provided in the said schedule XIII as may be amended from time to time or any equivalent statutory re-enactment(s) thereof.

Copy of the Agreement / Draft Agreement executed / to be executed between the Company and Shri Jai Prakash Agarwal are open for inspection at the Registered office of the Company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of the meeting.

Shri B. D. Agarwal, Managing Director and Smt. Urmil Agarwal, Director are the relatives of Shri Jai Prakash Agarwal and to the extent they are interested in the above said appointment.

By Order of the Board

Registered Office :
Prakash Nagar, Sankhol,
Bahadurgarh - 124 507 (Haryana)
Dated : 24th May, 2006

B. B. SINGAL
COMPANY SECRETARY

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MANAGEMENT DISCUSSION AND ANALYSIS

PROFILE

Surya Roshni Limited began its journey in the Steel Tubes Industry. It then diversified into manufacture of Lighting products in 1984. The 1990s saw the company implement major expansion and backward integration programs. This resulted not only in the timely availability of good quality raw material but also proved to be immensely cost effective. Today, the Company is the leader in Steel Tubes / Pipes market and the second largest Lighting Company in India.

Quality has always been the driving force at Surya. Your company succeeded in bench-marking quality and innovation standards by achieving the ISO 9002 in the year 1999. The company was awarded ISO-14001 and OHSAS-18001 certifications related to Environment and Safety respectively. The company continues to be committed towards making quality products, ensuring human as well as environment safety and bringing value addition to the investments of the shareholders. Surya, standing poised towards achieving new heights, is on it's way to becoming one of the leading brands globally.

INDUSTRY STRUCTURE AND DEVELOPMENT

Despite competition from other established market players and unorganized sectors, Lighting Division is witnessing steady growth in turnover and profit. The following may impact the market in the coming years :

- Small Scale Industry in GLS and FTL
- The increasing cost of electricity resulting into opting for use of energy saving lamps.
- Shift from traditional to innovative lamps and systems

The management is keeping constant watch on these points to overcome from them.

The Steel Tubes industry too witnessed growth during the year under review and the market growing steadily due to the boom in infrastructure sector. The future is likely to see only those companies successful, which have their products priced competitively and to sell their products in the international market. All possible efforts are being made by your company to reduce costs without compromising on the quality of the product and increase the export.

SWOT ANALYSIS

Strengths :

- Well focused vision of the Management
- Complete backward integration
- High quality of products
- Nation-wide marketing network

Weaknesses :

- Diminishing margin of profit on the products
- Uncertainties of external market forces

Opportunities :

- Potential increase in demand of energy efficient products
- Untapped potential in outsourcing and marketing of Luminaries
- Increase in demand of regular lighting products with a general improvement in the power condition in urban as well as rural sectors and increase in spending on infrastructure development

Threats :

- Tough competition from multi-national companies
- Unbranded products from the unorganised sector

SEGMENT-WISE PERFORMANCE :

The company is broadly divided into two main segments viz. Steel and Lighting.

A detailed note on the segment-wise performance is given under the Notes on Accounts, forming a part of annual accounts of the company.

OUTLOOK :

The Government is giving continuous thrust on housing and infrastructure sector where Steel Tubes and Lighting products are used. The existing refineries are expanding their capacities and new refineries are coming into the scene. In future also there seems to be a tremendous scope for export in Cold Rolling as well as ERW Pipes particularly to USA and other European Countries. The government spending on infrastructure development is also expected to increase the demand of pipes every year. With the easy availability of finance and tax incentives, it is expected that housing sector will get a major boost. In view of the same, the long term outlook of the Company remains positive.

RISKS AND CONCERNS :

Technology obsolescence is an inherent business risk in a fast changing world and speed of change and adaptability is crucial for survival of business. Government energy policy and development of new superior products may render some of its existing production facilities obsolescent. At SURYA, the continuing modernization, aggressive cost cutting and adaptability of new technology are always main strengths and enabled the company to do away with obsolescent plants/ processes and to emerge as one of the most modern plants in the lighting industry throughout the world. Its strength enable the Company to face future risk and convert them into opportunities.

Further aggressive cost cutting, addition to the product mix to incorporate more value-added products and with the present strengths of the company, the management feels that it can now compete effectively both in terms of quality and price with similar products imported from various countries. With the assistance of world-renowned consultants, the company has made good progress towards its objective of becoming the world leader in lighting products. Intense competition in the Lighting industry, the company is adding a new product range. Moreover, stress is being laid on boosting exports as well as institutional demands. At the same time, labour, time and money is also being geared towards making the various plant premises more and more eco friendly.

The Steel Tubes industry has also been witnessing a fast changing environment. The quality parameters of pipes used in the oil sector are becoming more stringent each day. Moreover, any failure of pipes after the supply to customers in the oil and gas sector attracts heavy penalties. The company is taking utmost care to ensure very high quality of products. During the year under review, the company took major steps towards upgaradation of technology in order to ensure compliance of the quality norms.

Further a shift in the policy of the Government of India regarding:

a) Import duty on Steel, Zinc etc.,

b) DEPB on HR Coil, Steel Pipe, CR Strips, FTL and GLS,

c) Incremental benefit scheme for Status Holders,

could adversely affect business of the Company.

INTERNAL CONTROL SYSTEM :

Your Company remains committed to maintaining internal controls designed to provide adequate assurance on the efficiency of operations and security of its assets. The accounting records are adequate for preparation of financial statements and other financial information. The adequacy and effectiveness of internal controls across the various business, as well as compliance with laid down systems and policies are regularly monitored by your Company's internal audit process

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both at divisional and corporate level. The major IT enabled business applications are periodically validated for their integrity, control and quality of functionality by the trained internal audit team. The Audit Committee of Board, which met five times during the year, reviews internal control systems as well as financial disclosures.

FINANCIAL AND OPERATIONAL PERFORMANCE :

The Company was able to maintain itself as a leader in the Steel Tubes industry and as a strong contender in the Lighting industry. Given below are the financials of the company for the current as well as the previous year :

(Rs. in crores)

Particulars	2005-2006	2004-2005
Profit for the year	**56.18**	41.83
Less : Depreciation	**27.47**	24.49
Profit before tax	**28.71**	17.34
Provision for tax	**10.02**	4.85
Net Profit after tax	**18.69**	12.49
Balance brought forward from the previous year	**67.90**	58.00
Profit available for appropriations	**86.59**	70.49
Proposed Equity Dividend	**3.90**	3.05
Tax on Distributed Profits	**0.55**	0.44
Transferred to General Reserve	**1.00**	1.00
Deferred Tax revision	**(0.23)**	(1.90)
Balance carried to Balance Sheet	**81.37**	67.90

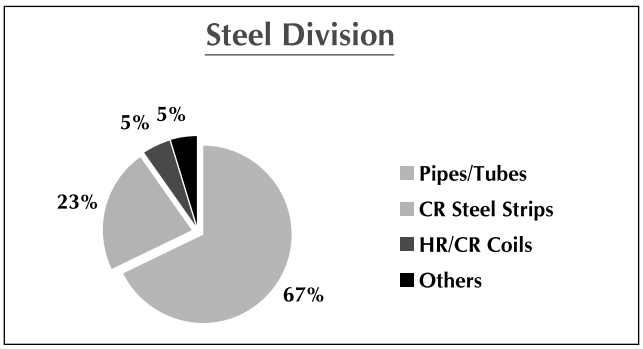
During the year the turnover of the Company increased to Rs.1218.57 crores from Rs.1179.18 crores last year, registering an increase of 3.34%. However the gross profit increased to Rs.56.18 crores from Rs.41.83 crores last year, a rise of 34.30%.

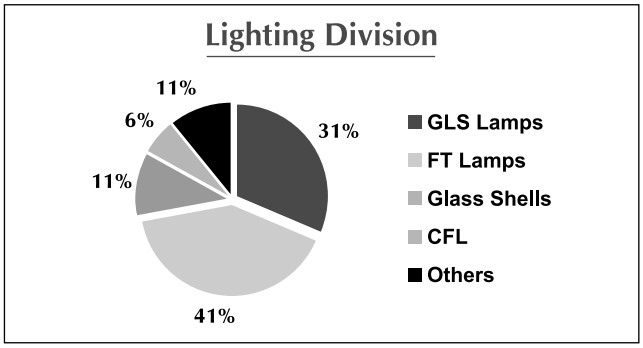
During the year the Company has intimated to the Central Excise Department for claiming the exemption in Excise Duty for a period of ten years from 2nd January, 2006 under Notification No. 50/2003-CE dated 10th June, 2003 regarding incentives to Units located in Uttaranchal on undertaking substantial expansion by way of increase in installed capacity by more than 25% in respect of all the final and intermediate products manufactured and cleared from Kashipur Unit as well as captive consumption, which improves the profitability of the Company.

The Company has taken steps to install the Compact Fluorescent Lamp (CFL) plant, which is a value added product and will enhance the profitability of the Company.

The Steel Division of the Company is in the process of replacing Diesel-Generating sets to Gas-Generating sets for reduction of energy cost.

During the year under review, the revenue distribution of various products of the two divisions was as under:





INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT :

Industrial relations during the year under review were cordial and peaceful. The management wishes to place on record, the excellent cooperation and contribution made by the employees, collectively called "SURYA PARIVAR", at all levels of the organisation to the continued growth of the company. There was constant focus on all round organizational development. Various training programs including visionary exercises were conducted for personal as well as professional development of the employees. Further various other activities like annual sports, festival celebrations take place every year to get in touch with them and their families.

Relationship has been very cordial with the worker's union for the past several years. During the month of December 2004 the management executed wage agreement with the union, which shall be applicable till 31st December, 2007.

The Company's industrial relations continued to be harmonious during the year under review. The number of persons directly employed by the Company was 3511 as on 31st March, 2006.

CAUTIONARY STATEMENT :

Statements in this report on Management's Discussion and Analysis describing the company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting global and domestic demand-supply, finished goods prices in the domestic and overseas markets in which the Company operates, raw-materials cost and availability, changes in Government regulations, tax regimes, economic developments and other factors such as litigation and industrial relations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Thirty Third Annual Report on the operations of your Company, together with audited accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS

(Rs. in crores)

Particulars	2005-2006	2004-2005
Profit for the year	**56.18**	41.83
Less : Depreciation	**27.47**	24.49
Profit before tax	**28.71**	17.34
Provision for tax	**10.02**	4.85
Net Profit after tax	**18.69**	12.49
Balance brought forward from the previous year	**67.90**	58.00
Profit available for appropriations	**86.59**	70.49
Proposed Equity Dividend	**3.90**	3.05
Tax on Distributed Profits	**0.55**	0.44
Transferred to General Reserve	**1.00**	1.00
Deferred Tax revision	**(0.23)**	(1.90)
Balance carried to Balance Sheet	**81.37**	67.90

2. DIVIDEND

Your Directors are pleased to recommend the payment of dividend @ Rs.1.50 per share on the paid up equity share capital of Rs.26.00 crores. The dividend on Equity Shares, if approved at the Annual General Meeting, will be payable to those shareholders whose names appear on the company's register of members on 18th September, 2006. In respect of shares held in dematerialised form, the dividend shall be payable on the basis of beneficial ownership as at the end of 12th September, 2006, as per the details furnished by National Securities Depository Ltd./ Central Depository Services (India) Ltd. for the purpose, as on that date.

3. PREFERENTIAL ISSUE

The Company has issued 44,00,000 optionally convertible warrants convertible into 44,00,000 equity shares on or before July 15, 2007 on preferential basis to promoters and their associates of Rs.10/- each at premium of Rs.54/- per warrant on 16th January, 2006 after the shareholders' approval in the Extra Ordinary General Meeting held on 2nd January, 2006. During the year the warrant holders have exercised the option for conversion of 6,00,000 warrants into equity shares and accordingly the paid-up capital of the Company increased from Rs.25,40,12,500/- to Rs.26,00,12,500/-. Remaining 38,00,000 optionally convertible warrants are outstanding for conversion into equity shares and after conversion the paid-up capital will be enhanced accordingly.

4. PERFORMANCE DURING THE YEAR UNDER REVIEW

During the year under review, the turnover of your Company increased to Rs.1218.57 crores from Rs.1179.18 crores last year, registering an increase of 3.34%. However the gross profit increased to Rs.56.18 crores from Rs.41.83 crores last year, a rise of 34.30%. The export turnover during the year under review is Rs.99.27 crores as against Rs. 143.05 crores in previous year. The performance of the various divisions and the subsidiaries of your Company is given below:

STEEL DIVISION

During the year under review, the turnover of the division is Rs.829.21 crores as compared to Rs.844.99 crores in the last financial year. The export turnover of the division is Rs.70.44 crores in comparison to Rs.115.18 crores in the last financial year. The division has, however been able to maintain it's leadership in the Steel Tubes' market. The product is now well established in some countries with orders flowing on a regular basis.

LIGHTING DIVISION

Despite competition from other established market players and unorganised sectors, the Division has witnessed a steady growth in turnover and profit. During year under review, the turnover of the division increased to Rs.389.36 crores as compared to Rs.334.18 crores last year, an increase of 16.51%. The export turnover during the year under review increased to Rs.28.83 crores as against Rs.27.87 crores in previous year registering an increase of 3.44%. Strategies are being continuously developed to give greater thrust to the exports.

During the year the Company has intimated to the Central Excise Department for claiming the exemption in Excise Duty for a period of ten years from 2nd January, 2006 under Notification No. 50/ 2003-CE dated 10th June, 2003 regarding incentives to Units located in Uttaranchal on undertaking substantial expansion by way of increase in installed capacity by more than 25% in respect of all the final and intermediate products manufactured and cleared from Kashipur Unit as well as captive consumption.

SUBSIDIARIES

Surya Roshni Inc., the only wholly owned subsidiary of the company in USA. The sales during the year are US$ 18,774 as compared to US$ 701,390 in the previous year. There was a net loss of US$ 167,822 as compared to previous year's loss of US$ 431,222. Efforts are being made to improve the performance.

5. FUTURE PROSPECTS

STEEL DIVISION

In view of thrust of the Government of India on water and infrastructure sectors, there is tremendous scope for growth in the Steel Pipe and Cold Rolled Industry. More demand is expected from various Oil and Gas companies for LDP pipes of API standards. In the Cold Rolling segment also demand is expected to increase due to higher growth in the automobile sectors.

LIGHTING DIVISION

There is an increase in demand of regular lighting products with a general improvement in the power condition in urban as well as rural sectors and increase in spending on infrastructure development in the coming years. Well defined strategies are being implemented in order to cater the gradual increase in demand of lighting products and enhance the product share in market and to boost the demand for your Company's products. The Company has taken steps to install the Compact Fluorescent Lamp (CFL) plant, which is a value added product and will enhance the profitability of the Company. As a result of the sincere initiatives being taken at all levels, the turnover and profitability of your company during the current year are likely to reflect a considerable growth as compared to those of the year under review.

6. FIXED DEPOSITS :

The Public response towards the Company's fixed deposit scheme continued to be encouraging during the year under review. At the close of the year, 133 deposit holders, whose deposits, aggregating to Rs.49.89 lacs, had become due for payment, did not claim or renew their deposits. Since then, deposits aggregating to Rs.24.66 lacs have either been claimed or renewed. The principal amount and interest were duly paid for all other deposits, which matured during the year.

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

Details of energy conservation and research and development activities undertaken by the Company alongwith information in accordance with provision of 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, are given as Annexure 'A' to the Directors' Report.

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8. PARTICULARS OF EMPLOYEES AND DISCLOSURE OF INFORMATION

Particulars of employees, as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended and information as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given as Annexure 'B' to the Directors' Report.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms :

i. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii. that the Directors had 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 at the end of the financial year and of the profit or loss of the Company for that period;

iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. that the Directors had prepared the annual accounts on a going concern basis.

10. DIRECTORS

As per Article 101 of the Articles of Association of the Company, Shri K. K. Narula and Shri B. B. Chadha, retire by rotation and, being eligible, offer themselves for reappointment.

11. AUDITORS

The Auditors, Messers. Sastry K. Anandam & Company, Chartered Accountants, retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment. The observations of the Auditors have been suitably dealt with in the notes on accounts.

12. COMPLIANCE CERTIFICATE

As per Revised Clause 49 of the Listing Agreement with the Stock Exchanges, the compliance certificate from Chairman and Managing Director and CFO is given as Annexure 'C' to the Directors' Report.

13. ACKNOWLEDGEMENT

Your Directors wish to place on record, their appreciation for the continued support from All India Financial Institutions, Bankers, Government Authorities, Business Constituents and Investing Public.

Your Directors also wish to place on record once again, their appreciation for the contribution made by the workers, staff and executives at all levels, to the continued growth and prosperity of the Company. The overall industrial relations remained cordial at all the establishments.

for and on behalf of
the Board of Directors

B. D. AGARWAL
CHAIRMAN AND
MANAGING DIRECTOR

Place : New Delhi
Dated : 24th May, 2006

ANNEXURE 'A' TO DIRECTORS' REPORT

Information as per Section 217(1)(e) read with Companies(Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2006.

I. CONSERVATION OF ENERGY

a) Energy conservation measures taken :

At Steel Division, Bahadurgarh :

- One diesel Generator Set has been successfully converted into Duel Fuel (Gas and Diesel).
- Additional capacitor banks installed to improve power factor to reduce time losses.
- Transparent sheets have been installed in the sheds to improve natural light.
- Automatic Star Delta controller has been installed in the Annealing Furnace by which the electric motor will function as per requirement of annealing cycle / temperature required.
- Power adjustment as per load requirement and replacement of various electrical equipments to prevent energy losses.
- Replacement of various cables and reduction in the distance between supply point and consumption point to control energy loss during transmission.

At Malanpur Unit of Lighting Division :

- Replacing existing air compressor by screw compressor in Component Division.
- Replacing 7.5 KW blower by 4.6 KW blower in 14" danner and by putting blower in 14" process line.
- By doing modification in exhaust oven in FTL-III.
- By putting off two glazing burner on 20" danner.
- Controlling oil pump of press machines by timer in Cap Division.
- Replacing transistor based UPS with IGBT based system.
- Energy saving in services after making improvement in doing insulation or patching work in furnance (compressed air was controlled).

At Kashipur Unit of Lighting Division :

- Cellulose fills type system installed in HID/TLD & NTL side air cooling plant in place of conventional air washer to increase the efficiency and replacement of existing 7.5 H.P. (2 no.s) water pumps by 1.0 H.P. water pumps for energy conservation.
- A.C. drive installed on Twin lobe air compressor for TL 5th chain and reduced the frequency from 50Hz to 35 Hz and maintain line pressure in limit 11 to 12 psi as per the plant requirement.
- A.C. drive installed in HID side air cooling plant blower and reduced the frequency from 50Hz to 45 Hz.
- Water line installed on ETP plant for gardening.
- Provide energy management system software in LT room for on-line energy monitoring.
- Transformer loss reduced analyzing by software.
- Introduced power capacitor to improve the P.F. and for reduced unit consumption.
- Installed 42 no.s small Thyrister in place of 7 no.s big Thyrister at F.P.P. furnance for longer life of electrode and better working.

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b) Additional investment and proposals being implemented for reduction of consumption of energy :

At Steel Division, Bahadurgarh :

Order has been placed for purchase of Gas based Power Generation Set of 3 MW.

c) Impact of the measures at a) above for reduction of energy consumption and consequent impact on the cost of production of goods :

The above measures resulted in substantial saving in the consumption of energy and consequent saving in the cost of production of goods.

d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries in the Schedule thereto :

	Steel Division		Lighting Division	
	2005-2006	2004-2005	**2005-2006**	2004-2005
A) Power & Fuel Consumption				
1. Electricity				
a) Purchased				
Units (in thousands)	**12349.64**	14570.55	**22424.27**	21631.62
Total Amount (Rs. in lacs)	**492.75**	576.64	**751.72**	778.85
Rate / Unit (Rs.)	**3.99**	3.96	**3.35**	3.60
b) Own Generation Through Diesel Generator				
Units (in thousands)	**2804.35**	4093.52	**5083.93**	6128.33
Unit per Ltr. Of HSD	**3.08**	3.28	**3.45**	3.81
Cost / Unit (Rs.)	**9.41**	6.97	**7.38**	5.73
c) Own Generation by Natural Gas Generator Set				
Units (in thousands)	**8479.53**	4038.09	**Not used**	Not used
Unit per SCM	**2.67**	2.52	**Not used**	Not used
Cost / Unit (Rs.)	**2.69**	3.23	**Not used**	Not used
2. Furnace Oil/LDO				
Qty. (K.Ltrs.)	**235.65**	729.77	**9086.50**	9078.55
Total amount (Rs. in lacs)	**43.84**	124.89	**1630.95**	1026.86
Avg. Rate (Rs.)	**18.60**	17.11	**17.95**	11.31
3. Natural Gas used in GI Pipe & CR Mill				
Qty. SCM3 (in thousands)	**4017.14**	4261.12	**Not used**	Not used
Total amount (Rs. in lacs)	**288.95**	310.14	**Not used**	Not used
Rate / SCM (Rs.)	**7.19**	7.28	**Not used**	Not used
4. L.P.G.				
Qty. (Tonnes)	**Not used**	Not used	**2165.31**	2047.69
Total amount (Rs. in lacs)	**Not used**	Not used	**653.57**	478.01
Rate / KG (Rs.)	**Not used**	Not used	**30.18**	23.34
5. Diesel	**(LDO Used in C.R. Mill)**			
Qty. (K.Ltrs.)	**11.89**	20.00	**707.01**	641.81
Total amount (Rs. in lacs)	**2.21**	3.42	**178.07**	143.44
Rate / Ltr. (Rs.)	**18.60**	17.11	**25.19**	22.35
6. Propane				
Qty. (Tonnes)	**Not used**	Not used	**2416.86**	2151.30
Total amount (Rs. in lacs)	**Not used**	Not used	**785.03**	490.68
Rate / KG (Rs.)	**Not used**	Not used	**32.48**	22.81

B) Consumption per unit production

Product	**Unit**	**Steel Tubes / Pipes / C.R.Strips (Per M.T.)**		**Glass Item (Per M.T.)**	
Electricity	Units	**111.88**	107.53	**134.51**	166.39
Furnace Oil/HSD/LDO/RFO	Ltrs.	**2.64**	5.04	**181.75**	190.82
HSD/LDO (In CR Mill)	Ltrs.	**0.22**	0.36	**Not used**	Not used
Propane / LPG	Kg.	**Not used**	Not used	**57.49**	56.84
Natural Gas Consumption (In GI Mill)	SCM	**26.69**	27.05	**Not used**	Not used
Natural Gas Consumption (In CR Mill)	SCM	**31.84**	34.14	**Not used**	Not used

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