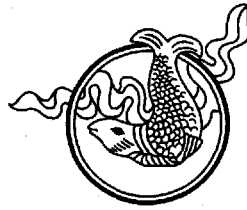


TAI

INDUSTRIES LIMITED



2 2 n d A N N U A L R E P O R T
2004-2005



TAI INDUSTRIES LIMITED

Board of Directors

Dasho Wangchuk Dorji
Dasho Ugen Dorji
Dasho Topgyal Dorji
Prem Sagar
Hardyal Doegar
Kanwal Nain Malhotra
Vinay Killa
P S Rawat

Managing Director
Director
Director
Director
Director
Director
Director
Director

(Alternate for Dasho Ugen Dorji)

Audit Committee

Hardyal Doegar
Kanwal Nain Malhotra
Vinay Killa

Chairman

Sr General Manager

Rohan Ghosh

Company Secretary

Shampa Ghosh Ray

Bankers

State Bank of India
HDFC Bank Limited
Canara Bank
United Bank of India
Vijaya Bank

Auditors

Ray & Ray, Chartered Accountants, Kolkata

Solicitors

H K Mitter, Kolkata
Kaushik Chowdhury Associates, Kolkata

Registered Office

53A, Mirza Ghalib Street,
3rd floor, Kolkata 700 016



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Annual General Meeting on Wednesday, 28 September 2005 at Kala Kunj, 48 Shakespeare Sarani, Kolkata-700017 at 10 A.M. As a measure of economy, copies of the Annual Report will not be distributed at the General Meeting. Shareholders are requested to kindly bring their copies to the Meeting.

Notice

NOTICE is hereby given that the Twenty second Annual General Meeting of the members of Tai Industries Limited will be held at Kala Kunj, 48 Shakespeare Sarani, Kolkata – 700017 on Wednesday, 28 September 2005 at 10.00 a.m to transact the following business as **ORDINARY BUSINESS** :

1. To consider and adopt the Profit and Loss Account for the year ended 31st March, 2005 and Balance Sheet as on that date together with the reports of the Directors' and the Auditors' thereon.
2. a) To elect a Director in place of Mr Topgyal Dorji, who retires by rotation and, being eligible, offers himself for re-election.
b) To elect a Director in place of Mr. Prem Sagar, who retires by rotation and, being eligible, offers himself for re-election.
3. To appoint Auditors and to fix their remuneration. Messrs Ray & Ray, the retiring Auditors are eligible for appointment.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution :-

"RESOLVED that pursuant to provisions of Section 198, 269, 309, 311, 397 & 388 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the consent of the Company be and is hereby accorded to the reappointment of Dasho Wangchuk Dorji as Managing Director of the Company for a period of 5 (five) years with effect from 20 May 2005 upon such terms and conditions as set out in the draft agreement entered between the Company and Dasho Wangchuk Dorji, a copy whereof is submitted to the Meeting and initialled by the Chairman for the purpose of identification and is hereby specifically approved and sanctioned with the liberty to the Board of Directors to alter and vary from time to time the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed between the Directors and Dasho Wangchuk Dorji subject to the limitations in that behalf contained in Schedule XIII to the Act including any statutory modification or reenactment thereof for the time being in force or any amendment and/or modifications that may hereafter be made thereto by the Central Government."

"RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year of the Company during the term of Dasho Wangchuk Dorji in the office of the Managing Director, the salary and perquisites set out in the aforesaid agreement be paid or granted to Dasho Wangchuk Dorji as minimum remuneration."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to take steps and do all other acts, deeds and things as may be necessary or desirable to give effect to the Resolution."

Dasho Wangchuk Dorji may be regarded as interested in the Resolution. Other than him Dasho Ugen Dorji and Dasho Topgyal Dorji, being relatives, may be deemed to be interested in the Resolution. None of the other directors is interested in the Resolution.

Registered Office :

3rd Floor, 53A, Mirza Ghalib Street,
Kolkata – 700 016
31 August, 2005

By Order of the Board
For Tai Industries Limited
Shampa Ghosh Ray
Company Secretary

NOTES :

- a) A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. The proxies to be effective should be deposited at the Registered Office of the Company not later than forty-eight hours before the time fixed for holding the meeting.
- b) The Register of Members and the Share Transfer Register of the Company will remain closed from Thursday, 22 September 2005 to Wednesday, 28 September 2005, both days inclusive.
- c) Members are requested to bring admission slips along with their copy of the Annual Report and Accounts to the meeting. No copies will be distributed again in the meeting.
- d) Members who hold shares in dematerialised forms are requested to bring their Client ID and DP ID numbers and those holding physical shares are requested to bring their Folio Numbers for easy identification of attendance at the meeting.
- e) Members holding shares in physical form may nominate a person to whom the shares in the Company shall vest in the event of their death. Nomination form is available at the end of the Annual Report.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

ITEM NO: 4

Dasho Wangchuk Dorji was appointed Managing Director of the Company for a period of five (5) years with effect from 20 May 1995 at the Extra Ordinary Meeting held on 10 July 1995 and approved by the Central Government vide their letter No. 4/126/95-CL.IX dt 21 November 1995. He was reappointed for a period five (5) years at the Annual General Meeting held on 25 September 2000 and approved by Central Government vide their letter No. 1/232/2000-CL.VII dt 28 September 2000. At a Meeting of the Board of Directors of the Company held on 29 April 2005 he was reappointed Managing Director for a further period of five (5) years with effect from 20 May 2005 subject to the approval of the Members in the Annual General Meeting and also subject to approval of the Central Government. An application has been submitted to the Central Government seeking approval to the reappointment of Dasho Wangchuk Dorji (who is a Bhutanese national) as Managing Director of the Company on the following terms and conditions :

A. SALARY

Rs. 1,05,000.00 (Rupees one lakh five thousand only) per-month with effect from 20.05.2005 with annual increment of Rs 5000/- (Rupees five thousand only) in the scale of Rs 1,05,000-Rs 5,000-Rs 1,25,000

B. PERQUISITES

These shall be restricted to amount equal to annual salary. Unless the context otherwise required, the perquisites are clarified into three categories "A" "B" and "C" as follows :

CATEGORY "A"

1. Medical Reimbursement

Expenses incurred for self and family subject to a ceiling of one month's salary (including premium for mediclaim insurance policy) in a year or three month's salary over a period of three years;

2. Leave Travel Concession

For self and family once in a year incurred in accordance with the rules specified by the Company;

3. Club Fees

Fees of Clubs, subject to a maximum of two clubs but not including admission and life membership fees;

4. Personal Accident Insurance

Premium not to exceed Rs. 4,000/- (Rupees four thousand) only per annum.

For the purpose of this part, "family" means spouse, dependent children and dependent parents of Dasho Wangchuk Dorji;

5. Other Allowances

In addition to the perquisites at (1), (2), (3) and (4) above, an expatriate (including a non resident Indian) Managing or Whole Time Director or Manager shall be eligible to the following perquisites which shall not be included in the computation of the ceiling on perquisites :-

- (a) Reimbursement of expenses incurred on joining duty and returning to home country after completion of tenure :** Actual expenses incurred on travel and on packing, forwarding, loading and unloading as well as freight, insurance, customs duty, clearing expenses, local transportation and installation expenses in connection with the moving of personal effect for self and family for joining duty in India may be allowed in case these have not been claimed from the previous employer. After completion of the tenure such expenses may also be allowed if the expatriates is family leaving the employment of the Company. In cases, where the expatriate is joining another branch of the same/related multinational company, the branch to which he is transferred should bear these expenses;
- (b) Leave Travel concession :** In case it is proposed that the leave be spent in home country instead of anywhere in India, return passage may be allowed for self and family in accordance with the rules specified by the Company;
- (c) Children's educational allowance :** In case of children studying in or outside India, an allowance limited to a maximum of Rs 5,000/- per month per child or actual expenses incurred, whichever is less, is admissible. Such allowance is admissible upto a maximum of two children.
- (d) Holidaying passage for children studying outside India/family staying abroad:** Return holiday passage is admissible once in a year by economy class or once in two years by first class to children from their place of study

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abroad to India and to the members of the family from the place of their stay abroad to India, if they are not residing in India with the Managing Director.

Explanation : For the purpose of Category "A" "family" means spouse, the dependent children and dependent parents of the appointee.

CATEGORY "B"

Contributions to Provident Fund, Superannuation Fund or Annuity 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, 1961. Gratuity payable should not exceed half a month's salary for each completed year of service.

EARNED LEAVE

The unavailed portion of leave shall be encashable on full pay at the end of tenure as per the rules of the Company, but not exceeding one month's leave for every eleven months of service. However, it will not be included in the computation of the ceiling on perquisites.

CATEGORY "C"

The Company shall provide a car with driver and telephone facility at the residence of the Managing Director. Provision of car for use of Company's business and telephone 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.

Minimum Remuneration : In absence or inadequacy of profits in any financial year during the term of his as Managing Director, Dasho Wangchuk Dorji will be entitled to receive the above remuneration and perquisites as the minimum remuneration.

Sitting Fees : The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee thereof from the date of his appointment.

The Head Office of the Company is situated at present in Kolkata and the Managing Director will be attending the office as he thinks appropriate.

Subject to the provisions of the Act, the Managing Director shall not, while he continues to hold the office of the Managing Director be, subject to, retirement by rotation of Directors and he shall not be reckoned as a Director for the purpose of determining the rotation or retirement of Director or in fixing the number of Directors to retire, but he shall ipso facto and immediately cease to be the Managing Director if he ceases to hold office of Director for any cause.

The Managing Director shall not during the continuance of his employment or at any time thereafter divulge or disclose to any person whomsoever to make any use whatever for his own or for whatever purpose, of any confidential information or knowledge obtained by him during his employment as to the business or affairs of the Company or as to any trade secrets or secret processes of the Company and the Managing Director shall during the continuance of his employment hereunder also use his best endeavours to prevent any other person from doing so.

Dasho Wangchuk Dorji may be regarded as interested in the Resolution. Other than him Dasho Ugen Dorji and Dasho Topgyal Dorji, being relatives, may be deemed to be interested in the Resolution. None of the other directors is interested in the Resolution. A copy of the Agreement between the Company and Dasho Wangchuk Dorji is available for inspection by the Members of the Company at its Registered Office between 11.00 am to 1.00 pm on all working days.

The Board recommends the Resolution for your adoption.

The above may be treated as an abstract under Section 302 of the Companies Act, 1956

Registered Office :

3rd Floor, 53A, Mirza Ghalib Street,
Kolkata – 700 016
31 August, 2005

By Order of the Board
For Tai Industries Limited
Shampa Ghosh Ray
Company Secretary



Directors' Report

TO THE MEMBERS

Your Directors have pleasure in presenting their 22nd Annual Report on the business and operations of your Company for the year ended 31st March, 2005.

FINANCIAL PERFORMANCE

Particulars	(Rupees in Lakhs)	
	Year ended 31 March 2005	Year ended 31 March 2004
Turnover	4038.09	2886.43
Profit/(Loss) before Interest, Depreciation & Taxation (PBIDT)	288.81	225.34
Interest	89.06	42.79
Profit/(Loss) before Depreciation & Taxation (PBDT)	199.75	182.56
Depreciation	88.30	54.46
Profit/(Loss) Before Tax (PBT)	111.44	128.09
Provision for Taxation	23.74	28.23
Profit/(Loss) After Tax (PAT)	87.70	99.86
Balance brought forward from previous year	358.17	258.31
Profit available for appropriation	445.87	358.17
Proposed Dividend	—	—
Profit carried to Balance Sheet	445.87	358.17

WORKINGS

Working of the Company reflects 39.90% rise in total sales of the Company compared to the previous year. The details of Sales / Income from operations are as follows:

PRODUCTS	Sale in 2004-2005	Sale in 2003-2004	Increase/ (Decrease) in Sales	Percentage increase/ (decrease)
	(Rs. In lakhs)	(Rs. In lakhs)	(Rs. In lakhs)	%
Fruit Products	1885.93	2011.26	(125.33)	(6.23)
Calcium Carbide	274.44	329.49	(55.06)	(16.71)
Charcoal	448.35	305.58	142.77	46.72
Yarn	294.05	—	—	—
Indenting Commission	167.22	148.66	18.56	12.48
Retail – C3 *	968.10	91.45		
Total Turnover	4038.09	2886.44		

* The sales figure for 2003-04 of Retail segment is for three months only as the first C3 store was launched in January 2004.

PLANS AND PROSPECTS

Fruit Product Division

After successfully operating in the fruit products business with 'DRUK' brand in India for nearly over 20 years, the Company is now facing stiff competition from other brands who are becoming more contemporary in their product packaging so as to encash on visual induced sales. Your Company has taken this up as a challenge and has embarked on the process of giving a more refreshing new look to our existing products and incorporate modernized packaging. The juice products which are an all time favourite with consumers will be available in tetra packs which will be contract manufactured and the rich experience and expertise of our technical team will benefit the process. New products like red cherries and fruit cocktail and other variants of juices will be

introduced in the coming year to increase the present market share by catering to today's consumer who is health conscious and willing to explore. Your Company is also exploring the possibility of procuring fruit products from abroad and marketing it in India through our existing distributor network and buyer base in the north, east and north-eastern states of India as the demand for such products has increased over the years.

Industrial Division

Due to industrial growth in the eastern region of India, indenting commission for Ferro Silicon has grown by 12.48% in 2004-05 and we are expecting it to increase further in 2005-06. It has also laid to the increase in the sale of Charcoal by 46.72% in 2004-05. The demand for Calcium Carbide is high during the mango harvesting season but due to a bad harvesting season for climatic reasons in 2004-05, the sales of this product has dipped in 2004-05. There is tremendous competition in the Calcium Carbide segment and to sustain our market we are now procuring the same at discounted rates to counter competitive prices. It is our continuous endeavor to increase our buyer base in the eastern states of Orissa, Bihar, Jharkhand, Assam and the eastern parts of Uttar Pradesh.

Retail Division

Retailing, considered a sunrise industry today in India after infotech, is the most happening industry with almost all the big players vying for a share of the coveted pie. Buoyed by a strong increase, retailing is one industry which is waiting to explode. The industry is still in the stage of infancy and there is a tremendous scope of growth provided the right marketing strategies are adopted.

Having operated two stores under the brand name "C3 The Marketplace" at Elgin Road and at Salt Lake, City Centre for over a year, we are now in the expansion mode. We are gearing up to launch more stores in 2005-06 in Kolkata. Our innovative ability of helping out customers discover their dormant expectations has caught the attention of the people. Your Company has the first mover advantage in this sector of business and the brand recall is very high. With our experience in the fruit products business for nearly 20 years along with our existing infrastructure and distribution network, we are gearing up to make our presence felt in the retail segment of Eastern India. There is a huge market which is still untapped and with the aspiring urban consumers wanting more, our stores will provide them with the right product mix at competitive prices without having to compromise on the quality. Your Company will continue to upgrade the product mix keeping the needs of the consumers in mind and also ensuring that they get good value for their hard earned money.

DIVIDEND

The Directors express their inability to recommend dividend for the year to plough back profits to conserve funds for the future development and growth of the Company including the plans for expansion of the chain of super markets. Our thrust area for expansion will be the retail segment where there is tremendous prospect of growth in the coming years.

CORPORATE GOVERNANCE

Certificate of the Auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with Stock Exchanges is enclosed.

This report also includes elsewhere a text of the Management Discussion and Analysis Reports.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions Section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm that:

1. In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with the proper explanations relating to material departures;
2. They had 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 at the end of the financial year and of the profit or loss of the Company for that period;
3. They had 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;
4. They had prepared the Annual Accounts on a going concern basis.

In response to the Company's application under Section 621A of the Company's Act, 1956 with regard to disclosure as per para 3(ii)(b) of Part II of Schedule VI of the Companies Act, 1956 in the Annual Accounts for the year ended 31 March 2004, the Company Law Board has compounded the matter on 23 August 2005 and the composition amount (Rs. 4,000) has been paid. With regard to the year ending 31 March 2005, the Company has obtained the approval order from Central Government vide the letter no : 46/197/2005-CL-III dated 31 August 2005 and the details is disclosed in Note No. 15 in "Notes to Accounts".



DEMATERIALIZATION OF SECURITIES

As directed by the Stock Exchange, Mumbai, the Company's shares have been dematerialized from July, 2001. About 49.16 % of the shares have been dematerialized as on 31 March 2005.

DIRECTORS

In accordance with Article 56 of the Articles of Association of the Company, Mr. Topgyal Dorji and Mr. Prem Sagar, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Mr. Topgyal Dorji (43) graduated from New Hampshire College, USA with specialisation in marketing. He had undergone extensive training for the period of one year in Norway for the ferro-silicon project. He is the Managing Director of Bhutan Ferro Alloys Limited, Chairman of Bhutan Beverages Company Limited and the Director of Bhutan Carbide & Chemicals Limited, Bhutan Food Products Limited, Rijal Tashi Industries (P) Limited and Royal Insurance Corporation of Bhutan.

Mr. Prem Sagar (68) is at present the Chairman of Jamshedpur Injection Powder Limited. He started his career in TISCO about four decades ago. He has assumed several responsible positions in Tata Group of Companies. He is also a Director of Tata Refractories Limited, Jamshedpur Utilities Service Company Limited, Frontier Springs Limited and Nilachal Refractories Limited. He is also the Chairman of the Remuneration Committees of Jamshedpur Injection Powder Limited and Jamshedpur Utilities Service Company Limited. He is a Member of the Governance Committee of Tata Refractories Limited. He is a widely travelled technocrat and is connected with several trade, social and sports associations in India.

PARTICULARS OF EMPLOYEES

None of the employees of the Company receive remuneration attracting provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1956.

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

- | | |
|--|---|
| a) Conservation of energy | - Not applicable |
| b) Technology absorption | - Not applicable |
| c) Foreign Exchange earnings and outgo | - There was no foreign exchange earnings and there was no foreign exchange outgo during the year. |

AUDITORS

M/s. Ray & Ray., Chartered Accountants, Auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their grateful appreciation for the excellent support and co-operation received from the stakeholders, Banks, Financial Institutions and Investors, Government Authorities, Stock Exchanges, Reserve Bank of India, Central and State Governments. Your Directors also wish to place on record their deep appreciation of the dedication and contributions made by employees at all levels who through their competence, hard work and support have enabled your Company to achieve better performance and look forward to their continued support in the future as well.

Place : Kolkata
Date : 31 August, 2005

Wangchuk Dorji
Managing Director

By Order of the Board
Kanwal Nain Malhotra
Director



Annexure "A" to the Directors Report

Report on Corporate Governance

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company views Corporate Governance as a system and process consistent with principles and practices of a free and open society whereby shareholders, creditors and other stake holders of a Company ensure that management enhances the value of the Company within the rule of law and societal and professional ethical standards as it competes in an increasingly competitive global market.

Your Company is committed to the concept and philosophy of Corporate Governance as means of effective internal control, highest level of accountability, transparency, and professionalism in all areas of its operation for enhancing customer satisfaction and shareholder value.

Details of the implementation of the corporate governance are enumerated below:

BOARD OF DIRECTORS

Your Board comprises of eight members and is responsible for the management of Company's business. The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of the Board, inter-alia, include:

- Approving corporate philosophy and vision;
- Formulation of strategy and business plans;
- Reviewing and approving financial plans and budgets;
- Monitoring corporate performance against strategic and business plans, including overseeing operations;
- Reviewing and approving borrowing limits;
- Formulating exposure limits;
- Ensuring ethical behavior and compliance with laws and regulations;
- Ensuring sound system of risk management and internal control
- Major accounting provisions and write offs; and
- Adoption of quarterly/half yearly/ annual results;
- Keeping shareholders informed regarding plans, strategies and performance.

A Management Discussion and Analysis Report which forms a part of this Annual Report is given by means of a separate annexure and is attached to the Directors' Report.

During the year, five Board Meetings were held on

- (i) 28.04.2004
- (ii) 29.07.2004
- (iii) 23.09.2004
- (iv) 29.10.2004
- (v) 31.01.2005

None of the Directors on the Board are members in more than ten committees and they do not act as Chairman of more than five committees across all companies in which they are Directors.

The composition of the Board, attendance at Board Meetings held during the year and at the last Annual General Meeting (AGM), number of directorships in other public companies and committees across various public companies of which the director is a member / chairman are given below :

<i>Name of the Director</i>	<i>Category</i>	<i>Attendance at Board</i>	<i>Attendance at last AGM Meetings</i>	<i>No. of outside Directorships</i>	<i>Committee Position - Member</i>	<i>Committee position - Chairman</i>
Dasho Wangchuk Dorji	MD	4	Yes	8	-	-