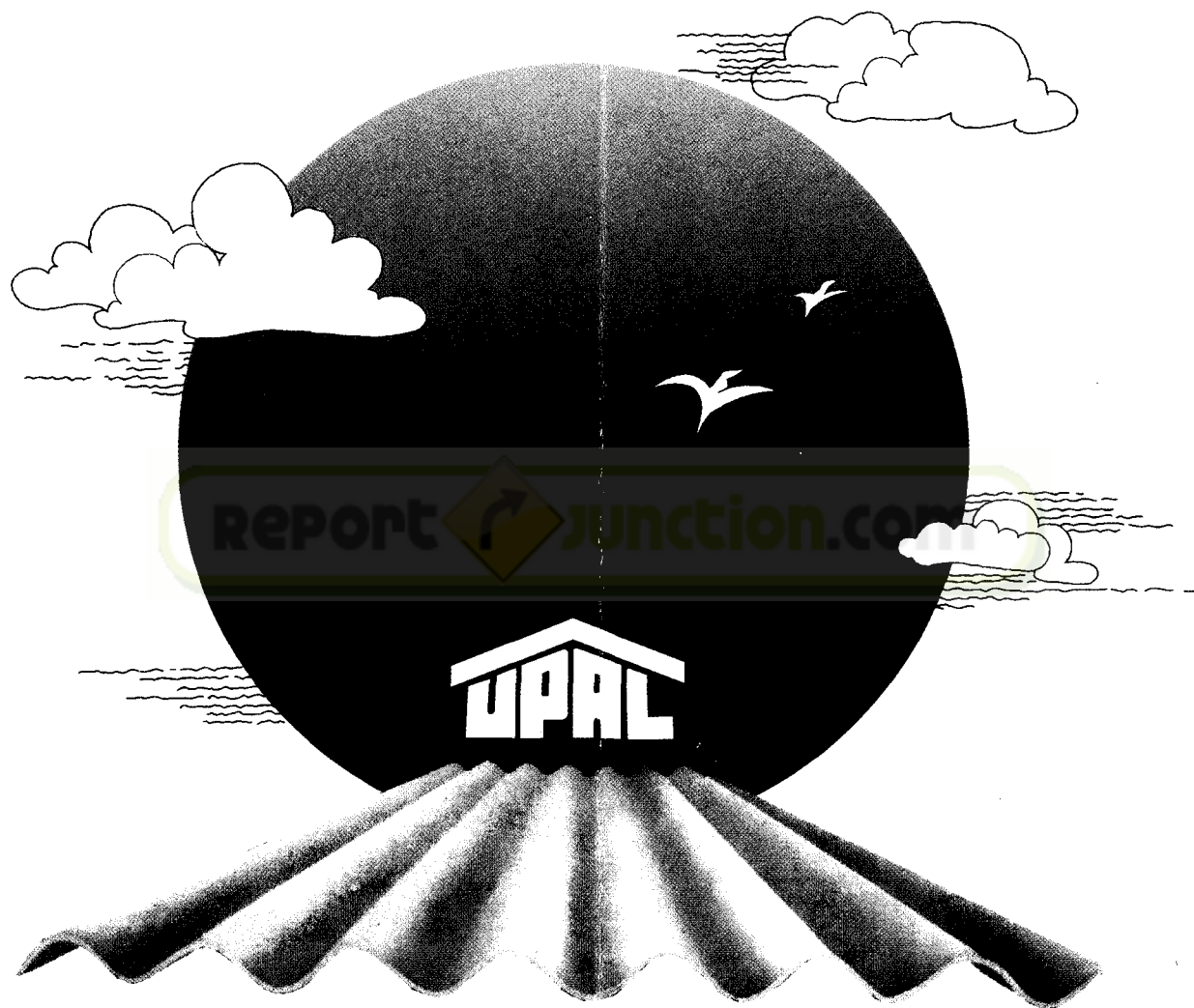


ANNUAL REPORT

2005 - 2006



U.P. Asbestos Ltd.

ANNUAL REPORT

2005 — 2006



U. P. Asbestos Ltd.

U.P. ASBESTOS LIMITED

DIRECTORS

Shri Dharam Mohan, Chairman
Shri N. M. Majmudar IAS (*Retd.*)
Shri Atul Ashok Kumar Ruia
Shri Priyank Tayal
Shri T. S. Pradhan
Shri Amitabh Tayal, *Managing Director*
Shri Harbhajan Singh, *Executive Director*

BANKERS

State Bank of India
State Bank of Bikaner & Jaipur

AUDITORS

M/s Jain Kapoor & Co.
Chartered Accountants

REGISTERED OFFICE

Mohanlalganj-227 305
Distt. Lucknow, U.P.

WORKS

- (i) Mohanlalganj-227 305
Distt. Lucknow, U.P.
- (ii) Vill. (PO) Beshara
Tehsil Dadri
(Dadri NTPC Road)
Distt. Gautam Budh Nagar, U.P.
- (iii) C-231, MIDC Butibori
Industrial Area-441 108
Nagpur (Maharashtra)

ADMINISTRATIVE OFFICE

Mahmoodabad Estate Bldg.,
15 Hazratganj,
Lucknow-226 001

Report

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DIRECTORS' REPORT

To the Members,

Your Directors have the pleasure in presenting the 32nd Annual Report together with audited accounts of the Company for the year ended 31st March, 2006.

SUMMARISED FINANCIAL RESULTS

	2005-2006 (Rs. in Lacs)	<i>2004-2005</i> (Rs. in Lacs)
Sales	10539	11077
Depreciation	227	221
Interest	244	236
Operating Profit	1120	1149
Expenses relating to previous year	(-) 9	6
Profit before Tax	1129	1143
Profit after Tax	788	767
Add : Balance in Profit & Loss Account		
at the beginning of the year	1842	1138
Available for appropriation	<u>2630</u>	<u>1905</u>
Transfer to General Reserve	410	30
Proposed Dividend including interim Dividend	29	29
Dividend Tax	4	4
Balance retained in Profit & Loss Account	2187	1842
Total	<u>2630</u>	<u>1905</u>

DIVIDEND

Your Directors have recommended and paid an interim dividend of Rupee 0.40 per equity share for the financial year ended 31st March, 2006. They have also recommended a final dividend of Re. 0.20 per equity share for the year on enhanced share capital due to bonus shares allotted during the year under review.

As per Finance Act, 2003 the dividend when received by the shareholders will be free of tax in their hands and the Company will pay dividend distribution tax @ 12.50% plus applicable surcharge and education cess on the dividend amount. Necessary provisions for dividend and tax (including surcharge and education cess) have been made.

BONUS SHARES

Your Company has issued bonus equity shares to all shareholders whose names appeared in the Register of Members on 21.03.2006 in the ratio of two Bonus equity shares for every one held. An amount of Rs. 5.76 Crores was capitalized out of General Reserves of the Company for this purpose.

DIRECTORS' REPORT (Contd.)**PERFORMANCE**

During the year under review your Company has recorded good performance in line with prevalent market conditions and expectations. Production during the year was 187693.852 M.T. including trial run production of 5793.808 M.T. and sales were 175698.996 M.T. compared to sale of 191992.671 M.T. for the previous year. The total turnover of the Company has come down from about Rs. 111 Crores during 2004-05 to approx. Rs. 105 Crores during 2005-06. However the profitability has been consistent due to better realization on sale of sheets, and better controls. Keeping in view its past performance your Company is hopeful that no difficulty will be experienced in marketing its products in the current year as well, despite increased competitiveness in the industry.

EXPANSION

Your Company has set up a new fibre cement sheet unit at Dadri, Distt. Gautam Budh Nagar in Western U. P. with an installed capacity of 72000 MT per annum. The plant was commissioned in April, 2006. This has increased the total installed capacity of your Company's plants to 220000 MT per annum.

The members have approved the Company going in for a follow on public issue in the Extra Ordinary General Meeting held on 17.04.2006. The objects of the issue include inter alia setting up a new fibre cement sheet plant and enhancement of core working capital requirements.

DIVERSIFICATION

During the year under review, the Company has diversified its activity into Real Estate Business and created a Special Purpose Vehicle for the same.

FIXED DEPOSIT

The amount of fixed deposit accepted from the public during the year under review was within prescribed limits. At the end of the financial year, deposits amounting to Rs. 40,000/- from two depositors remained unclaimed.

DIRECTORS

Mr. Dharam Mohan and Mr. Atul Ashok Kumar Ruia retire by rotation and being eligible, offer themselves for reappointment. In order to provide more details about them to the members, their brief resumes are also included in the notice.

AUDITORS

At the Annual General Meeting, members will be requested to appoint Auditors for the current year and to fix their remuneration. M/s Jain Kapoor & Co., the present Auditors of the Company, have, pursuant to Section 224 (1) of the Companies Act, 1956, furnished a Certificate regarding their eligibility for reappointment. The Audit Committee has recommended their reappointment. Members are requested to reappoint them and fix their remuneration.

The observations made by the Auditors in their report have been clarified in the relevant notes forming part of the accounts, which are self-explanatory.

CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Pursuant to Clause 49 of the listing Agreement executed with the stock exchanges, Corporate Governance Report, Management Discussion and Analysis Report and Practising Company Secretary's Certificate certifying compliance of conditions of Corporate Governance by the Company have been made part of this annual report and annexed herewith as annexure III, IV and V respectively. A CFO certification is also annexed to this report at Annexure VI.

ANNEXURE TO DIRECTORS' REPORT



BOARD COMMITTEE

The Board has constituted four committees viz. Audit Committee, Remuneration Committee, Shareholders Grievance Committee and Share Transfer Committee to provide necessary assistance to it in discharging its responsibilities in various fields effectively.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that :

- (i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any, applicable.
- (ii) 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 of the Company for that period.
- (iii) The Directors had taken proper and sufficient care to the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) The Directors have prepared the annual accounts on a going concern basis.

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

The relevant information is placed at Annexure 'I' in this report.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this report at Annexure II.

ACKNOWLEDGEMENT

Your Directors take this opportunity to acknowledge the support and cooperation of the financial institutions, banks, customers and business associates.

On behalf of Board of Directors

Place : Lucknow

Date : 16th May, 2006

Chairman

ANNEXURE TO DIRECTORS' REPORT (Contd.)



Annexure I

COMPANIES (DISCLOSURE OF PARTICULARS IN THE
REPORT OF BOARD OF DIRECTORS) RULES, 1988

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A.. CONSERVATION OF ENERGY :

(a) Energy conservation measures taken :

- (i) The company is installing two Rice Husk based Steam Boiler and Turbine Co-generation sets and proposes to use residual boiler steam instead of electrical heating leading to substantial saving of energy.
- (ii) All electrical machineries and appliances are suitably shut down to avoid unnecessary wastage of energy.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

The Company has always been conscious of the need for reduction of consumption of energy and is making an investment of about Rs. 279.58 Lacs for installing two Rice Husk based boilers and turbine co-generation set at its Lucknow and Dadri plants.

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

The above measure for reduction of energy consumption will save in cost of production.

B. FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION :

Research and Development (R & D)

1. Specific areas in which R & D is carried out by the Company.

- (a) Effective utilisation of waste material.
- (b) Monitoring and controlling pollution.

2. Benefits derived as a result of the above R & D.

- (a) An effective Air Pollution Control Plant has been designed and installed to minimise the escaping of fibre dust particles into the ambient air.
- (b) An ETP has been designed to render the effluent comparatively harmless and to recycle the same to a much greater degree than before.
- (c) We are utilising the waste by recycling the same.

3. Future plan of action

Not Applicable

ANNEXURE TO DIRECTORS' REPORT (Contd.)



4. Expenditure on R & D :

2005-06

(Rs. in Lacs)

- (a) Capital
 - (b) Recurring
 - (c) Total
 - (d) Total R & D expenditure as a percentage of total turnover (%)
- NIL

5. Technology absorption, adaptation and innovation :

- (a) Efforts, in brief, made towards technology absorption, adaptation and innovation. None
- (b) Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substantial etc. Not Applicable
- (c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) :
 - (i) Technology imported (product) None
 - (ii) Year of import Not Applicable
 - (iii) Has technology been fully absorbed ? Not Applicable
 - (iv) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of action. Not Applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- (i) Activities relating to export initiatives taken to increase exports, development of new export markets for products and service and export plans NIL
- (ii) Total foreign exchange used and Earned (Rs. in Lacs) Used : Rs. 4061.25 Lacs
Earned : NIL

ANNEXURE TO DIRECTORS' REPORT (Contd.)



Annexure II

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2006.

Name & Age (Years)	Designation, Nature of Duties	Remune- ration	Qualifi- cation	Experience (Years)	Date of Joining	Particulars of Last employment		
						Name of Employer	Designation	Period of Service
Shri Amitabh Tayal 52	Managing Director	26.83 Lacs	B.Com.	32	01.01.84	Ganga Corporation Asbestos (P) Ltd.	Managing Director	10 Years

ANNEXURE TO DIRECTORS' REPORT (Contd.)



Annexure III

CORPORATE GOVERNANCE REPORT

This report on Corporate Governance forms part of the Directors' Report.

In keeping with the essence and philosophy of Corporate Governance, the Company has adopted a frame-work governed by values of quality, customer orientation, commitment, discipline, integrity, transparency, teamwork and trust. The Company is making all efforts to imbibe high standards of corporate governance.

PHILOSOPHY ON CORPORATE GOVERNANCE

UPAL's philosophy of corporate governance is based upon commitment of the Board of Directors and the senior officers of the Company in managing the Company in a transparent manner for maximizing long term shareholder value. The management shall endeavour to ensure that adequate control systems exist to enable the Board to effectively discharge its responsibilities in making fair and transparent decisions.

BOARD OF DIRECTORS

Composition of the Board

UPAL's Board consists of seven Directors' of whom three are Executive Directors and the balance four are non-executive independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement which stipulates that if the Chairman is a non-executive Director, at least one-third of the Board should comprise of independent Directors.

Number of Board Meetings

The Board of Directors met 8 times during the year on 26th April 2005, 17th May 2005, 9th June 2005, 26th July 2005, 31st October 2005, 23rd January 2006, 27th February 2006 and 22nd March 2006.

Composition of Board of Directors, Directors' attendance record and Directorship held

None of the Directors is a member of more than 10 Board level Committees or is a Chairman of more than 5 such Committees. The table below gives the details of the Board as on 31st March 2006 –

S.No.	Name of Directors	Nature of Directorship	No. of Board Meetings attended	Attendance percentage	No. of Directorship in other companies
1.	Shri Dharam Mohan	Chairman	03	37.50%	05
2.	Shri Amitabh Tayal	Managing Director	08	100.00%	06
3.	Shri H. B. Singh	Executive Director	08	100.00%	02
4.	Shri Priyank Tayal	Director	05	62.50%	01
5.	Shri N. M. Majmudar	Director	08	100.00%	Nil
6.	Shri Atul Ashok Kumar Ruia	Director	00	0.00%	14
7.	Shri T. S. Pradhan	Director	01	12.50%	Nil