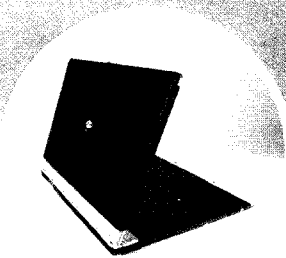
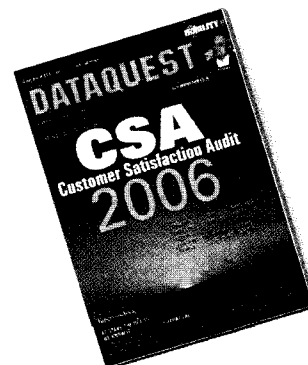




COMPUTERS LTD



| 26th Annual Report | 2005- 06 |



CIO's Choice

Desktop Vendor Ranks

| Brand | Rank-06 | Rank-05 | |
|------------|---------|---------|---|
| IBM-Lenovo | 1 | 5 | ▲ |
| Zenith | 2 | 4 | ▲ |
| HP | 3 | 2 | ▲ |
| Wipro | 4 | 7 | ▲ |
| Assembled | 5 | 6 | ▲ |
| HCL Insys | 6 | 3 | ▼ |
| Dell | 7 | 1 | ▼ |

▲ Up ▼ Down Unchanged

Desktops: Overall Scores

| | |
|------------------|------|
| IBM-Lenovo | 85.8 |
| Zenith | 85.2 |
| HP | 85.1 |
| Industry average | 84.3 |
| Wipro | 84.1 |
| Assembled | 84.0 |
| HCL | 83.0 |
| Dell | 81.0 |



Desktops: The Top Two Parameters

| | Industry | Dell | HCL | HP | IBM-Lenovo | Wipro | Zenith | Assembled |
|---|----------|------|------|------|------------|-------|--------|-----------|
| Product | | | | | | | | |
| Product reliability | 86.8 | 85.2 | 85.3 | 89.7 | 88.8 | 85.7 | 87.4 | 83.3 |
| Product functionality | 85.0 | 80.0 | 84.9 | 87.2 | 87.8 | 86.5 | 81.7 | 82.5 |
| Convenience in operation and adoption of the product | 86.4 | 81.9 | 86.7 | 88.1 | 88.3 | 87.4 | 84.0 | 84.6 |
| Pre-sales & marketing | | | | | | | | |
| Responsiveness of the vendor to your specific requirement | 84.3 | 79.3 | 83.2 | 84.4 | 85.2 | 85.4 | 85.7 | 84.7 |
| Vendors understanding/domain knowledge | 84.3 | 79.4 | 82.5 | 85.7 | 88.6 | 83.7 | 81.7 | 84.3 |

Note: The satisfaction scores are on a 100-point scale with 100 indicating the highest degree of satisfaction-very satisfied
 Product and pre sales emerge as the two most importance derivatives of satisfaction. The IBM-Lenovo combine delivers highly on overall product offerings that helps its take the top position in the overall satisfaction scorecard

Base:356 CIOs

Dataquest-IDC India: Customer Satisfaction Audit 2006

**COMPUTERS LTD*****26th Annual Report 2005-2006*****DIRECTORS**

R.K.Saraf
(Chairman & Managing Director)

H.P. Ranina

B.H.Antia

Vijay R. Mukhi

Vijayrani Saraf

COMPANY SECRETARY

K.Vaidyanathan
(Sr.Vice President-Finance & Company Secretary)

BANKERS

Indian Bank
State Bank of India
Federal Bank Ltd

AUDITORS

C.L.Khanna & Co.,
Chartered Accountants, Mumbai

**REGISTRAR &
TRANSFER AGENTS**

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai 400 078

REGISTERED OFFICE

B-5, Electronic Sadan - 1,
MIDC, TTC Area,
Mahape, Navi Mumbai- 400 709

PLANT

Plot No. P-33/37,
Sancoale Industrial Estate,
P.O. Zuari Nagar,
Goa 403 726

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NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of Zenith Computers Limited will be held at 12.00 Noon on Monday, the 7th August, 2006 at the Auditorium of ICSI – Centre For Corporate Research & Training, Plot No.101, Sector 15, Institutional Area, CBD Belapur, Navi Mumbai – 400 614, to transact the following business :-

A. ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the audited Balance Sheet as at 31st March, 2006 and the audited Profit and Loss Account for the period ended on that date.
2. To declare a dividend.
3. To appoint a Director in place of Mrs. Vijayrani Saraf who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint the Statutory Auditors and to fix their remuneration.

B. SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modification, the following resolutions :-

5. AS AN ORDINARY RESOLUTION :-

"RESOLVED THAT Mr. Vijay Ram Mukhi be and is hereby appointed as a Director of the Company."

6. AS AN ORDINARY RESOLUTION :-

"RESOLVED THAT Mr. Raj Kumar Saraf be and is hereby removed as a Director of the Company for not paying the Dividend by Electronic Clearing Service and interest on Dividend till 10th May, 2006, though the physical Dividend Warrant in respect of same has been dispatched to the complainant along with other shareholders"

7. AS A SPECIAL RESOLUTION :-

"RESOLVED THAT in accordance with and subject to the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 and/or Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment thereof for the time being in force), Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, as amended, the Foreign Exchange (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended and other applicable Rules, Regulations, Notifications, Circulars, Schemes, and Guidelines if any, of the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI), the Stock Exchanges where the securities of the Company are listed (including provisions of the listing agreement with them), and other concerned and relevant authorities, and other applicable laws, if any, and the relevant provisions of the Memorandum and Articles of Association of the Company; and subject to such approvals, consents, permissions, or sanctions of the Government of India (GOI), RBI, SEBI and any other Indian/Overseas appropriate authorities, institutions or bodies as may be necessary and subject to such terms, conditions, stipulations, alterations, amendments, modifications, or variations as may be prescribed by any of them in granting any such approvals, consents, permissions, or sanctions; and which may be agreed to by the Board of Directors (hereinafter referred to as the "Board", which term shall be deemed to include any Committee of Directors for the time being authorized by the Board of Directors to exercise the powers conferred on the Board by this resolution), consent of the members of the company be and is hereby accorded to the Board to create, offer, issue and allot on behalf of the Company, in one or more tranches of public or private offerings in international markets, through prospectus and/or offer letter or other permissible/requisite offer document, Foreign Currency Convertible Bonds (FCCBs) and/or Global Depository Receipts (GDRs) and/or American Depository Receipts (ADRs) convertible into Equity Shares at the option of the Company and/or holders of the Security subscribed to in Foreign Currency(ies), by Non Resident Investors and/ or to create, place and allot on behalf of the Company, in one or more tranches of private placement in domestic markets, on the basis of a placement document, Equity Shares/ fully convertible debentures (FCDs) / partly convertible debentures (PCDs) or any securities other than warrants, which are convertible into or exchangeable with Equity Shares at a later date, subscribed to in Rupees by Qualified Institutional Buyers pursuant to and in accordance with Chapter 13A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended, (hereinafter collectively referred to as the "Securities") whether secured by way of creating charge on the assets of the company or unsecured as may be decided by the Board ; whether or not such Non Resident Investors or Qualified Institutional Buyers are members of the Company; up to an aggregate amount not exceeding [US\$ 40 Million (United States Dollars Forty Million Only)] or equivalent amount in Indian or any other currency as the case may be, and such offer, issue and allotment to be made, at such time or times, in Indian Rupees or any convertible foreign exchange or other currencies as may be permissible and/or required, at such price or prices, at a discount, par or premium to market price, in such form and manner, including through book building process, and on such other terms and conditions, as may be decided in consultation with the Lead Manager and Underwriter, and deemed appropriate by the Board at the time of such offer, issue and allotment, subject however, to the applicable guidelines, rules, regulations, notifications, circulars and applicable statutory provisions.

RESOLVED FURTHER THAT the Board be and is hereby authorized to create, issue and allot from time to time, such number of equity shares/securities as may be required to be issued and allotted upon conversion or issue of any Securities



referred above or as may be necessary in accordance with the terms of the offering(s) at such price (including premium) that may be decided by the Board in its absolute discretion, as may be necessary in accordance with the terms of the offering of any of the aforesaid securities, including additional equity shares or securities, provided that the price of the resultant shares in relation to the placing and allotment of Equity Shares/ fully convertible debentures (FCDs) / partly convertible debentures (PCDs) or any securities other than warrants, which are convertible into or exchangeable with Equity Shares to Qualified Institutional Buyers shall be determined with reference to 8th July, 2006, being the relevant date in accordance with Chapter 13A of the SEBI DIP Guidelines, all such shares/securities ranking pari-passu in all respects, with the then existing respective fully paid up shares/securities, as the case may be, of the Company, but shall be subject to such lock-in requirements, if any, as may be prescribed by appropriate authorities under applicable laws, if any:

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of securities or instruments or equity shares or securities representing the same, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable for such purpose, including but without limitation, determining the type, form and manner of the issue/securities, the class of eligible investors to whom the securities are to be offered, issued and allotted in each tranche, issue price, face value, premium/discount amount on issue/conversion of securities /redemption of securities, rate of interest, conversion or redemption period, appointment of Managers, Merchant Bankers, Guarantors, Financial and/or Legal Advisors, Consultants, Depositories, Custodians, Registrars, Trustees, Bankers, and all other agencies or intermediaries, whether in India or abroad, and to remunerate them by way of commission, brokerage, fees or the like, entering into or execution of all such agreements/ arrangement/Memorandum of Understandings/ documents with any authorities/agencies, listing of the shares/securities (including the resultant equity shares to be issued as per the terms of the issue of the said securities) on any Indian and/ or Foreign Stock Exchange(s), as the Board may in its absolute discretion deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties, doubts or problems that may arise in regard to the offer, issue, or allotment of securities and utilization of the issue proceeds as it may in its absolute discretion deem fit, without being required to seek any further consent or approval of the members or otherwise, with the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT to give effect to the aforesaid resolution, the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any committee of Directors or Managing Directors or any Director or Directors or other officer of the Company, or to any intermediary or agent of the Company, or to such other persons(s) as the Board may think fit and necessary at its absolute discretion."

8. AS A SPECIAL RESOLUTION :-

"RESOLVED THAT subject to approval of Central Government, Reserve Bank of India and other statutory regulatory bodies if required, consent of the Company be and is hereby accorded for investment by Foreign Institutional Investors, in the equity share capital of the company, either by direct investment or by purchase or otherwise by acquiring from the market under portfolio investment scheme on repatriation basis (including by way of subscription to or acquisition of GDRs) subject to the condition that such investment together with their existing holdings shall not exceed in aggregate of 74% of the paid up equity capital of the company or such other limits as may be prescribed from time to time by the Central Government and/ or Reserve Bank of India or any other related authority.

**By Order of the Board
for ZENITH COMPUTERS LIMITED**

MUMBAI
10th July, 2006

(K. Vaidyanathan)
SR.VICE PRESIDENT(FINANCE) & COMPANY SECRETARY

NOTES :-

- 1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The proxy form to be effective must be duly executed and signed and must be lodged at the company's registered office at least 48 hours before the time of the meeting.
- 2) The Register of Members and the Share Transfer Books of the Company would remain closed from Thursday, 27th July, 2006 to Monday, 7th August, 2006 (both days inclusive).
- 3) All matters in connection with the Shares of the Company may be addressed to the Company's Registrar and Transfer Agents viz. M/s. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai 400 078. Members are requested to quote their respective folio numbers / ISIN -ID numbers and notify the change of address, if any, to the Company's Registrar and Transfer Agents.
- 4) Shareholders desiring information as regards the accounts are requested to write to the Company at least 10 days before the Annual General Meeting to enable the Management to keep the information ready.

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- 5) Shareholders desiring payments of dividend by Electronic Clearance Service (ECS) are requested to furnish the Bank details in the ECS Mandate Form printed overleaf together with a Xerox copy of your cheque leaf and return to our Registrars, Intime Spectrum Registry Limited on or before 1st August, 2006 in case you hold shares in physical form. The said details in respect of the shares held in electronic form should be sent to your respective Depository Participant and not to the Registrar as the Registrar is obliged to use only the data provided by the Depository while making payment of dividend. Please mention the correct 9 digit MICR Code for giving the ECS credit to your account.

In case of receiving your request after the due date, the mandate will not be considered for this dividend. However, the same will be used for future dividend payments, unless the same is amended or revoked by you.

In the absence of adequate response from the shareholders of any particular centre(s), the Company reserves its right of paying the dividend by dividend warrants.

- 6) Item No.3 additional information required under Clause 49 of the Listing Agreement :

Mrs. Vijayrani Saraf, is M.A. (Economics) from Delhi School of Economics and has been a Director of many companies for over 20 years. She was first appointed as a rotational Director on 16th November, 1983 and continues to be a Director on the Board. She is a member of the Share Transfer Committee. She is related to Mr.R.K.Saraf, the Chairman and Managing Director of the Company. She is also a Director of two other Private Companies.

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

Item No. 5

Mr. Vijay Ram Mukhi was appointed as an additional Director of the Company on 4th October, 2005 and he holds that office till the date of the ensuing Annual General Meeting.

Mr. Vijay Ram Mukhi is Bachelor of Engineering and he is 49 years old. He is also a Director of Zenith Infotech Limited and The Bombay Stock Exchange Ltd. and has over 25 years wide and varied experience in the fields of information technology and is considered as 'Guru' of Internet in India.

The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member, proposing the candidature of Mr. Vijay Ram Mukhi as a Director of the Company and has deposited with the Company the requisite fee of Rs.500/- as deposit for the same.

Mr. Vijay Ram Mukhi is eligible for appointment as Director of the Company and has given his consent to be appointed.

Item No. 6

Mr. Dharendra Gandhi a shareholder of the Company holding 3500 shares in the Demat form has sent notice, by fax on 4th July, 2006, under Section 284 of the Companies Act, 1956 for removal of Mr. Raj Kumar Saraf as a Director of the Company on the grounds, inter alia, that his dividend was not paid by ECS and therefore seeks the removal of Mr. Raj Kumar Saraf as a Director of the Company in failing to safeguard the interest of the investors, noncompliance of Corporate Governance as well as violation of the provisions of the Companies Act in crediting his dividend on 10th May, 2006 i.e. after 8 months from the date of the Annual General Meeting (which AGM was held on 30th September, 2005) but without intimation to him till date.

The text of the notice given by Mr. Dharendra Gandhi is as follows :-

"I the undersigned member of 'ZENITH COMPUTERS LIMITED' give notice pursuant to the provisions of section 284(2) read with section 190 of the Companies Act, 1956 that at the forthcoming Annual General Meeting of the Company an ordinary resolution for removal of SHRI RAJ KUMAR SARAF from the office of the Director of the Company be incorporated."

Mr. Dharendra Gandhi along with his family members namely Mr. Bhupendra Gandhi, Mr. Rakesh Gandhi and Mrs. Asha Rakesh Gandhi have been addressing communications mostly by fax and in some instances by letters to the Company relating to the non receipt of dividend in respect of the year ended 31st March, 2005.

The Company has requested the 4 Shareholders to either return the Dividend Warrants or to furnish Indemnity to the Company for issuing them duplicate Dividend Warrants as prescribed by the Listing Agreement with the Stock Exchange and SEBI guidelines on the issue. Even though the said 4 Shareholders have not complied with this basic requirement, the Company of its own remitted the dividend amounts by ECS to them in May, 2006. It may be mentioned that the Company has been complying with all the formalities, regulatory authorities in respect of addressing investor grievances and also with regard to Corporate Governance requirements.

The Company has already replied to the letter of Mr. Dharendra Gandhi on 10th July, 2006 communicating its stand on the issue.

Mrs. Vijayrani Saraf being a relative of Mr. Raj Kumar Saraf may be deemed to be concerned or interested in the resolution. None of the other Directors of the Company is interested in this resolution.

Item No. 7

Taking into account the improved performance and positive outlook of the company, the company proposes to raise further equity capital/debt from the domestic and international markets to cater to its fund requirements for expansion of its activities; finance additional working capital requirements and general corporate purpose. International listing of the Securities issued in the international markets would also create a wider trading public market for its equity shares. Further International offering would enhance its visibility and brand name and enable the company to use equity shares for future growth opportunities.

The Board of Directors of the Company has therefore, at its meeting held on 3rd June, 2006, proposed that the said requirement of funds be met from international markets through issue of Foreign Currency Convertible Bond (FCCBs), or Global Depository



Receipts (GDRs), or any other securities/instrument(s) to be subscribed in foreign currency by non resident investors, and from the domestic market through the placing of Equity Shares / fully convertible debentures (FCDs) / partly convertible debentures (PCDs) or any securities other than warrants, which are convertible into or exchangeable with Equity Shares, to be subscribed in Rupees by Qualified Institutional Buyers, as may be finalized by the Board or its duly authorized Committee, to the extent of [USD 40 Millions (USD Forty Millions)] or equivalent sum in Indian Rupees in the manner as set out in resolution at Item No. 2 of this notice.

The said resolution is seeking approval of the members of the Company for proposed issue(s) of securities and is proposing to confer authority on the Board to do all acts and deeds which may be required to create, offer, issue and allot securities of appropriate nature at opportune time, including the size, structure, price, timing and other terms and conditions of the offer/issue.

The detailed terms and conditions for such domestic/international offerings will be determined in consultation with the lead managers, consultants, advisors, underwriters and/or such other intermediaries that may be appointed for the issue/offer. Wherever necessary and applicable, the pricing of the offer/issue will be finalized in accordance with applicable guidelines in force of the government of India, the Reserve Bank of India, SEBI and other appropriate authorities.

Section 81(1) of the Companies Act, 1956 inter-alia provides that whenever its is proposed to increase the subscribed capital of the Company by issue of further shares, such shares shall first be offered to the existing shareholders of the Company in the manner laid down in the said section; unless the shareholders decide otherwise by a special resolution. Accordingly, consent of the members of the Company is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the listing agreement(s) executed by the Company with the Stock Exchange(s), and other applicable laws, rules, regulations and guidelines, authorizing the Board to create, offer, issue and allot securities as stated in the said resolution, which would result in issuance of further securities of the Company to persons other than the existing members, in accordance with the terms and nature of the securities.

Your Directors recommend the said special resolution for your approval, as they feel the same to be in interest of the Company.

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

Item No. 8

As per FEMA Notification dated 3rd May 2000, FIIs can invest up to 100% of the paid up capital of the Company, provided the Company has obtained board approval followed by members approval by way of special resolution in this regard. The Company is obtaining the approval of members for the investment by Foreign Institutional Investors (FIIs) either by direct investment or by purchase or otherwise by acquiring from the market under portfolio investment scheme on repatriation basis may be increased to the sectoral cap applicable to the Company under FEMA.

As on March 31, 2006, the shareholding of FIIs in the company is 3800 shares (0.0245%). In view of the active interest evinced by FIIs in our stock and pursuant to issue of Depository Receipts/Convertible Bonds (assuming conversion of such bonds), their shareholdings may exceed 24% of the paid up Capital of the Company. Therefore it is proposed to increase the said limit to 49%. The increase in the FII investment limit requires the approval of the members by a special resolution at the General Meeting. Since the increased investment by FIIs is considered to be in the interest of the company, the Board recommends the resolution for approval of the members.

None of the Directors of the Company is concerned or interested in the resolution except to the extent of the shares held by them in the Company.

By Order of the Board

for ZENITH COMPUTERS LIMITED

MUMBAI
10th July, 2006

(K. Vaidyanathan)
SR.VICE PRESIDENT(FINANCE) & COMPANY SECRETARY

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DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their 26th Annual Report and the audited Accounts for the financial year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS

| | 2005-2006 (Rs. in 000's) | 2004-2005 (Rs.in 000's) |
|---|-----------------------------|----------------------------|
| Profit before Taxes | 162367 | 51139 |
| Less: Provision for Taxes | 16082 | 4010 |
| Profit after taxation available for apporopiration | 146285 | 47129 |
| Add:Balance brought forward from previous year | 89 | 920 |
| Balance which the Directors have appropriated as under: | 146374 | 48049 |
| Provision for taxation in respect of earlier years | 55 | 456 |
| Proposed Dividend | 23221 | 15481 |
| Tax on Proposed Dividend | 3035 | 2023 |
| General Reserve | 120000 | 30000 |
| Balance Profit carried to the Balance Sheet | 63 | 89 |

COMPANY'S ACTIVITIES

Fiscal year 2006 continued to be a year of consolidation and phenomenal economic recovery with demand for the products and services in the Information and Technology sector registering a healthy growth in volumes and prices.

DIVIDEND

Your Directors recommend payment of Dividend during the year @ 15% (Rs. 1.50 per share) in respect of the financial year ended 31st March, 2006.

REVIEW OF OPERATIONS

During the year, the Company's turnover registered a growth in excess of Sovereign GDP growth as compared to the previous year and the profit increased substantially, which is the best in the industry as compared to previous year. The demand for the products and services in the Information Technology sector is poised for an exponential growth with the year under report, registering 20% growth in the terms of volumes and prices. The product sales and profitability in the current market conditions are expected to grow exponentially. At the same time, the implementation of the strategic cost management initiatives has resulted in cutting down the costs substantially.

Your Company's Note Books comprise essentially of three brands styled as "Executive", "Starategist" and "Presidio" to cater to the varying needs/ applications of diversified customers in the education and SMB segment, for Corporates and Senior Executives. Your Company's sales during the year included the sale of 27,850 Note Books ; your company is exporting PC's and Note Books to other countries and the Export mades during the year were of the value of Rs. 2048.29 Lacs as compared to Rs. 1195.75 Lacs in the previous year, that is, a 71.30% growth rate your Director's expects this trend to continue in the coming years.

DEMATERIALISATION OF COMPANY'S SHARES

The Company's Securities continue to be traded in the electronic form only as per the relevant SEBI guidelines.

LISTING OF SHARES ON THE STOCK EXCHANGES

The Company's Securities continue to be listed on the Stock Exchange, Mumbai and the National Stock Exchange of India Limited, Mumbai. The Company has paid the requisite Annual Listing Fees for the year 2006-07, to the above Exchanges.

DIRECTORS

Mr. Vijay Ram Mukhi was appointed as an additional Director of the Company w.e.f. 4th October, 2005 and he holds that office till the date of the ensuing Annual General Meeting.

In accordance with the Company's Articles of Association and the provisions of the Companies Act, 1956 Mrs. Vijayrani Saraf



retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offers herself for re-appointment.

The Company has received a Notice pursuant to Section 257 of the Companies Act, 1956 from a shareholder proposing the name of Mr. Vijay Mukhi as a Director of the Company at the ensuing Annual General Meeting and the said shareholder has deposited the requisite sum of Rs.500/- for this purpose. Mr. Vijay Mukhi is eligible for re-appointment as a Director of the Company.

COMMUNITY DEVELOPMENT

The Company is involved in the upliftment of the rural poor and as a continuation of this effort has made donations to the charitable institutions. The Company has also instituted a buyback scheme of Computers, which after necessary repairs are donated to municipal schools in the rural areas and to charitable institutions for handing over the said Computers to the needy children in the rural areas.

BUSINESS EXCELLENCE AND QUALITY INITIATIVES

Your Company continues its process in the Zenith Business Excellence Model known as ZBEM and the Company has gone through external assessment processes with good results. A number of initiatives were launched in order to strengthen business processes. The Company has achieved international level certification for its production and development centres during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

- (1) that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- (2) that the Directors have 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 ended 31st March, 2006 and of the profit of the Company for that year;
- (3) that the Directors have taken proper and sufficient care for the maintenance of adequate 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; and
- (4) that the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

The Company has complied with the requirements of Corporate Governance, as applicable to the Company, during the period under report, as per the amended Listing Agreements with Stock Exchanges. The Report on Corporate Governance with the Auditors' Report thereon, is annexed hereto in accordance with Clause 49 of the Listing Agreements with the Stock Exchanges.

AUDITORS

M/s. C.L.Khanna & Company, Chartered Accountants, Mumbai, the Auditors of the Company, retire at ensuing Annual General Meeting and are eligible for re-appointment.

EMPLOYEES

Relations between the management and its employees have been cordial. Your Directors place on record their appreciation of the efficient and loyal services rendered by the employees of the Company at all levels.

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure 'B' to the Report.

ENERGY, TECHNOLOGY ABSORPTION and FOREIGN EXCHANGE

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo is appended hereto as Annexure 'A' and forms part of this Report.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the support received from the Company's Bankers and Shareholders and look forward to their continued support and goodwill.

By Order of the Board

MUMBAI
June 3, 2006

RAJKUMAR SARAF
CHAIRMAN