

## BOARD OF DIRECTORS

Umeshkumar N. More	Chairman & Managing Director
Rameshkumar R. More	Director
Nirajkumar U. More	Director
Madan Mohan Chaturvedi	Director
Rohan Shah	Director
Karunchandra Srivastava	Director
Vinod Haritwal	CEO & Executive Director
Rohitkumar R. More	Whole Time Director
Rajender Guleria	Whole Time Director

## COMMITTEES

### AUDIT COMMITTEE

Rameshkumar R. More	Chairman
Nirajkumar U. More	Member
Madan Mohan Chaturvedi	Member

### SHAREHOLDERS COMMITTEE

Nirajkumar U. More	Chairman
Rameshkumar R. More	Member
Vinod Haritwal	Member

## EXECUTIVES

### PRESIDENT

Vinay Gupta

### VICE PRESIDENTS

Pallavi More  
Mala Singh  
M. T. Rara  
M. A. Srisailam  
Rattan Sharma  
D. K. Bhardwaj  
S. K. Sakhalkar  
A. V. Dabir

### SR. GM & COMPANY SECRETARY

M. B. Nihalani

### AUDITORS

M. M. Nissim And Co. - Chartered Accountants

### BANKERS

Central Bank of India  
Punjab National Bank  
HDFC Bank Ltd.

### REGISTERED OFFICE

'Growel House', Akurli Road, Kandivli (East), Mumbai – 400 101.

### PLANTS

- 215/1, Plot No. 10, Dadra Industrial Estate, Dadra-396191. (Dadra & Nagar Haveli-U.T.)
- 407, GIDC Industrial Estate, Vapi – 396 195. (Gujarat)
- Plot No. 31 & 32, Industrial Estate, Barotiwala – 174 103. (Himachal Pradesh)
- Survey No. 66, Village-Dhanore, Taluka-Khed, District-Pune. (Maharashtra)

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## **NOTICE TO THE MEMBERS**

**NOTICE** is hereby given that the 48th Annual General Meeting of the members of GRAUER & WEIL [INDIA] LIMITED will be held on Saturday, August 19, 2006 at 3.00 p. m. at Juhu Jagruti Hall, A.J.College, Opp.Mithibhai College, JVPD Road No.1, Vile Parle (West), Mumbai 400 056, to transact with or without modification [s], the following businesses:

### **ORDINARY BUSINESS:**

1. To receive, consider, approve and adopt the audited Profit and Loss Account for the year ended March 31, 2006 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors thereon.
2. To sanction the declaration and payment of Dividend on Equity Shares for the year ended March 31, 2006.
3. To appoint a Director in place of Mr. Niraj Kumar U. More, who retires from office by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Rajender Guleria, who retires from office by rotation, and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Madan Mohan Chaturvedi, who retires from office by rotation, and being eligible offers himself for re-appointment.
6. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

### **SPECIAL BUSINESS:**

To Consider and if thought fit, to pass with or without modification(s), the following Resolutions:

#### **7. AS AN ORDINARY RESOLUTION :**

**“RESOLVED THAT** Mr. Karunchandra Srivastava who was appointed as an Additional Director of the Company with effect from March 29, 2006 pursuant to Section 260 of the Companies Act, 1956 and who holds office upto the date of the Annual General Meeting and being eligible offers himself for appointment and in respect of whom the Company has received a notice in writing from a member Under Section 257 and other applicable provisions, if any, of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company.”

#### **8. AS A SPECIAL RESOLUTION :**

To pass the following resolution by means of Postal Ballot:

**“RESOLVED THAT** pursuant to the provisions of Section 17 read with Section 192A of the Companies Act, 1956 and other applicable provisions if any or any amendment, modification or supersession thereof, the existing Clause III (8) and Clause III (10) of the Memorandum of Association of the Company be and are hereby deleted and be substituted by the following Clauses.

**III (8) (a)** To carry on the business of undertaking, establishing, developing, redeveloping, operating, modifying and maintaining any passenger / cargo airport, to establish and run an academy / institute primarily for the purpose of training pilots, engineers, technicians, air hostesses, pursers and other allied and incidental staff and also to own, operate, maintain, hire out, give and acquire on wet/dry lease any type of air crafts, helicopters and other modes of air travel and / or transport.

**(b)** Generally, to carry on or assist or participate in any trade, business, enterprise or activity, of whatever nature which may seem capable of being conveniently carried on, in connection with any trade, business, enterprise or activity of the company or which under the existing circumstances may be conveniently or advantageously combined with the business of the company or which directly or indirectly may promote the interest of the company or to enhance the value of or render profitable any of the Company's property or rights or which may be subsidiary or auxiliary to any of the Company's objects.

## **GRAUER & WEIL (INDIA) LIMITED**

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**III (10)** To carry on any other, trade, business, enterprise or activity which under prevailing /existing circumstances may conveniently or advantageously be combined with the business or objects of the company or calculated or indirectly to enhance the value of or render profitable any of the Company's property or rights or which may be subsidiary or auxiliary to any of the Company's objects.

**Registered Office:**  
**'Growel House',**  
**Akurli Road, Kandivli [East],**  
**Mumbai - 400 101.**  
**June 30, 2006**

**For & on behalf of the Board of**  
**Grauer & Weil [India] Limited**

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

**THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

2. The Register of Members and the Share Transfer Books of the Company will remain closed from **August 10, 2006 to August 19, 2006** (both days inclusive).
3. The Dividend on Equity Shares as recommended by the Board of Directors of the Company, when sanctioned at the Annual General Meeting of the Company will be paid on or after August 21, 2006:
  - i) to those members of the Company whose names stand registered in the Company's Register of Members at the end of business hours on August 9, 2006. OR
  - ii) in respect of shares held in electronic form, to those "deemed members" whose names appear on the statements of beneficial ownership furnished by the National Securities Depository Limited [ NSDL ] and Central Depository Services [ India ] Limited [ CDSL ], at the end of business hours on August 9, 2006.
4. Special resolution amending the object clauses of the Memorandum of Association of the company, listed at item 8 of the notice is proposed to be consented to, by the members, by way of a Postal Ballot.
5. Pursuant to the provisions of Section 205A of the Companies Act, 1956, unclaimed Dividend up to the year ended March 31, 1998 has been transferred to the credit of the General Revenue Account of the Central Government.

Members are hereby informed that Dividends which remain unclaimed / unencashed over a period of 7 years have to be transferred by the Company to The Investors Education & Protection Fund, constituted by the Central Government under Sections 205A & 205C of the Companies Act, 1956.

Members should note that under the amended provisions of section 205B of the Companies Act, 1956 no claim could be made by the shareholders for the unclaimed Dividends, which have been transferred to the credit of The Investors Education & Protection Fund.

Members who have not yet encashed their dividend warrant(s) for the financial year ended March 31, 1999 and onwards are requested to claim the amount forthwith from the Company.

6. Members desirous of seeking any information concerning the Accounts of the Company are requested to address their queries in writing to the Company at least seven days before the date of the meeting so that the requested information can be made available at the time of the meeting.
7. Members / Proxies are requested to please bring their copies of the Annual Report to the meeting, since copies of the Annual Report will not be distributed at the meeting.
8. The Company has listed its shares on Bombay Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 under Security Code No. 505710. The Company is regular in payment of the Listing Fee to the Exchange.
9. (a) In view of Circular issued by the SEBI for appointing common agency for both mode of transfer of shares i.e. Physical as well as Dematerialised, the Company has appointed **M/s. INTIME SPECTRUM REGISTRY LIMITED** as Registrar & Transfer Agent of the Company. Members are therefore requested to send their grievances to them for early disposal at the address given below.
  - (b) Members holding Shares in physical form are requested to notify immediately any change in their address with PIN CODE to the Registrar and Transfer Agent of the Company at the address given below AND in case their shares are held in dematerialised form, this information should be passed on directly to their respective Depository Participants and not to the Company.

**M/s. INTIME SPECTRUM REGISTRY LIMITED,**

**[Unit: Grauer & Weil [India] Limited]**

**C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup [West], Mumbai - 400 078.**

**Phones: (022) 2596 3838. Fax: (022) 2596 2691. Email: [isrl@vsnl.com](mailto:isrl@vsnl.com)**

10. (a) Members are informed that in order to avoid fraudulent encashment of dividend warrants they should send to the Registrar and Transfer Agent of the Company at the address given above under the signature of the Sole/First Joint holder the information relating to *Name and Address of the Banker along with the Pin Code Number and Bank Account Number to print on the Dividend Warrants.*
  - (b) Members desirous of availing the facility of Electronic Credit of Dividend are requested to send ECS Form to the Registrar and Transfer Agent of the Company at the address given above.
  - (c) Members holding shares in dematerialized form and desirous to change or correct the bank account details should send the same immediately to the concerned Depository Participant. Members are also requested to give MICR Code to the Depository Participant.
11. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all working days except public holidays between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.
  12. Members/Proxies holding their Shares in Physical mode are requested to fill the enclosed attendance slip and handover the same at the entrance with signature. In the absence thereof, they may not be admitted to the meeting venue.
  13. Members who are holding shares in dematerialised form are requested to bring their Client ID and DP Id numbers for easy identification at the meeting.
  14. In all correspondence with the Company, members are requested to quote their Folio Number and in case their shares are held in dematerialised form, they must quote their DP ID and client ID Numbers.
  15. An explanatory statement as required u/s.173 of the Companies Act, 1956 is enclosed herewith in respect of Special Business.

## LISTING REQUIREMENTS:

As required under Clause 49 [vi] of the Listing Agreement, given below are the details of the Director(s) who retire by rotation and are eligible for re-appointment (Resolution at Item Nos. 3 to 5):

<b>A. Name</b>	:	<b>MR. NIRAJ KUMAR U. MORE</b>
Age	:	37 Years [Date of birth: 03/11/1969].
Qualifications	:	BBA-Graduate.

Mr. Niraj Kumar U. More is associated with the Company since August 12, 1993. He has got an experience of about 15 years in various fields in different types of Industries.

## OTHER DIRECTORSHIPS : NAME OF THE COMPANY

1. Bombay Paints Ltd.
2. Poona Bottling Company Ltd.
3. Radhakishan Nandlal Pvt. Ltd.
4. Gorav Investment Pvt. Ltd.
5. Waluj Beverages Pvt. Ltd.
6. Bubna More & Co. Pvt. Ltd.
7. Growel Softech Ltd.
8. Digikore Design Ltd.
9. Digikore Studios Ltd.
10. Growel Energy Company Ltd.
11. Nikmo Finance Pvt. Ltd.
12. Growel Entertainment Pvt. Ltd.
13. Ridhi Sidhi Ltd.
14. Growel Sidas Industries Pvt. Ltd.
15. Growel Financial Services Pvt. Ltd.

## COMMITTEE MEMBERSHIPS:

Audit Committee	:	Grauer & Weil [ India ] Limited.
Share Holders Committee	:	Grauer & Weil [ India ] Limited.

<b>B. Name</b>	:	<b>MR. RAJENDER GULERIA</b>
Age	:	44 Years [Date of birth : 15/04/1962].
Qualifications	:	B.Com.

Mr. Rajender Guleria is associated with the Company since March 30, 2004.

He has got an experience of about 25 years in different Industries in the field of production, Marketing and Finance.

## OTHER DIRECTORSHIPS:

1. Growel Energy Company Ltd.
2. Growel Sidas Industries Pvt. Ltd.
3. Shivalik Solid Waste Management Company Ltd.

## COMMITTEE MEMBERSHIPS: NIL

<b>C. Name</b>	:	<b>MR. MADAN MOHAN CHATURVEDI</b>
Age	:	51 Years [Date of birth: 11/07/1955].
Qualifications	:	B.Com., FCA.

Mr. Madanmohan Chaturvedi is associated with the Company since March 30, 2004.

He has got an experience of about 28 years in Management Consultancy, Finance and Accounts.

## GRAUER & WEIL (INDIA) LIMITED

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### OTHER DIRECTORSHIPS:

1. MMC Financial Services Pvt. Ltd.
2. Varah Securities Pvt. Ltd.

### COMMITTEE MEMBERSHIPS :

Audit Committee	:	Grauer & Weil [ India ] Limited.
Shareholding in the Company	:	312 Equity Shares

**Registered Office:**  
**'Growel House',**  
**Akurli Road, Kandivli [East],**  
**Mumbai - 400 101.**  
**June 30, 2006**

**For & on behalf of the Board of**  
**Grauer & Weil [India] Limited**

**EXPLANATORY STATEMENT U/S. 173 OF THE COMPANIES ACT, 1956:**

**ITEM NO. 7:**

Mr. Karunchandra Srivastava was appointed as an additional director of the Company w.e.f. March 29, 2006.

Mr. Karunchandra Srivastava is retired Municipal Commissioner of the Municipal Corporation of Greater Mumbai and is ex-collector of Thane and Sangli. He has also served as a Director and in other capacity of various government departments and Ministries. The Company will be greatly benefited from the guidance and supervision provided by Mr. Karunchandra Srivastava.

It is therefore, desirable to appoint Mr. Karunchandra Srivastava as Director of the Company.

In the Interest of the Company, the Board recommends the resolution.

Mr. Karunchandra Srivastava may be deemed to be interested in the resolution as the same is related to his own appointment.

The other directorships of Mr. Karunchandra Srivastava is Nil.

**ITEM NO.8:**

The Board proposes to increase and widen the scope of business of our company. The proposed amendments to the object clause of the Memorandum of Association would enable the company to undertake new activities from time to time which would lead to a high growth and better future prospects for your company. Your company has submitted a proposal to takeover an airport in the State of Haryana, to set up and to operate an academy to train pilots and other staff required for aircrafts.

The Board of Directors in their meeting held on 30<sup>th</sup> June 2006, approved the resolution and as per the provisions of section 17 and 192A of the Companies Act 1956, read along with Companies (Passing of the Resolution by Postal Ballot) Rules 2001, the same is being circulated to the members for their consent. The same would be approved by a Postal Ballot.

In the Interest of the Company, the Board recommends the resolution.

The Directors of the company may be deemed to be concerned or interested in the resolution to the extent of the shares held by them in the company.

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your Directors have great pleasure in presenting their 48th Annual Report together with the Audited accounts of the Company for the year ended March 31, 2006.

<b>FINANCIAL RESULTS</b>	<b>YEAR ENDED 31.03.2006 RS. MILLION</b>	<b>YEAR ENDED 31.03.2005 RS. MILLION</b>
Gross Sales	1429.970	1230.421
Profit before depreciation, tax and appropriations	109.403	93.800
Profit before tax	82.550	70.874
Provision for current tax and deferred tax	18.906	11.211
Net Profit	63.644	59.663
Previous year adjustments	0.568	0.364
Add : Balance brought forward from previous year	8.120	5.092
Profit available for disposal	72.333	65.119
Proposed Dividend and tax thereon	8.749	6.999
Transfer to General Reserve	55.000	50.000
Profit carried forward	8.584	8.120

**DIVIDEND :**

Your Board has recommended payment of dividend for the year ended March 31, 2006 at 6% on Equity shares of Rs.10 each and seeks your approval for the same.

**OPERATIONS :**

The year under review saw a healthy growth in all revenue and profitability parameters. The Gross Sales of the Company grew by 16% over last year and the profit before tax kept pace with it.

A full analysis and discussion on the business outlook is included in this Annual Report under the heading, "Management discussion and analysis", as **Annexure 'A'** to this Report.

**NEW PLANT AT JAMMU :**

The Company has taken up a plan to build another manufacturing facility at Jammu. The land has already been acquired and construction plans are under finalization. The state of Jammu & Kashmir does not only offer a low cost base for manufacturing but also offers important fiscal benefits which will help the Company increase its competitive edge.

**'GROWEL's 101' - THE MALL :**

The shopping and entertainment mall being set up by the Company was christened as "Growel's 101". The first phase of the project was completed in September 2005. The Hyper Market viz. "Big Bazaar" opened its store in mid May, 2005 and the multiplex viz. Cinemax commenced operations in January, 2006. Work on second phase of the project has just commenced.

**JOINT VENTURE in THAILAND :**

Your Company set up a Joint Venture company in Thailand to market and distribute its products in Thailand and other neighbouring markets. This company has commenced operations at a modest scale and should be able to serve as a window of export of our products into the South East Asian markets.

**RESEARCH & DEVELOPMENT :**

R&D continues to occupy central place in the company's plans to maintain its leadership through technical excellence and development of value added products.

The focus of future R&D activity of the Company is towards offering products that are biodegradable, save on energy consumption and comply with ELV directive of the European Union.

### FIXED DEPOSITS :

The Company's balance of deposits as on March 31, 2006 was Rs.10.81 million. There were no un-paid fixed deposits as of March 31, 2006.

Unclaimed matured fixed deposits of Rs.15,000/- which were not claimed as on 31<sup>st</sup> March, 2006 has been reflected in books as payable to Investor Education & Protection Fund. The said amount shall be transferred to the Investor Education & Protection Fund on due dates.

### BOARD OF DIRECTORS :

The Board has appointed Mr. Karunchandra Srivastava as an additional Director of the Company with effect from March 29, 2006. His term will expire at the forth coming Annual General Meeting of the Company. Being eligible, he offers himself for re-appointment and the Board recommends that he be re-appointed. The Company has received the required Notices alongwith security deposits from a member proposing his candidature as director of the Company.

As per the provisions of the Companies Act, 1956, and in terms of the Articles of Association of the Company, Mr. Nirajkumar U. More, Mr. Rajender Guleria and Mr. Madan Mohan Chaturvedi, Directors of your Company retire by rotation and being eligible, have offered themselves for re-appointment.

### CORPORATE GOVERNANCE :

Your Company continued to practice good governance as set out by the Securities And Exchange Board of India. In addition to the basic governance issues, the Board lays a strong emphasis on transparency, accountability and integrity. The detailed report on compliance of Corporate Governance and Management Discussion Analysis as stipulated in Clause 49 of the Listing Agreement is enclosed with this report as per **Annexure 'B'**.

### CODE OF CONDUCT:

Your Company is committed to conducting its business in accordance with the applicable laws, rules and regulations and highest standards of business ethics. In recognition thereof, the Board of Directors have implemented a Code of Conduct for adherence by the Directors and Senior Management Personnel of the Company. This will help in dealing with ethical issues and also foster a culture of accountability and integrity.

### DIRECTORS RESPONSIBILITY STATEMENT :

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

1. In the preparation of the annual accounts, the applicable accounting standards have been followed.
2. Appropriate policies have been selected and applied consistently and judgments and estimates wherever made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006.
3. Proper and sufficient care has been taken 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. The annual accounts have been prepared on a going concern basis.

### CONSOLIDATED FINANCIAL STATEMENTS :

As stipulated by Clause 32 of the Listing Agreement with the Stock Exchange, the Consolidated Financial Statements have been prepared by your Company in accordance with the requirements of Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. The audited Consolidated Financial Statements together Auditor's Report thereon form part of the Annual Report.

### AUDITORS :

M/s. M. M. Nissim And Co. Chartered Accountants, Auditors of the Company are retiring at the ensuing Annual General Meeting. They are eligible for re-appointment and have expressed their willingness to act as auditors, if re-appointed. The Company has received a certificate from them that they are qualified under section 224 (1) of the Companies Act, 1956, for appointment as Auditors of the Company. Members are requested to consider their appointment at a remuneration to be decided by the Board of Directors for the financial year ending March 31, 2007 as set out in the Notice convening the Meeting.

### AUDITORS' OBSERVATIONS :

The observations of the auditors contained in their Report have been adequately dealt with in the Notes to the Accounts given in Schedule "O", which are self explanatory and, therefore, do not call for any further comments.

### AUDIT COMMITTEE :

In accordance with the provisions of the Listing Agreement and Corporate Governance the Company had constituted an Audit Committee. The committee currently comprises of the following Directors viz., Mr. Rameshkumar R. More, Mr. Madan Mohan Chaturvedi and Mr. Nirajkumar U. More as members. The Audit Committee acts in accordance with the terms of reference specified from time to time by the Board.

### PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

The information pursuant to section 217 (l) (e) of the Companies Act, 1956 read with the Companies ( Disclosure of particulars in the Report of Board of Directors ) Rules 1988 are given in **Annexure "C"** to this report.

### PARTICULARS OF EMPLOYEES :

None of the employees of the Company came within the purview of the information required U/s. 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

### SUBSIDIARY COMPANIES :

#### (A) GROWEL ENERGY COMPANY LIMITED :

The Company is awaiting clarity on the options for sale of power after enactment of new Electricity Act. The setting up of the project is progressing at a slow pace.

#### (B) POONA BOTTLING COMPANY PRIVATE LIMITED :

The arbitration proceedings over the dispute with M/s. Hindustan Coca-Cola Beverages Pvt. Ltd. ended with an award by the Arbitration panel on December 8, 2005. The award has partially vindicated the stand of the company and has granted it substantial reliefs and rewards. The bottling operations of the Company continued to remain closed during the year.

As required under the Provisions of the Companies Act, 1956 the audited Statement of Accounts of POONA BOTTLING COMPANY PRIVATE LIMITED and GROWEL ENERGY COMPANY LIMITED, subsidiary companies of your Company are attached herewith along with Auditor's Reports.

A statement under section 212 of the Companies Act, 1956 is also attached herewith.

### LISTING :

The Equity Shares of the Company are at present listed with the Mumbai Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

The Company is regular in payment of listing fee.

### SAFETY, ENVIRONMENTAL CONTROL AND PROTECTION :

The Company has taken all the necessary steps for safety and environmental control and protection at all its plants.

### APPRECIATION :

The Directors wish to place on record their appreciation of the dedication and commitment of your Company's employees to the growth of your Company. Their unstinted support has been and continues to be integral to your Company's ongoing success.

Your Directors wish to thank the Central and State Governments, banks, shareholders, customers, suppliers and business associates for their continued co-operation and support.

**Registered Office:**  
**'Growel House',**  
**Akurli Road, Kandivli [East],**  
**Mumbai - 400 101.**  
**June 30, 2006**

**For & on behalf of the Board of**  
**Grauer & Weil [India] Limited**

**ANNEXURE – 'A' TO DIRECTORS' REPORT  
MANAGEMENT DISCUSSION AND ANALYSIS**

**BUSINESS :**

The main business of the Company is manufacturing and sale of:

- a. Chemicals required for metal finishing, their intermediates and other specialty chemicals.
- b. Electroplating plants, their components, effluent treatment plants and other engineering products.

With commissioning of the Shoppertainment mall during the year the Company added a new business division / segment of property development.

During the year a healthy all round growth was registered by the Company in sales and profits. The aggregate revenues have risen by 16% and operating profits have grown by 22% from Rs.114 Million to Rs.139 Million In 2006.

**OPPORTUNITIES, THREATS, RISKS, CONCERNS AND OUTLOOK :**

Continued healthy growth in the sales and production of the Company's customer segments, particularly the automobile component industry, should continue to fuel a healthy growth in near future. The competition from national as well as international competitors is intensifying. The Company continues to associate with international manufacturers to offer the widest and latest options to its customers.

The Company has taken up a plan to build another manufacturing facility at Jammu. The land has already been acquired and construction plans are under finalization. The state of Jammu & Kashmir does not only offer a low cost base for manufacturing but also offers important fiscal benefits which will help the Company increase its competitive edge.

The second phase of Growel's 101, the shoppertainment mall at Kandivali in Mumbai is under construction and should be completed in 18 months. This phase will add another 2,50,000 sq. ft. of space to the existing 125000 sq. ft. and will greatly enhance the tenant mix of the mall making it a near complete basket.

All the chemical plants of the Company have been certified under ISO 9001:2000 and the plant at Barotiwala under ISO 14000.

**EXPORTS :**

Exports continue to be the main thrust of the Company's sales effort. During the year we have entered into newer geographical areas through appointment of distributors as well as direct sales. At the same time to provide a substantial resource based to the export efforts in South East Asian markets, we have set up a joint venture company in Thailand which has commenced operations albeit at a modest scale.

**PERFORMANCE OF THE COMPANY :**

In the chemicals segment, the growth in sales during the current year has been 16%. We expect sustained healthy growth in the range of 15-20% for the current year too. The growth in the engineering segment has been higher and we expect it to so continue. All the production units particularly the plants at Dadra and Vapi adequately coped up with the substantially increased volumes of production and sales.

The shoppertainment Mall at Kandivli in Mumbai earned revenues from the Hyper Market and the Multiplex for a part of the year. The coming year will reflect a complete picture.

Barring unforeseen circumstances the current year is expected to achieve a moderate growth.

**HUMAN RESOURCES :**

An elaborate training and development plan was introduced for upgradation of the quality and skills of Human resources, an invaluable assets of your Company. The plan aims to provide thrust to enhance and update the skills and knowledge of its human resources at all locations through many in house training programs and deputing selected employees to suitable national and international forums to keep them abreast of the latest developments in the industry and economy.

With a view to motivate excellence, the Company continues to link rewards with performance and success. The employees who have completed 25 years of service with the Company are felicitated on the Annual Day celebrations.

Purposeful career paths are chalked out for employees in different job bands depending on their performance and competence level.

The company has under its employment 491 officers and workmen.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :**

The Company has appropriate Internal Control Systems and the said systems are designed to ensure the reliability of financial and other record and accountability of executive action to the management's authorisation. All operating parameters are monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively. The Statutory Auditors have evaluated the system of internal controls of the Company and have reported that the same are adequate and commensurate with the size of the Company and nature of its business.

To improve the efficiency and effectiveness of the internal control systems, the Company has implemented at all its locations SAP, an ERP system which provides for checks and balances and improvements in controls. This system is expected to streamline many of the internal processes in the day-to-day operations of the Company.

The internal control systems are reviewed by the top Management and by the Audit Committee of the Board and proper follow up action is ensured wherever required.

### **FINANCIAL PERFORMANCE :**

The highlights of the financial performance of the Company for the year under review are as under:

- a. The Net Profit for the year has grown significantly by 16 %.
- b. The Company spent Rs.125 million on Capital Expenditure, mainly the Shoppertainment project.
- c. The investment in Working capital increased by Rs. 70 million.
- d. The net term borrowings increased by Rs.42 million on account of loans to fund the Shop attainment project. The long term Debt Equity ratio of the Company continues to be at a comfortable 0.40:1. The construction of second phase of the mall will increase the long term borrowings of the Company. The financial closure for the Mall Project has been achieved.

### **CAUTIONARY STATEMENT :**

Statement in the Management Discussion and Analysis describing the Company's objectives, expectations, estimates or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in Government regulations, tax laws, economic developments within the country and other incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis, of any subsequent developments, events or information.

**ANNEXURE - 'B' TO DIRECTORS' REPORT  
REPORT ON CORPORATE GOVERNANCE**

**INTRODUCTION :**

Corporate Governance is based on the principal of integrity, fairness, equity, transparency, accountability and commitment to values. Good governance Practices stems from culture and mindset of the organization.

GROWEL is committed to good Corporate Governance practices that create long term sustainable shareholders value in the true spirit, at all times. Our governance practices are a product of self desire and reflected in our strategic thought process.

A detailed report on implementation by the Company of the Corporate Governance Code as incorporated in Clause 49 of the Listing Agreement with the Stock Exchange, is set out below:

**COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :**

The Company is fully compliant with the recommendations of the prevailing and applicable Corporate Governance Code.

Our Company's compliance with requirements are presented in the subsequent sections of the report.

**BOARD OF DIRECTORS :**

The composition of the Board of Directors is in compliance with the provisions of Listing Agreement of the Stock Exchange and the Companies Act, 1956. The Board has an optimum combination of Executive and Non-Executive Directors.

The Board of your Company comprises of 9 Directors. The Chairman is Non Executive, and as per Listing Agreement, the Company has three independent directors.

The Board of your company has 6 [Six] Executive Directors and 3 [Three] Non-Executive Directors.

During the financial year ended March 31, 2006, 7 [SEVEN] Board meetings were held on 27/04/2005, 30/06/2005, 30/07/2005, 06/08/2005, 21/09/2005, 31/10/2005 and 31/01/2006.

The details of composition of the Board, category, attendance of Directors at Board Meetings during the financial year and last Annual General Meeting, number of other Directorships and other Committee Memberships are given below:

Name of Director	Category	No. Of Board Meeting attended	Attendance at last AGM	No. Of Other Directorships Held		Outside committee Position Held	
				Public	Private	Mem.	Chmn.
Mr. Umeshkumar N. More	CMD	7	YES	5	7	—	—
Mr. Vinod Haritwal	CEO & ED	7	YES	7	4	—	—
Mr. Rameshkumar R. More	ED	7	YES	—	—	—	—
Mr. Nirajkumar U. More	ED	7	YES	7	9	—	—
Mr. Rohitkumar R. More	WTD	5	YES	—	—	—	—
Mr. Rohan Shah	NED	5	—	1	1	—	—
Mr. Madan Mohan Chaturvedi	NED	5	YES	—	2	—	—
Mr. Rajender Guleria	WTD	2	—	2	1	—	—
*Mr. Karuchandra Srivastava	NED	—	—	—	—	—	—

CMD stands for Chairman & Managing Director.

CEO & ED stands for Chief Executive Officer & Executive Director.

NED stands for Non-Executive Director

WTD stands for Whole-Time Director

\*Appointed as an additional Director w.e.f. March 29, 2006.

**INFORMATION SUPPLIED TO THE BOARD :**

Among others, this include:

- Review of annual operating plans of business, capital budgets and updates.
- Quarterly results of the Company and its operating divisions.
- Minutes of meeting of audit committee and other committees.
- Informations on recruitment and remuneration of senior officers just below the board level.
- General notices of interests.
- Materially important show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents or dangerous occurrences.
- Details of any joint venture of collaboration agreement.
- Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business.
- Foreign exchange exposure and the steps taken by the management to limit the risk of adverse exchange rate movement.
- Any materially significant effluent or pollution problem.
- Any issue which involves possible public or product liability claims of a substantial nature.
- Significant development in the human resource and industrial relations fronts.

The Board is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda of board meeting or are placed during the course of the meeting.

**MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS :**

There are no material transactions with related parties that require separate disclosure. A comprehensive list of related party transactions as required by the Accounting Standard [AS] 18 issued by the Institute of Chartered Accountants of India, is given in Schedule "O" to the Accounts in the Annual Report.

**COMMITTEES OF THE BOARD :**

The board has constituted committees of directors, which conform to the requirements of clause 49 of the Listing Agreement with the Stock Exchange and Companies Act, 1956 to take informed decisions in the best interest of the company. These committees monitor the activities falling within their terms of reference.

**AUDIT COMMITTEE :**

The Company had constituted an Audit Committee at the board level. The scope of the activities of the Audit Committee is in compliance with Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Committee acts as a link between the Management, the Statutory Auditors and the Board of Directors and oversees the financial reporting process of the Company.

There were 4 [Four] meetings of the Committee during the year.

The names of members of committee and their attendance are as follows:

<b>Name of the Members</b>	<b>Status</b>	<b>No. of Meetings Attended</b>
MR. RAMESHKUMAR R. MORE	CHAIRMAN	4
MR. NIRAJKUMAR U. MORE	MEMBER	4
MR. MADAN MOHAN CHAURVEDI	MEMBER	4

All the members have financial and accounting knowledge.

The meetings of the Audit Committee are also attended by Head of Accounts department and representative of statutory auditors.

Mr. M. B. Nihalani, Company Secretary and Sr. GM - Accounts of the Company acts as a Secretary of the Committee.

The Chairman of the Committee was present at the Annual General Meeting held on August 06, 2005 to attend the shareholder's queries.

**REMUNERATION :**

The Company has not constituted Remuneration Committee (being a non-mandatory requirements). All matters relating to review and approval of compensation payable to the Executive and Non-Executive Directors are considered by the Board within the overall limits approved by the Members.

The Company pays remuneration to its Managing Director, Executive Director and Wholetime Directors by way of salary, perquisites and allowances. The remuneration has been paid as approved by the Board, in accordance with the approval of the Shareholders and within the overall ceiling prescribed by Section 198 and 309 of the Companies Act.

Given below are the details of remuneration paid to Directors during the financial year 2005-06: [Amount in Rs. 000]

Director	Sitting Fees	Salary & allowance	Perquisites
Mr. Umeshkumar R. More	—	1303	150
Mr. Vinod Haritwal	—	1543	104
Mr. Rameshkumar R. More	3.5	—	—
Mr. Nirajkumar U. More	3.5	—	—
Mr. Rohitkumar R. More	—	463	—
Mr. Rohan Shah	2.5	—	—
Mr. Madan Mohan Chaturvedi	1.5	—	—
Mr. Rajender Guleria	—	1157	80

**SHAREHOLDERS' COMMITTEE :**

The Company has constituted a Shareholders' Committee at board level to strengthen the investor relations and to inter-alia look into issues relating to Shareholder Grievances pertaining to transfer of shares, non receipt of declared dividends, non receipt of Annual Report, issues concerning de-materialisation etc.

The Shareholders' Committee met 3 [Three] times during the year ended March 31, 2006.

The composition of the Shareholders' Committee and details of the meetings attended by the Directors during the year 2005-06 are given below:

NAMES OF MEMBERS	CATEGORY	NO. OF MEETINGS ATTENDED
Mr. NIRAJKUMAR MORE	CHAIRMAN	3
Mr. VINOD HARITWAL	MEMBER	3
Mr. RAMESH KUMAR MORE	MEMBER	3

Mr. M. B. Nihalani, Company Secretary is the Compliance Officer.

**DETAILS OF INVESTORS COMPLAINTS RECEIVED DURING THE YEAR :**

SR. NO.	NATURE OF COMPLAINTS	RECEIVED	DISPOSED	PENDING
1.	Non-receipt of Dividend Warrants	47	47	Nil
2.	Non-receipt of Bonus Shares	38	38	Nil
3.	Non-receipt of Share Cert. After Transfer	3	3	Nil
4.	Non-receipt of Annual Report	3	3	Nil
5.	Non-receipt of Demat Credit/Remat Certificate	8	8	Nil
6.	Non-receipt of Exchange of Certificates	1	1	Nil
7.	Non-receipt of Rejected DRFs	3	3	Nil
<b>TOTAL</b>		103	103	Nil

Three complaints received from shareholders relating to non-receipt of dividend/bonus shares are under investigation by authorities as there are claims to the title of the same shares from multiple shareholders.

### GENERAL BODY MEETINGS :

The last three Annual General Meetings were held as under:

FINANCIAL YEAR	DATE	TIME	VENUE
31.03.2005	06.08.2005	02.00 P.M.	Registered Office
31.03.2004	31.07.2004	11.00 A.M.	Registered Office
31.03.2003	31.07.2003	03.30 P.M.	Registered Office

There were no Special Resolution passed by the company through postal ballot last year.

A Special Resolution is proposed to be passed at the ensuing Annual General Meeting through a Postal Ballot. The Postal Ballot procedure shall be carried out in accordance with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001.

### DISCLOSURES :

1 There were no transactions of material nature other than reported under "Related Party Disclosures" that have been entered into by the company with the promoters, directors, their relatives and the management and in any company in which they are interested, that may have potential conflict with the interest of the company.

2 Details on the use of proceeds from public issues, right issues, preferential issues etc.

No funds have been raised through issue of equity or debt in the form of public or rights or preferential issues during the year under review.

3 Details of information on appointment of new / re-appointment of Directors

A brief resume, nature of expertise in specific functional areas, names of companies in which the person already hold directorship and membership of committees of the Board and his shareholding in the Company forms part of the notice of the Annual General Meeting, annexed to this Annual Report.

4 Details of non-compliances, penalties etc. imposed on the Company by SEBI or Stock Exchange or any other statutory authority on any matter related to capital market, during the last three years:

The Company has complied with the requirements of the Stock Exchange, SEBI, and other Statutory Authorities on all matters relating to Capital Markets during the last three years. In respect of complaints filed under Section 211 and 217 of the Companies Act by the Registrar of Companies, Maharashtra, Mumbai against the Directors, the said offences have been compounded based on the application made by them, by the Regional Director, Western Region, Mumbai.

### MEANS OF COMMUNICATION :

1 Quarterly results are published in prominent daily newspapers viz., Free Press Journal and Navshakti.

2 All items required to be covered in the Management Discussion and Analysis have been included in the Annexure 'B' to the Director's Report.

3 The Company has its own website and all the vital information relating to the Company and its products are displayed on the web site. Address of the website is [www.growel.com](http://www.growel.com)

4 The Company has also posted information relating to its financial results and shareholding pattern on Electronic Data Information Filing and Retrieval Systems [EDIFAR] at [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in)

### GENERAL SHAREHOLDERS INFORMATION :

- |                          |   |   |
|--------------------------|---|---|
| 1 ANNUAL GENERAL MEETING | : | 48th Annual General Meeting.  |
| DAY & DATE               | : | Saturday, August 19, 2006.  |
| TIME                     | : | 3 p. m.   |
| VENUE                    | : | Juhu Jagruti Hall, A. J. College, Opp. Mithibhai College,<br>J.V.P.D. Road No.1, Vile Parle (W), Mumbai - 400 056 |

### 2 FINANCIAL CALENDAR :

- \* Financial reporting for the quarter ended June 30, 2006 : End of July, 2006.
- \* Financial reporting for the quarter ended Sept. 30, 2006 : End of Oct., 2006.
- \* Financial reporting for the quarter ended Dec. 31, 2006 : End of Jan., 2007.
- \* Financial reporting for the year ended March 31, 2007 : End of June, 2007 [Audited].

### 3 DATE OF BOOK CLOSURE: 10/08/2006 TO 19/08/2006 [Both days inclusive].

### 4 RECORD DATE OF PAYMENT OF DIVIDEND: 09/08/2006.

### 5 SHARE TRANSFER SYSTEM :

The Company's shares being in compulsory dematerialized (Demat) list are transferable through the depository system. Shares in physical mode are processed by the Registrar and Share Transfer Agent [RTA]. The RTA has been authorised to process, approve and effect transfer of shares on behalf of the Company at fortnightly intervals.

### 6 REGISTRAR AND TRANSFER AGENT :

The Company has appointed the below mentioned agency as Registrars and Share Transfer Agent ( RTA ) for both physical and demat segment of Equity Shares of the Company :

#### **M/s. INTIME SPECTRUM REGISTRY LIMITED,**

[Unit: Grauer & Weil [India] Limited ]

C-13, Pannalal Silk Mills Compound, LBS Marg,

Bhandup [ West ], Mumbai - 400 078.

Phones : (022) 2596 3838. Fax : (022) 2596 2691.

Email : [isrl@vsnl.com](mailto:isrl@vsnl.com)

### 7 COMPLIANCE OFFICER :

Mr. M. B. Nihalani, Company Secretary

### 8 COMPANY SECRETARY :

Mr. M. B. Nihalani, Company Secretary

### 9 ADDRESS FOR CORRESPONDENCE :

Share Department:

GRAUER & WEIL [ INDIA ] LIMITED

'Growel House', Akurli Road, Kandivli [ East ], Mumbai - 400 101.

Tel: 022-6699 3000. Fax : 022-6699 3010.

E-mail: [hq@growel.com](mailto:hq@growel.com) / [secretarial@growel.com](mailto:secretarial@growel.com)

### 10 LISTING :

The Stock Exchange,

Phiroz Jeejeebhoy Towers,

Dalal Street, Mumbai - 400 001.

Tel: 022-2272 1234/1333. Fax: 022-2272 2041.

**11 STOCK CODE OF THE COMPANY :**

The Stock Exchange, Mumbai

Scrip Name : GRAUER & WEIL [ INDIA ] LIMITED

Scrip Code : 505710.

Electronic Mode: INE266D01013.

**12 DEPOSITORY CONNECTIVITY :** NSDL and CDSL.**13 ISIN NO. FOR THE COMPANY'S SECURITY :** INE266D01013.**14 DEMATERIALISATION OF SHARES :**

As on March 31, 2006, a total of 49,09,704 Shares representing 36.82% of the paid up capital of the Company were held in dematerialised form with NSDL and CDSL.

Member can hold shares in electronic forms and trade the same in Depository System. However, they may hold the same in physical form also.

**15 STOCK PRICE DATA : [ AS PROVIDED BY THE REGISTRAR ].**

Stock Market price data for the year:

Company's Share		
Month	High (Rs.)	Low (Rs.)
April, 2005	110	61.25
May, 2005	126	98.50
June, 2005	138.60	108
July, 2005	148	125
August, 2005	164.40	132
Sept., 2005	163	96.10
October, 2005	114	78.10
Nov., 2005	103	80.25
Dec., 2005	90.40	86.50
January, 2006	124	88.10
Feb., 2006	107	88
March, 2006	97	79

**16 SHAREHOLDING PATTERN AS ON MARCH 31, 2006 :**

Category	No. Of shares held	% of shareholding
Promoters & Associates	6273,080	49.05
Mutual Funds & UTI	2,062	0.02
Banks & Financial Institutions	5,575	0.04
FII	100,000	0.78
Private Bodies Corporate	875,100	6.84
Indian Public	4724,248	36.95
NRI/OCBs	807,660	6.32
<b>Total</b>	<b>127,87,725</b>	<b>100.00</b>

**17 DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2006 :**

No. of Equity Shares held	No. of Shareholders	No. of Shares held	% of Equity Capital
Upto 500	3719	685722	5.36
501-1000	835	621140	4.86
1001-2000	602	824754	6.45
2001-3000	226	545559	4.27
3001-4000	65	229781	1.80
4001-5000	46	210361	1.64
5001-10000	59	401210	3.13
10001 & above	62	9269198	72.49
<b>Total</b>	<b>5614</b>	<b>12787725</b>	<b>100.00</b>

**18 PLANT LOCATIONS :**

- a. 215/1, Plot No. 10, Dadra Industrial Estate, Dadra – 396 191. (Dadra & Nagar Haveli.-U.T.)
- b. 407, GIDC Industrial Estate, Vapi - 396 195. [ Gujarat ]
- c. Plot No.31 & 32, Industrial Estate, Barotiwala - 174 103. [ H. P. ].
- d. Survey No.66, Village-Dhanore, Taluka-Khed, District-Pune, Maharashtra.

**19 COMPLIANCE :**

A certificate has been obtained from the Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance and is attached to this report.

**Registered Office:**  
**'Growel House',**  
**Akurli Road, Kandivli [East],**  
**Mumbai - 400 101.**  
**June 30, 2006**

**For & on behalf of the Board of**  
**Grauer & Weil [India] Limited**

**DECLARATION**

Mr. Umesh Kumar N. More, Chairman and Managing Director hereby declare that all members of the Board of Directors and the senior management personnel have affirmed compliance with the Code of Conduct for the year ended March 31, 2006.

**Registered Office:**  
**'Growel House',**  
**Akurli Road, Kandivli [East],**  
**Mumbai - 400 101.**  
**June 30, 2006**

**For & on behalf of the Board of**  
**Grauer & Weil [India] Limited**

**AUDITORS' CERTIFICATE**

**To**  
**The Members,**  
**GRAUER & WEIL (INDIA) LIMITED,**

We have examined the compliance of conditions of Corporate Governance by GRAUER & WEIL [ INDIA ] LIMITED, for the year ended on March 31, 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on the report given by the Registrars of the Company to the Investors' Grievance Committee, as on 31st March, 2006 there were no investor grievance matters against the Company remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For M. M. Nissim And Co.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**M. No.: 32218**  
**Mumbai**  
**June 30, 2006**

**ANNEXURE 'C' TO DIRECTORS' REPORT**

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

**A. CONSERVATION OF ENERGY :**

(1) ENERGY CONSERVATION MEASURES TAKEN:

- i) Introduced natural inverter for lighting purposes whenever electrical power is off.
- ii) Instead of using the incinerators for drying the liquid and semi-solid sludge, natural energy such as ponds is constructed to evaporate the liquid and sludge are dried under sun-light.
- iii) Pneumatic systems are introduced and mixing blenders are used to prevent the excess running of machineries.
- iv) Production per unit are measured on a regular basis thereby creating awareness of energy conservation.
- v) Plants are designed in such as way so that, maximum circulation of air resulting in lower running of fans and exhausts.
- vi) People are trained on conservation of energy.

(2) ADDITIONAL INVESTMENTS AND PROPOSALS, IF ANY, BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY:

It is proposed to take further steps for the conservation of energy during the current year.

(3) IMPACT OF THE ABOVE MEASURES:

Energy saving with resultant reduction in cost.

(4) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER **FORM – "A"**

**B. TECHNOLOGY ABSORPTION :**

Efforts made in technology absorption as per **Form – "B"**.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

(1) Activities relating to exports, initiatives taken to develop export markets:

The actual exports achieved in 2005-2006 were Rs.170.11 Million, as compared to Rs.144.29 Million in 2004-2005.

(2) Total foreign exchange used and earned :

**Rupees**

(i) Total foreign exchange used	
(a) On import of raw materials, components, spare parts and capital goods.	183,882,574
(b) Expenditure in foreign currencies for Business Travel, Seminars, Dividend and Royalties etc.	15,589,017
(ii) Total foreign exchange earned	170,107,236

**Registered Office:**

**'Growel House',  
Akurli Road, Kandivli [East],  
Mumbai - 400 101.**

**Place: Mumbai  
June 30, 2006**

**For & on behalf of the Board of  
Grauer & Weil [India] Limited**

**FORM - A**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY 2005-2006.**

<b>PARTICULARS</b>	<b>2005-2006</b>	<b>2004-2005</b>
<b>A. POWER AND FUEL CONSUMPTION</b>		
1. ELECTRICITY		
a) Purchased Units	<b>18,33,583</b>	20,00,219
Total amount (Rs.)	<b>84,24,526</b>	91,41,825
Average Rate/Unit (Rs.)	<b>4.59</b>	4.57
b) Own generation	Limited electric power was generated through D.G. Sets installed exclusively for the purpose of emergency supply whenever there was power shortage to keep the emergency system working.	
2. FURNACE/OTHER OIL		
Quantity (Litres)	<b>216,290</b>	213,755
Total Cost (Rs.)	<b>42,52,289</b>	31,73,841
Average rate (Rs. per litre)	<b>19.66</b>	14.85

**B. CONSUMPTION PER UNIT OF PRODUCTION:**

As the Company manufactures different types of custom-built plants and chemicals for various applications, it is impracticable to work out the cost of usage of energy on a per unit basis.

**FORM - B**

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION 2005-2006.

**A. RESEARCH & DEVELOPMENT :****1) Specific areas in which R & D is carried out by the company :**

- i) Trivalent chrome black twin additive passivate for zinc and zinc alloys
- ii) White bronze plating process for barrel application
- iii) Newly developed cost effective cyanide zinc plating system
- iv) Newly developed copper brightner system.
- v) Trivalent chrome yellow passivation for zinc plating.

**2) Benefits derived as a result of the above R & D :**

- i) Lead cadmium free electroless nickel plating process with brighter finish.
- ii) Removal of hexavalent chrome/chrome salts in the plating processes which are highly carcinogenic and hazardous.
- iii) Nickel free white bronze plating process.
- iv) With the collaboration of multi-nationals like M/s.Sidas, M/sHawkings etc. the overall standards of plating information is broadened.
- v) Introduction of trivalent chrome passivation not only provides higher corrosion resistance but is also environment friendly.
- vi) With new electroless nickel process higher metal turnover with brighter finish is developed.

**3) Future Plan of Action :**

- i) R&D division is working towards zero dumping concept in the pre-treatment process.
- ii) Due to implementation of ISO 9001:2000 Quality Management System, R&D activities are strictly monitored by regular internal and external audits.
- iii) Care is taken to comply with the federal environment standards to meet specific requirement ELV directive of European Union in respect of toxic and carcinogenic chemicals.
- iv) Compliance with Restriction of Hazardous Substances (ROHS) will be taken into account while preparation of new chemicals.
- v) Produce new intermediates for plating chemicals thereby leading to reduction of import costs.

**4) Expenditure on R & D :**

	<b>2005-2006</b>	2004-2005
	<b>Rupees</b>	Rupees
a) Capital	<b>32,43,980</b>	55,80,873
b) Recurring	<b>13,78,102</b>	19,35,737
c) Total	<b>46,22,082</b>	75,16,610
d) Total R & D expenditure as a percentage of total Turnover	<b>0.40%</b>	0.76%

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

**1) Efforts, in brief made towards technology absorption, adaptation and innovation :**

- a) The agreement with M/s Hawkings – U.K. covers high quality electrophoretic lacquer coating and specialised matt electrophoretic technology, a new invention. Various types of dyes can be incorporated to produce infinite Range of colours such as Gold, Copper, Jet Black, and Brass Finishes at most economical cost.
- b) A Joint venture company with M/s Sidasa SA – Spain covers highly durable zinc and zinc alloys to achieve much higher corrosion resistance to the applied coatings. These coatings are needed to be applied on automobile components to meet the stringent demand of automotive OEM's. The company manufactures products marketed by the joint venture. As a part of this joint venture, the company has launched Some series of eco-friendly process eliminating the usage of carcinogenic hexavalent chrome.

**2) Benefits derived as a result of the above efforts:**

- a) Variety of decorative finishes to meet the changing needs of users.
- b) Highly corrosion resistant and environmentally friendly substitute for many other finishing processes.

**3) Particulars of technologies imported**

a) Technology imported :

- i) New Generation Filtration and agitation by M/s Serfilco Inc., U.S.A.
- ii) New generation electrophoretic lacquers – M/s Hawking International, England
- iii) Highly corrosion resistant chrome process from Kabushiki Kaisha Nippon Dacro Shamrock, Japan.
- iv) Hexavalent chrome free passivation, post passivation and plating processes form M/s Sidasa.

b) Year imported:

- i) 2001-02
- ii) 2001-02
- iii) 2004-05
- iv) 2004-05

c) Has technology been fully absorbed:

- Partially absorbed

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF GRAUER & WEIL (INDIA) LIMITED.

We have audited the attached Balance Sheet of GRAUER & WEIL (INDIA) LIMITED, as at 31<sup>st</sup> March, 2006 and also the attached Profit and Loss Account and the cash flow statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Indian auditing standards issued by the Institute of Chartered Accountants of India. Our audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates and judgements made by the management in the preparation of financial statements and evaluating the overall financial statement presentation.

We planned and performed our audit, so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements and to provide a reasonable basis for our opinion and report that:

- 1) As required by the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2) Further to our comments referred to in paragraph 1 above.
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement, under Report are in agreement with the books of account.
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
  - e) On the basis of written representations received from the Directors as on March 31, 2006 and taken on record by the Board of Directors, we report and certify that none of the Directors is disqualified from being appointed as Director under Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- 3) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to Note No.9, regarding non disclosure of debts due to Small Scale Industrial undertaking, and read together with other notes thereof, give the information as required by the Companies Act, 1956 in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India.
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March, 2006.
  - ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For M. M. Nissim And Co.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**Mem. No. 32218**  
**Mumbai**  
**June 30, 2006**

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT OF EVEN DATE**

- i. In respect of its fixed assets:
  - (a) The Company has compiled itemwise lists of only Plant & Machinery. In respect of other assets, we are informed that the Company is still in the process of compiling proper records to show the necessary particulars.
  - (b) As explained to us, the assets have been physically verified by the management in accordance with a phased programme of verification which in our opinion, is reasonable, considering the size & nature of its business. We are informed that discrepancies, if any, will then be dealt with in the accounts once the process of compilation is complete.
  - (c) The Company has not disposed off any substantial part of its Fixed Assets so as to affect its going concern.
- ii. In respect of its inventories:
  - (a) The Inventory, excluding material in transit has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. As regards materials lying with third parties, confirmations have been obtained.
  - (b) The procedures of physical verification of Inventories followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) On the basis of our examination of the inventory records of the Company, we are of the opinion that the Company is maintaining proper records of its inventory. The discrepancies noticed on verification between the physical stocks and book records have been properly dealt with in the books of account.
- iii.
  - (a) The Company has during the year granted unsecured loans to five Companies listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.60.63 Lacs and the year end balance of Loans granted to such parties was Rs.25.67 Lacs.
  - (b) In our opinion, the rate of interest where applicable and other terms and conditions on which unsecured loans have been granted to Companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
  - (c) The Companies have repaid the principal amounts as stipulated and have been regular in the payment of interest where applicable.
  - (d) There is no overdue amount of loans granted to Companies listed in the register maintained under section 301 of the Companies Act, 1956.
  - (e) The company had taken unsecured loans from 3 companies, covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.100 Lacs and the year end balance of such loans taken was Rs.84 Lacs.
  - (f) The rate of interest, where applicable and other terms and conditions of unsecured loans taken by the Company, are not prima facie prejudicial to the interest of the Company.
  - (g) The Company has repaid the principle amounts as stipulated and has been regular in the payment of interest, where applicable.
- iv.
  - (a) In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v.
  - (a) Based on the audit procedure applied by us and according to the information, explanations and representation given to us, we are of the opinion that particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered in the register maintained under that section have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of rupees five lacs in respect of each party during the year have been made at prices which are prima-facie, reasonable having regard to prevailing market prices at that time except that in respect of certain specialized services availed no comparison of prices could be made as we were informed that there are no prevailing market prices.
- vi. The Company has complied with the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rule, 1975 with regards to deposits accepted from the public.

We are informed by the management that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal in respect of aforesaid deposits.

- vii. The Company does not have a formal internal audit system. However, in our opinion, there are adequate internal control procedures commensurate with the size and nature of its business.
- viii. We are informed that the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for any of the products of the Company.
- ix. (a) The Company is regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other Statutory dues with the appropriate authorities, where applicable. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March 2006 for a period of more than six months from the date they become payable.  
  
(b) According to the records of the company, there are no dues in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty and Cess, which are disputed, except for Excise Duty and Income tax, amounting to Rs.27.39 Lacs & Rs.10.90 Lacs, which are not deposited, since the matters are pending before CESTAT and Commissioner appeals respectively.
- x. The Company has no accumulated losses at the end of the financial year and has not incurred cash losses, in the current financial year and in the immediately preceding financial year.
- xi. The Company has not defaulted in repayment of its dues to banks. The company has not borrowed by way of debentures and from Financial Institutions.
- xii. As explained to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or any other securities.
- xiii. The Company is not a chit fund or nidhi or mutual benefit fund or society and hence the provisions of Clauses 4 (xiii) (a) to (d) of the Order, are not applicable to the Company.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4 (xiv) of the Order, are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from any bank or financial institution.
- xvi. On the basis of the records examined by us and relying on the information compiled by the Company for co-relating the funds raised to the end use of the term loans, we have to state that, the Company has, prima-facie, applied the term loans for the purpose for which they were raised.
- xvii. According to the information and explanations, given to us and on an overall examination, of the Financial Statements of the Company, we are of the opinion that, prima-facie, no funds raised on short term basis have been used for long term investments.
- xviii. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any money through a public issue, during the year.
- xxi. According to the information and explanations given to us and to the best of our knowledge and belief no fraud on or by the Company, has been noticed or reported by the Company during the year.

**For M. M. Nissim And Co.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**Mem. No. 32218**  
**Mumbai**  
**June 30, 2006**

**BALANCE SHEET AS AT MARCH 31, 2006**

	Schedule	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SOURCES OF FUNDS</b>				
SHAREHOLDERS FUNDS				
Share Capital	<b>A</b>	<b>127,877,250</b>		102,301,800
Reserves and Surplus	<b>B</b>	<b><u>332,008,551</u></b>		<u>302,120,475</u>
			<b>459,885,801</b>	<u>404,422,275</u>
LOAN FUNDS				
Secured Loans	<b>C</b>	<b>346,433,262</b>		272,872,756
Unsecured Loans	<b>D</b>	<b><u>48,341,691</u></b>		<u>21,903,504</u>
			<b>394,774,953</b>	<u>294,776,260</u>
DEFERRED TAX				
Deferred Tax Liabilities		<b>44,692,349</b>		48,787,100
Deferred Tax Assets		<b><u>(7,197,310)</u></b>		<u>(6,197,950)</u>
			<b>37,495,039</b>	<u>42,589,150</u>
			<b><u>892,155,793</u></b>	<u>741,787,685</u>
<b>APPLICATION OF FUNDS</b>				
FIXED ASSETS				
Gross Block	<b>E</b>	<b>718,674,843</b>		467,223,252
Less: Depreciation (including Impairment)		<b><u>160,665,871</u></b>		<u>141,416,094</u>
Net Block		<b>558,008,972</b>		325,807,158
Capital Work in Progress & Capital Advances		<b><u>33,837,649</u></b>		<u>189,595,898</u>
			<b>591,882,621</b>	515,403,056
INVESTMENTS	<b>F</b>		<b>8,878,997</b>	3,650,948
CURRENT ASSETS, LOANS AND ADVANCES <b>G</b>				
Inventories		<b>181,262,063</b>		165,655,136
Sundry Debtors		<b>260,483,471</b>		195,686,755
Cash and Bank Balances		<b>24,116,740</b>		14,234,434
Other Current Assets		<b>134,079</b>		128,594
Loans and Advances		<b><u>90,635,783</u></b>		<u>56,466,061</u>
		<b><u>556,632,136</u></b>		<u>432,170,980</u>
Less: CURRENT LIABILITIES AND PROVISIONS	<b>H</b>			
Current Liabilities		<b>193,887,395</b>		164,879,894
Provisions		<b><u>72,713,853</u></b>		<u>47,283,979</u>
		<b><u>266,601,248</u></b>		<u>212,163,873</u>
NET CURRENT ASSETS			<b>290,030,888</b>	220,007,107
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	<b>I</b>		<b>1,363,287</b>	2,726,574
			<b><u>892,155,793</u></b>	<u>741,787,685</u>
Notes to Accounts	<b>P</b>			

Schedules 'A' to 'I' and 'O' referred to above form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our report of even date

for **M. M. NISSIM AND CO.**  
Chartered Accountants

**P. P. BHANDARI**  
Partner  
MEM No.: 32218

Mumbai, 30th June, 2006

Mumbai, 30th June, 2006

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006**

	Schedule	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>INCOME</b>			
Income from Operations			
Gross Sales		<b>1,429,970,343</b>	1,230,421,511
Less: Trade Discount		<b>168,688,264</b>	144,157,176
Less: Excise Duty		<b>116,348,561</b>	101,765,555
		<b>1,144,933,518</b>	984,498,780
Business conducting Fees (Tax deducted at source Rs.6,997,639/-)		<b>20,333,272</b>	-
		<b>1,165,266,790</b>	984,498,780
Other Income	<b>J</b>	<b>17,659,600</b>	21,368,372
		<b>1,182,926,390</b>	1,005,867,152
<b>EXPENDITURE</b>			
Materials	<b>K</b>	<b>648,986,952</b>	533,994,061
Salaries, Wages and other benefits	<b>L</b>	<b>108,053,217</b>	105,861,714
Other Expenses	<b>M</b>	<b>287,203,742</b>	252,225,366
Interest	<b>N</b>	<b>29,279,104</b>	19,985,621
Depreciation		<b>26,853,072</b>	22,926,156
		<b>1,100,376,087</b>	934,992,918
<b>PROFIT BEFORE TAX</b>		<b>82,550,303</b>	70,874,234
<b>PROVISION FOR TAXATION</b>			
Current Tax		<b>20,000,000</b>	14,500,000
Deferred Taxes		<b>(5,094,111)</b>	(3,289,026)
Fringe Benefit Tax		<b>4,000,000</b>	-
<b>PROFIT AFTER TAX</b>		<b>63,644,414</b>	59,663,260
Excess Provision of Income Tax written back		<b>567,834</b>	364,260
		<b>64,212,248</b>	60,027,521
Add: Balance Brought Forward		<b>8,120,475</b>	5,091,932
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>72,332,723</b>	65,119,453
<b>APPROPRIATIONS</b>			
Proposed Dividend		<b>7,672,635</b>	6,138,108
Tax on Proposed Dividend		<b>1,076,087</b>	860,870
Transfer to General Reserve		<b>55,000,000</b>	50,000,000
		<b>63,748,722</b>	56,998,978
Balance carried to Balance Sheet		<b>8,584,001</b>	8,120,475
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>		<b>5.02</b>	4.69
Notes to Accounts	<b>O</b>		

Schedules 'J' to 'O' referred to above form an integral part of the Profit & Loss Account  
This is the Profit & Loss Account referred to in our report of even date

**for M. M. NISSIM AND CO.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**MEM No.: 32218**

**Mumbai, 30th June, 2006**

**Mumbai, 30th June, 2006**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**

Rupees	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	<b>82,550,303</b>	70,874,234
Adjustments for:		
Depreciation	<b>26,853,072</b>	22,926,156
(Profit) / Loss on sale of Fixed Assets	<b>89,315</b>	3,920,246
(Profit) / Loss on sale of Investements	<b>(231,763)</b>	—
Loss on Assets Discarded	<b>18,421,575</b>	18,466,296
Loss on Impairment of Assets	—	180,501
Interest Paid	<b>29,279,104</b>	19,985,621
Interest Received	<b>(2,893,126)</b>	(7,769,455)
Dividend and Income from units	<b>(6,735)</b>	(5,325)
Wealth Tax	<b>101,259</b>	103,980
Technical knowhow fees written off	—	282,386
Bad Debts written off / Provision for doubtful Debts	—	(6,728,868)
VRS Compensation written off	—	5,484,937
ERP Expenses written off	<b>1,363,287</b>	1,363,287
	<b>72,975,989</b>	58,209,761
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<b>155,526,292</b>	129,083,996
Adjustments for:		
(Increase) / Decrease in Trade and other receivables	<b>(79,833,129)</b>	(7,177,219)
(Increase) / Decrease in Inventories	<b>(15,606,927)</b>	(22,723,861)
Increase / (Decrease) in Trade and other payables	<b>32,606,673</b>	35,525,269
	<b>(62,833,383)</b>	5,624,189
CASH GENERATED FROM OPERATIONS	<b>92,692,909</b>	134,708,185
Direct Taxes Paid	<b>(22,458,281)</b>	(12,858,082)
	<b>(22,458,281)</b>	(12,858,082)
NET CASH FROM OPERATING ACTIVITIES	<b>70,234,628</b>	121,850,103

	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Capital Expenditure	(124,526,993)	(156,563,530)
Sale of Fixed Assets	2,683,465	2,797,424
Purchase of Investments	(4,996,286)	(91,650)
Sale of Investments	—	—
Interest received	2,887,641	7,763,910
Dividend and Income from Units	6,735	5,325
NET CASH USED IN INVESTING ACTIVITIES	<u>(123,945,437)</u>	<u>(146,088,521)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings (Net)	99,998,693	54,754,827
Interest Paid	(29,390,962)	(20,095,082)
Dividend Paid	(7,014,615)	(6,971,298)
NET CASH FROM FINANCING ACTIVITIES	<u>63,593,116</u>	<u>27,688,447</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>9,882,307</u>	<u>3,450,028</u>
CASH AND CASH EQUIVALENTS	9,882,307	3,450,028
Opening balance	14,234,433	10,784,405
Closing balance	24,116,740	14,234,433

This is the Cash Flow Statement referred to in our report of even date

**for M. M. NISSIM AND CO.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**MEM No.: 32218**

**Mumbai, 30th June, 2006**

**Mumbai, 30th June, 2006**

**SCHEDULES ANNEXED TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SCHEDULE A: SHARE CAPITAL</b>			
AUTHORISED			
25,000,000 Equity Shares of Rs.10 each		<u><b>250,000,000</b></u>	<u>250,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP			
12,787,725 (Previous year 10,230,180) Equity Shares of Rs.10 each fully paid-up		<u><b>127,877,250</b></u>	<u>102,301,800</u>
NOTE: Of the above,			
(1) 154,500 Equity shares were allotted as fully paid-up pursuant to contracts without payment being received in cash.			
(2) 11,593,495 (Previous year 9,035,950) Equity shares were allotted as full paid-up Bonus Shares by capitalisation of Capital Reserve, Capital redemption reserve, General Reserve and Securities Premium account			
<b>SCHEDULE B: RESERVES AND SURPLUS</b>			
GENERAL RESERVE			
As per Last Balance Sheet	<b>294,000,000</b>		244,000,000
Less: Utilised for issue of bonus shares	<u><b>25,575,450</b></u>		<u>—</u>
	<b>268,424,550</b>		244,000,000
Add: Transferred from Profit and Loss Account	<u><b>55,000,000</b></u>		<u>50,000,000</u>
		<b>323,424,550</b>	294,000,000
PROFIT AND LOSS ACCOUNT			
		<u><b>8,584,001</b></u>	<u>8,120,475</u>
		<u><b>332,008,551</b></u>	<u>302,120,475</u>

	<b>As At March 31, 2006 Rupees</b>	As At March 31, 2005 Rupees
<b>SCHEDULE C: SECURED LOANS</b>		
Credit Facilities from Banks		
Term Loans (Repayable within one year Rs.34.50 million, Previous Year Rs.26.69 million)	<b>184,041,418</b>	136,266,802
VRS Term Loans (Repayable within one year Rs.NIL, Previous Year Rs.5.63 million)	-	5,762,315
Working Capital Facilities	<b>155,755,923</b>	122,853,377
Hire Purchase Credits	<b>6,635,921</b>	7,990,263
	<b><u>346,433,262</u></b>	<b><u>272,872,757</u></b>

**NOTES:**

- 1] Term Loans from Banks are secured by a pari passu first charge by way of hypothecation of company's movable assets at its Kandivli and Barotiwala plants and exclusive first charge at its Dadra plant as applicable, and further secured by joint mortgage by way of deposit of title deeds of immovable properties of the company at its Kandivli and Barotiwala Plants. This excludes specified fixed assets exclusively charged in the Hire purchase agreements and Term Loans, and also excludes stock and book debts.
- 2] Working Capital Facilities are secured by hypothecation of all stocks and book debts and are further secured by a pari passu charge by way of joint mortgage by deposit of title deeds of the immovable properties of the company at its Barotiwala plant.
- 3] Hire Purchase Credits are secured by Hypothecation of specific Assets purchased under the Scheme.

**SCHEDULE D: UNSECURED LOANS**

Fixed Deposits (Repayable within one year Rs.1.54 million, Previous year Rs.3.41 million)	<b>10,809,000</b>	7,590,000
Dealer Deposits	<b>29,132,691</b>	14,313,504
Inter Corporate Deposits	<b>8,400,000</b>	-
	<b><u>48,341,691</u></b>	<b><u>21,903,504</u></b>

(Value in Rs.)

SCHEDULE E: FIXED ASSETS

Sr. No.	Description	GROSS BLOCK (AT COST)				DEPRECIATION			IMPAIRMENT		NET BLOCK	
		As at 01-04-2005	Additions during the year	Sales/ adjustments during the year	As at 31-03-2006	Upto 31-03-2005	Deduction for Sale/ Adjustments	For the Year	Upto 31-03-2006	For the Year	As at 31-03-2006	As at 31-03-2005
1.	Land											
a)	Freehold	8,630,849	1,468,200	-	10,099,049	-	-	-	-	-	10,099,049	8,630,849
b)	Leasehold	5,081,046	9,660,055	-	14,741,101	580,513	-	95,079	675,592	-	14,065,509	4,500,532
2.	Buildings	150,577,757	187,665,005	24,037,852	314,204,910	25,367,394	5,361,281	6,886,707	26,892,821	-	287,312,090	125,210,361
3.	Plant & Machinery	174,918,847	63,867,477	457,610	238,328,715	69,820,728	244,478	10,654,047	80,230,296	-	158,098,419	105,098,114
4.	Laboratory and Scientific Research Equipment	50,307,691	3,243,980	226,200	53,325,471	18,730,526	25,685	2,402,747	21,107,588	-	32,217,883	31,577,166
5.	Furniture Fittings and Fixture	24,313,909	6,136,612	-	30,450,521	11,736,112	-	1,680,230	13,416,342	-	17,034,179	12,577,798
6.	Office Equipments	15,854,255	2,143,495	-	17,997,750	5,952,941	-	1,498,909	7,451,850	-	10,545,899	9,901,320
7.	Vehicles	37,538,895	6,064,418	4,075,987	39,527,326	9,227,877	1,971,850	3,635,354	10,891,381	-	28,635,945	28,311,017
		467,223,250	280,249,242	28,797,649	718,674,843	141,416,092	7,603,294	26,853,072	160,665,871	-	558,008,972	325,807,158
	Previous Year	516,023,741	28,003,323	76,803,812	467,223,252	169,929,281	51,619,846	22,926,159	141,235,594	180,501	325,807,158	346,094,459

Note:

- Buildings includes residential premises at Vapi amounting to Rs.521866/- for which conveyance is yet to be executed by the company and includes premises in Co-Operative Societies and the cost of shares allotted by the Societies.
- Vehicles include Rs.13,220,617 being cost of vehicles not registered in the name of the company.

	As At March 31, 2006		As At March 31, 2005	
	Nos.	Rupees	Nos.	Rupees
<b>SCHEDULE F: INVESTMENTS, (NON-TRADE, LONG TERM)</b>				
(At Cost less permanent diminution in value)				
SHARES				
Quoted				
In fully paid-up Equity shares of Rs.10/- each				
Arihant Threads Limited	2,100	6,300	2,100	6,300
Bombay Paints Limited	117,150	345,593	117,150	345,593
Crystal Software Solutions Limited	8,600	43,100	8,600	43,100
Ginni Filaments Limited	900	14,400	900	14,400
Universal Cables Limited (Sold during the year)	—	—	5,800	319,000
Indo-French Bio-tech Enterprises Limited	89,800	89,800	89,800	89,800
Punjab National Bank	235	91,650	235	91,650
<b>Unquoted</b>				
In Subsidiaries				
Poona Bottling Co. Pvt. Limited	145,950	619,000	145,950	619,000
(Fully paid-up equity shares of Rs.100/- each)				
Growel Energy Company Ltd.	49,400	494,000	49,400	494,000
(Fully paid-up Equity shares of Rs.10/- each)				
<b>In Associates</b>				
Growel Goema (I) Pvt. Ltd.	149,980	1,499,800	149,980	1,499,800
(Fully paid-up Equity shares of Rs.10/- each)				
Growel Sidasa Industries Pvt. Ltd.	444,900	4,449,000	—	—
(Fully paid-up Equity shares of Rs.10/- each)				
Grauer & Weil (Thailand) Ltd.	9,800	1,098,050	—	—
(Fully paid-up Equity shares of THB 100 each)				
<b>Others</b>				
In fully paid-up Equity shares of Rs.10/- each				
Shree Vaishnavi Dyeing & Printing Ltd.	1,500	6,000	1,500	6,000
Kishco Cutlery Limited (Sold during the year)	—	—	11,700	1
Growel Softech Pvt. Ltd.	37,000	37,000	37,000	37,000
Saraswat Cooperative Bank Ltd.	2,500	25,000	2,500	25,000
Rasik Plast Limited	13,500	1	13,500	1
Sunflag Iron & Steel Co. Limited	2,000	1	2,000	1
Surlux Health Centres Limited	1,000	1	1,000	1
Temptation Foods Limited	49,600	1	49,600	1
<b>NATIONAL SAVINGS CERTIFICATES</b>		<b>60,300</b>		<b>60,300</b>
<b>Total</b>		<b>8,878,997</b>		<b>3,650,948</b>

	As At March 31, 2006		As At March 31, 2005	
	Cost Rs.	Market value Rs.	Cost Rs.	Market value Rs.
Aggregate value of Quoted Investments	590,843	2,865,547	909,843	1,577,056
Aggregate value of Unquoted Investments	8,288,154		2,741,105	
	<b>8,878,997</b>		<b>3,650,948</b>	

Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SCHEDULE G: CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>I. CURRENT ASSETS</b>		
(i) Inventories (As taken, valued and certified by the management)		
Stores, Spares and Packing Materials	<b>9,248,197</b>	8,132,926
Raw Materials	<b>75,070,297</b>	71,838,621
Work-in-progress	<b>40,429,745</b>	23,522,644
Finished Goods	<b>38,464,427</b>	45,788,045
Goods in Transit	<b>18,049,397</b>	16,372,900
	<b>181,262,063</b>	165,655,136
(ii) Sundry Debtors (Ref. Note no. 5)		
Exceeding six months:		
Secured	<b>104,979</b>	982,129
Unsecured - Considered good	<b>41,177,353</b>	27,574,671
	<b>41,282,332</b>	28,556,800
Other Debts:		
Secured	<b>2,854,110</b>	2,854,170
Unsecured-considered good	<b>216,347,029</b>	164,275,785
	<b>219,201,139</b>	167,129,955
	<b>260,483,471</b>	195,686,755
(iii) Cash and Bank balances		
Cash on hand	<b>1,219,112</b>	845,523
With Scheduled Banks:		
In Current Accounts	<b>19,325,340</b>	11,369,596
In Fixed Deposits	<b>1,152,400</b>	1,147,706
In Margin accounts	<b>2,419,888</b>	871,609
	<b>24,116,740</b>	14,234,434
(iv) Other Current Assets		
Interest Receivable	<b>118,969</b>	118,969
Interest Accrued but not due	<b>15,110</b>	9,625
	<b>134,079</b>	128,594
<b>II. LOANS AND ADVANCES</b> (Unsecured considered good unless otherwise specified)		
Inter Corporate Loans (Ref Note no.6 (b))	<b>4,674,670</b>	3,357,727
Balances with Excise Department	<b>8,143,951</b>	10,397,823
Income Tax	<b>38,860,394</b>	19,727,087
Deposits	<b>6,581,526</b>	6,456,947
Advance to Suppliers	<b>20,660,761</b>	5,757,652
Loans to Staff	<b>1,267,297</b>	1,376,725
Prepaid expenses	<b>1,692,292</b>	2,333,575
Advances recoverable in cash or in kind or for value to be received (Refer Note No.6 (a &c))	<b>8,754,892</b>	7,058,525
	<b>90,635,783</b>	56,466,061
	<b>556,632,136</b>	432,170,980

	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SCHEDULE H: CURRENT LIABILITIES &amp; PROVISIONS</b>			
(a) CURRENT LIABILITIES			
Acceptances	2,554,792		2,470,605
Sundry Creditors - (Note. No.9)	119,670,479		104,983,121
Advance from customers	27,409,909		21,316,530
Investor Education and Protection Fund*			
Unclaimed Dividends	525,547		539,586
Unclaimed Fixed Deposits	15,000		12,000
Unclaimed Interest on Fixed Deposits	—		4,599
	<u>540,547</u>		<u>556,185</u>
Interest accrued but not due	628,561		740,419
Other Liabilities	43,083,107		34,813,035
		<b>193,887,395</b>	<b>164,879,894</b>
(b) PROVISIONS			
Provision for Income Tax	41,908,451		21,700,000
Proposed Dividend	7,672,635		6,138,108
Tax on Proposed Dividend	1,076,087		860,870
Provision for Leave encashment	3,477,723		2,910,796
Provision for Gratuity	18,578,957		15,674,205
		<u>72,713,853</u>	<u>47,283,979</u>
		<u><b>266,601,248</b></u>	<u><b>212,163,873</b></u>

\*The figures reflect the position as at 31st March, 2006. The Actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due dates.

**SCHEDULE I: MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

ERP Project Implementation expenses	1,363,287	2,726,574
	<u>1,363,287</u>	<u>2,726,574</u>
	<b>For the year ended March 31, 2006</b>	<b>For the year ended March 31, 2005</b>

**SCHEDULE J: OTHER INCOME**

Plating and Service charges (Gross)	7,785,090	5,845,055
License Fees (Gross)	2,380,000	1,250,000
Miscellaneous Receipts (Gross)*	4,362,886	6,498,537
Interest Received (Gross)*	2,887,641	7,763,910
Interest on investments	5,485	5,545
Profit on sale of Investments	231,763	—
Dividend on investments	6,735	5,325
	<u>17,659,600</u>	<u>21,368,372</u>
*Tax Deducted at source	<u>220,094</u>	<u>1,413,120</u>

	Rupees	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>SCHEDULE K: MATERIALS</b>			
RAW MATERIALS CONSUMED			
Opening Stock	71,838,621		72,472,739
Add: Purchases	<u>662,424,681</u>		<u>544,074,128</u>
	<b>734,263,302</b>		<b>616,546,867</b>
Less: Closing Stock	<u>75,070,297</u>		<u>71,838,621</u>
		<b>659,193,005</b>	<b>544,708,246</b>
PURCHASE FOR RESALE		—	866,605
		<u><b>659,193,005</b></u>	<u>545,574,851</u>
LESS: INCREASE IN STOCKS			
Opening Stock			
Work-in-Progress	23,522,644		25,809,110
Finished Goods	<u>45,788,045</u>		<u>29,323,785</u>
	<b>69,310,689</b>		<b>55,132,895</b>
Closing Stock			
Work-in-Progress	36,158,660		23,522,644
Finished Goods	<u>42,735,511</u>		<u>45,788,045</u>
	<b>78,894,171</b>		<b>69,310,689</b>
		<b>(9,583,482)</b>	<b>(14,177,794)</b>
Variation in Excise Duty on Opening and Closing Stock of finished goods		<u><b>(622,571)</b></u>	<u>2,597,004</u>
		<u><b>648,986,952</b></u>	<u><b>533,994,061</b></u>
<b>SCHEDULE L: SALARIES, WAGES AND OTHER BENEFITS</b>			
Salaries, Wages, Bonus etc.		<b>86,873,357</b>	81,021,442
Contribution to Provident and Other Funds		<b>7,549,694</b>	7,129,825
Welfare Expenses		<b>13,630,166</b>	12,225,510
Compensation paid under Voluntary Retirement Scheme written off		—	5,484,937
		<u><b>108,053,217</b></u>	<u><b>105,861,714</b></u>

Rupees	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>SCHEDULE M: OTHER EXPENSES</b>		
Stores, Spares and Loose Tools Consumed	16,677,359	14,504,742
Packing Expenses	38,220,306	34,446,987
Job Charges / Labour Charges	23,074,964	14,699,925
Power and Fuel	14,628,455	13,801,939
Drawings, Designs and Layout Expenses	680,484	127,509
Rent	6,999,296	5,523,948
Rates and Taxes	5,576,672	1,986,714
Repairs and Maintenance:		
Buildings	7,426,986	4,758,742
Plant & Machinery	6,000,090	4,721,132
Others	13,627,543	6,641,743
	<b>27,054,619</b>	16,121,617
Insurance	3,128,203	3,395,857
Freight and Forwarding	18,206,979	15,247,709
Research and Development	1,378,102	1,935,737
Printing and Stationery	5,508,328	4,773,540
Postage and Telephones	10,673,869	9,736,905
Vehicle Expenses	6,964,972	5,789,746
Travelling Expenses	18,314,252	14,145,861
Conveyance Expenses	5,048,599	5,948,737
Legal and Professional Fees	8,924,959	6,977,272
Sales Tax	16,179,010	11,742,261
Advertisement & Sales Promotion	8,556,280	7,736,156
Auditors' Remuneration:		
Audit Fees	135,000	148,770
Tax Audit / Taxation Matters	30,000	33,060
Other Matters	75,000	75,175
Reimbursement of Expenses	11,967	1,815
	<b>251,967</b>	258,820
Directors' Sitting Fees	11,000	6,000
Royalty	44,670	739,598
Technical Know-how - fees written off	-	282,386
ERP Expenses written off	1,363,287	1,363,287
Provision for Doubtful Debts	-	10,633,732
Bad Debts	-	(6,728,868)
Less: Provision for Doubtful Debts written back	-	3,904,864
Wealth Tax	101,259	103,980
Loss on Sale of Assets (Net)	89,315	3,920,246
Loss on Assets Discarded	18,421,575	18,466,296
Loss on impairment of Assets	-	180,501
Donations	101,040	513,094
Exchange Fluctuations	6,139,037	9,241,120
Miscellaneous Expenses	24,884,884	24,602,011
	<b>287,203,742</b>	252,225,366
<b>SCHEDULE N: INTEREST</b>		
Fixed Loans	9,056,818	4,057,658
Others	20,222,286	15,927,963
	<b>29,279,104</b>	19,985,621

**SCHEDULE O: NOTES FORMING PART OF THE ACCOUNTS****1. Significant Accounting Policies**

**a. Basis of Accounting :** The accounts have been prepared on the accrual basis of accounting, under the historical cost convention in accordance with the Companies Act, 1956 and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

**b. Use of Estimates :** The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect, the reported amount of assets and liabilities on the date of the financial statement and a reported amount of revenues and expenses during the reporting period. Difference between the actual expenses and estimates are recognised in the period in which the results are known / materialised.

**c. Revenue Recognition :** Revenue from the sale of goods are recognised upon passage of title to the customer which generally coincides with their delivery. Claims, if any, in respect of sales are accounted for as and when settled.

Equipment manufactured by the Engineering Division for use by other divisions are included in the Sales at transfer price and are capitalised by other division.

Benefit on account of entitlement to import duty free materials under the "Duty Entitlement Exemption Certificate" (DEEC) is accounted in the year of import.

Income arising out of Business Conducting Fees are accounted on accrual basis.

**d. Fixed Assets and Depreciation :**

i. Fixed Assets are stated at cost of acquisition including expenditure incurred during construction / erection period less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributed cost of bringing the asset to working condition for its intended use.

ii. Expenditure incurred during the developmental and preliminary stages of Company's new projects are carried forward under the head capital work in Progress.

iii. Depreciation is provided in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956 :

– On Written Down Value basis in respect of all assets acquired before 01/04/91 at Kandivli.

– On straight line basis in respect of all other assets.

iv. Premium on leasehold land is amortised over its lease period.

**e. Impairment :** Impairment loss is recognized wherever the carrying amount of an asset is in excess of its recoverable amount and the same is recognized as an expense in the statement of profit and loss and the carrying amount of the asset is reduced to its recoverable amount.

**f. Investments :** Long Term Investments are stated at cost of acquisition or book value. Book value being arrived at after adjusting provision for diminution in value, provided such diminution is not temporary.

**g. Inventories :**

i. Inventories are valued as follows :

Stores, Spares, Raw Materials, Packing Materials, Finished Goods and Work - In - Progress - At lower of cost and Net Realisable Value.

ii. Cost of Raw Materials, Stores, Spares and Packing Materials is determined on Weighted Average Basis. Cost of Finished Goods and Work - In - Progress is determined by considering materials, labour and other related direct expenses.

**h. Research and Development :** Research and Development expenditure of revenue nature is written off in the year in which it is incurred and expenditure of capital nature is included in fixed assets and depreciation is provided on such assets as applicable.

- i. **Retirement Benefits** : Superannuation benefits to employees, as per company's scheme, have been funded with Life Insurance Corporation of India and the annual contribution towards fund is accounted for on accrual basis.

The accrued liability for Gratuity and Leave encashment benefits payable to employees has been provided on the basis of Actuarial Valuation and are charged to Profit & Loss Account.

- j. **Foreign Currency Transactions** : Transactions arising in foreign currencies during the year are recorded at the exchange rates prevailing on the date of the transactions. Foreign currency monetary items are converted into Rupee equivalent at the exchange rates prevailing as on Balance Sheet date. Non monetary items are carried at historical cost denominated in a foreign currency and are reported using the exchange rate at the date of transaction. Exchange differences arising on settlement / restatement of monetary items are recognised as income or as expenses in the year in which they arise, except exchange differences on transactions relating to acquisition of fixed assets from outside India, which are adjusted to the carrying amount of Fixed Assets. Premium or discount on Forward Contracts is amortised over the life of such contracts and is recognised as income or expenses, except for difference in respect of liabilities incurred for acquiring Fixed Assets from outside India, in which case such difference is adjusted in the carrying cost of Fixed Assets. Any Profit or Loss arising on cancellation or renewal of Forward Contract is recognised as income or as expense for the year except Profit or Loss on transactions relating to acquisition of Fixed Assets from outside India, which is adjusted against carrying cost of the Fixed Assets.

- k. **Customs Duty And Excise Duty** : Customs Duty and Excise Duty have been accounted on the basis of both payments made in respect of goods cleared as well as on provision made for goods lying in bonded warehouse.

- l. **Borrowing Costs** : Interest and other borrowing costs attributable to the acquisition of or construction of qualifying assets till the date of commercial use of the assets are capitalised. All other borrowing costs are charged to revenue.

- m. **Income Taxes** : Tax expense comprises both current and deferred taxes. Current Tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing difference and which are capable of reversal in subsequent periods are recognised using the tax rates and tax laws that have been enacted or substantively enacted. Provision for Fringe Benefit Tax liability is estimated and provided for.

n. **Segment Reporting** :

- i. **Identification of Segments** : The Company's operating business are organised and managed separately according to the nature of the products and services provided, with each segment representing strategic business unit that offers different products and serves different markets.
- ii. **Segment Revenue & Results** : The Income and Expenses which are not directly attributable to business segment are shown as unallocated income and expenses.
- iii. **Segment Assets & Liabilities** : Segment Assets include all operating assets used by the business segment and consists principally all Fixed Assets, Debtors, Inventories and Advances. Segment Liabilities primarily include Creditors, Other Liabilities / Provisions. Common assets and liabilities that cannot be allocated to any segment are shown as a part of unallocated corporate assets and liabilities.

o. **Leases** :

Operating Lease payments are recognised on a straight line basis over the lease term.

p. **Miscellaneous Expenditure** :

The deferred revenue expenditure representing ERP Project Implementation expenses is amortised over a period of 5 years.

q. **Provision & Contingent Liabilities** :

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

**2. Contingent Liabilities not provided for :**

	2005-2006 (Rs. in '000)	2004-2005 (Rs. in '000)
Disputed matters in appeal / contested in respect of:		
- Income Tax	882	
- Excise Duty	4052	4571
- Other matters	12858	-

**3. Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances)** 12586 77359

**4. Remuneration to Managing director and Whole Time Directors**

i] Salary and allowances	4185	3808
ii] Contribution to Provident Fund and other funds*	281	326
iii] Perquisites	334	335
iv] Directors Sitting Fees	11	6
	<b>*4811</b>	<b>*4475</b>

\*Excluding Contribution / Provision for Gratuity and Leave Encashment

**5. Sundry Debtors includes:**

Debts due from Subsidiary Companies and Associates

(i) Poona Bottling Co. Pvt. Limited	100	-
(ii) Grauer & Weil (Thailand) Limited	3085	-
(iii) Growel Sidasa Industries Pvt. Limited	861	-
(iv) Growel Goema India Pvt. Limited	1389	-

**6. Loans and Advances includes :**

a) Amount due from Subsidiary Companies		
(i) Poona Bottling Co. Pvt. Limited (On account of expenses)	-	139
(ii) Growel Energy Co. Limited (On account of expenses)	567	567
Share application money pending allotment	5	5
b) Loan to Associates		
(i) Grauer & Weil (Thailand) Limited	2000	-
c) Amount due from Associates		
(i) Growel Sidasa Industries Pvt. Limited (on account of expenses)	41	-
d) Amount due from following parties		

Shares held by the Loanee company

	Amount Outstanding	Maximum Balance during the year	No. of shares held at the year end	Maximum No. of shares held during the year
(i) Subsidiaries				
1) Poona Bottling Co. Pvt. Limited	Nil	139	Nil	Nil
2) Growel Energy Co. Limited	567	567	Nil	Nil
(ii) Associates				
1) Growel Goema (I) Pvt. Limited	Nil	5	Nil	Nil
2) Growel Sidasa Industries Pvt. Limited	41	255	Nil	Nil
3) Grauer & Weil (Thailand) Limited	2000	2000	Nil	Nil
(iii) Companies in which Directors are interested				
1) Growel Investment Limited	Nil	1104	20700	21700
2) Ridhi Sidhi Limited	Nil	2253	100320	100320
3) Growel Softech Limited	123	144	Nil	Nil

7. In the opinion of the Board, the Current Assets, Loans and Advances are approximately of the value stated if realised in the ordinary course of the business.
8. The Company has taken various premises under operating leases. These are generally not non-cancellable and range between 11 months to 3 years and above and are renewable by mutual consent on mutually agreeable terms. Lease payments are recognised in the Profit and Loss Account under the head "rent".
9. The Company has no information as to whether any of its suppliers constitute small scale industrial undertakings and therefore, the amount due to such suppliers has not been identified.
10. Premium on Forward Exchange Contracts to be amortised over the life of the contract Rs. 164361/- (Previous Year - Rs. Nil).

**11. Capital Work in Progress includes:**

Pre operative expenses pending allocation

	<b>2005-2006</b>	2004-2005
1) Rates and Taxes	<b>3352</b>	7310
2) Insurance	<b>66</b>	164
3) Professional Fees	<b>10166</b>	8776
4) Travelling Expense	<b>105</b>	330
5) Borrowing Cost	<b>5395</b>	10120
6) Miscellaneous	<b>437</b>	-
	<u><b>19521</b></u>	<u>26700</u>
Add: Brought forward from previous year	<u><b>46604</b></u>	<u>19904</u>
	<b>66125</b>	46604
Less: Rental Income	<b>12001</b>	-
Less: Amount Capitalised	<b>30572</b>	-
Total:	<u><u><b>23552</b></u></u>	<u><u>46604</u></u>

**12. SEGMENT REPORTING**

The following tables present revenue and profit / (loss) information regarding business / geographical segments for the year ended 31st March, 2006 and certain assets and liabilities information regarding business and geographical segments as at 31st March 2006.

**(a) Primary Segment Reporting by business segments**

(Rs. In '000)

	Chemical	Engineering	Shoppertainment	Total
<b>Segment revenue</b>				
Income from operations	<b>979695</b> (848312)	<b>165238</b> (136187)	<b>20333</b>	<b>1165266</b> (984499)
Add: Inter segment Revenue			-	0
Add: Other Income	<b>4880</b> (11333)	<b>10706</b> (7233)		<b>15586</b> (18566)
Add: Unallocable				<b>2074</b> (2802)
<b>Total</b>	<b>984575</b> (859645)	<b>175944</b> (143420)	<b>20333</b> 0	<b>1182926</b> (1005867)
<b>Segment Results</b>				
Less: Interest	<b>191867</b> (128341)	<b>3026</b> (3223)	<b>10417</b>	<b>205310</b> (131564)
Less: Other Unallocable Expenditure net of unallocable Income				<b>29279</b> (19986)
<b>Profit Before Tax</b>				<b>95633</b> (40704)
Less: Provision for current tax & Deferred tax				<b>80398</b> (70874)
<b>Profit After Tax</b>				<b>18182</b> (11211)
<b>Profit After Tax</b>				<b>62216</b> (59663)
Segment Assets	<b>644112</b> (586037)	<b>143055</b> (92860)	<b>216576</b> (185126)	<b>1003743</b> (864023)
Unallocated corporate Assets				<b>152861</b> (89928)
<b>Total Assets</b>				<b>1156604</b> (953951)
Segment Liabilities	<b>119713</b> (106588)	<b>67194</b> (43437)	<b>12891</b> (18944)	<b>199798</b> (168969)
Unallocated corporate Liabilities				<b>496890</b> (380560)
<b>Total Liabilities</b>				<b>696688</b> (549529)
Capital Expenditure	<b>21874</b> (28372)	<b>2657</b> (987)	<b>33356</b> (121520)	
Depreciation	<b>16839</b> (18848)	<b>827</b> (635)	<b>4200</b> 0	
Non Cash Expenditure	<b>0</b> (22795)	<b>352</b> (6886)		

**(b) Secondary segment reporting by geographical segment**

	Domestic	Exports	Total
Revenue	<b>1008182</b> (853907)	<b>174744</b> (151910)	<b>1182926</b> (1005817)
Total Assets	<b>1102845</b> (909953)	<b>53759</b> (43998)	<b>1156604</b> (953951)

Note: Previous year's figures are in brackets

## 13. Related party disclosures

(i). List of Related Parties

### Subsidiaries

Poona Bottling Company Pvt. Limited  
Growel Energy Company Limited

### Associates

Growel Goema (I) Pvt. Limited  
Growel Sidasa Industries Pvt. Limited  
Grauer & Weil (Thailand) Limited

### Key Management Personnel, their relatives and enterprises where significant influence exists, with whom the company had transactions

Mr. Umeshkumar N. More	Chairman & Managing Director
Mr. Vinod Haritwal	CEO & Executive Director
Mr. Rameshkumar R. More	Director
Mr. Nirajkumar U. More	Director
Mr. Rohitkumar R. More	Director
Mr. Rajender Guleria	Director
Mr. Rohan Shah	Director
Mr. M. M. Chaturvedi	Director

Bombay Paints Limited  
Growel Investment Limited  
Growel Softech Limited  
Digikore Designs Limited  
Growel Projects Limited  
(Erstwhile Shree MPJ Builders Pvt Limited)  
Ridhi Sidhi Limited  
Bubna More & Co. Pvt. Limited  
Radhakishan Nandlal Pvt. Limited

### Relatives of Key Management Personnel

Mrs. Premlata U. More  
Mrs. Pallavi N. More  
Mrs. Draupadidevi N. More  
Mr. Abhishek R. More

**ii) Transactions with Related Parties**

(Rs. In '000)

Transactions	Subsidiaries	Associates	Key Management Personnel (KMP)	Enterprises of KMP	Relatives of KMP	Total 2005-06	Total 2004-05
Sales		5862		97		<b>5959</b>	20267
Purchases				3314		<b>3314</b>	2732
Interest Received				131		<b>131</b>	2862
Interest Paid		197		265		<b>462</b>	261
Rent Recieved				234	1	<b>235</b>	292
Rent Paid	1618	0	552	192	489	<b>2851</b>	2102
Sales of Assets		71				<b>71</b>	6
Contract Payments				87785		<b>87785</b>	91739
Services Received (SAP)				4022		<b>4022</b>	5041
Salaries					623	<b>623</b>	620
Investment in shares		5498				<b>5498</b>	0
Director's Fees			11			<b>11</b>	5
Managerial Remuneration			4801			<b>4801</b>	4469
Security Deposit Received						<b>0</b>	4000
Loans accepted		3000		7000		<b>10000</b>	8500
Repayment of Loans accepted				1600		<b>1600</b>	8500
Loans & Advanced	100	2000		2500		<b>4600</b>	2390
Repayment of Loans Advanced				5859		<b>5859</b>	32310
<b>Outstanding Balances as on 31st March, 2006</b>							
- Unsecured Loans		3000		5400		<b>8400</b>	0
- Current Liabilities	33			8027		<b>8060</b>	19578
- Debtors	100	5335		6611		<b>12046</b>	11051
- Loans and Advances	567	2041		123		<b>2731</b>	4178

No amount has been provided as doubtful debts or advances written off or written back in the year in respect of debts due from / to above related parties.

**14. Earnings Per Share**

Calculation of Earnings per share for the year ended 31.03.2006

		31.03.2006	31.03.2005
Profit for the year	Rs.	<b>64,212,248</b>	60,027,521
Weighted average number of equity shares (Face Value Rs.10 per share)	Nos.	<b>12,787,725</b>	12,787,725
Basic Earnings per share	Nil	<b>5.02</b>	4.69

**15. Deferred Tax**

The break up of Net Deferred Tax Liability as on 31.3.2006 is as under:

Rs. in '000

	As at March 31, 2006		As at March 31, 2005	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Difference between Book Value of Depreciable Assets as per books and WDV for Tax purpose		<b>44692</b>		48787
Provision for Doubtful Debts, Leave Encashment, Gratuity & Diminution in value of Investments	<b>6719</b>		6030	
Other Items giving rise to timing differences	<b>478</b>		168	
Total	<b>7197</b>	<b>44692</b>	6198	48787
Net deferred Tax Liability		<b>37495</b>		42589
Net amount (credited) to Profit & Loss Account		<b>(5,094)</b>		(1,658)

**16. Additional information pursuant to the Provisions of Paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act, 1956**

**A) PARTICULARS OF INSTALLED CAPACITY AND PRODUCTION:** (As certified by the Management)

Sr. No.	Items	Unit	Installed Capacity	Production* Quantity
1.	Electroplating Chemicals and Enthone Chemicals	Tons	<b>1,7612</b> (9712)	<b>9040</b> (9292)
2.	Basic Chemicals	Tons	<b>1300</b> (700)	<b>352</b> (357)
3.	Intermediary Chemicals	Tons	<b>1200</b> (1200)	<b>2057</b> (1796)
4.	Electroplating Equipments	**	**	**

\* Includes Production for Inter Manufacturing Unit, Captive Consumption & Free Samples.

\*\* The Company is manufacturing different types of Plants and equipments on made to order basis quantity-wise information is not feasible.

**B. Particulars of stocks and turnover**

	Opening Stock		Closing Stock		Turnover	
	Quantity Tons	Value Rs. in Million	Quantity Tons	Value Rs. in Million	Quantity Tons	Value Rs. in Million
<b>Manufacturing</b>						
1 Electroplating Chemicals	<b>381.20</b> (210.00)	<b>36.16</b> (22.18)	<b>365.00</b> (381.20)	<b>29.71</b> (36.16)	<b>8,682.00</b> (8,655.40)	<b>1,037.64</b> (865.99)
2 Basic Chemicals	<b>6.30</b> (5.00)	<b>0.90</b> (0.92)	<b>3.43</b> (6.30)	<b>0.71</b> (0.90)	<b>354.94</b> (350.10)	<b>97.20</b> (73.29)
3 Intermeditory Chemicals	<b>59.10</b> (40.00)	<b>8.55</b> (6.03)	<b>54.98</b> (59.10)	<b>11.99</b> (8.55)	<b>696.79</b> (897.40)	<b>103.60</b> (128.31)
4 Electroplating Equipments @						<b>190.80</b> (157.16)
5 Free Sample						<b>0.43</b> (0.28)
6 Others						<b>0.23***</b> (4.50)***
						<b>1,429.90</b> (1,229.53)
<b>Trading</b>						
Chemicals	<b>0.60</b> (1.00)	<b>0.18</b> (0.19)	<b>0.10</b> (0.60)	<b>0.01</b> (0.18)	<b>0.50</b> (4.70)	<b>0.07</b> (0.89)

@ The Company is manufacturing different types of Plants and Equipments on made to order basis, quantity-wise information is not feasible.

\*\*\* Other includes sale of chemicals for which Quantity-wise bifurcation have not been ascertained by the company.

**C. Raw materials & bought out components consumed**

(Rs. In Million)

	Units	2005-2006		2004-2005	
		Quantity	Value	Quantity	Value
Inorganic Compounds	Tons	<b>5267.73</b>	<b>187.88</b>	4915.55	170.83
Organic Compounds	Tons	<b>3406.83</b>	<b>248.74</b>	3351.17	216.32
Metals	Tons	<b>77.24</b>	<b>55.89</b>	67.65	45.87
Mild Steel & Angles, Beams					
Channels, Sheets, Rods and Flats	Tons	<b>87.15</b>	<b>22.13</b>	55.78	16.51
Stainless Steel, Rods, Sheets & Flats	Tons	<b>7.27</b>	<b>10.16</b>	2.37	6.50
Electric Motors	Nos.	<b>359.00</b>	<b>2.13</b>	178.00	2.12
Rectifiers	Nos.	<b>169.00</b>	<b>7.58</b>	27.00	1.76
Others		<b>0.00</b>	<b>124.68</b>	0.00	84.80
<b>Total</b>			<b>659.19</b>		544.71

	%	Rs. in Million	%	Rs. in Million
Imported	<b>33</b>	<b>218.08</b>	30	161.57
Indigenous	<b>67</b>	<b>441.11</b>	70	383.14
	<b>100</b>	<b>659.19</b>	100	544.71

	2005-2006		2004-2005	
	Nos.	Rs. In Million	Nos.	Rs. In Million
<b>D. C. I. F. Value of Imports</b>				
(a) Raw Materials		<b>180.99</b>		137.17
(b) Components & Spare Parts		<b>0.14</b>		3.00
(c) Capital Goods		<b>2.75</b>		3.60
<b>E. Remittances in Foreign Currency</b>				
Dividend (Net of Taxes)		<b>0.38</b>		0.38
Number of Non-Resident Shareholders		<b>2</b>		2
Number of Shares held by Non-Residents on which dividend was remitted	<b>630000</b>		630000	
Year for which dividend was remitted		<b>2004-2005</b>		2003-2004
<b>F. Expenditure in Foreign Currency</b>				
(On Payment basis)				
(a) Travelling		<b>5.93</b>		5.48
(b) Royalty (Net of Taxes)		<b>0.04</b>		0.54
(c) Seminar & Exhibition		<b>0.60</b>		0.15
(d) Fees & Registration		-		-
(e) Advertisement		<b>0.22</b>		0.50
(f) Membership and subscription		<b>0.05</b>		0.06
(g) Professional fees		<b>3.80</b>		4.56
(h) Bank charges		<b>0.40</b>		0.54
(i) Interest		<b>3.19</b>		4.18
(j) Others		<b>0.98</b>		0.45
<b>G. Earnings in Foreign Currency</b>				
F. O. B. Value of Exports		<b>170.11</b>		144.29

**17. Previous years figures have been regrouped and / or rearranged wherever considered necessary to make them comparable with those of current year.**

Signatures to Schedules 'A' to 'O' which form an integral part of the Financial Statements

**for M. M. NISSIM AND CO.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**MEM No.: 32218**

**Mumbai, 30th June, 2006**

**Mumbai, 30th June, 2006**

Statement pursuant to PART IV of Schedule VI to the Companies act, 1956

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. Registration Details:

Registration No. 

1	0	9	7	5
---	---	---	---	---

 State Code 

1	1
---	---

Balance Sheet 

3	1
---	---

0	3
---	---

2	0	0	6
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Date                      Month                      Year

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	Rights Issue																		
<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>				N	I	L				<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>				N	I	L			
			N	I	L														
			N	I	L														
Bonus Issue	Private Placement																		
<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td>2</td><td>5</td><td>5</td><td>7</td><td>5</td></tr></table>					2	5	5	7	5	<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>				N	I	L			
				2	5	5	7	5											
			N	I	L														

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets																		
<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>1</td><td>1</td><td>5</td><td>8</td><td>7</td><td>5</td><td>7</td></tr></table>			1	1	5	8	7	5	7	<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>1</td><td>1</td><td>5</td><td>8</td><td>7</td><td>5</td><td>7</td></tr></table>			1	1	5	8	7	5	7
		1	1	5	8	7	5	7											
		1	1	5	8	7	5	7											

Source of Funds

Paid-up Capital	Reserve & Surplus																		
<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>1</td><td>2</td><td>7</td><td>8</td><td>7</td><td>7</td></tr></table>				1	2	7	8	7	7	<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>3</td><td>3</td><td>2</td><td>0</td><td>0</td><td>9</td></tr></table>				3	3	2	0	0	9
			1	2	7	8	7	7											
			3	3	2	0	0	9											
Secured Loans	Unsecured Loans																		
<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>3</td><td>4</td><td>6</td><td>4</td><td>3</td><td>3</td></tr></table>				3	4	6	4	3	3	<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td>4</td><td>8</td><td>3</td><td>4</td><td>2</td></tr></table>					4	8	3	4	2
			3	4	6	4	3	3											
				4	8	3	4	2											
Deferred Tax Liabilities																			
<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td>3</td><td>7</td><td>4</td><td>9</td><td>5</td></tr></table>					3	7	4	9	5										
				3	7	4	9	5											

Application of Funds

Net Fixed Assets	Investments																			
<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>5</td><td>9</td><td>1</td><td>8</td><td>8</td><td>3</td></tr></table>				5	9	1	8	8	3	<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>8</td><td>8</td><td>7</td><td>9</td></tr></table>							8	8	7	9
			5	9	1	8	8	3												
						8	8	7	9											
Net Current Assets	Misc. Expenditure																			
<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>2</td><td>9</td><td>0</td><td>0</td><td>3</td><td>1</td></tr></table>				2	9	0	0	3	1	<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>1</td><td>3</td><td>6</td><td>3</td></tr></table>							1	3	6	3
			2	9	0	0	3	1												
						1	3	6	3											
Accumulated Losses																				
<table border="1" style="width: 100%;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>				N	I	L														
			N	I	L															

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

		1	1	6	5	2	6	7
--	--	---	---	---	---	---	---	---

Total Expenditure

		1	1	0	0	3	7	6
--	--	---	---	---	---	---	---	---

Profit/Loss Before Tax

+	-					8	2	5	5	0
<input checked="" type="checkbox"/>	<input type="checkbox"/>									

Profit/Loss After Tax

+	-					6	3	6	4	4
<input checked="" type="checkbox"/>	<input type="checkbox"/>									

(Please tick Appropriate box + for Profit, - for loss)

Earning Per Share in Rs.

						5	-	0	2
--	--	--	--	--	--	---	---	---	---

Dividend Rate %

0	6
---	---

V. Generic Names of Three Principal Products/Services of the company (As per monetary terms)

Item Code No.  
(ITC Code)

3	8	2	4	9	0	2	1
---	---	---	---	---	---	---	---

Product Description

E	L	E	C	T	R	O	P	L	A	T	I	N	G		S	A	L	T				

Item Code No.  
(ITC Code)

8	5	4	3	3	0	0	0
---	---	---	---	---	---	---	---

Product Description

E	L	E	C	T	R	O	P	L	A	T	I	N	G								
M	A	C	H	I	N	E	R	Y		A	N	D		P	A	R	T	S			

for M. M. NISSIM AND CO.  
Chartered Accountants

P. P. BHANDARI  
Partner  
MEM No.: 32218

Mumbai, 30th June, 2006

Mumbai, 30th June, 2006

**STATEMENT ATTACHED TO THE BALANCE SHEET AS AT MARCH 31, 2006****PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.**

Name of the Subsidiary Company	:	POONA BOTTLING COMPANY PVT. LIMITED	GROWEL ENERGY COMPANY LIMITED
1. Financial year ending	:	March 31, 2006	March 31, 2006
2. Date from which it became subsidiary	:	November 15, 1970	January 04, 2002
3. Extent of the holding Company's interest at the financial year end of the subsidiary	:	145,950 Equity Shares of Rs.100/- each (77.22%)	49,400 Equity Shares of Rs.10/- each (98.80%)
4. The Net aggregate amount of the Subsidiary's profits less losses, so far as it concerns the members of the Holding Company and is not dealt within the Holding Company's account :			
a) For the financial year mentioned against item 1 above	:	Rs.102,225,444 (LOSS)	NIL
b) For the previous financial years of the subsidiary since it became the holding Company's Subsidiary	:	Rs.132,604,140 (LOSS)	NIL
5. A. The net aggregate amount of the subsidiary's profit less losses for the financial year, mentioned against item 1 above, so far as those profits are dealt within the Holding Company's account.	:	NIL	NIL
B. The Net aggregate amount of the subsidiary's profits less losses for the previous financial year of the subsidiary, since it became the holding Company's subsidiary, so far as those profits are dealt within the Holding Company's account.	:	Rs.1,638,850	NIL

**for M. M. NISSIM AND CO.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**MEM No.: 32218**

**Mumbai, 30th June, 2006**

**Mumbai, 30th June, 2006**

**BOARD OF DIRECTORS**

UMESHKUMAR N. MORE – Chairman

RAMESHKUMAR R. MORE

NIRAJKUMAR U. MORE

ROHITKUMAR R. MORE

GORAV R. MORE

**AUDITORS**

M/s R.N. Bhansali & Co.

Chartered Accountants

7-10, Horniman Circle,

Fort, Mumbai – 400 023.

**BANKERS**

BANK OF INDIA

**REGISTERED OFFICE & FACTORY**

410/1, 411/2, Mumbai – Pune Road,

Dapodi, Pune – 411 012.

**NOTICE TO THE MEMBERS**

NOTICE is hereby given that the 47th Annual General Meeting of the members of POONA BOTTLING COMPANY PRIVATE LIMITED will be held on Saturday, August 12, 2006 at 10.00 A. M. at the registered office of the Company at 410/1, 411/2, Mumbai-Pune Road, Dapodi, Pune - 411 012 to transact with or without modification[s], the following businesses:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 2006 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
2. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

**Registered Office:**  
410/1, 411/2, Bombay - Pune Road,  
Dapodi, Pune - 411 012.

**For & on behalf of the Board**  
**For Poona Bottling Company Private Limited**

**June 30, 2006.**

**NOTES:**

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

**DIRECTORS' REPORT TO THE SHAREHOLDERS:**

Your Directors have great pleasure in presenting 47th Annual Report together with the Audited accounts for the year ended March 31, 2006.

**OPERATIONS:**

The reference to arbitration made by your company in the dispute with Hindustan Coca-Cola Beverages Pvt. Ltd. was decided upon by the arbitration panel on 8<sup>th</sup> December 2005. The Award partially vindicates the company's stand and grants substantial reliefs and benefits to the company. The financial statements for the year reflect the impact of the Award. The closure of the legal dispute has rendered the net worth of the company as positive and the company is now hopeful of pursuing alternate business plans with the use of assets still available with the company.

**DIVIDEND:**

Due to non availability of sufficient profits, your Board has decided not to recommend any dividend for the year ended March 31, 2006.

**FIXED DEPOSITS:**

The Company has not invited or accepted Fixed Deposits during the financial year 2005-2006.

**DIRECTORS RESPONSIBILITY STATEMENT:**

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

1. In the preparation of the annual accounts, the applicable accounting standards have been followed except as explained in the Notes to Balance Sheet and profit and Loss Account.
2. Appropriate policies have been selected and applied consistently and have made judgments and estimates wherever made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006.
3. Proper and sufficient care has been taken 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. The annual accounts have been prepared on a going concern basis.

**AUDITORS :**

M/s. R. N. Bhansali & Co. Chartered Accountants, Auditors of the Company are retiring at the ensuing Annual General Meeting. They are eligible for re-appointment and have expressed their willingness to act as auditors, if re-appointed. The Company has received a certificate from them that they are qualified under section 224 (1) of the Companies Act, 1956, for appointment as Auditors of the Company. Members are requested to consider their appointment at a remuneration to be decided by the Board of Directors for the financial year ending March 31, 2007 as set out in the Notice convening the Meeting.

**AUDITORS' OBSERVATIONS:**

The observations of the auditors contained in their Report have been adequately dealt with in the Notes to the Accounts given in Schedule "I" which are self explanatory and, therefore, do not call for any further comments.

**SECRETARIAL COMPLIANCE CERTIFICATE:**

As required under the provisions of the Companies Act, 1956, Secretarial Compliance Certificate issued by a Practising Company Secretary is enclosed and forms part of the Director's Report.

**PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:**

Since there were no manufacturing activities during the year, the provisions 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 not applicable.

## **POONA BOTTLING COMPANY PRIVATE LIMITED**

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### **PARTICULARS OF EMPLOYEES:**

None of the employees of the Company came within the purview of the information required u/s 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended.

### **SAFETY, ENVIRONMENTAL CONTROL AND PROTECTION:**

The Company has taken all the necessary steps for safety and environmental control and protection at all its plants.

**Registered Office:**  
410/1, 411/2, Bombay - Pune Road,  
Dapodi, Pune - 411 012.

June 30, 2006.

**For & on behalf of the Board**  
**For Poona Bottling Company Private Limited**

**SECRETARIAL COMPLIANCE CERTIFICATE**

COMPANY NO. 11-011307.

AUTHORISED SHARE CAPITAL: RS.300,00,000/-.

PAID UP SHARE CAPITAL: RS.189,00,000/-.

**The Members,**

**M/s. POONA BOTTLING COMPANY PRIVATE LIMITED**

**410/1, 411/2, Mumbai-Pune Road,**

**DAPODI, PUNE - 411 012.**

I have examined the registers, records, books and papers of **M/s. POONA BOTTLING COMPANY LIMITED** ( the Company ) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended on **MARCH 31, 2006**. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company and its officers, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in ANNEXURE - 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as required with the Registrar of Companies or other authorities as prescribed under the Act and the rules made hereunder wherever applicable as per ANNEXURE – 'B'.
3. The Company being a Private Limited Company has minimum prescribed paid up Capital and number of members during the said financial year.
4. The Board of Directors duly met 5 [FIVE] times during the aforesaid Financial Year i.e. on 18/04/2005, 30/06/2005, 22/08/2005, 21/10/2005 AND 28/01/2006 and in respect of each meeting proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company did not close its Register of Members during the financial year.
6. The Company held its Annual General Meeting during the year in time i.e. on July 30, 2005 and in respect of which proper notice was given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
7. NO Extra Ordinary General Meeting was held during the financial year.
8. The Company has not given or advanced any amount as defined in Section 295 of the Companies Act, 1956.
9. The Company has not entered into contracts falling within the purview of Section 297 of the Act.
10. The Company has complied with the provisions of Section 301 of the Companies Act, 1956.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approval from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company has:
  - i. delivered all the certificates on allotment of Shares in accordance with the provisions of the Companies Act, 1956.
  - ii. duly complied with the requirements of Section 217 of the Act.
  - iii. other clauses are not applicable.
14. The Board of Directors of the Company is duly constituted.
15. There was no appointment of Managing Director or whole time Director during the financial year under review.
16. The company has not appointed any Sole Selling Agents during the year.

17. The company was not required to obtain any approvals of the Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any Equity Shares during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not issued any preference shares/debentures and hence the question of redemption of preference shares/debentures does not arise during the financial year under review.
22. There were no transactions necessitating the Company to keep in abeyance the rights of dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company being a Private Limited Company, provisions of 293 (1) (d) of the Act are not applicable.
25. The Company being a Private Limited Company, provisions of section 372A of the Companies Act, 1956 are not applicable
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the Object of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to Name of the company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to Share Capital of the company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under scrutiny.
31. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. As the Company has laid off all its employees I was informed that there were no payments effected on account of Provident Fund and State Insurance dues with the appropriate authorities.

**[MAHESH SONI]**

**PRACTISING COMPANY SECRETARY**

**FCS: 3706; COP: 2324.**

**Place: Mumbai,**

**Date: June 30, 2006**

**ANNEXURE - 'A' TO THE SECRETARIAL COMPLIANCE CERTIFICATE :**

Name of the Company : M/s. POONA BOTTLING COMPANY PRIVATE LIMITED.

**DETAILS OF REGISTERS MAINTAINED :**

Sr. No.	Section Number	Name of Register
1.	108	Share Transfer Register
2.	150	Register of Members
3.	193	Minutes of all meetings of Board of Directors
4.	193(1)	Minutes of General Meetings
5.	301	Register of Contracts.
6.	303	Register of Directors.
7.	125	Register of Charge.

**ANNEXURE - 'B' TO THE SECRETARIAL COMPLIANCE CERTIFICATE**

Name of the Company : M/s. POONA BOTTLING COMPANY PRIVATE LIMITED.

**DETAILS OF FORMS FILED WITH THE REGISTRAR OF COMPANIES :**

Sr. No.	Document/ Under Section	Filed on	Whether filed in time	Whether additional fee paid
1	Annual Return U/s. 159.	27/09/2005.	Yes	No.
2	Balance Sheet U/s. 210.	27/09/2005.	Yes	No.
3	Secretarial Compliance Certificate U/s. 383A.	27/09/2005.	Yes	No.

[MAHESH SONI]

**PRACTISING COMPANY SECRETARY**

**FCS: 3706; COP: 2324.**

**Place: Mumbai,**

**Date: June 30, 2006**

## AUDITORS' REPORT

We have audited the attached Balance Sheet of **POONA BOTTLING COMPANY PRIVATE LIMITED** as at 31st March, 2006 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1.00 As required by the Companies (Auditor's Report) (Amendment) Order, 2004 in the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such check of the books and records of the Company as we considered appropriate and on the basis of the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2.00 Further to our comments in the Annexure referred to above, we report that:
  - 2.01 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - 2.02 In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
  - 2.03 In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report are in compliance with the accounting standards referred to in section 211(3C) of the Companies Act, 1956 and are in agreement with the books of account.
  - 2.04 On the basis of written representations received from the directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956:
  - 2.05 In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with schedules A to I give the information required by the Companies Act, 1956, in the manner so required and **subject to the following** give a true and fair view in conformity with the accounting principles generally accepted in India:

### In Schedule "I"

- |                          |   |
|--------------------------|---|
| Clause 1 (b)(iii)        | regarding non-amortization of leasehold land.   |
| Clause 2 (a) & (c)       | regarding the closure of the bottling operations of the Company, claims against the companies not acknowledged as debt.   |
| Clause 2 (a)(i)          | regarding the non provision of labour dues amounting to Rs.215.70 lakhs where by the losses and the current liabilities have been understated to that extent.   |
| Clause 2 (a)(ii) & (iii) | regarding the non provision of the liability arising out of invocation of guarantees given by the company to the extent of Rs.468.00 lakhs whereby the losses and the current liabilities have been understated to that extent. |
| Clause 6                 | regarding non confirmation of balances.   |

in the case of

- a. Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
  - b. Profit and Loss Account, of the profit / loss for the year ended on that date and
  - c. Cash Flow Statement, of the cash flows for the year ended on that date.
- 

**For R. N. Bhansali & Co.  
Chartered Accountants**

**A. G. Deshpande  
(Partner)**

**Mumbai**

**Dated: 30<sup>th</sup> June, 2006.**

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**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT OF EVEN DATE**

1. (a) The records of fixed assets are being compiled. Hence we are unable to comment on the same.  
(b) We are informed that physical verification of fixed assets and reconciliations with the financial records will be carried out on compilation of the fixed asset register. Further we were informed that the bottles and cases in market given on or without deposits could not be verified physically.
2. During the year the Company has written off its stock of spares in hand and does not have any stock in hand, hence clause 2 of Companies (Auditor's Report) (Amendment) Order, 2004 in the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, is not applicable to the Company.
3. (a) As per the information and explanations given to us and the register under section 301 of the Companies Act, 1956 produced before us we find that the Company has granted loans to Nine parties covered in the register maintained U/s.301 of the Act the maximum amount of total loan outstanding during the year is Rs13,90,52,352/- and the closing balance as at 31<sup>st</sup> March, 2006 amounted to Rs.7,64,97,324/- .  
(b) As no agreements have been entered into with the parties covered U/s. 301 of the Companies Act, 1956 for the loans granted we are unable to give any opinion whether the loans granted by the company are prejudicial to the interests of the Company.  
(c) In the absence of any agreements with the parties covered U/s. 301 of the Companies Act, 1956 we are unable to offer any comments on the regularity of the repayments of the loans.  
(d) In the absence of any agreements with the parties covered U/s. 301 of the Companies Act, 1956 we are unable to comment on whether any overdue instalments exceeding Rs.100,000/- to be received in respect of loans granted by the Company are there are not.  
(e) As per the information and explanations given to us and the register under section 301 of the Companies Act, 1956 produced before us we find that the Company has not taken any loans during the year hence clause 3(e) to 3(g) of the Companies (Auditor's Report) (Amendment) Order, 2004 in the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
4. In our opinion and according to the information and explanations given to us there are adequate internal control procedures are commensurate with the size of the Company and nature of its business.
5. (a) To the best of our knowledge and belief and according to the information given to us, and the register under section 301 of the Companies Act, 1956 produced before us, we are of the opinion that the transactions that need to be entered into the register maintained U/s.301 of the Companies Act, 1956 have been so entered.  
(b) There are no transactions of purchases of goods, materials and sale of goods, materials & services made in pursuance of contracts or agreements entered in the register maintained U/s. 301 of the Act aggregating during the year to Rs.500,000/- or more in respect of each party other than charging amenity charges to Grauer & Weil (India) Limited and Growel Softech Limited amounting to Rs.14,70,471/- and Rs.11,26,971/- respectively. We were informed that the rates whereof cannot be compared with the prevailing market rates as the same are not available.
6. During the year the Company has not accepted any deposits from public as contemplated U/s.58A & 58AA of the Act and the rules framed there under.
7. The Company has no internal audit system.
8. The Central Government has not prescribed the maintenance of Cost Records U/s.209(1)(d) of the Companies Act, 1956.
9. (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts there are no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess, Investor Education & Protection Fund and any other statutory dues which were outstanding as at 31<sup>st</sup> March, 2006 for the period of more than 6 months from the date they became payable.  
Further we were informed that the Company has no employees during the period hence Clause 9 of the Companies (Auditor's Report) Order, 2003 issued by the Central Government, in terms of section 227(4A) of the Companies Act, 1956 in respect of payment of Provident Fund and Employee's state provident fund dues is not applicable.  
(b) According to the information and explanations given to us and on the basis of our examination of the books of accounts there are no Income Tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty to be deposited on account of any disputes other than the disputes as mentioned in Annexure to this report. Further we were informed that as the Company has the benefit of carried forward losses there are no amounts to be deposited on account of Income Tax Disputes.

10. The accumulated losses of the Company as on 31<sup>st</sup> March, 2006 stand at Rs.16,03,56,881/- which exceeds 50% of its entire net worth. Further there were no cash losses for the year ended 31<sup>st</sup> March, 2006. However, the cash loss for the immediately preceding year ended 31<sup>st</sup> March 2005 was Rs.13,58,610/-
11. The Company did not have any outstanding debentures or any outstanding loans from any financial institutions or banks during the year.
12. According to the information and explanations given to us the Company has not granted loans and advances on the basis of securities by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund/nidhi/mutual benefit fund/societies hence Clause 13 of Companies (Auditor's Report) (Amendment) Order, 2004 in the Companies (Auditor's Report) Order, 2003 issued by the Central Government, in terms of section 227(4A) of the Companies Act, 1956 is not applicable.
14. According to the Information & explanations given to us and on the basis of our verification of the books and other documents, the Company has not traded in shares, securities, debentures and other securities hence no separate records have been maintained of the transactions and contracts of purchases and sale of the investments other than the records of such transactions in the books of accounts of the Company and timely entries have been made therein. Further we were informed that the investments in hand as on 31<sup>st</sup> March, 2006 were in the Company's own name.
15. We were informed that there were no guarantees issued by the Company for loans taken by others from banks or financial institutions.
16. The Company has taken no term loans during the year.
17. According to the information and explanations the Company has raised no new loans during the year and that there are no loans outstanding as on 31<sup>st</sup> March, 2006.
18. The Company has made no preferential allotments of shares during the year to parties and Companies covered in the register maintained under section 301 of the Act.
19. As the Company did not have any outstanding debentures during the year. Accordingly no securities have been created.
20. The Company has not raised funds through public issue during the year.
21. According to the information and explanations given to us, no frauds on or by the Company has been noticed or reported during the year.

**For R. N. Bhansali & Co.**  
**Chartered Accountants**

**A. G. Deshpande**  
**(Partner)**

**Mumbai**  
**Dated: 30<sup>th</sup> June, 2006.**

Statement Referred to in Para 9(b) of the Annexure to the Audit Report

Excise Dues Nature of Dues	Disputed Amount	Forum Where Dispute is pending
i. Excise Duty & Penalty	27,59,444	Commissioner - Excise
ii. Excise Duty	28,28,018	Civil Court of Pune
iii. Excise Penalty	90,000	Commissioner - Excise
<b>Total</b>	<b><u>56,77,462</u></b>	

**BALANCE SHEET AS AT MARCH 31, 2006**

	Schedule	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SOURCES OF FUNDS</b>				
SHAREHOLDERS FUNDS				
Share Capital	A	18,900,000		18,900,000
Reserves & Surplus	B	<u>251,927,727</u>		<u>8,324,871</u>
			<b>270,827,727</b>	27,224,871
DEFERRED TAX LIABILITY			—	1,976,987
			<u><b>270,827,727</b></u>	<u>29,201,858</u>
<b>APPLICATION OF FUNDS</b>				
FIXED ASSETS				
Gross Block	C	210,554,656		210,957,960
Less Depreciation		<u>159,592,241</u>		<u>153,626,274</u>
Net Block			<b>50,962,415</b>	57,331,686
<b>INVESTMENTS</b>	D		<b>5,722,438</b>	2,726,115
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories		—		10,620,542
Bottles & Cases		—		87,055,075
Sundry Debtors		26,903,830		58,677,949
Cash and Bank Balances		685,027		612,465
Loans and Advances		86,218,904		91,345,447
		<u>113,807,761</u>		<u>248,311,478</u>
<b>Less: CURENT LIABILITIES AND PROVISIONS</b>	F			
Curent Liabilities		60,021,768		307,200,889
Provisions		—		—
		<u>60,021,768</u>		<u>307,200,889</u>
<b>NET CURRENT ASSETS</b>			<b>53,785,993</b>	(58,889,411)
<b>PROFIT AND LOSS ACCOUNT</b>				
As per Last Year Balance Sheet		28,033,468		20,420,332
During the Year		132,323,413	<b>160,356,881</b>	7,613,136
Total			<u><b>270,827,727</b></u>	<u>29,201,858</u>
Notes to Accounts	I			

As per our attached Report of even date  
For M/s. R. N. BHANSALI & COMPANY  
Chartered Accountants

**A. G. DESHPANDE**  
Partner

Mumbai  
June 30, 2006

Mumbai  
June 30, 2006

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006**

	Schedule	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>INCOME</b>			
Compensation Received		3,089,222	2,030,875
Other Income	G	2,919,818	186,555
		<u>6,009,040</u>	<u>2,217,430</u>
<b>EXPENDITURE</b>			
Operating and Other Expenses	H	134,041,011	3,576,040
Depreciation	C	6,311,443	7,319,226
		<u>140,352,454</u>	<u>10,895,266</u>
<b>LOSS BEFORE TAXATION</b>		<b>134,343,414</b>	<b>8,677,836</b>
Provision for Taxation		-	-
Current year		-	-
Deferred Tax		(1,976,987)	(998,665)
<b>LOSS FOR THE YEAR AFTER TAXATION</b>		<b>132,366,427</b>	<b>7,679,171</b>
Add/(less): Prior Period Adjustment		15,656	-
		<u>132,382,083</u>	<u>7,679,171</u>
Less: Transferred from Revaluation Reserve		58,670	66,035
<b>NET LOSS FOR THE YEAR</b>		<b>132,323,413</b>	<b>7,613,136</b>
Add: Balance Brought Forward		28,033,468	20,420,332
Deficit Carried to Balance Sheet		<u>160,356,881</u>	<u>28,033,468</u>
<b>Notes to Accounts</b>	<b>I</b>		

As per our attached Report of even date  
For M/s. R. N. BHANSALI & COMPANY  
Chartered Accountants

**A. G. DESHPANDE**  
Partner

Mumbai  
June 30, 2006

Mumbai  
June 30, 2006

**SCHEDULES ANNEXED TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SCHEDULE A:</b>			
SHARE CAPITAL			
AUTHORISED			
300,000 Equity Shares of Rs.100/- each		<u>30,000,000</u>	<u>30,000,000</u>
ISSUED AND PAID-UP			
189,000 Equity Shares of Rs.100/- each fully paid up		<u>18,900,000</u>	<u>18,900,000</u>
<b>Note:</b>			
(1) Out of the above, 145,950 Equity Shares are held by Grauer & Weil (I) Ltd the holding company			
(2) 180,000 Equity Shares of Rs.100/-each were allotted as fully paid up bonus shares by capitalisation of reserves			
<b>SCHEDULE B:</b>			
RESERVES & SURPLUS			
Capital Reserve			
As per last Balance Sheet	103,121		103,121
Add: Transfer from Hindustan Coca Cola Beverages Pvt. Ltd. (Current liabilities) (See note no.4 Schedule '1')	<u>243,661,526</u>		<u>                    </u>
		<b>243,764,647</b>	103,121
Revaluation Reserve			
As per last Balance Sheet	8,221,750		8,287,785
Less: Transferred to Profit & Loss Account	<u>58,670</u>		<u>66,035</u>
		<b>8,163,080</b>	8,221,750
		<u><b>251,927,727</b></u>	<u><b>8,324,871</b></u>





**SCHEDULE F: CURRENT LIABILITIES & PROVISIONS**

	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
a) CURRENT LIABILITIES:			
Sundry creditors		3,912,988	3,954,544
Deposits from Dealers		—	567,500
Deposit against bottles & cases		55,660,974	55,660,974
Advances from customers		366,892	2,646,126
Other Liabilities		80,914	710,219
From Hindustan Coca Cola Beverages Pvt. Ltd.			
Opening Balance	243,661,526		243,661,526
Less: Transferred to Capital Reserve (See Note no 4 Schedule 'I')	<u>243,661,526</u>	—	—
		<u>60,021,768</u>	<u>307,200,889</u>
b) PROVISIONS:			
Provision for Taxation		—	—
		<u>60,021,768</u>	<u>307,200,889</u>

**SCHEDULE G: OTHER INCOMES**

Interest			2,746
Sundry Balances Written Back		2,885,756	29,056
Profit on Investment		27,702	145,153
Profit on Sale of Assets		3,660	—
Dividends received		2,700	9,600
		<u>2,919,818</u>	<u>186,555</u>

**SCHEDULE H: OPERATING & OTHER EXPENSES**

Rent, Rates and Taxes		243,335	1,126,730
Power, Fuel & Water		349,835	729,848
Postage and Telephone		22,135	29,348
Travelling & Conveyance		243,124	424,452
Printing & Stationery		450	6,289
Membership & Subscription		9,600	18,000
Legal & Professional Fees		395,750	452,260
Auditors' Remuneration		28,060	32,600
Repair to Machinery		—	17,182
Repair to Other Assets		—	3,240
Insurance		16,837	50,512
Entertainment		—	15,262
Security Charges		404,652	402,463
General Charges		83,109	267,854
Advances Written off		4,148,065	—
Bad Debts Written Off		30,420,442	—
Bottles & Cases Written Off		87,055,075	—
Traded Goods Written Off		8,856,764	—
Inventories Written Off		1,763,778	—
		<u>134,041,011</u>	<u>3,576,040</u>

**SCHEDULE ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31<sup>ST</sup> 2006**

**SCHEDULE I: NOTES ON ACCOUNTS**

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting.

Financial Statements are prepared under the historical cost convention on a going concern basis in accordance with the applicable accounting standards

b) Fixed Assets and Depreciation

- i. Fixed assets are stated at cost / valued less accumulated depreciation.
- ii. Depreciation has been provided on written down value method at the rate and the manner specified in Schedule XIV of the Companies Act, 1956.
- iii. Lease monies paid for leasehold land are not amortized over the period of lease.

c) Bottles & Cases

Bottles and Cases are valued at the deposit rate prevailing as on 31<sup>st</sup> March, 1999

d) Inventories

Stores, Spares and Raw Materials are valued at Cost. Traded Goods are valued at lower of the cost or net realisable value. Cost is determined on FIFO basis.

e) Investments

Investments are valued at cost. Provision is made for depletion in market value of investments, if the same is considered permanent in nature by the management.

f) Deferred Tax Asset / (Liability)

Deferred Tax Liability on account of timing difference between taxable income and accounting income for the year is accounted for by applying the tax rates and laws enacted or substantially enacted as of the balance sheet date. Deferred Tax Assets are recognised only to the extent of virtual certainty of its realisation or adjustment against deferred tax liability.

g) Dividend on shares & Mutual Funds are accounted on cash basis.

2. a) CLAIMS AGAINST COMPANY NOT ACKNOWLEDGED AS DEBTS

- i. Upon termination of the Contract Packing agreement on the 21.2.2000 by Hindustan Coca Cola Beverages Private Limited, the production activities at the Bottling unit of the company stopped with effect from 21<sup>st</sup> February 2000. On a complaint filed by the Union of the employees in Industrial Court, Pune, the court by an interim order dated 22.3.2000, ordered the Company to pay the employees who were members of the Union and were on the muster roll of the Company an amount equal to 50% of the basic and DA though there was no production. By a subsequent order dated 20.3.2001, the Court instructed the Company to pay full wages/salaries to its employees from February 2000. On being aggrieved by the said order the Company filed an appeal before the honorable High Court, Mumbai. The Hon'ble High Court ordered the Company to continue to pay an amount equal to 50% of the basic and the DA till final disposal of the appeal.

With a view to limit the ongoing costs, the company closed its bottling unit under the Industrial Dispute Act with effect from 2.8.2001 and retrenched all its employees from that date. The employees of the company filed complaints in the Industrial Court, Pune the matter is sub justice. The company has made payments as per the interim orders of the Industrial Court, Pune and High Court, Mumbai. Further the Industrial Court, Pune vide order dated 20th December 2003 have given a verdict against the Company by ordering the Company to pay the wages to employees who have not accepted their dues and closure compensation. The Company preferred an appeal against the order of the said Industrial Court along with a petition for interim relief to stay the order of the Industrial Court, Pune.

The honourable High Court Mumbai has admitted the appeal but refused the interim stay as applied. The total amount payable as estimated by the Company works out to Rs.215.70 lakhs, the Company has already made a payment of Rs.48.41 Lakhs towards their dues, the balance liability has not been provided for in the books of accounts awaiting the final orders in the appeal before the Honorable High Court Mumbai.

- ii. Guarantee given by the Company to financial institution of Rs.100.00 Lacs have been invoked by the financial institution. The Debt Recovery Tribunal Mumbai vide its order dated 9<sup>th</sup> June 2006 has directed the Company to pay Rs.218.60 lacs (with interest @ 12%). The Company has not accepted the order and is in the process of filing an appeal before Mumbai High Court. Liability, if any, shall be provided as and when determined.
- iii. Guarantees given by the Company to banks to the extent of Rs.325.00 lacs have been invoked by the banks. The Debt Recovery Tribunal, Pune vide order dated 8<sup>th</sup> December 2004 directed the Company and others to pay the disputed amount of Rs.250.00 lacs. The Company has contested the said order and the matter is pending before the Debt Recovery Appellate Tribunal, Mumbai. Liability, if any, dependant of the result of the said dispute shall be provided as and when determined.
- b) Upon the arbitration award dated 8<sup>th</sup> December, 2005, the Bottles and Cases and Traded Goods lying with Hindustan Coca-Cola Beverages Pvt. Ltd amounting to Rs.959.11 Lakhs have been written off.
- c) The Company continues to carry on its other business activities and as such the accounts are prepared on a going concern basis.
- d) On account of the losses no provision for Dividend and Tax has been made.

3. Contingent Liabilities not provided for	<b>2005-2006</b>	Rs. in lacs 2004-2005
a) Disputed Excise Duty liability	<b>56.77</b>	116.12
b) Disputed Gratuity	<b>0.69</b>	NIL
c) Income Tax Claims: In view of the benefit available to the Company of brought forward depreciation and losses the disallowances made by the assessing officer have no impact and hence not provided for.		
4. The company had entered into a "Business Purchase Agreement" with Hindustan Coca Cola Beverages Pvt.Ltd. (HCC) for sale of its soft drink business undertaking on a slump sale basis on 22 <sup>nd</sup> July 1999. In accordance with the terms of agreement, certain marketing assets were handed over to HCC in July 1999. HCC had discharged liabilities to the tune of Rs.15.43 crores on behalf of the company and had paid Rs.8.94 crores to the company.		

Pending completion of the said Business Purchase Agreement, dispute arose between the parties and matter was referred to Arbitration. Pursuant to the Arbitration Award dated 8<sup>th</sup> December 2005, the liabilities of the Company to HCC arising out of amount received from HCC and amount paid by HCC to retire the company loans & liabilities amounting in total to 24.37 crores have been forfeited to Capital Reserve and the movable assets parted with to HCC amounting to Rs.9.59 crores are written off.

- 5. In the opinion of the Board current assets, loans and advances are of the approximate value stated if realized in the ordinary course of business.
- 6. Balances on Debtors, Creditors, advances, deposits for bottles and cases are subject to confirmation and reconciliation, if any.
- 7. The Company has adopted Accounting Standard 22 (AS-22), "Accounting for Taxes on Income". The deferred tax asset for the current year of Rs.19.77 Lakhs has been accounted for by adjusting the same against deferred tax liability carried forward from the earlier year.

	As at March 31, 2006		As at March 31, 2005	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Liabilities
Difference between Book Value of Depreciable Assets as per books and WDV for Tax purpose	-	<b>5142</b>	-	6901
Provision for Doubtful Advances,	-	-	114	-
Expenditure allowable on payment basis	-	-	-	-
Other Items giving rise to timing differences	<b>32813</b>	-	34113	29303
<b>Total</b>	<b>32813</b>	<b>5142</b>	34227	36204
Net deferred Tax Liability	<b>27671</b>	-	-	1977
Net amount charged to Profit & Loss Account (to the extent of diferred tax liability)	1977	-	999	-

# POONA BOTTLING COMPANY PRIVATE LIMITED

## 8. RELATED PARTY TRANSACTION DISCLOSURES

### Related Parties

#### Holding Company

Grauer & Weil (India) Limited.

#### Companies in which Key Management Personnel are interested.

Growel Investment Limited  
Growel Softech Limited  
Digikore Design Limited  
Digikore Studios Limited  
Shree MPJ Cement Works Private Limited  
Ridhi Sidhi Limited  
Bubna More & Co Private Limited  
Radhakishan Nandlal Private Limited  
Waluj Beverages Private Limited  
Gorav Investment Private Limited  
Bombay Paints Limited

#### Key Management Personnel

Mr. Umeshkumar N. More  
Mr. Rameshkumar R. More  
Mr. Nirajkumar U. More  
Mr. Rohitkumar R. More  
Mr. Gorav R. More

#### Relatives of Key Management

Mrs. Premlata U. More  
Mrs. Umadevi R. More  
Mrs. Pallavi N. More  
Mrs. Jhumka R. More

## SUMMARY OF RELATED PARTY TRANSACTIONS

(Value in Rs.)

Name	Compensation	Loans/ Advances Given	Loans/ Advances Recovered
With Companies in which key management personnel are interested	1126971	62383188	63966920
With Holding Company	1470471	Nil	Nil

## DETAILS OF CLOSING BALANCES OF RELATED PARTIES AS ON 31ST MARCH, 2006.

(Value in Rs.)

Name	Debtors	Loans	Advances	Current Liabilities
With Companies in which key management personnel are interested	26884661	76497324	1284777	74252
With Holding Company	19168	Nil	Nil	Nil

9. Earning per share

Calculation of Earning per share for the year ended 31.3.2006

		<b>31.3.2006</b>	31.3.2005
Loss for the Year After Tax	Rs.	<b>(132366427)</b>	(7679171)
Weighted Average number of equity shares (Face Value Rs.100/- per share)	Nos.	<b>189,000</b>	189,000
Basic and Diluted Earnings per share		<b>(700.35)</b>	(40.63)

10. The Company's operations during the year predominantly relate to finance, investment activities and hiring out the premises.
11. The requirements of Accounting Standard issued by the Institute of Chartered Accountants of India in respect of "Segment Reporting" are not applicable.
12. The installed capacity is 2.78 million cases of soft drink. As the bottling operations of the Company are suspended the details in respect of production and sale has not been provided.
13. Details of Closing Stock of Traded items

Item	Unit	As at March 31 <sup>st</sup> 2006		As at March 31 <sup>st</sup> 2005	
		Quantity	Value	Quantity	Value
Visi Coolers	Nos.	— (350)	— (6,761,820)	350 (350)	6,761,820 (6,761,820)
Chest Coolers	Nos.	— (140)	— (1,754,554)	140 (140)	1,754,554 (1,754,554)
Ice Boxes	Nos.	— (264)	— (340,390)	264 (264)	340,390 (340,390)
Total			— (8,856,764)		8,856,764 (8,856,764)

(Figures in brackets relates to previous year)

	<b>2005-2006</b>	2004-2005
14. Value of Imports on CIF Basis	<b>Nil</b>	Nil
15. There have been no transactions in foreign exchange during the year. (Previous Year Nil).		
16. Figures of the previous year have been re grouped and re classified wherever necessary to correspond with the figures of the current period.		

**SIGNATURE TO SCHEDULES 'A' TO 'I'**

As per our attached Report of even date

As per our attached Report of even date  
For M/s. R. N. BHANSALI & COMPANY  
Chartered Accountants

**A. G. DESHPANDE**  
Partner

Mumbai  
June 30, 2006

Mumbai  
June 30, 2006

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. Registration Details:

Registration No.   1  1  3  0  7 State Code  1  1

Balance Sheet  3  1 Date  0  3 Month  2  0  0  6 Year

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	Rights Issue
<input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Bonus Issue	Private Placement
<input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
<input type="text"/> <input type="text"/> <input type="text"/> 2 <input type="text"/> 7 <input type="text"/> 0 <input type="text"/> 8 <input type="text"/> 2 <input type="text"/> 8	<input type="text"/> <input type="text"/> <input type="text"/> 2 <input type="text"/> 7 <input type="text"/> 0 <input type="text"/> 8 <input type="text"/> 2 <input type="text"/> 8

Source of Funds

Paid-up Capital	Reserve & Surplus
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 1 <input type="text"/> 8 <input type="text"/> 9 <input type="text"/> 0 <input type="text"/> 0	<input type="text"/> <input type="text"/> <input type="text"/> 2 <input type="text"/> 5 <input type="text"/> 1 <input type="text"/> 9 <input type="text"/> 2 <input type="text"/> 8
Secured Loans	Unsecured Loans
<input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Deferred Tax Liabilities	
<input type="text"/> <input type="text"/> <input type="text"/> N <input type="text"/> I <input type="text"/> L <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	

Application of Funds

Net Fixed Assets	Investments
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 5 <input type="text"/> 0 <input type="text"/> 9 <input type="text"/> 6 <input type="text"/> 2	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 5 <input type="text"/> 7 <input type="text"/> 2 <input type="text"/> 3
Net Current Assets	Accumulated Losses
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 5 <input type="text"/> 3 <input type="text"/> 7 <input type="text"/> 8 <input type="text"/> 6	<input type="text"/> <input type="text"/> <input type="text"/> 1 <input type="text"/> 6 <input type="text"/> 0 <input type="text"/> 3 <input type="text"/> 5 <input type="text"/> 7

# POONA BOTTLING COMPANY PRIVATE LIMITED

## IV. Performance of Company (Amount in Rs. Thousands)

Turnover

					6	0	0	9
--	--	--	--	--	---	---	---	---

Total Expenditure

			1	4	0	3	5	2
--	--	--	---	---	---	---	---	---

Profit/Loss Before Tax

+	-				1	3	4	3	4	3
	✓									

Profit/Loss After Tax

+	-				1	3	2	3	6	6
	✓									

(Please tick Appropriate box + for Profit, - for loss)

Earning Per Share in Rs.

			N	I	L			
--	--	--	---	---	---	--	--	--

Dividend Rate %

0	0
---	---

## V. Generic Names of Three Principal Products/Services of the company (As per monetary terms)

Item Code No.  
(ITC Code)

			2	2	0	2	-	1	3
--	--	--	---	---	---	---	---	---	---

Product Description

N	O	N	A	L	C	O	H	O	L	I	C								
B	E	V	E	R	A	G	E	S											

Item Code No.  
(ITC Code)

			2	2	0	2	-	1	3
--	--	--	---	---	---	---	---	---	---

Product Description

N	O	N	A	L	C	O	H	O	L	I	C								
B	E	V	E	R	A	G	E	S											

Item Code No.  
(ITC Code)

			2	2	0	2	-	1	2
--	--	--	---	---	---	---	---	---	---

Product Description

N	O	N	A	L	C	O	H	O	L	I	C								
B	E	V	E	R	A	G	E	S											

Mumbai  
June 30, 2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006**

	Rupees	For the Year ended March 31, 2006 Rupees	For the Year ended March 31, 2005 Rupees
A) CASH FLOW FROM OPERATING ACTIVITIES			
NET (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS		<b>(134,343,414)</b>	(8,677,836)
Adjustments for			
Depreciation	6,311,443		7,319,226
(Profit) / Loss on sale of Investments	(27,702)		(145,153)
Dividend	(2,700)		(9,600)
(Profit) / Loss on sale of Assets	(3,660)		
Prior Period Items	(15,656)		
Sundry Balances Written Back	(2,885,756)		
Advances Written Off	4,148,065		
Bad Debts Written Off	30,420,442		
Bottles and Cases Written Off	87,055,075		
Traded Goods Written Off	8,856,764		
Inventories Written Off	1,763,778		
		<b>135,620,093</b>	7,164,473
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		<b>1,276,679</b>	(1,513,363)
Adjustments for (Increase) / Decrease in Trade and other receivables	6,480,220		(490,461)
Increase / (Decrease) in Trade and other payables	(4,779,904)		(477,966)
		<b>1,700,316</b>	(968,427)
Cash Generated from Operation		<b>2,976,995</b>	(2,481,790)
NET CASH FROM OPERATING ACTIVITIES		<b>2,976,995</b>	(2,481,790)
B) CASH FLOW FROM INVESTING ACTIVITIES			
Redemption of Mutual Funds / Shares		1,719,316	3,391,789
Investment in Mutual Funds / Shares		(4,687,938)	(1,239,000)
Sale of Vehicle		61,489	
Dividend received		2,700	9,600
		<b>(2,904,433)</b>	2,162,389
C) CASH FLOW FROM FINANCING ACTIVITIES			
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)		<b>72,562</b>	(319,401)
Opening Balance		612,465	931,866
Closing Balance		<b>685,027</b>	612,465

As per our attached Report of even date  
For M/s. R. N. BHANSALI & COMPANY  
Chartered Accountants

A. G. DESHPANDE  
Partner

Mumbai  
June 30, 2006

Mumbai  
June 30, 2006

**BOARD OF DIRECTORS**

UMESHKUMAR N. MORE

NIRAJKUMAR U. MORE

VINOD HARITWAL

RAJENDER GULERIA

**AUDITORS**

M/S M.M. Nissim And Co.

Chartered Accountants

**REGISTERED OFFICE**

'Growel House', Akurli Road, Kandivli (East), Mumbai – 400 101.

**NOTICE TO THE MEMBERS**

**NOTICE** is hereby given that the 4th Annual General Meeting of the members of GROWEL ENERGY COMPANY LIMITED will be held on Saturday, August 12, 2006 at 5.00 P.M. at the Registered Office of the Company at 'Growel House', Akurli Road, Kandivli [East], Mumbai – 400 101 to transact with or without modification[s], the following businesses:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Profit and Loss Account for the period ended March 31, 2006 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Rajender Guleria, who retires from office by rotation, and being eligible offers himself for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

**Registered Office:**

**'GROWEL HOUSE', Akurli Road,  
Kandivli [ East ],  
Mumbai – 400 101.**

**June 30, 2006.**

**For & on behalf of the Board**

**For Growel Energy Company Limited**

**NOTES :**

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

## DIRECTORS' REPORT TO THE SHAREHOLDERS:

Your Directors present their 4th Annual Report together with the Audited accounts for the period ended March 31, 2006.

### OPERATIONS:

The Detailed Project Report for the project for 5 MW Hydel Power Plant at Ani in Kulu District of Himachal Pradesh was approved by HIMURJA. The Company has signed the Implementation Agreement, however, agreement for sale of power is yet to be signed. Implementation of the project can be taken up thereafter.

### DIVIDEND:

As there was no activity during the year, your Board has decided not to recommend any dividend for the period ended March 31, 2006.

### FIXED DEPOSITS:

Your Company has neither invited nor accepted any Fixed Deposits during the financial year 2005-2006.

### BOARD OF DIRECTORS:

As per the Provisions of the Companies Act, 1956 and in terms of the Articles of Association of the Company, Mr. Rajender Guleria, Director of the Company retires by rotation and being eligible, offers himself for re-appointment.

### DIRECTORS RESPONSIBILITY STATEMENT :

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

1. In the preparation of the annual accounts, the applicable accounting standards have been followed except as explained in the Notes to Balance Sheet and Profit and Loss Account.
2. Appropriate policies have been selected and applied consistently and have made judgments and estimates wherever made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006.
3. Proper and sufficient care has been taken 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. The annual accounts have been prepared on a going concern basis.

### AUDITORS:

M/s. M. M. Nissim And Co. Chartered Accountants, Auditors of the Company appointed by the board are retiring at the ensuing Annual General Meeting. They are eligible for re-appointment and have expressed their willingness to act as auditors, if re-appointed. The Company has received a certificate from them that they are qualified under section 224 (1) of the Companies Act, 1956, for appointment as Auditors of the Company. Members are requested to consider their appointment at a remuneration to be decided by the Board of Directors for the financial year ending March 31, 2007 as set out in the Notice convening the Meeting.

### PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:

Since there were no manufacturing activities during the year, the provisions 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 not applicable.

### PARTICULARS OF EMPLOYEES:

There were no employees in the Financial Year under question.

**SAFETY, ENVIRONMENTAL CONTROL AND PROTECTION :**

Since the Company does not have any physical assets or facilities no steps for safety and environmental control are required to be taken.

**Registered Office:**

'GROWEL HOUSE', Akurli Road,  
Kandivli [ East ],  
Mumbai – 400 101.  
June 30, 2006.

**For & on behalf of the Board**

**For Growel Energy Company Limited**

## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF GROWEL ENERGY COMPANY LIMITED,

We have audited the attached Balance Sheet of GROWEL ENERGY COMPANY LIMITED, as at 31<sup>st</sup> March, 2006, and the cash flow statement of the Company for the year ended on that date, annexed thereto. These financial statement are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement based on our audit.

We conducted our audit in accordance with the Indian auditing standards issued by the Institute of Chartered Accountants of India. Our audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates and judgements made by the management in the preparation of financial statements and evaluating the overall financial statement presentation.

We planned and performed our audit, so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statement is free from material misstatements and to provide a reasonable basis for our opinion and report that:

- 1) As required by the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2) Further to our comments referred to in paragraph 1 above.
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.
  - c) The Balance Sheet and cash flow statement dealt with by this report is in agreement with the books of account.
  - d) In our opinion, the Balance & cash flow statement sheet dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable.
  - e) On the basis of written representatives received from the Directors as on March, 31 2006 and taken on record by the Board of Directors, we report and certify that none of the Directors is disqualified as on 31<sup>st</sup> March, 2006 from being appointed as Director under Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- 3) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereof, give the information as required by the Companies Act, 1956 in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India.
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2006 and
  - ii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For M. M. Nissim And Co.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**Mem. No.: 32218**

**Mumbai**  
**June 30, 2006**

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT OF EVEN DATE**

The nature of the Company's business / activities during the year was such that clauses (ii), (v), (vii), (viii), (x), (xii) and (xiv) are not applicable.

- i. (a) The Company has maintained proper records showing full particulars including Quantitative details and situation of fixed assets (Office equipments).
- (b) The fixed assets have been physically verified by the management at reasonable intervals having regards to the size of the company and the nature of its business. No discrepancies have been noticed on such verification.
- ii. (a) The Company has not granted any loans, secured or unsecured to companies, firms or others parties covered in the register maintained under Section 301 of the Companies Act, 1956 and hence 4(b) to (d) of the order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956, except for an interest free unsecured loan from its holding company.
- (c) The terms and conditions of such interest free unsecured loan taken by the Company are not prima facie prejudicial to the interest of the Company.
- (d) According to the information and explanations given to us, in respect of such interest free unsecured loan taken by the Company, the payment of the principal amount is as stipulated.
- iii In our opinion there are adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets and we have not observed any continuing failure to correct major weaknesses in such internal control system.
- iv In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956.
- v. (a) According to the records examined by us, the Company did not have any liability on account of statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty, Cess and any other statutory dues during the year.
- (b) According to the information and explanations given to us and the records Examined by us, there are no dues of Sales tax, Income tax, Customs duty, Excise duty, Cess or any other statutory dues outstanding on account of any dispute.
- vi The Company does not have any dues to a financial institution or bank or debenture holders.
- vii The Company has not granted any loans & advances on the basis of security by way of pledge of shares, debentures or other securities.
- viii According to the information and explanations given to us and the records examined by us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- ix The Company has not taken any term loans during the year.
- x According to the information and explanations, given to us and on an overall examination, of the Financial Statements of the Company, we are of the opinion that, prima-facie, no funds raised on short term basis have been used for long term investments.
- xi The Company has not made any preferential allotment of shares to parties or companies covered under Section 301 of the Act.
- xii The Company has not issued any debentures.
- xiii The Company has not raised any money through a public issue during the year.
- xiv Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported.

**For M. M. Nissim And Co.  
Chartered Accountants**

**P. P. BHANDARI  
Partner  
Mem. No.: 32218**

**Mumbai  
June 30, 2006**

**BALANCE SHEET AS AT MARCH 31, 2006**

	Schedule	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SOURCES OF FUNDS</b>				
SHAREHOLDERS FUNDS				
Share Capital	A		500,000	500,000
<b>LOAN FUNDS</b>				
Unsecured Loans	B		566,487	566,487
			<u>1,066,487</u>	<u>1,066,487</u>
<b>APPLICATION OF FUNDS</b>				
FIXED ASSETS				
Gross Block	C	51,700		
Less: Depreciation		<u>681</u>		
Net Block		51,019		
Add: Capital Work-in progress		<u>2,528,298</u>		
			2,579,317	991,418
CURRENT ASSETS LOANS AND ADVANCES:				
Cash and Bank Balances	D	24,286		7,540
Loans and Advances		<u>1,115,360</u>		<u>1,000,000</u>
				<u>1,007,540</u>
Less: CURRENT LIABILITIES AND PROVISIONS:				
Share Application Money	E	2,205,000		1,005,000
Sundry Creditors		<u>525,515</u>		<u>5,510</u>
				<u>1,010,510</u>
NET CURRENT ASSETS			(1,590,869)	(2,970)
MISCELLANEOUS EXPENDITURE:				
(To the extent not written off or adjusted)	F		78,039	78,039
			<u>1,066,487</u>	<u>1,066,487</u>
NOTES TO ACCOUNTS	G			

Schedules A to F and G referred to above form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our report of even date

for **M. M. NISSIM AND CO.**  
Chartered Accountants

**P. P. BHANDARI**  
Partner  
Mem. No.: 32218

Mumbai, 30th June, 2006

Mumbai, 30th June, 2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006**

	Rupees	For the Year ended March 31, 2006 Rupees	For the Year ended March 31, 2005 Rupees
<b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>			
(Increase) / Decrease in Trade and other Receivables	(115,360)		(1,000,000)
Increase / (Decrease) in Trade and other Payables	520,005		110
CASH GENERATED FROM OPERATIONS		404,645	(999,890)
NET CASH USED IN OPERATING ACTIVITIES		404,645	(999,890)
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital Expenditure		(1,587,899)	(9,796)
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share application money received	1,200,000		1,000,000
Proceeds from borrowings	-		7,915
NET CASH FROM FINANCING ACTIVITIES		1,200,000	1,007,915
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		16,746	(1,771)
<b>CASH AND CASH EQUIVELANTS</b>			
CLOSING BALANCE		24,286	7,540
Less: Opening Balance		7,540	9,311
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		16,746	(1,771)

This is the Cash Flow statement referred to in our report of even date

**for M. M. NISSIM AND CO.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**Mem. No.: 32218**

**Mumbai, 30th June, 2006**

**Mumbai, 30th June, 2006**

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**

	<b>As At March 31, 2006 Rupees</b>	<b>As At March 31, 2005 Rupees</b>						
<b>SCHEDULE A:</b>								
SHARE CAPITAL								
AUTHORISED								
250,000 Equity Shares of Rs.10 each	<u>2,500,000</u>	<u>2,500,000</u>						
ISSUED AND PAID-UP								
50,000 Equity Shares of Rs.10 each, fully paid-up (Of the above, 49,400 Equity Shares are held by Grauer & Weil (India) Limited, - the holding company)	<u>500,000</u>	<u>500,000</u>						
<b>SCHEDULE B:</b>								
UNSECURED LOANS								
From A Corporate Body Grauer & Weil (India) Limited - the holding company	<u>566,487</u>	<u>566,487</u>						
<b>SCHEDULE C: FIXED ASSETS AS ON 31ST MARCH 2006</b>								
	<b>Gross Block (At Cost)</b>			<b>Depreciation</b>			<b>Net Block</b>	
<b>Particulars</b>	<b>As at 01.04.2005</b>	<b>Additions during the year</b>	<b>Sale / Adjustment</b>	<b>As at 31.03.2006</b>	<b>Up to 31.03.2005</b>	<b>For the year</b>	<b>Up to 31.03.2006</b>	<b>As at 31.03.2006</b>
Office Equipments	-	51700	-	51700	-	681	681	51019
Total	-	51700	-	51700	-	681	681	51019
					<b>As At March 31, 2006 Rupees</b>		<b>As At March 31, 2005 Rupees</b>	
<b>SCHEDULE D: CURRENT ASSETS, LOANS &amp; ADVANCES</b>								
<b>i) CASH AND BANK BALANCES</b>								
Cash on hand				4,134				366
Balance with a Scheduled Bank In a Current Account				<u>20,152</u>				<u>7,174</u>
					<b>24,286</b>			<b>7,540</b>
<b>ii) LOANS AND ADVANCES</b>								
(Unsecured, considered good)								
Deposits				1,000,000				1,000,000
Advance to Suppliers				103,500				-
Staff Advance				<u>11,860</u>				<u>-</u>
					<u>1,115,360</u>			<u>1,000,000</u>
					<u>1,139,646</u>			<u>1,007,540</u>
<b>SCHEDULE E:</b>								
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>								
Share Application Money					2,205,000			1,005,000
<b>Sundry Creditors</b>								
S Creditors (other than Small Scale Industrial Undertaking)					525,515			5,510
					<u>2,730,515</u>			<u>1,010,510</u>
<b>SCHEDULE F: MISCELLANEOUS EXPENDITURE</b>								
(To the extent not written off or adjusted)								
Preliminary Expenses					78,039			78,039
					<u>78,039</u>			<u>78,039</u>

**SCHEDULE G : NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006**

**1. Significant Accounting Policies -**

**a) Basis of Accounting :**

The accounts have been prepared on the accrual basis of accounting, under the historical cost convention in accordance with the Companies Act, 1956 and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

**b) Fixed Assets and Depreciation :**

- i. Fixed Assets are stated at cost of acquisition including expenditure incurred during construction / erection period less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributed cost of bringing the asset to working condition for its intended use.
- ii. Expenditure incurred during the developmental and preliminary stages of Company's new projects are carried forward under the head capital work in Progress.
- iii. Depreciation is provided in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956 :
  - On straight line basis in respect of all assets.

**c) Provisions and Contingent Liabilities:**

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

**2. The break-up of Preliminary expenses is as under:**

<b>Particulars</b>	<b>Amount (Rs.)</b>
Filing Fees and Cost of Stamp Papers	72,194
Professional Fees	5,000
Other Expenses	845
<b>TOTAL</b>	<b>78,039</b>

**3. The break-up of Capital Work -In -Progress is as under:**

<b>Particulars</b>	<b>Amount (Rs.)</b>
Processing Fees	100,000
Professional Fees	1,673,565
Travelling Expenses	291,419
Advertisement	74,399
Audit Fees	16,310
Rates & Taxes	56,929
Employee Cost	244,645
Other Expenses	71,031
<b>TOTAL</b>	<b>2,528,298</b>

**4. RELATED PARTY DISCLOSURES**

- i List of Related Parties

**Holding Company**

Grauer & Weil (India) Limited.

**Key Management Personnel, their relatives and enterprises where significant influence exists, with whom the company had transactions**

Mr. Umeshkumar N. More	Director
Mr. Vinod Haritwal	Director
Mr. Nirajkumar U. More	Director
Mr. Rajendra Guleria	Director

- ii Transactions with Related Parties

(Rs. in '000')

Transactions	Holding Company	2004 - 05
Outstanding Balances as on 31st March 2006		
- Unsecured Loans	567	567
- Current Liabilities	5	5

No amount has been provided as doubtful debts or advances written off or written back in the year in respect of debts due from / to above related parties.

5. The Company has not carried out any business activity during the year and as such no Profit and Loss Account is prepared and additional information pursuant to Para 3 and 4 of Part II of Schedule VI of the Companies Act, 1956 are not applicable.

6. Previous years figures have been regrouped and / or rearranged wherever considered necessary to make them comparable with those of current year.

Signature to schedules 'A' to 'G' which form and integral part of the Financial Statement.

**for M. M. NISSIM AND CO.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**Mem. No.: 32218**

**Mumbai, 30th June, 2006**

**Mumbai, 30th June, 2006**

**BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE**

1	Company's Registration details	
	a) Registration No.	134438
	b) State Code	11
	c) Balance Sheet Date	31st March 2006
2	Capital raised during the year	(Amount in Rs. Thousand)
	a) Public Issue	—
	b) Right Issue	—
	c) Bonus Issue	—
	d) Private Placement	—
3	Details of Mobilisation and Deployment of funds	(Amount in Rs. Thousand)
	a) Total Liabilities	3,797
	b) Total Assets	3,797
	Sources of Funds	
	a) Paid up Capital	500
	b) Reserves & Surplus	—
	c) Secured Loans	—
	d) Unsecured Loans	566
	Application of Funds	
	a) Net Fixed Assets	2579
	b) Investments	—
	c) Net Current Assets	(1,591)
	d) Misc. Expenditure	78
	e) Accumulated Losses	—
4	Performance of Company	(Amount in Rs. Thousand)
	a) Turnover	—
	b) Total Expenditure	—
	i) Profit / Loss before Tax	—
	ii) Profit / Loss after Tax	—
	iii) Earning per share in Rs.	—
	iv) Dividend rate %	—
5	Generic names of three principal products / services of company (as per monetary terms)	
	a) Item code No. (ITC Code)	Not applicable
	b) Product Description	—

for **M. M. NISSIM AND CO.**  
Chartered Accountants

**P. P. BHANDARI**  
Partner  
Mem. No.: 32218

Mumbai, 30th June, 2006

Mumbai, 30th June, 2006

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

### TO THE BOARD OF DIRECTORS GRAUER & WEIL (INDIA) LIMITED

1. We have audited the attached Consolidated Balance Sheet of the Grauer & Weil (India) Limited ('the Company'), and its subsidiaries (the Company and its subsidiaries constitute 'the Group') as at March 31, 2006 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis of our opinion.
3. (a) The financial statements of subsidiaries which in the aggregate represent total assets as at March 31, 2006 of Rs.1716.83 Lacs and total revenue for the year ended on that date of Rs.60.09 Lacs and of an associate which reflect the Group's share of profit, upto March 31, 2005 of Rs.5.02 Lacs have been audited (except as indicated in 3(b) below) by other auditors and we have relied upon such audited financial statements for the purpose of our examination of the consolidated financial statements.  
  
(b) As stated in Note 9, the audited financial statements for the year ended March 31, 2006 of Growel Goema (India) Pvt. Ltd., an associate of the Company is not available, & consequently no effect has been given in the Consolidated Financial statement of the groups share of Profit / (Loss) in the Associate for the current year.
4. Attention is invited to the following Notes in Schedule ' P ' to the Consolidated Financial Statements;  
  
(a) Note 8 regarding non-disclosure of debts due to small scale industrial workings.  
  
(b) Note 11 regarding going concern basis of a subsidiary company.  
  
(c) Note 13 (i) regarding the non provision of labour dues amounting to Rs.215.70 lakhs where by the losses and the current liabilities have been understated to that extent of a subsidiary company.  
  
(d) Note 13 (ii) & (iii) regarding the non provision of the liability arising out of invocation of gurantees given by the subsidiary company to the extent of Rs.468.00 lakhs whereby the losses and the current liabilities have been understated to that extent.
5. Subject to our remarks in para 3(b) and 4 above:  
  
(a) We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' and Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company, its subsidiaries and associate included in the consolidated financial statements.

(b) On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual financial statements of the Company, its aforesaid subsidiaries and associate, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2006;
- ii. In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
- iii. In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

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**for M. M. NISSIM AND CO.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**MEM. NO.: 32218**  
**Mumbai**  
**30th June, 2006**

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SOURCES OF FUNDS</b>				
SHAREHOLDERS FUNDS				
Share Capital	A	127,877,250		102,301,800
Reserves and Surplus	B	<u>532,769,795</u>		<u>315,137,886</u>
			<b>660,647,045</b>	<u>417,439,686</u>
MINORITY INTEREST	C		<b>25,170,840</b>	(178,618)
LOAN FUNDS				
Secured Loans	D	346,433,262		272,872,757
Unsecured Loans	E	<u>48,341,691</u>		<u>21,903,503</u>
			<b>394,774,953</b>	<u>294,776,260</u>
DEFERRED TAX				
Deferred Tax Liabilities		44,692,349		84,991,405
Deferred Tax Assets		<u>(7,197,310)</u>		<u>(40,425,268)</u>
			<b>37,495,039</b>	<u>44,566,137</u>
			<b>1,118,087,877</b>	<u>756,603,465</u>
<b>APPLICATION OF FUNDS</b>				
FIXED ASSETS				
Gross Block	F	929,281,199		678,181,210
Less: Depreciation		<u>320,258,793</u>		<u>295,042,365</u>
Net Block		<u>609,022,406</u>		<u>383,138,845</u>
Capital Work in Progress		<u>36,401,947</u>		<u>190,587,316</u>
			<b>645,424,353</b>	<u>573,726,161</u>
INVESTMENTS	G		<b>14,319,090</b>	5,997,484
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	H	181,262,063		263,330,753
Sundry Debtors		287,387,301		254,364,704
Cash and Bank Balances		24,826,053		14,854,439
Other Current Assets		134,079		128,594
Loans and Advances		<u>177,365,800</u>		<u>148,100,915</u>
		<u>670,975,296</u>		<u>680,779,405</u>
Less: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	I	256,601,918		472,947,188
Provisions		<u>72,713,853</u>		<u>47,283,979</u>
		<u>329,315,771</u>		<u>520,231,167</u>
NET CURRENT ASSETS			<b>341,659,525</b>	<u>160,548,238</u>
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	J		<b>1,441,326</b>	2,804,614
PROFIT AND LOSS ACCOUNT			<b>115,243,583</b>	<u>13,526,968</u>
			<b>1,118,087,877</b>	<u>756,603,465</u>
Basis of Consolidation, significant Accounting Policies, Notes to Accounts				
	P			

Schedules A to J and P referred to above form an integral part of the Balance Sheet  
This is the Balance Sheet referred to in our report of even date

for **M. M. NISSIM AND CO.**  
Chartered Accountants

**P. P. BHANDARI**  
Partner  
MEM No.: 32218

Mumbai, 30th June, 2006

Mumbai, 30th June, 2006



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>INCOME</b>			
<b>Income from operations</b>			
Gross Sales		1,429,970,343	1,230,421,511
Less: Trade Discount		168,688,264	144,157,176
Less: Excise Duty		116,348,561	101,765,555
		<u>1,144,933,518</u>	<u>984,498,780</u>
Business Conducting Fees (Tax deducted at source Rs.6,997,639/-)		20,333,272	—
Other Income	K	23,664,980	23,585,806
		<u>1,188,931,770</u>	<u>1,008,084,586</u>
<b>EXPENDITURE</b>			
Materials	L	648,986,952	533,994,061
Salaries, Wages and other benefits	M	108,053,217	105,861,714
Other Expenses	N	421,241,094	255,801,408
Interest	O	29,279,104	19,985,621
Depreciation		33,164,515	30,245,382
		<u>1,240,724,882</u>	<u>945,888,186</u>
<b>PROFIT / (Loss) BEFORE TAX</b>		<u>(51,793,112)</u>	<u>62,196,399</u>
<b>PROVISION FOR TAXATION</b>			
Current Tax		20,000,000	14,500,000
Deferred Taxes		(7,071,098)	(4,287,691)
Fringe Benefit Tax		4,000,000	—
<b>PROFIT / (Loss) AFTER TAX</b>		<u>(68,722,014)</u>	<u>51,984,090</u>
Excess provision of income Tax written back		567,834	364,260
Prior Period Adjustments		(15,656)	—
		<u>(68,169,836)</u>	<u>52,348,350</u>
Transfer from Revaluation Reverse		58,670	66,035
<b>NET PROFIT / (Loss) BEFORE MINORITY INTEREST</b>		<u>(68,111,166)</u>	<u>52,414,385</u>
Share of Minority Interest		30,143,273	1,734,272
<b>NET PROFIT / (Loss) AFTER TAX (AFTER MINORITY INTEREST)</b>		<u>(37,967,892)</u>	<u>54,148,657</u>
Balance brought forward		(13,526,968)	(10,676,647)
<b>Amount Available for Appropriation</b>		<u>(51,494,861)</u>	<u>43,472,010</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend		7,672,635	6,138,108
Tax on Proposed Dividend		1,076,087	860,870
Transfer to General Reserve		55,000,000	50,000,000
Balance Carried to Balance Sheet		(115,243,583)	(13,526,968)
<b>Basic and Diluted Earnings per share</b>		<u>(2.97)</u>	<u>4.23</u>
<b>Basis of Consolidation, significant Accounting Policies and Notes to Accounts</b>			
	P		

Schedules K to P referred to above form an integral part of the Profit & Loss Account  
This is the Profit & Loss Account referred to in our report of even date

for M. M. NISSIM AND CO.  
Chartered Accountants

P. P. BHANDARI  
Partner  
MEM No.: 32218

Mumbai, 30th June, 2006

Mumbai, 30th June, 2006

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	Rupees	For the Year ended March 31, 2006 Rupees	For the Year ended March 31, 2005 Rupees
<b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>			
NET PROFIT / (LOSS) BEFORE TAX		<b>(51,793,112)</b>	62,196,399
Adjustments for			
Depreciation	<b>33,164,515</b>		30,245,382
Loss on Sale of Fixed Assets	<b>85,655</b>		3,920,246
Loss on Sale of Discarded Assets	<b>18,421,575</b>		18,466,296
Loss on Impairment of Assets	-		180,501
(Profit) on Sale of Investements	<b>(259,465)</b>		(145,153)
Interest Paid	<b>29,279,104</b>		19,985,621
Interest Received	<b>(2,893,126)</b>		(7,766,656)
Wealth Tax	<b>101,259</b>		103,980
Dividend and Income from units	<b>(9,435)</b>		(14,925)
Technical know-how fees written off	-		282,386
Provision for Doubtful Debts	-		(6,728,868)
VRS Compensation written off	-		5,484,937
ERP Expenses written off	<b>1,363,287</b>		1,363,287
		<b>79,253,369</b>	65,377,034
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		<b>27,460,257</b>	127,573,433
Adjustments for :			
(Increase)/Decrease in Trade and other receivables	<b>(43,159,660)</b>		(8,677,122)
(Increase)/Decrease in Inventories	<b>82,068,690</b>		(22,723,861)
Increase/(Decrease) in Trade and other payables	<b>30,915,432</b>		36,024,539
		<b>69,824,462</b>	4,623,556
CASH GENERATED FROM OPERATIONS		<b>97,284,719</b>	132,196,989
Direct Taxes Paid		<b>(22,473,937)</b>	(12,823,396)
NET CASH FROM OPERATING ACTIVITIES		<b>74,810,782</b>	119,373,593

## CONSOLIDATED ANNUAL REPORT 2005-2006

	For the Year ended March 31, 2006 Rupees	For the Year ended March 31, 2005 Rupees
<b>B) CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Capital Expenditure	(126,114,890)	(156,573,326)
Sale of Fixed Assets	2,744,953	2,797,424
Purchase of Investments	(7,964,907)	-
Sale of Investments	-	2,061,139
Interest Received	2,893,126	7,766,656
Dividend and Income from Units	9,435	14,925
NET CASH USED IN INVESTING ACTIVITIES	<u>(128,432,283)</u>	<u>(143,933,182)</u>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds of Borrowings (Net)	99,998,693	54,754,827
Interest Paid	(29,390,962)	(20,095,082)
Dividend Paid	(7,014,616)	(6,971,299)
NET CASH FROM FINANCING ACTIVITIES	<u>63,593,115</u>	<u>27,688,446</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>9,971,614</u>	<u>3,128,857</u>
CASH AND CASH EQUIVALENTS	9,971,614	3,128,857
Opening Balance	14,854,439	11,725,582
Closing Balance	<b>24,826,053</b>	14,854,439

This is the Cash Flow statement referred to in our report of even date  
for M. M. NISSIM AND CO.  
Chartered Accountants

**P. P. BHANDARI**  
Partner  
MEM No.: 32218

Mumbai, 30th June, 2006

Mumbai, 30th June, 2006

SCHEDULES ANNEXED TO THE CONSOLIDATED BALANCE SHEET

	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SCHEDULE A: SHARE CAPITAL</b>			
AUTHORISED			
25,000,000 Equity Shares of Rs.10 each		<u>250,000,000</u>	<u>250,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP			
12,787,725 (Previous year 10,230,180) Equity Shares of Rs.10 each fully paid up		<u>127,877,250</u>	<u>102,301,800</u>
NOTE: Of the above,			
(1) 154,500 Equity shares were allotted as fully paid-up pursuant to a contract without payment being received in cash.			
(2) 11,593,495 (Previous year 9,035,950) Equity Shares were allotted as fully paid - up Bonus Shares by capitalisation of Capital Reserve. Capital Redemption Reserve, General Reserve and Securities Premium account.			
<b>SCHEDULE B: RESERVES AND SURPLUS</b>			
CAPITAL RESERVE			
As per Last Balance Sheet	79,630		79,630
Add: Share of transfer from Hindustan Coca Cola Beverages Pvt. Ltd.	<u>188,155,430</u>	<b>188,235,060</b>	<u>79,630</u>
CAPITAL RESERVE (ON CONSOLIDATION)			
As per last Balance Sheet	13,976,000		13,976,000
Add: On Consolidation during the year	<u>330,788</u>	<b>14,306,788</b>	<u>=</u>
REVALUATION RESERVE			
As per Last Balance Sheet	6,348,835		6,399,827
Less: Transferred to Profit and Loss Account	<u>45,305</u>	<b>6,303,530</b>	<u>50,992</u>
GENERAL RESERVE			
As per Last Balance Sheet	294,733,421		244,777,594
Less : Utilised for issue of bonus shares	<u>25,575,450</u>		<u>=</u>
	<b>269,157,971</b>		244,777,594
Add: Share of Accumulated Profit in respect of Investment in Associate Companies for prior periods (Net)	<b>(233,554)</b>		<b>(44,173)</b>
Add. : Transfer from Profit and Loss Account	<u>55,000,000</u>	<b>323,924,417</b>	<u>50,000,000</u>
		<u>532,769,795</u>	<u>294,733,421</u>
		<u>532,769,795</u>	<u>315,137,886</u>

	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SCHEDULE C: MINORITY INTEREST</b>			
Minority interest in equity			
43050 Equity shares held by minority interest		<b>4,305,000</b>	4,305,000
6000 equity shares held by minority interest		<b>6000</b>	6000
Minority interest in non-equity;			
Balance as on 01.04.2005	<b>(4,489,618)</b>		(2,740,303)
Less: Share of loss for the year	<b>(30,143,273)</b>		(1,734,272)
Less: Share of transfer from capital reserve	<b>55,506,096</b>		
Less: Share of transfer from revaluation reserve	<b>(13,365)</b>		(15,043)
		<b>20,859,840</b>	(4,489,618)
		<b>25,170,840</b>	(178,618)
<b>SCHEDULE D: SECURED LOANS</b>			
(1) Credit Facilities from Banks			
(a) Term Loans		<b>184,041,418</b>	136,266,802
(Repayable within one year Rs.34.50 million, Previous year Rs.26.69 million)			
(b) VRS Term Loans		-	5,762,315
(Repayable within one year Rs.NIL Previous year Rs.5.63 million)			
(c) Working Capital Facilities		<b>155,755,923</b>	122,853,377
(2) Hire Purchase Credits		<b>6,635,921</b>	7,990,263
		<b>346,433,262</b>	272,872,757
<b>SCHEDULE E : UNSECURED LOANS</b>			
(1) Fixed Deposits		<b>10,809,000</b>	7,590,000
(Repayable within one year Rs.1.54 million, previous year Rs.3.41 million)			
(2) Dealer Deposits		<b>29,132,691</b>	14,313,503
(3) Inter Corporate Deposits		<b>8,400,000</b>	-
		<b>48,341,691</b>	21,903,503

(Value in Rs.)

SCHEDULE F: FIXED ASSETS

Sr. No.	Description	GROSS BLOCK (AT COST)			DEPRECIATION			IMPAIRMENT		NET BLOCK		
		As of 01-04-2005	Additions during the year	Sales/adjustments during the year	As of 31-03-2006	Upto 31-03-2005	Deduction for Sale/ Adjustments	For the Year	Upto 31-03-2006	For the year	As of 31-03-2006	As of 31-03-2005
1.	Land											
a)	Freehold	16,454,279	1,468,200	-	17,922,479	-	-	-	-	-	17,922,479	16,454,279
b)	Leasehold	5,082,107	9,660,055	-	14,742,162	580,514	95,079	675,593			14,066,569	4,501,594
2.	Buildings	168,299,851	187,665,005	24,037,852	331,927,003	34,899,972	5,361,281	36,972,460			294,954,543	133,399,877
3.	Plant & Machinery	290,156,337	63,867,477	457,610	353,566,205	165,424,443	244,478	178,577,748			174,988,457	124,731,896
4.	Laboratory and Scientific Research Equipment	50,307,691	3,243,980	226,200	53,325,471	18,730,526	25,685	21,107,588			32,217,883	31,577,165
5.	Furniture Fittings and Fixture	27,032,604	6,136,612	-	33,169,216	14,191,272	-	15,919,202			17,250,014	12,841,333
6.	Office Equipments	15,854,257	2,195,195	-	18,049,452	5,952,941	-	7,452,531			10,596,921	9,901,315
7.	Bottles & Crates	67,051,885	-	-	67,051,885	45,690,990	-	48,662,290			18,389,595	21,360,894
8.	Vehicles	37,942,199	6,064,418	4,479,291	39,527,326	9,571,708	2,317,326	10,891,381			28,635,945	28,370,492
		678,181,211	280,300,942	29,200,953	929,281,199	295,042,365	7,948,770	320,258,793			609,022,406	383,138,845
	Previous Year	726,981,700	28,003,323	76,803,812	678,181,211	316,236,327	51,619,846	294,861,865	180,501		383,138,845	410,745,372

Note:

1. Lease money paid in respect of leasehold land at Vapi amounting to Rs.521,866/- is not amortised over the period of lease.
2. Building includes premises in Co-Operative Societies and the cost of shares allotted by the Societies.
3. Vehicles include Rs.13,220,617 being cost of vehicles not registered in the name of the company.

	<b>As At March 31, 2006 Rupees</b>	As At March 31, 2005 Rupees
<b>SCHEDULE G: INVESTMENTS, (NON TRADE, LONG TERM)</b>		
(At Cost Less Permanent diminution in value)		
A) In Associates		
a) Fully paid Equity Shares (Unquoted)	-	-
b) Carrying cost of investments in associates (see note below)	<b>8,880,005</b>	2,233,221
B) Others		
a) Fully paid Equity share (Quoted)	<b>631,343</b>	950,343
b) Fully paid Equity share (Unquoted)	<b>4,747,442</b>	2,592,005
c) Units in Mutual Funds	-	161,615
d) National Savings Certificates	<b>60,300</b>	60,300
	<b>14,319,090</b>	5,997,484

**Note:**

The Investments in associates are accounted for in accordance with AS 23

"Accounting for Investments in Associates in Consolidated Financial Statements" effective from 1st April, 2002. These investments have been recorded at cost, as adjusted for share of profit / (loss) of said associate companies. The break-up of investments is as follows:

Name of Associate	Country of Incorporation	No. of Shares	Ownership interest %	Original Cost of Investment	Amt of Goodwill / (Capital Reserve) in Original Cost	Accumulated Profit / (Loss) as at year end	Carrying cost of Investments
Growel Goema (I) Pvt. Ltd.	India	249,980 (149,980)	49.996% (30.000%)	2,502,300 (1,499,800)	330,788	499,867 (733,421)	3,332,955 (2,233,221)
Growel Sidasa Industries Pvt. Ltd.	India	444,900	49.433%	4,449,000			4,449,000
Grauer & Weil (Thailand) Ltd.	Thailand	9,800	49.00%	1,098,050			1,098,050
<b>TOTAL</b>				8,049,350 (1,499,800)			8,880,005 (2,233,221)

Figures in brackets are in respect of previous year

	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SCHEDULE H : CURRENT ASSETS, LOANS AND ADVANCES</b>			
<b>I. CURRENT ASSETS</b>			
(i) Inventories (As taken, valued and certified by the management)			
Stores, Spares and Packing Materials	9,248,197		9,896,704
Raw Materials	75,070,297		71,838,621
Work-in-progress	40,429,745		23,522,644
Finished Goods	38,464,427		45,788,045
Trade Goods	-		8,856,764
Bottles & Cases	-		87,055,075
Goods in Transit	<u>18,049,397</u>		<u>16,372,900</u>
		<b>181,262,063</b>	<b>263,330,753</b>
(ii) Sundry Debtors Exceeding six months			
Secured	104,979		982,129
Unsecured - Considered good	68,081,183		86,252,620
- Considered doubtful	-		-
	<u>68,186,162</u>		<u>87,234,749</u>
Other Debts			
Secured	2,854,110		2,854,170
Unsecured - Considered good	216,347,029		164,275,785
	<u>219,201,139</u>		<u>167,129,955</u>
		<b>287,387,301</b>	<b>254,364,704</b>
(iii) Cash and Bank balances			
Cash on hand	1,646,035		1,167,774
With Scheduled Banks:			
In Current Accounts	19,607,730		11,667,350
In Fixed Deposits	1,152,400		1,147,706
In Margin accounts	2,419,888		871,609
	<u>24,826,053</u>		<u>14,854,438</u>
(iv) Other Current Assets			
Interest Receivable	118,969		118,969
Interest Accrued but not due	15,110		9,625
	<u>134,079</u>		<u>128,594</u>
		<b>134,079</b>	<b>128,594</b>
<b>II. LOANS AND ADVANCES</b>			
(Unsecured considered good, unless otherwise stated)			
Inter Corporate Loans	88,410,916		89,157,704
Balances with Excise Department	8,143,951		10,397,823
Income Tax	38,864,383		19,731,076
Deposits	7,782,539		8,518,888
Advances to Suppliers	20,764,261		5,757,652
Loans to Staff	1,279,157		1,376,725
Prepaid Expenses	1,692,292		2,333,575
Advances recoverable in cash or in kind or for value to be received	<u>10,428,301</u>		<u>10,827,472</u>
		<b>177,365,800</b>	<b>148,100,915</b>
		<b>670,975,296</b>	<b>680,779,404</b>

	Rupees	As At March 31, 2006 Rupees	As At March 31, 2005 Rupees
<b>SCHEDULE I: CURRENT LIABILITIES &amp; PROVISIONS</b>			
<b>(a) CURRENT LIABILITIES</b>			
Acceptances	2,554,792		2,470,605
Sundry Creditors (Note No. 8)	123,984,878		108,937,665
Deposits from Dealers	—		567,500
Deposits (for bottles & cases)	55,660,974		55,660,974
Advance from customers	27,776,801		23,823,550
Investor Education and Protection Fund*			
Unclaimed Dividends	525,547		539,586
Unclaimed Fixed Deposits	15,000		12,000
Unclaimed Interest on Fixed Deposits	—		4,599
	<u>540,547</u>		<u>556,185</u>
Interest accrued but not due	628,561		740,419
From Hindustan Coca-Cola Beverages Pvt. Ltd.	—		
Opening Balance	243,661,526	—	
Less: Transferred to Capital Reserve (Refer Note No. 12)	<u>243,661,526</u>	—	243,661,526
Other Liabilities	<u>45,455,365</u>		<u>36,528,764</u>
		<b>256,601,918</b>	<b>472,947,187</b>
<b>(b) PROVISIONS</b>			
Provision for Income Tax	41,908,451		21,700,000
Proposed Dividend	7,672,635		6,138,108
Tax on Proposed Dividend	1,076,087		860,870
Provision for Leave encashment	3,477,723		2,910,796
Provision for Gratuity	<u>18,578,957</u>		<u>15,674,205</u>
		<b>72,713,853</b>	<b>47,283,979</b>
		<b>329,315,771</b>	<b>520,231,166</b>

\* The figures reflect the position as at 31st March, 2006. The Actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due dates.

**SCHEDULE J: MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

ERP Project Implementation expenses	1,363,287	2,726,574
Preliminary Expenses	78,039	78,039
	<u>1,441,326</u>	<u>2,804,614</u>

	Rupees	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>SCHEDULE K: OTHER INCOME</b>			
Plating and Service charges (Gross)*		<b>7,785,090</b>	5,845,055
License Fees (Gross)		<b>2,380,000</b>	1,250,000
Miscellaneous Receipts (Gross)*		<b>4,362,886</b>	6,498,537
Interest Received (Gross)*		<b>2,887,641</b>	7,766,656
Interest on Investments		<b>5,485</b>	5,545
Profit on Sale of Investments		<b>259,465</b>	145,153
Dividend on Investments		<b>9,435</b>	14,925
Compensation Received		<b>3,089,222</b>	2,030,875
Sundry balances written back		<b>2,885,756</b>	29,059
		<b>23,664,980</b>	23,585,806
		<b>220,094</b>	1,413,120

\* Tax Deducted at Source

	Rupees	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>SCHEDULE L: MATERIALS</b>			
<b>RAW MATERIALS CONSUMED</b>			
Opening Stock	71,838,621		72,472,739
Add: Purchases	<u>662,424,681</u>		<u>544,074,128</u>
	734,263,302		616,546,867
Less: Closing Stock	<u>75,070,297</u>		<u>71,838,621</u>
		<b>659,193,005</b>	544,708,246
Purchase for Resale		-	866,605
		<b>659,193,005</b>	<u>545,574,851</u>
<b>LESS: INCREASE IN STOCKS</b>			
Opening Stock			
Work-in-Progress	23,522,644		25,809,110
Finished Goods	<u>45,788,045</u>		<u>29,323,785</u>
	69,310,689		55,132,895
Closing Stock			
Work-in-Progress	36,158,660		23,522,644
Finished Goods	<u>42,735,511</u>		<u>45,788,045</u>
	78,894,171		69,310,689
		<b>(9,583,482)</b>	(14,177,794)
Variation in Excise Duty on Opening & Closing Stock of finished goods		<b>(622,571)</b>	2,597,004
		<u><b>648,986,952</b></u>	<u>533,994,061</u>
<b>SCHEDULE M: SALARIES, WAGES AND OTHER BENEFITS</b>			
Salaries, Wages, Bonus etc.		<b>86,873,357</b>	81,021,442
Contribution to Provident and Other Funds		<b>7,549,694</b>	7,129,825
Welfare Expenses		<b>13,630,166</b>	12,225,510
Compensation paid under Voluntary Retirement Scheme written off		-	5,484,937
		<u><b>108,053,217</b></u>	<u>105,861,714</u>

	Rupees	For the year ended March 31, 2006 Rupees	For the year ended March 31, 2005 Rupees
<b>SCHEDULE N: OTHER EXPENSES</b>			
Stores, Spares and Loose Tools Consumed		16,677,359	14,504,742
Packing Expenses		38,220,306	34,446,987
Job Charges / Labour Charges		23,074,964	14,699,925
Power and Fuel		14,978,290	14,531,787
Drawings, Designs and Layout Expenses		680,484	127,509
Rent		6,999,296	5,523,948
Rates and Taxes		5,820,007	3,113,444
Repairs:			
Buildings	7,426,986		4,758,742
Plant & Machinery	6,000,090		4,738,314
Others	13,627,543		6,644,983
		<b>27,054,619</b>	16,142,039
Insurance		3,145,040	3,446,369
Freight and Forwarding		18,206,979	15,247,709
Research and Development		1,378,102	1,935,737
Printing and Stationery		5,508,778	4,779,829
Postage and Telephones		10,696,004	9,766,253
Vehicle Expenses		6,964,972	5,789,746
Travelling Expenses		18,557,376	14,570,313
Conveyance Expenses		5,048,599	5,948,737
Legal and Professional Fees		9,320,709	7,429,532
Sales Tax		16,179,010	11,742,261
Advertisement & Sales Promotion		8,556,280	7,751,418
Auditors' Remuneration:			
Audit Fees	163,060		181,370
Tax Audit / Taxation matters	33,000		33,060
Other matters	75,000		75,175
Reimbursement of Expenses	11,967		1,815
		<b>280,027</b>	291,420
Directors' Fees		11,000	6,000
Royalty		44,670	739,598
Technical know-how fees written off			282,386
ERP Expenses written off		1,363,287	1,363,287
Bad Debts written off	30,420,442		10,633,732
Less: Provision for Doubtful Debts Written back	-		(6,728,868)
		<b>30,420,442</b>	3,904,864
Wealth Tax		101,259	103,980
Loss on Sale of Assets (Net)		85,655	3,920,246
Loss on Assets Discarded		18,421,575	18,466,296
Loss on Impairment of Assets			180,501
Donations		101,040	513,094
Exchange Fluctuations		6,139,037	9,241,120
Irrecoverable Advances written off		4,148,065	
Bottles & Cases written off		87,055,075	
Traded Goods written off		8,856,764	
Inventories written off		1,763,778	
Miscellaneous Expenses		25,382,245	25,290,328
		<b>421,241,094</b>	255,801,408
<b>SCHEDULE O: INTEREST</b>			
Fixed Loans		9,056,818	4,057,658
Others		20,222,286	15,927,963
		<b>29,279,104</b>	19,985,621

## Schedule 'P', Basis of Consolidation, Significant Accounting Policies and Notes on account forming part of the consolidated balance sheet and profit and loss account.

### 1. Basis of Consolidation:

The Consolidated financial statements relate to Grauer & Weil (India) Ltd., ('the Company'), its subsidiary companies and associates. The Company and its subsidiaries constitute the Group.

#### a. Basis of Accounting:

- i. The financial statements of the subsidiary companies used in the consolidation are drawn upto the same reporting date as of the Company i.e. year ended March 31, 2006.
- ii. The financial statements of the Group has been prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India, and generally accepted accounting principles.

#### b. Principles of consolidation:

The consolidated financial statements have been prepared on the following basis:

- i. The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealised profits or losses are fully eliminated.
- ii. Investments in associate companies have been accounted under the equity method as per Accounting Standards 'Accounting for investments in Associates' in Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India,
- iii. The excess of cost to the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies are made, is recognised as 'goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment, is in excess of cost of investment of the Company, it is recognised as 'capital reserve' and shown under the head 'Reserves and Surplus' in the consolidated financial statements.
- iv. Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments as stated above.

#### c. Information on subsidiary companies.

The following subsidiary companies are considered in the consolidated financial statements :

	% Shares held as at March 31, 2006	Country of Incorporation
i. Poona Bottling Company Pvt. Limited	77.22%	India
ii. Growel Energy Company Limited	98.80%	India
d. The following Associate Company is considered in the consolidated financial statements :		
	% Shares held as at March 31, 2006	Country of Incorporation
i. Growel Goema (India) Pvt. Limited	49.996%	India
ii. Grauer & Weil (Thailand) Limited	49.0%	Thailand
iii. Growel Sidasa Industries Pvt. Limited	49.433%	India

### 2. Significant Accounting Policies

- a. The accounts have been prepared on the accrual basis of accounting, under the historical cost convention in accordance with the Companies Act, 1956 and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

### b. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect, the reported amount of assets and liabilities on the date of the financial statement and a reported amount of revenues and expenses during the reporting period. Difference between the actual expenses and estimates are recognised in the period in which the results are known / materialised.

### c. Revenue Recognition:

Revenue from the sale of goods are recognised upon passage of title to the customer which generally coincides with their delivery. Claims, if any, in respect of sales are accounted for as and when settled.

Equipment manufactured by the Engineering Division for use by other divisions are included in the Sales at transfer price and are capitalised by other division.

Benefit on account of entitlement to import duty free materials under the "Duty Entitlement Exemption Certificate" (DEEC) is accounted in the year of import.

Income arising out of business conducting fees are accounted on accrual basis.

### d. Fixed Assets and Depreciation:

- i. Fixed Assets are stated at cost of acquisition including expenditure incurred during construction/erection period less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributed cost of bringing the asset to working condition for its intended use.
- ii. Expenditure incurred during the developmental and preliminary stages of Company's new projects are carried forward under the head capital work in Progress.
- iii. Depreciation is provided in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956 :
  - On Written Down Value basis in respect of all assets acquired before 01/04/91 at Kandivli Unit.
  - On straight line basis in respect of all other assets.
  - On Written Down Value Basis in Poona Bottling Co. Ltd.
- iv. - Premium on leasehold land is amortised over its lease period.
  - Lease monies paid for leasehold land are not amortised over the period of lease in Poona Bottling Co. Pvt. Ltd.
- v. Bottles and cases are valued at the deposit rate prevailing as on 31<sup>st</sup> March, 1999.

### e. Impairment :

Impairment loss is recognised wherever the carrying amount of an asset is in excess of its recoverable amount and the same is recognised as an expenses in the statement of profit and loss and the carrying amount of the asset is reduced to its recoverable amount.

### f. Investments :

Long Term Investments are stated at cost of acquisition or book value. Book value being arrived at after adjusting provision for diminution in value provided such diminution is not temporary.

### g. Inventories :

- i. Inventories are valued as follows :

Stores, Spares, Raw Material, Packing Materials, Finished Goods and Work – In – Progress – At lower of cost and net realisable value.
- ii. Cost of Raw Materials, Stores, Spares and Packing Materials is determined on moving weighted average Basis. Cost of Finished Goods and Work – In – Progress is determined by considering materials, labour and other related direct expenses.

### h. Research and Development :

Research and Development expenditure of revenue nature is written off in the year in which it is incurred and expenditure of capital nature is included in fixed assets and depreciation is provided on such assets as applicable.

### i. Retirement Benefits:

Superannuation benefits to employees, as per company's scheme, have been funded with Life Insurance Corporation of India and the annual contribution towards funds is accounted for on accrual basis.

The accrued liability for gratuity and leave encashment benefits payable to employees has been provided on the basis of actuarial valuation and are charged to Profit & Loss Account.

### j. Foreign Currency Transactions:

Transactions arising in foreign currencies during the year are recorded at the exchange rates prevailing on the date of the transactions. Foreign Currency Assets and Liabilities are converted into Rupee equivalent at the exchange rates prevailing as on Balance Sheet date. Non monetary items are carried at historical cost denominated in a foreign currency and are reported using the exchange rate at the date of transaction. Exchange difference arising on settlement/restatement of monetary items are recognised as income or as expenses in the year in which they arise, except exchange differences on transactions relating to acquisition of fixed assets from outside India, which are adjusted to the carrying amount of fixed assets. Premium or discount on forward contracts is amortised over the life of such contracts and is recognised as income or expense, except for difference in respect of liabilities incurred for acquiring fixed assets from outside India, in which case such differences is adjusted in the carrying cost of fixed assets. Any profit or loss arising on cancellation or renewal of forward contract is recognised as income or as expense for the year except profit or loss on transaction relating to acquisition of fixed assets from outside India, which is adjusted against carrying cost of the fixed assets.

### k. Customs Duty And Excise Duty:

Customs Duty and Excise Duty have been accounted on the basis of both payments made in respect of goods cleared as well as on provision made for goods lying in bonded warehouse.

### l. Borrowing Costs:

Borrowing Costs that are attributable to the acquisition of or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying assets is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

### m. Income Taxes:

Tax expense comprises both current & deferred taxes. Current tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing difference and which are capable of reversal in subsequent periods are recognised using the tax rates and tax laws that have been enacted or substantively enacted. Provision for Fringe benefit tax liability is estimated and provided for.

### n. Segment Reporting:

The Group's reportable operating segments interalia consists of Chemical, Engineering, Shoppertainment and Bottling Operations.

#### i. Identification of Segments :

The Company's operating business are organised and managed separately according to the nature of the products and services provided, with each segment representing strategic business unit that offers different products and serves different markets.

#### ii. Segment Revenue & Results:

The Income and Expenses which are not directly attributable to business segment are shown as unallocated income and expenses.

#### iii. Segment Assets & Liabilities:

Segment Assets include all operating assets used by the business segment and consists principally all Fixed Assets, Debtors, Inventories and Advances. Segment Liabilities primarily include Creditors, Other Liabilities / Provisions. Common assets and liabilities that cannot be allocated to any segment are shown as a part of unallocated corporate assets and liabilities.

### o. Leases:

Operating Lease payments are recognised on a straight line basis over the lease term.

**p. Miscellaneous Expenditure:**

In respect of ERP Project Implementation expenses is amortised over a period of 5 years.

**q. Provisions & Contingent Liabilities:**

The Company recognises a provision when there is a present obligation as a result of a passed event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

3. Contingent Liability not provided for	<b>2005-2006</b> <b>(Rs.in '000)</b>	2004-2005 (Rs.in'000)
Disputed matters in appeal / contested in respect of;		
a) Income Tax	<b>882</b>	NIL
b) Excise Duty	<b>9729</b>	16183
c) Other matters	<b>12,858</b>	NIL
d) Gratuity	<b>69</b>	NIL
4. Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances)	<b>12,586</b>	77,359
5. Remuneration to Managing Director / Directors		
i. Salary and Allowances	<b>4,185</b>	3,808
ii. Contribution to Provident Fund and other funds	<b>281</b>	326
iii. Perquisites	<b>334</b>	335
iv. Directors Sitting Fees	<b>11</b>	6
	<b>*4,811</b>	*4,475
	=====	=====

\*Excluding Contribution / Provision for Gratuity and Leave Encashment.

6. In the opinion of the Board, the Current Assets, Loans and Advances are approximately of the value stated if realised in the ordinary course of the business.
7. The Company has taken various premises under operating leases. These are generally not non-cancelable and range between 11 months to 3 years and above and are renewable by mutual consent on mutually agreeable terms. Lease payments are recognised in the Profit and Loss Account under the head "Rent".
8. The Company has no information as to whether any of its suppliers constitute small scale industrial undertakings and therefore, the amount due to such suppliers has not been identified.
9. The Company has not given effect to the groups share of profit / loss of the associate for the current year, as the audited financial statements for the year ended 31<sup>st</sup> March, 2006 of Associate Companies are not available as required by Accounting Standard on accounting for investments in Associates (AS23).
10. Premium on Forward Exchange Contracts to be amortised over the life of the contract Rs.164361/- (Previous year - Rs. NIL).
11. The operations of a subsidiary Company, viz., Poona Bottling Co. Pvt. Ltd. have been stopped with effect from 2/8/2001 with a view to prevent further losses. The accounts of the Company for the year ended 31<sup>st</sup> March, 2006 have been prepared on "Going Concern" basis, as the Company is continuing to carry on its other activities.
12. The Subsidiary company had entered into a 'Business Purchase Agreement" with Hindustan Coca Cola Beverages Pvt. Ltd. (HCC) for sale of its soft drink business undertaking on a slump sale basis on 22nd July 1999. In accordance with the terms of agreement, certain marketing assets were handed over to HCC in July 1999. HCC had discharged liabilities to the tune of Rs.15.43 Crores on behalf of the Company and had paid Rs.8.94 Crores to the Company.

Pending completion of the said Business Purchase Agreement, dispute arose between the parties and matter was referred to Arbitration. Pursuant to the Arbitration Award dated 8th December 2005, the liabilities of the Company to HCC arising out of amount received from HCC and amount paid by HCC to retire the Company loans & liabilities amounting in total to 24.37 Crores have been forfeited to Capital Reserve and the movable assets parted with to HCC amounting to Rs.9.59 Crores are written off.

13. (i) Upon termination of the Contract Packing agreement on the 21.02.2000 by Hindustan Coca Cola Beverages Private Limited, the production activities at the Bottling unit of the Subsidiary Company stopped with effect from 21st February 2000. On a complaint filed by the union of the employees in Industrial Court, Pune, the court by an interim order dated 22.03.2000, ordered the Subsidiary Company to pay the employees who were members of the Union and were on the muster roll of the Subsidiary Company an amount equal to 50% of the basic and DA though there was no production. By a subsequent order dated 20.03.2001, the Court instructed the Subsidiary Company to pay full wages / salaries to its employees from February 2000. On being aggrieved by the said order the Subsidiary Company filled an appeal before the honorable high Court, Mumbai. The Hon'ble High Court ordered the Subsidiary Company to continue to pay an amount equal to 50% of the basic and the DA till final disposal of the appeal.

With a view to limit the ongoing costs, the Subsidiary Company closed its bottling unit under the Industrial Dispute Act with effect from 2.8.2001 and retrenched all its employees from that date. The employees of the Subsidiary Company filed complaints in the Industrial Court, Pune the matter is sub justice. The Subsidiary Company has made payments as per the interim orders of the Industrial Court, Pune and High Court, Mumbai. Further the Industrial Court, Pune vide order dated 20th December 2003 have given a verdict against the Subsidiary Company by ordering the Subsidiary Company to pay the wages to employees who have not accepted their dues and closure compensation. The Subsidiary Company preferred an appeal against the order of the said Industrial Court along with a petition for interim relief to stay the order of the Industrial Court, Pune.

The honorable High Court Mumbai has admitted the appeal but refused the interim stay as applied. The total amount payable as estimated by the Company works out to Rs.215.70 lakhs, the Company has already made a payment -of Rs.48.41 Lakhs towards their dues, the balance liability has not been provided for in the books of accounts awaiting the final orders in the appeal before the Honorable High Court Mumbai.

- (ii) Guarantee given by the Subsidiary Company to financial institution of Rs.100.00 Lacs have been invoked by the financial institution. The Debt Recovery Tribunal Mumbai vide its order dated 9th June 2006 has directed the Company to pay Rs.218.60 lacs (with interest @ 12%). The Subsidiary Company has not accepted the order and is in the process of filing an appeal before Mumbai High Court liability if any, shall be provided as and when determined.
- (iii) Guarantees given by the Subsidiary Company to banks to the extent of Rs.325.00 lacs have been invoked by the banks. The Debt Recovery Tribunal, Pune vide order dated 8th December 2004 directed the Company and others to pay the disputed amount of Rs.250.00 lacs. The Subsidiary Company has contested the said order and..the matter is pending before the Debt Recovery Appellate Tribunal, Mumbai. Liability, if any, dependant of the result of the said dispute shall be provided as and when determined.

14. SEGMENT REPORTING

The following tables present revenue and profit/(loss) information regarding business / geographical segments for the year ended 31st March, 2006 and certain assets and liabilities information regarding business and geographical segments as 31st March, 2006.

(a) Primary Segment Reporting by business segments

(Rs. In '000)

	Chemical	Engineering	Shoppertainment	Bottling Operations	Total
<b>Segment revenue</b>					
Income from operations	<b>979695</b>	<b>165238</b>	<b>20333</b>		<b>1165266</b>
Add: Inter segment Revenue	(848312)	(136187)			(984499)
Add: Other Income	<b>4880</b>	<b>10706</b>			<b>15586</b>
	(11333)	(7233)			(18566)
Add: Unallocable					<b>2074</b>
					(2802)
<b>Total</b>	<b>984575</b>	<b>175944</b>	<b>20333</b>		<b>1182926</b>
	(859645)	(143420)			(1005867)
<b>Segment Results</b>	<b>191867</b>	<b>3026</b>	<b>10417</b>	<b>-134343</b>	<b>70967</b>
	(128341)	(3223)		(-8678)	(122886)
Less: Interest					<b>29279</b>
					(19986)
Less: Other Unallocable Expenditure net of unallocable Income					<b>93481</b>
					(40704)
<b>Profit Before Tax</b>					<b>-51793</b>
					(62196)
Less: Provision for current and Deferred tax					<b>16929</b>
					(10212)
<b>Profit After Tax</b>					<b>-68722</b>
					(51984)
Segment Assets	<b>644113</b>	<b>143055</b>	<b>216576</b>	<b>170492</b>	<b>1174236</b>
	(586037)	(92860)	(185126)	(308369)	(1172392)
Unallocated corporate Assets					<b>157926</b>
					(90915)
<b>Total Assets</b>					<b>1332162</b>
					(1263307)
Segment Liabilities	<b>119713</b>	<b>67194</b>	<b>12891</b>	<b>60022</b>	<b>259820</b>
	(106588)	(43437)	(18944)	(309178)	(478147)
Unallocated corporate Liabilities					<b>501766</b>
					(381426)
<b>Total Liabilities</b>					<b>761586</b>
					(859573)
Capital Expenditure	<b>21874</b>	<b>2657</b>	<b>33356</b>		
	(28372)	(987)	(121520)		
Depreciation	<b>16839</b>	<b>827</b>	<b>4200</b>	<b>6311</b>	
	(18848)	(635)		(7319)	
Non Cash Expenditure		<b>352</b>			
	(22795)	(6886)			

(b) Secondary segment reporting by geographical segment

	Domestic	Exports	Total
Revenue	<b>1008182</b>	<b>174744</b>	<b>1182926</b>
	(853957)	(151910)	(1005867)
Total assets	<b>1104998</b>	<b>53759</b>	<b>1158757</b>
	(909953)	(43998)	(953951)

Note: Previous year's figures are in brackets

## 15. Related party disclosures

(i). List of Related Parties

### Subsidiaries

Poona Bottling Company Pvt. Limited  
Growel Energy Company Limited

### Associates

Growel Goema (I) Pvt. Limited  
Growel Sidasa Industries Pvt. Limited  
Grauer & Weil (Thailand) Limited

### Key Management Personnel, their relatives and enterprises where significant influence exists, with whom the company had transactions

Mr. Umeshkumar N. More	Chairman & Managing Director
Mr. Vinod Haritwal	CEO & Executive Director
Mr. Rameshkumar R. More	Director
Mr. Nirajkumar U. More	Director
Mr. Rohitkumar R. More	Director
Mr. Rajender Guleria	Director
Mr. Rohan Shah	Director
Mr. M. M. Chaturvedi	Director
Mr. Gorav R. More	Director

Bombay Paints Limited  
Growel Investment Limited  
Growel Softech Limited  
Digikore Designs Limited  
Digikore Studios Limited  
Growel Projects Limited  
(Erstwhile Shree MPJ Builders Pvt. Limited)  
Ridhi Sidhi Limited  
Bubna More & Co. Pvt. Ltd.  
Radhakishan Nandlal Pvt. Ltd.  
Waluj Beverages Pvt. Ltd.  
Gorav Investment Pvt. Ltd.

### Relatives of Key Management Personnel

Mrs. Premlata U. More  
Mrs. Pallavi N. More  
Mrs. Draupadidevi N. More  
Mr. Abhishek R. More  
Mrs. Umadevi R. More  
Mrs. Jhumka R. More

**B) II] TRANSACTIONS WITH RELATED PARTIES**

(Rs. In '000)

Transactions	Associates	Key Management Personnel (KMP)	Enterprises of KMP	Relatives of KMP	Total 2005-06	Total 2004-05
Sales	5862		97		<b>5959</b>	20267
Purchases			3314		<b>3314</b>	2732
Interest Received			131		<b>131</b>	2862
Interest Paid	197		265		<b>462</b>	261
Rent Recieved			234	1	<b>235</b>	292
Rent Paid		552	192	489	<b>1233</b>	1087
Sales of Assets	71				<b>71</b>	6
Contract Payments			87785		<b>87785</b>	91739
Services Received (SAP)			5149		<b>5149</b>	6057
Salaries				623	<b>623</b>	620
Investment in Shares	5498				<b>5498</b>	
Director's Fees		11			<b>11</b>	5
Managerial Remuneration		4801			<b>4801</b>	4469
Security Deposit Received						4000
Loans accepted	3000		7000		<b>10000</b>	8500
Repayment of loans accepted			1600		<b>1600</b>	8500
Loans Advanced	2000		64883		<b>66883</b>	4999
Repayment of loans Advanced			69826		<b>69826</b>	31310
<b>Outstanding Balances as on 31st March 2006</b>						
- Unsecured Loans	3000		5400		<b>8400</b>	
- Current Liabilities			8101		<b>8101</b>	19717
- Debtors	5335		33496		<b>38831</b>	38837
- Loans & Advances	2041		77905		<b>79946</b>	89421

No amount has been provided as doubtful debts or advances written off or written back in the year in respect of debts due from / to above related parties.

**16. EARNING PER SHARE**

Calculation of Earnings per share for the year ended 31.03.2006

	31.03.2006	31.03.2005
Profit / (Loss) for the year after minority interest	<b>(37,967,892)</b>	54,148,657
Weighted average number of equity shares (Face Value Rs. 10 per share)	Nos. <b>12,787,725</b>	12,787,725
Basic Earnings per share	<b>(2.97)</b>	4.23

**17. DEFERRED TAX**

The break up of Net Deferred Tax Liability as on 31.3.2006 is as under:

Rs. in '000

	As at March 31, 2006		As at March 31, 2005	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Difference between Book Value of Depreciable Assets as per books and WDV for Tax purpose		<b>44692</b>		55688
Provision for Doubtful Debts, Leave Encashment, Gratuity & Diminution in value of Investments	<b>6719</b>		6144	
Other Items giving rise to timing differences	<b>478</b>		34281	29303
Total	<b>7197</b>	<b>44692</b>	40425	84991
Net deferred Tax Liability		<b>37495</b>		44566
Net amount credited to Profit & Loss Account		<b>(7,071)</b>		(4,288)

18. Previous years figures have been regrouped and / or rearranged wherever considered necessary to make them comparable with those of current year.

SIGNATURES TO SCHEDULES A to P which form an integral part of the Financial Statements

**for M. M. NISSIM AND CO.**  
**Chartered Accountants**

**P. P. BHANDARI**  
**Partner**  
**MEM No.: 32218**

**Mumbai, 30th June, 2006**

**Mumbai, 30th June, 2006**

**ATTENDANCE SLIP**

**Regd. Office:** 'Growel House', Akurli Road, Kandivli (East), Mumbai - 400 101.

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint Shareholders may obtain additional Attendance Slips on request.

NAME & ADDRESS OF THE SHAREHOLDER:

DPID No. / L.F.NO.	
--------------------	--

No. of Shares held:

I hereby record my presence at the 48th Annual General Meeting of the Company to be held on Saturday, August 19, 2006 at 3 p. m. at the Juhu Jagruti Hall, A. J. College, Opp. Mithibhai College, J.V.P.D. Road No.1, Vile Parle (W), Mumbai - 400 056.

SIGNATURE OF THE SHAREHOLDERS OR PROXY
--

**PROXY**

**Regd. Office:** 'Growel House', Akurli Road, Kandivli (East), Mumbai - 400 101.

L. F. No. / DPID No.

I / we \_\_\_\_\_

of \_\_\_\_\_ being a member / members of GRAUER & WEIL (INDIA) LIMITED

hereby appoint \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the 48th Annual General Meeting of the Company to be held on Saturday, August 19, 2006 at 3 p. m. at the Juhu Jagruti Hall, A. J. College, Opp. Mithibhai College, J.V.P.D. Road No.1, Vile Parle (W), Mumbai - 400 056.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

signed by the said \_\_\_\_\_



Note: The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a member of the Company.





## **Grauer & Weil (India) Ltd.**

Registered Office : 'Growel House', Akurli Road, Kandivli (E), Mumbai 400 101.

### **POSTAL BALLOT NOTICE**

Notice is hereby given that pursuant to Section 192A of the Companies Act 1956 read alongwith the Companies (Passing of the Resolution by Postal Ballot) Rules 2001, a special resolution is proposed to be passed at item No.8 of the notice convening the 48th Annual General Meeting of the Company to be held on 19th August 2006 at Juhu Jagruti Hall, A.J.College, Opp.Mithibai College, J.V.P.D Road No.1, Vile Parle (West), Mumbai 400 056 for amending the existing Clause III (8) and (10) of the objects for which the company is established.

The company is therefore seeking your consent to the proposed draft resolution appended below. Accordingly the draft resolution alongwith the explanatory statements pertaining to the said resolution are being sent to you alongwith a Postal Ballot form for your consideration.

The company has appointed Mr.Mahesh Soni, Practicing Company Secretary as a scrutinizer for conducting the Postal Ballot process in a fair and transparent manner.

You are requested to kindly read carefully the instructions printed in the Postal Ballot form and convey your assent or dissent and return the form duly completed in the enclosed prepaid self addressed envelope so as to reach the scrutinizer on or before the close of working hours on 17/08/2006. In case no reply is received it will be strictly treated as if no reply has been received from the member.

The scrutinizer will convey the results of the Postal Ballot to the Chairman & Managing Director on 18/08/2006.

(Accordingly the results will be put upon the company's website [www.growel.com](http://www.growel.com).) In the event the draft resolution is assented to, the same would be deemed to have been approved at the Annual General Meeting of the company to be held on 19th August 2006.

#### **DRAFT SPECIAL RESOLUTION**

To consider and, if thought fit, to pass the following resolution as a SPECIAL RESOLUTION

"RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions if any or any amendment, modification or supersession thereof, the existing Clause III (8) and Clause III (10) of the Memorandum of Association of the Company be and are hereby deleted and substituted by the following Clauses.

**III (8) (a)** To carry on the business of undertaking, establishing, developing, redeveloping, operating, modifying and maintaining any passenger / cargo airport, to establish and run an academy / institute primarily for the purpose of training pilots, engineers, technicians, air hostesses, pursers and other allied and incidental staff and also to own, operate, maintain, hire out, give and acquire on wet/dry lease any type of air crafts, helicopters and other modes of air travel and / or transport.

**(b)** Generally, to carry on or assist or participate in any trade, business, enterprise or activity, of whatever nature which may seem capable of being conveniently carried on, in connection with any trade, business, enterprise or activity of the company or which under the existing circumstances may be conveniently or advantageously combined with the business of the company or which directly or indirectly may promote the interest of the company or to enhance the value of or render profitable any of the Company's property or rights or which may be subsidiary or auxiliary to any of the Company's objects.

**III (10)** To carry on any other, trade, business, enterprise or activity which under prevailing /existing circumstances may conveniently or advantageously be combined with the business or objects of the company or calculated or indirectly to enhance the value of or render profitable any of the Company's property or rights or which may be subsidiary or auxiliary to any of the Company's objects.

For and Behalf of the Company

Place: Mumbai

Date: 30th June 2006



## **Explanatory statement pursuant to Section 173(2) of Companies Act 1956**

1. The Board proposes to increase and widen the scope of business of your company. The proposed amendments to the object clause of the Memorandum of Association would enable the company to undertake new activities from time to time which would lead to a high growth and better future prospects for your company. Your company has submitted a proposal to takeover an airport in the State of Haryana to set up and to operate an academy to train pilots and other staff required for aircrafts.
2. The Board of Directors in their meeting held on 30th June 2006 passed a resolution recommending amendments to the object clauses to be approved by the shareholders by Postal Ballots.
3. Section 17 of the Companies Act 1956 (The Act) stipulates that the object clause of the Memorandum of Association of the company can be altered by a special resolution passed by the members of the company. Further Section 192A of The Act read along with Companies (Passing of the Resolution by Postal Ballot) Rules 2001, stipulates that the consent of the members of the company for this purpose shall be obtained by means of a Postal Ballot.
4. A copy of the Memorandum of Association of your company along with the proposed amendments will be available for inspection by members, at the registered office of the company between 11.00 am to 1.00 p.m on any working day up to 17/08/2006.
5. The Directors of the company may be deemed to be concerned or interested in the resolution as set out in the notice to the extent of shares held by them in the company.
6. The Board of Directors recommend the passing of the special resolution as set out in the accompanying notice.

For and Behalf of the Company

Place: Mumbai

Date: 30th June 2006



## Grauer & Weil (India) Ltd.

Registered Office : 'Growel House', Akurli Road, Kandivli (E), Mumbai 400 101.

### POSTAL BALLOT FORM

(Please read the instructions printed overleaf carefully before completing this form)

- (1) Name(s) of Shareholder(s)  
Beneficial Owner(s)  
(including Joint-holders, if any)  
(in Block Letters)
- (2) Registered Address of the Sole /  
First named Shareholder /  
Beneficial Owner(s)
- (3) Registered Folio No. /  
DPID No. / Client ID No. \*:  
(\*Applicable to members holding  
shares in dematerialized form)
- (4) No. of Shares held :
- (5) I/We hereby exercise my/our vote in respect of the following Resolution to be passed through Postal Ballot for the business stated in the Notice of the Company dated 30th June 2006, by conveying my/our assent or dissent to the said Resolution by placing the tick (a) mark in the appropriate box below:

Item No.	Description	No. of Shares	I/We assent to the Resolution (FOR)	I/We dissent to the Resolution (AGAINST)
1	Special Resolution under section 17 of the Companies Act, 1956 for alteration of the object clause of Memorandum of Association of the Company by substitution of clause III (8) & III (10) in place of existing clause III (8) & III (10)			

**Place:**

**Date:** Signature of the Shareholder/Beneficial Owner

**Note:** Last date for receipt of Postal Ballot forms by the scrutinizer : 17th August 2006



## INSTRUCTIONS :

1. A member desirous to exercise vote by Postal Ballot may complete this Postal Ballot Form in all respects and send it to the Scrutinizer in the attached self addressed postage pre-paid envelope which shall be properly sealed with adhesive or adhesive tape. However, envelopes containing Postal Ballot Form deposited in person or sent by courier at the expense of the Member, will also be accepted. No other form or photocopy of the Postal Ballot will be permitted.
2. The self-addressed envelope bears the postal address of the Scrutinizer appointed by the Company.
3. The Postal Ballot Form should be completed and signed by the member (as per specimen signature registered with the Company or furnished by National Securities Depository Limited / Central Depository Services (India) Limited, in respect of shares held in the physical form or dematerialized form respectively). In case shares are jointly held, this form should be completed and signed by the first named member and in his/her absence, by the next named member. Unsigned Postal Ballot Form will be rejected. The exercise of vote by Postal Ballot is not permitted through proxy.
4. Completed Postal Ballot Form should reach the Scrutinizer not later than the close of working hours on 17th August 2006. Postal Ballot Form received after the said date will be treated as if the reply from such member has not been received and shall not be counted for the purposes of passing of resolution.
5. The voting shall be reckoned in proportion to a member's share of the paid-up Equity Share capital of the Company as on the date of the notice i.e. 30.06.2006.
6. In case of shares held by companies, trusts, societies, etc., the duly completed Postal Ballot Form should be accompanied by certified copy of the Board Resolution/Authority together with attested specimen signature(s) of the duly authorized signatory(ies), Postal Ballot Form signed by the holder of power of attorney for and on behalf of a shareholder of the company must be accompanied by the requisite certified true copy of Power of Attorney. If the same is already registered with the Company, please quote the Registration No. beneath the signature.
7. Members are requested not to send any other paper along with the Postal Ballot form in the enclosed self-addressed postage prepaid envelopes in as much as all such envelopes will be sent to the Scrutinizer and if any extraneous paper is found in such envelope, the same would not be considered and would be destroyed by the Scrutinizer.
8. A tick (a) mark should be placed in the relevant box signifying assent/dissent for the resolution, as the case may be, before mailing the Postal Ballot Form. Incomplete, unsigned, improperly or incorrectly tick (a) marked Postal Ballot Form will be rejected. Postal Ballot Form bearing tick marks in both the columns will render the Postal Ballot Form invalid.
9. There will be only one Postal Ballot Form for every folio irrespective of the number of joint Member(s).