
DIRECTORS

Mr. Bansi S. Mehta (Chairman)

Mr. Nikhil J. Danani
(Vice Chairman & Managing Director)

Mr. Nakul P. Mehta
(Vice Chairman & Managing Director)

Mr. Jaisingh R. Danani

Mr. Mukul Harkison Dass

Mr. Prakash V. Mehta

Mr. Anand J. Danani

Mr. Deepak S. Parekh
(Alternate to Mr. Anand J. Danani)

Mr. Sanjiv N. Shah

Mr. Jairaj C. Thacker

Mr. Meghendra Kumar

REGISTERED OFFICE

Electric Mansion, 6th Floor,
Appasaheb Marathe Marg, Prabhadevi,
Mumbai 400 025.
Tel. No. : 022-24306237
Fax No. : 022-24370624

WORKS

Plot No. 2, MIDC Industrial Estate,
Belapur Road, Kalwa,
Thane 400 601.
Maharashtra.
Tel. No. : 022-27600401
Fax No. : 022-27600443

AUDITORS

Messrs Dalal & Shah

SOLICITORS

Messrs Malvi Ranchoddas & Co.

BANKERS

Bank of India
The United Western Bank Limited
Syndicate Bank
Indian Bank
The North Kanara Gaud Saraswat Cooperative
Bank Ltd.
Citibank N.A.
Standard Chartered Bank

REGIONAL OFFICES

Northern Regional Office

Milap Niketan, 4th Floor,
8-A, Bahadur Shah Zafar Marg,
New Delhi 110 002.

Tel. No. : 011-23319694

Fax No. : 011-23319413

Eastern Regional Office

Mansarowar, 2nd Floor,
3B, Camac Street,
Kolkata 700 016.

Tel. No. : 033-22172382

Fax No. : 033-22172467

Southern Regional Office

Ramanashree Chambers,
37, Lady Curzon Road,
Bangalore 560 001.

Tel. No. : 080-25592646

Fax No. : 080-25592823

REGISTRAR & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg,

Bhandup (W),

Mumbai 400 078.

Tel. No. : 022-25963838

Fax No. : 022-25962691

NOTICE

Notice is hereby given that the 59th Annual General Meeting of Bharat Bijlee Limited will be held at Walchand Hirachand Hall, Indian Merchants' Chamber Building, Veer Nariman Road, Churchgate, Mumbai 400 020 on Monday, 26th June, 2006 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Jaisingh R. Danani who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Prakash V. Mehta who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Sanjiv N. Shah who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint M/s. Dalal & Shah, Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors and or its Audit Committee to fix their remuneration.

NOTES:

- (A) **MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. INSTRUMENTS APPOINTING PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- (B) The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, 12th June, 2006 to Monday, 26th June 2006 (both days inclusive).
- (C) The Profiles of the Directors being re-appointed, item Nos. 3, 4 & 5 of the Notice as required under Clause No. 49 of the Listing Agreement with Stock Exchanges is annexed to this notice.
- (D) As per the provision of Section 205A read with Section 205C of the Companies Act, 1956 a Company is required to transfer its dividends, debentures, bonds, redeemed preference shares, fixed deposits, interest on fixed deposits, interest on debentures etc. upto the financial year March 31, 1995 and onwards which remain unpaid or unclaimed for a period of 7 years to the Investor Education and Protection Fund set up by the Central Government. The Company has in compliance transferred all such unclaimed amounts upto the financial year 31st March, 1998 to the said fund. It may be noted that no claims will lie against the Company in respect of the said unclaimed amount(s) transferred to the said fund. Members who have not claimed the dividends declared for the Financial Year 31-3-1999 and onwards are requested to lodge their claim immediately with the Company's Registrars and Transfer Agents at the address mentioned in the Annual Report.
- (E) The dividend, as recommended by the Board, if declared at the Annual General Meeting, will be paid after Monday, 26th June, 2006 to those members whose names stand registered on the Company's Register of Members :
- (i) as Beneficial owners as at the end of business on Saturday, 10th June, 2006 as per the list to be furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) in respect of shares held in demat form.
 - (ii) as Members in the Register of Members of the Company after giving effect to valid share transfers lodged with the Company before, Monday, 12th June, 2006.
- (F) The Registrar and Transfer activity of shares held in physical and demat form continue to be carried out by our Registrars, M/s. Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400 078, Phone No. 25963838.
- The Register of Members continue to be maintained at the Registered Office of the Company.
- (G) Pursuant to the provisions of Section 109A of the Companies Act, 1956, shareholders may file nomination in respect of their shareholdings. Any shareholder willing to avail of this facility may submit to the Company the prescribed form 2B, if not already filed.
- The Equity Shares of the Company are listed on the following stock exchanges:
1. Bombay Stock Exchange Limited
Pheroze Jeejeebhoy Towers
Dalal Street,
Mumbai 400 001.
 2. The Delhi Stock Exchange Association Ltd.
3&4/4B, Asaf Ali Road,
New Delhi 110 002.
- The listing fee for the period 1-4-2006 to 31.3.2007 to the above Exchanges has been paid.

REQUEST TO THE MEMBERS

1. Members desiring any information on the Accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring the copy of the Annual Report to the Meeting.
3. Members who hold shares in the dematerialised form are requested to bring their Depository Account Number for identification.

By Order of the Board

D. N. NAGARKAR
Company Secretary &
General Manager - Legal

Registered Office:

Electric Mansion, 6th Floor
Appasaheb Marathe Marg,
Prabhadevi, Mumbai 400 025
Dated: 10th May, 2006

PROFILES OF DIRECTORS BEING RE-APPOINTED AS REQUIRED BY CLAUSE 49 VIA OF THE LISTING AGREEMENT WITH STOCK EXCHANGES**Item Nos. 3, 4 & 5 of the Notice****Mr. Jaisingh R. Danani**

Mr. Jaisingh R. Danani has been a Director on the Board of the Company since 27th August, 1955 and was one of the Managing Directors of the Company from March 18, 1963 to March 31, 1990.

Mr. Danani along with the late Chairman and Managing Director, Mr. Prahlad C. Mehta nurtured the Company for over 35 years with his entrepreneurial skill, dedication, high ethical standards and vision to create strong core values and principles which have helped the Company to withstand a highly competitive environment for well over 50 years.

Mr. Danani has over 50 years of experience in the Electrical Engineering Industry and it was under his guidance that the Company entered the lift business 30 years ago and successfully established its "Olympus" brand of lifts in India. Mr. Danani holds 2,24,000 equity shares representing 3.96% of the Issued and Subscribed Equity Share Capital of the Company.

Mr. Prakash V. Mehta

Mr. Prakash V. Mehta obtained a Bachelors Degree in Law from the University of Bombay in 1963, thereafter qualified as a Solicitor in 1966 and since then has been practicing as a Solicitor. He is a partner of M/s. Malvi Ranchoddas & Co., a renowned firm of Solicitors. He has considerable experience in the field of Law and is also an expert in Corporate Law, Acquisitions, Joint Ventures and Foreign Collaborations. He has been a Director on the Board of the Company since August 7th, 1990.

He is on the Board of the following companies:

1. Advani Hotels & Resorts (I) Ltd.
2. Hikal Ltd.
3. India Safety Vaults Ltd.
4. Kristeel Shinwa Industries Ltd.
5. KJMC Investments Trust Co. Ltd.
6. Mukand Engineers Ltd.
7. Omega Management Services. Ltd.
8. PCS Technology Ltd.
9. Rajasvi Properties Holdings Pvt. Ltd.
10. Tulsidas Khimji Pvt. Ltd.
11. W. H. Brady & Co. Ltd.
12. JBF Industries Ltd.

Mr. Mehta holds 400 equity shares of the Company representing 0.0071% of the Issued and Subscribed Equity Share Capital of the Company.

Mr. Sanjiv N. Shah

Mr. Sanjiv N. Shah holds a degree (B.A.) in Economics and Statistics from the University of Mumbai, a degree (B.Sc.) in Economics from the London School of Economics, is a Chartered Accounts from England and Wales and a fellow member of The Institute of Chartered Accountants of India. He was a partner of M/s. S. B. Billimoria & Company, a renowned firm of Chartered Accountants and is presently a partner in M/s. Sanjiv N. Shah & Co., Chartered Accountants. He specialises in the Financial Services Industry and has been a member of the Board since 27th June, 2002.

Mr. Shah is on the Board of the following companies :

1. Nimesh Shah Investments Pvt. Ltd.
2. SNS Consulting Pvt. Ltd.
3. Andhra Pradesh Tanneries Ltd.
4. Chowgule Steamships Ltd.

Mr. Shah holds 4,560 equity shares of the Company representing 0.0807% of the Issued and Subscribed Equity Share Capital of the Company.

REPORT OF THE DIRECTORS TO THE MEMBERS

The Directors have pleasure in presenting the 59th Annual Report of the Company together with Audited Accounts for the year ended 31st March, 2006.

The Dividend payout will be Rs. 869.97 including Dividend Tax of Rs. 107.01 as compared to Rs. 579.98 lakhs in the previous year.

FINANCIAL RESULTS

	Year ended 31st March, 2006 Rupees in lakhs	Year ended 31st March, 2005 Rupees in lakhs
Sales & Service	34173.42	27479.12
Less: Excise Duty	<u>4095.08</u>	<u>2894.81</u>
	30078.34	24584.31
Other Income	<u>368.07</u>	<u>440.84</u>
	30446.41	25025.15
Profit before Interest & Financial Charges, Depreciation, Exceptional items and Tax	5491.09	3186.64
Less: Interest & Financial Charges	468.84	379.14
Less: Depreciation	184.02	168.22
Profit Before Exceptional items & Tax	4838.23	2639.28
Add: Exceptional items	191.41	917.62
Profit before tax	5029.64	3556.90
Less: Provision for Taxation	1622.28	779.91
Profit for the year after taxation	3407.36	2776.99
Short(-) Provision for tax for earlier years	<u>- 39.38</u>	<u>- 0.45</u>
Profit after taxation	3367.98	2776.54
Add: Profit brought forward	<u>1744.66</u>	<u>298.10</u>
Net Surplus available for Appropriation	5112.64	3074.64
APPROPRIATION:		
Proposed Equity Dividend	762.96	508.64
Tax on proposed Equity Dividend	107.01	71.34
General Reserve	2500.00	750.00
Profit Carried Forward	1742.67	1744.66

Previous year's figures have been regrouped for comparison purposes with current year's presentation.

DIVIDEND

The Directors recommend a dividend of Rs. 13.50 per equity share for the year ended 31st March, 2006, on 56,51,560 equity shares of Rs.10/- each.

OPERATIONS

During the year under review, income from Sales and Services grew by Rs. 66.9 crores from Rs. 274.8 crores to Rs. 341.7 crores, a growth of 24%. Orders received during the year for motors and transformers, the main products of Industrial Product segment, went up by Rs. 86.7 crores from Rs. 228.4 crores to Rs. 315.1 crores, a growth of 38%.

PBT before exceptional items and tax increased by Rs. 22 crores from Rs. 26.4 crores to Rs. 48.4 crores, a rise of 84%. Motors and Transformers the principal products of the Industrial Product Segment, contributed to this excellent result. Higher price realisations, an improved product mix in larger volumes, and higher productivity enabled this growth.

NEW TRANSFORMER PLANT

Mr Jaisingh R Danani, Senior Director of the Company inaugurated PWRLEX, the new Transformer Plant on 22nd March, 2006. This world class state of the art Plant increases the Company's manufacturing capacity to 8000 MVA.

FINANCE

Your Company has financed capital expenditure and major portion of increased working capital substantially through internal accruals and marginal increase in short terms borrowings. Therefore the financing cost has gone up from Rs. 3.8 crores to Rs. 4.7 crores. The same has been contained at 1.37% of the sales, same as in the previous year.

As on 31st March, 2006, the Company had Fixed Deposits aggregating to Rs. 1115.40 lakhs. Out of the Fixed Deposits which matured for payment prior to 31st March, 2006, 44 deposits aggregating to Rs. 19.25 lakhs were neither renewed nor claimed till 31st March, 2006. Of these 7 deposits aggregating to Rs. 3.55 lakhs have since been renewed or refunded on receipt of requests from the deposit holders. The balance of 37 deposits aggregating to Rs. 15.70 lakhs have been neither claimed nor renewed till date of this Report, inspite of the Company's intimation to the deposit holders. There has been no default or delay in meeting any maturity payment obligations.

DIVESTMENT OF LIFT OPERATIONS

At the 58th Annual General Meeting held on 12th August, 2005, the Chairman had informed the members that receipt of a part of the sale consideration for the Elevator Field Operations Division, as also redemption of certain instruments allotted pursuant to the approved Scheme of Arrangement under Section 391 and 394 of the Companies Act, 1956, was awaiting adjudication in arbitration proceedings undertaken in terms of agreement between your Company and the Transferee Company in whom the Elevator Field Operations Division had so vested.

A Settlement was reached on 29th August, 2005, through negotiations in which the total consideration was fixed at a sum of Rs. 36.5 crores., covering the agreed aggregate value of Bonds A and Bonds B of Rs. 11.75 crores.

Out of the total consideration of Rs. 36.5 crores, the Company had accounted a consideration of Rs. 33 crores in the previous Accounting Year. In the current Accounting Year ending 31st March, 2006, the Company has accounted as an extraordinary item the balance amount of Rs. 3.5 crores.

HUMAN RESOURCES

The Long Term Wage Agreement with the Union has expired on 31st December, 2005, and negotiations have already commenced for the new Long Term Wage Agreement. During the year, the employees have maintained high levels of productivity and good work ethos, which has significantly contributed to the workings of the Company in the year under review. Management and its employees continue to enjoy cordial relations.

The employee strength as on 31st March, 2006 was 927 Nos. as compared to 919 Nos. as on 31st March, 2005.

Management appreciates and acknowledges dedication, commitment and loyalty of all its employees.

CORPORATE GOVERNANCE

A separate report on Corporate Governance along with Auditor's Certificate on its compliance, is set out in Annexure 'A'.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

(i) In the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.

(ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2006, and the profit for that period.

(iii) Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956, for safeguarding of assets of the Company and for preventing and detecting frauds and other irregularities.

(iv) The Directors have prepared Annual Accounts on going concern basis.

DIRECTORS

Mr Jaisingh R Danani, Mr Prakash V Mehta and Mr Sanjiv N Shah retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Information on the Directors eligible for reappointment as required under Clause 49 of the Listing Agreement with Stock Exchanges is disclosed in the profiles of the Directors under item Nos. 3, 4 and 5 forming part of the Notice dated 10th May, 2006 circulated along with the Annual Report 2006

AUDITORS

M/s Dalal & Shah, Auditors of the Company, retire at the ensuing Annual General Meeting, and being eligible offer themselves for reappointment. This item of business is covered under item 6 of the accompanying notice.

COST AUDITORS

The Board has appointed M/s P M Nanabhoy & Co. as Cost Auditors of the Company, for electric motors, for the Financial Year ending 31st March, 2007, subject to the approval of the Central Government.

PARTICULARS OF EMPLOYEES

The information required under Section 217 (2A) of the Companies Act, 1956, read with Company's (Particulars of Employees) Rules, 1975, and forming part of this Report, are annexed to this Report. However, as per the provisions of Section 219 (1)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company, excluding the Statement of Particulars of Employees. Any shareholder interested in the Particulars of Employees, may write to the Company Secretary at the Registered Office of the Company for a copy of the Statement.

Additional information as required by Department of Companies Affairs is presented on Page 7 of this Annual Report.

APPRECIATION

The Directors wish to place on record their appreciation to the Company's customers, shareholders, bankers, financial institutions, vendors and all the employees of the Company for their contributions in the results.

For and on behalf of the Board of Directors

BANSI S. MEHTA
Chairman

Date: 10th May, 2006

ADDITIONAL INFORMATION

(In terms of Notification No.1029 of 31-12-1988 issued by the Department of Company Affairs)

A. Conservation of energy:

(1) Measures:

- Low loss chokes for tubelights – 1450 Nos.
- Aluminum anodized reflectors for tubelight fittings – 1000 Nos.
- Metal halide lamps for Shopfloor lighting – 100 Nos.
- PID Controller for preheating oven in die casting
- Conversion of electric heated oven into thermopac (LDO fired) heated oven.
- Provision of transparent sheets on roof top to utilise natural lighting.
- Use of variable frequency drives for machines.
- Improvement in insulation of heating ovens.
- Maintenance of chilled water pipe line, thermopac and ovens.
- Thyristor control panel with time operation for baking oven
- Installation of energy efficient screw compressor in motor Plant.
- Elimination of air leakages in compressed air system in motor plant.

(2) Impact of the measures:

- Saving in energy consumption – Approx. 15 lakhs per annum.
- Improved lighting for shop floor.
- Increased life of tubelights.
- Reduction in tube light consumption due to reflectors.

B. Technology absorption

Research and Development

1. Specific areas in which R&D is carried out:
 - Ongoing development of on-line testing facility/simulator in temperature controlled environment for a complete sugar centrifuge drive.
 - PLC controlled Vacuum drying plant.
 - Installation of Vapour phased drying plant.
2. Benefits derived:
 - Improved productivity and quality control.
 - Conservation of power, energy and reduction in power factor, high starting current and pollution of power supply.
 - Improved process for transformer drying.

- Improved process for Sugar Centrifuge Drives.

3. Future plan of action:

- Continued emphasis on development of cost-effective components and processes.
- Ongoing development of motors for compressors used on Electric Locomotives.
- Ongoing development of auxiliary motors and blowers used on the new class of AC Locomotives.

Technology Absorption, adaptation and Innovation:

1. Efforts made:

- Upgradation of PLC control on facing centering machines.
- Complete range of motors have been certified by Chief Controller of Explosives for increased safety applications.
- Thyristorised temperature controller for baking of windings installed on 6 ovens including subcontractor's ovens.
- Testing facility for motors upto 355 frame in assembly line.
- Energy efficient screw compressor with Sigma control.
- Timing pulley drives for testing of large motors in CTF.

2. Benefits derived:

- Increased range of motors.
- Improvement in quality and safety applications.

3. Technology imported during the last five years.

- The Company has entered into Trade and Technical Collaboration Agreement with M/s. Tecnomoma SA, Spain for lift automatic door systems and M/s. S.A. Sistel, Spain for Electronic Printed Circuit Boards for lift controllers.

C. Foreign exchange earning and outgo:

1. Export activities:

- Direct exports exported through registered dealers to continue. Transformers have also been sold as deemed export to internationally aided projects. These orders were obtained against international competition.

2. Foreign exchange earned:

- Deemed exports with export benefits Rs. 3108.57 lakhs
- Direct exports Rs. 5.68 lakhs
- Others Rs. Nil

3. Foreign exchange used: Rs. 920.19 lakhs

CORPORATE GOVERNANCE REPORT — ANNEXURE A

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company always believes that good Corporate Governance cannot be achieved through regulatory framework alone but has to be a mind set of the Company's management and accordingly, in addition to compliance with regulatory requirements, the Company always endeavors to ensure highest standards of transparency, accountability, integrity and ethical and responsible conduct throughout its organisation.

2. BOARD OF DIRECTORS & BOARD MEETINGS:

a. *Composition:*

The Board of Directors has 11 Directors, of which 1 is an Alternate Director. The Board consists of 6 Non-Executive – Independent, 3 Non-Executive and 2 Executive Directors. The Non-Executive Directors account for more than 75% of the Board's strength against the minimum requirement of 50% as per the Listing Agreement. The Non-Executive Directors are all eminent professionals with experience in overall management, finance and law and have a wide range of skills and experience. The day to day operations of the Company are overseen by two Executive (Managing) Directors, Mr. Nikhil J. Danani and Mr. Nakul P. Mehta.

Except Mr. Nikhil J. Danani and Mr. Nakul P. Mehta, Managing Directors, who have been appointed to the Board for a period of 5 years w.e.f. June 20, 2003, all other Directors are liable to retire by rotation.

b. *Board Meetings:*

In the Financial Year 2005-2006, Six (6) Board of Directors' meetings were held on the following dates:

1. 30th May, 2005,
2. 29th June, 2005
3. 04th August, 2005 (Meeting convened on 28th July, 2005 but postponed due to heavy rains)
4. 12th August, 2005
5. 31st October, 2005
6. 31st January, 2006

c. *Attendance/Sitting fees & Remuneration of Directors:*

Sr. No.	Name of the Director	Category of Directorship	No. of Board Mtgs. attended	Attendance at last AGM	No. of other Directorships	Committee Membership		Sitting Fees Rs.	Remuneration Rs.	No of Equity Shares Held
						As Member	As Chairman			
1.	Mr. Bansi S. Mehta — Chairman	Independent Non-Executive	4	YES	17**	7@	5	40,000/-	—	—
2.	Mr. Nikhil J. Danani — Managing Director	Executive	6	YES	1*	2	—	—	54,39,420/-	1,14,680
3.	Mr. Nakul P. Mehta — Managing Director	Executive	6	YES	1*	2	—	—	65,76,903/-	1,83,750
4.	Mr. Jaisingh R. Danani	Non-Executive	5	NO	—	2	—	90,000/-	—	2,24,000
5.	Mr. Mukul Harkison Dass	Independent Non-Executive	6	YES	1*	1	3	1,30,000/-	—	2,100
6.	Mr. Prakash V. Mehta	Non-Executive	4	NO	12*	8	—	1,00,000/-	—	400
7.	Mr. Anand J. Danani	Non-Executive	—	NO	—	—	—	—	—	67,420
8.	Mr. Deepak S. Parekh — (Alternate to Mr. A. J. Danani)	Independent Non-Executive	1	NO	16\$	3	5	10,000/-	—	—
9.	Mr. Sanjiv N. Shah	Independent Non-Executive	5	YES	4*	3	—	1,10,000/-	—	4,560
10.	Mr. Jairaj C. Thacker	Independent Non-Executive	4	YES	3*	2	—	70,000/-	—	—
11.	Mr. Meghendra Kumar	Independent Non-Executive	5	YES	1	—	—	50,000/-	—	—
							Total	6,00,000/-	1,20,16,323/-	—

@ includes membership in Remuneration/Compensation committees in 2 companies.

** includes Alternate Directorship in 2 companies, and in a Body Corporate incorporated outside India

* Includes Directorship in Pvt. Ltd. companies

\$ includes Alternate Directorship in 3 companies

Notes: M/s. Malvi Ranchoddas & Co., solicitors of the Company of which Mr. Prakash V. Mehta is a partner, renders professional services to the Company.

(d) Information Supplied to the Board

- Review of annual operating plans of businesses, capital budgets, updates
- Quarterly results of the Company and its operating divisions or business segments
- Minutes of meeting of audit committee and other committees
- Information on recruitment and remuneration of Senior Officers just below the Board level
- Information on recruitment of Senior Officers of the Company.
- Materially important show cause, demand prosecution claims and penalty notices
- Fatal or serious accidents or dangerous occurrences
- Any materially significant effluent or pollution problems
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
- Any issue which involves possible public or product liability claims of a substantial nature
- Details of any joint venture or collaboration agreement
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Significant labour problems and their proposed solutions
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business
- Non-compliance of any regulatory or statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board of Directors is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings or are tabled before the appropriate Committees of the Board.

3. AUDIT COMMITTEE:(a) *Composition:*

The Board of Directors had reconstituted an Audit Committee in the year 2002 with the following members.

1.	Mr. Mukul Harkisondass	Chairman	Non-Executive – Independent
2.	Mr. Prakash V. Mehta	Member	-do-
3.	Mr. Jaisingh R. Danani	Member	Non-Executive
4.	Mr. Sanjiv N. Shah	Member	Non-Executive – Independent
5.	Mr. Jairaj C. Thacker	Member	Non-Executive – Independent

Mr. D. N. Nagarkar, Company Secretary is the Secretary of the Committee. The Managing Directors, Vice President: Finance, Internal Audit Manager, and the General Manager: Finance usually attend Audit Committee meetings by invitation. The Statutory Auditors and the Cost Auditors are also invited to attend the meetings.

(b) *Meetings and Attendance:*

The Audit Committee meetings were held on:

1. 29th June, 2005
2. 04th August, 2005 (meeting convened on 28th July, 2005 but postponed due to heavy rains.)
3. 31st October, 2005 &
4. 31st January, 2006

Mr. Mukul Harkisondass, Mr. Jaisingh R. Danani, Mr. Sanjiv N. Shah were present in all the meetings.

Mr. Prakash V. Mehta attended 3 meetings.

Mr. Jairaj C. Thacker attended 2 meetings.

(c) *Terms of Reference:*

Clause 49 of the Listing Agreement lists the role of the Audit Committee. The gist of the terms of reference are as follows:

- Oversee Company's financial reporting process and disclosures.
- Recommend appointment/removal/remuneration and payment of other fees of the statutory auditors.
- Review with management the quarterly, half yearly and annual financial statements before submission to the Board.
- Review with the Management, performance of the Statutory and Internal Auditors.
- Review adequacy of internal control systems, internal audit department, reporting structure and frequency.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Post-audit discussion with statutory auditors regarding areas of concern.
- Reviewing the Company's financial and risk-management process.
- Review defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of dividends) and creditors.
- Decide on recommendations/audit report findings to be placed before the Board.

4. REMUNERATION COMMITTEE:a. *Composition:*

The Board of Directors of the Company had reconstituted a Remuneration Committee, in 2002, comprising the following members:

- | | | |
|----|------------------------|---------------------------|
| 1. | Mr. Mukul Harkisondass | Non-Executive Independent |
| 2. | Mr. Prakash V. Mehta | Non-Executive |
| 3. | Mr. Sanjiv N. Shah | Non-Executive Independent |
| 4. | Mr. Jairaj C. Thacker | -do- |

The Remuneration Committee met twice during the year on -

- i. 29th June, 2005 and
- ii. 05th December, 2005

The terms of reference of the Remuneration Committee are as under:

- i. Recommend to the Board of Directors and shareholders the remuneration package of Executive Directors, relatives of Directors appointed u/s 314 of the Companies Act, 1956 including salary, allowances, perquisites, payment of commission, pension rights, payment of compensation and minimum remuneration, and to review and revise the remuneration package as may be required.
- ii. To recommend and oversee employee stock option scheme.
- iii. To recommend sitting fees of the Board of Directors

Mr. Mukul Harkisondass, Mr. Prakash V. Mehta and Mr. Sanjiv N. Shah were present in both meetings. Mr. Jairaj C. Thacker attended only one meeting.

b. *Remuneration of Directors:*

The total remuneration including commission drawn by the Managing Directors for the financial year 2005-2006 is as under:

(Rs.)

	Salary	Perquisites	Contribution to Annuity	Commission	Total
Mr. Nikhil J. Danani	21,00,000/-	5,20,020/-	5,25,000/-	22,94,400/-	54,39,420/-
Mr. Nakul P. Mehta	21,00,000/-	16,57,503/-	5,25,000/-	22,94,400/-	65,76,903/-

Apart from sitting fees, the Non-Executive Directors are not paid any commission/remuneration.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

a. Composition:

The Board of Directors had constituted a Shareholders'/Investors' Grievance Committee in 2002 with the following members:

1.	Mr. Mukul Harkisondass	Chairman	— Non-Executive Independent
2.	Mr. Prakash V. Mehta	Member	— Non-Executive
3.	Mr. Nikhil J. Danani	Member	— Executive
4.	Mr. Nakul P. Mehta	Member	— Executive

Mr. D.N. Nagarkar, Company Secretary, is the Secretary of the Committee. The Committee has met once, on 31st January, 2006, wherein all members were present. The total number of grievances redressed and reviewed by the Committee to the satisfaction of the shareholders was 52, most of them demat related. There were no requests for share transfer/transmission/deletions of names etc. pending as on 31st March, 2006 and all such requests were processed and delivered within one month (30 days) of lodgment with the Company.

Mr. D.N. Nagarkar, Company Secretary has been designated as the Compliance Officer of the Company.

b. Reference:

The Committee looks into redressing grievances of shareholders pertaining to transfer of shares, non-receipt of balance sheet, non-receipt of dividend, dematerialisation of shares, complaints received from SEBI and the Stock Exchanges etc. The Board of Directors has also delegated the power of approving transfer/transmission/issue of duplicate share certificates to a Share Transfer Committee.

6. ANNUAL GENERAL MEETINGS:

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue
2004-2005	12-8-2005	4.00 p.m.	Walchand Hirachand Hall, 4 th Floor, Indian Merchants Chamber Bldg., Churchgate, Mumbai 400 020.
2003-2004	21-7-2004	4.00 p.m.	-do-
2002-2003	12-8-2003	4.00 p.m.	-do-

1. The following Special Resolutions were passed at the last three Annual General Meetings :

- For approving appointment of Statutory Auditors and Branch Auditors at the 56th Annual General Meeting held on 12th August, 2003.
- For approving Sub-Division of Equity Share Capital from Rs. 100/- face value per Equity Share to Rs. 10/- face value and consequent Alteration of the Authorised Capital clause in the Articles of Association. All Special Resolutions moved at the aforesaid AGM's were passed by a show of hands.

2. The following Special Resolution was approved by the Shareholders by Postal Ballot :

- For approving the appointment and remuneration of Mr. Shome N. Danani, relative of Directors Mr. N. J. Danani, Mr. J. R. Danani and Mr. A. J. Danani as General Manager on 23rd December, 2005.

7. DISCLOSURES:

- At every Board Meeting, the Directors disclose the names of the companies/parties in which they are interested, and accordingly the Register of Contracts under Section 301 of the Companies Act, 1956 is tabled and signed. All related party transactions are disclosed to the Board of Directors during each meeting. During the year there were no transactions of material nature with the Directors or the Management or relatives that had potential conflict with the interests of the Company.
- Quarterly Disclosures – Results and notes thereon.
- There were no instances of non-compliance on any matter related to the capital markets, nor were any penalties or strictures imposed on the Company by SEBI or any Stock Exchanges or any statutory authorities for non-compliance on any matter related to the Capital Markets during the last 3 years.

8. COMMUNICATION TO SHAREHOLDERS:

- i. Quarterly/half yearly/annual results and information relating to convening of Board meetings/Annual General Meetings are published in The Economic Times, Times of India, Free Press, Navshakti and Maharashtra Times and are also notified to the Stock Exchanges as required under the Listing Agreement. Half yearly report is not sent to each shareholder in view of its publication in newspapers. As requested by the Stock Exchanges from the quarter ending March, 2003, the requisite information is also transmitted through the EDIFAR System. All such financial results are also posted on the Company website. The Stock Exchanges are also informed of all materially significant events which have taken place during the year under review.
- ii. The Company has not made any presentation to any Institutional investors/Analysts during the year.
- iii. Management discussion and analysis is covered as a part of this Annual Report.
- iv. The Company has adopted a Code of Conduct for its Board Members and Senior Management and is posted on the website of the Company in terms of Clause 49(D)(i) of the Listing Agreement with Stock Exchanges. The Managing Directors in terms of Clause 49(D)(ii) affirm the compliance of the code of conduct by the Board Members and Senior Management for the year under review.
- v. The Company has its own website, www.bharatbijlee.com

9. GENERAL SHAREHOLDER INFORMATION:

- i. Annual General Meeting -
Date : 26th June, 2006.
Time : 4.00 p.m.
Venue : Walchand Hirachand Hall, 4th Floor, Indian Merchants' Chamber, Churchgate, Mumbai 400 020.
- ii. Financial Calendar:
The Company follows April-March as its financial year. The results for every quarter are declared in the month following the quarter except for the quarter January-March, for which the Audited results are declared by May/June as permitted by the Listing Agreement.

10. DATES OF BOOK CLOSURE:

Monday, 12th June, 2006 to Monday, 26th June, 2006 (both days inclusive).

11. DIVIDEND PAYMENT DATE: After 26th June, 2006.**12. LISTING OF EQUITY SHARES ON STOCK EXCHANGES:**

- i. Stock code at Mumbai : 503960
Stock code at Delhi : 02080
- ii. Demat international security
Identification No. in NSDL & CDSL : INE 464A1028

13. STOCK PRICE DATA AT THE STOCK EXCHANGE, MUMBAI

Month	High (Rs.)	Low (Rs.)
April, 2005	4797.00	3750.00
May, 2005	5248.00	3868.00
June, 2005	5411.00	4705.00
July, 2005	4869.00	4310.00
August, 2005	5282.00	4248.00
September, 2005	617.90	467.50
October, 2005	532.00	455.00
November, 2005	586.00	458.00
December, 2005	714.00	552.00
January, 2006	939.00	697.00
February, 2006	938.70	845.00
March, 2006	1448.00	884.50

Note: * Face Value of 1 Equity Share is Rs.100/-.

** w.e.f. 16th September, 2005 Face Value of 1 Equity Share is Rs. 10/-.

14. REGISTRAR AND TRANSFER AGENTS:

Intime Spectrum Registry Ltd.
 C-13, Pannalal Silk Mills Compound,
 LBS Marg, Bhandup (W),
 Mumbai 400 078.
 Tel : 25963838
 Fax : 25962691

15. SHARE TRANSFER SYSTEM

Trading in equity shares of the company is permitted in dematerialised form only w.e.f. 31st March, 2000. The shares in physical mode which are lodged with the Company or with the Registrar are processed and are subject to exercise of option under compulsory transfer cum demat procedures. Share certificates are either dematted or returned within the time prescribed by the authorities. All share transfer and share related issues are approved by a share transfer committee comprising of 4 Directors and approvals are obtained at intervals not exceeding 15 days. 71.09% of shares have been dematerialised as on 31st March, 2006.

16. PLANT LOCATION:

MIDC, Thane-Belapur Road, Kalwe, Thane 400 601, Maharashtra

17. ADDRESS FOR CORRESPONDENCE:

The Corporate Secretarial Department is located at the Company's Registered Office situated at Electric Mansion, 6th Floor, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, telephone No. 24306237, Fax No. 24370624. Shareholders may correspond on all matters relating to shares at the addresses mentioned below:

1. Intime Spectrum Registry Ltd.
 C-13, Pannalal Silk Mills Compound,
 LBS Marg, Bhandup (W), Mumbai 400 078
 Tel : 25963838
 Fax : 25962691
2. Bharat Bijlee Limited,
 Electric Mansion, 6th Floor
 Appasaheb Marathe Marg,
 Prabhadevi, Mumbai 400 025
 Tel : 24306237
 Fax : 24370624

18. DISTRIBUTION OF SHAREHOLDING AS ON 31-3-2006

Sr. No.	No. of Equity Shares held	No. of Shareholders	No. of Shares	% of Shareholders	% of Shareholding
1.	1 - 500	8,715	7,88,218	91.34	13.95
2.	501 - 1000	406	3,02,913	4.26	5.36
3.	1001 - 2000	221	3,25,146	2.32	5.75
4.	2001 - 3000	68	1,66,619	0.71	2.95
5.	3001 - 4000	29	1,02,691	0.30	1.82
6.	4001 - 5000	18	83,573	0.19	1.48
7.	5001 - 10000	32	2,28,395	0.34	4.04
8.	10001 - above	52	36,54,005	0.54	64.65
	Total:	9,541	56,51,560	100.00	100.00

19. SHARE HOLDING PATTERN AS ON 31-3-2006

Sr. No.	Category	No. of shares	% to total shareholding
1.	Promoters, Directors & Relatives	19,90,170	35.21
2.	Public Financial Institutions	8,84,589	15.65
3.	Mutual Funds & Banks	2,31,037	4.09
4.	FIIS	2,61,898	4.63
5.	NRIS/OCBS	59,169	1.05
6.	Private Corporate Bodies	4,09,496	7.25
7.	Indian Public	18,15,201	32.12
	Total:	56,51,560	100.00

**TO THE MEMBERS OF BHARAT BIJLEE LIMITED
CERTIFICATE BY THE AUDITORS ON CORPORATE GOVERNANCE**

We have examined the records concerning the Company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India, for the financial year ended on March 31, 2006.

The objective of our examination is to give our opinion on whether the Company has complied with the conditions of Corporate Governance as stipulated in the provisions of Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges in India.

Our examination was limited to 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 an opinion on the financial statements of the Company.

We have conducted our examination on the basis of the relevant records and documents maintained by the Company and furnished to us for our examination and the information and explanations given to us by the Company.

On the Basis of the records maintained by the 'Shareholders/Investors Grievance Committee' of the Company, we state that, there were no investor grievances pending against the Company for a period exceeding one month.

Based on such examination, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges of India.

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

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner
Membership No.: 37310

Mumbai: 10th May, 2006

MANAGEMENT DISCUSSIONS AND ANALYSIS — ANNEXURE B

The results for the year under review were favourably influenced by the strong economic growth and buoyancy of demand in the markets in which the Company operates. However, steep increases in the prices and availability of copper, electrical steel and other prime raw materials was a continuing cause for concern.

The Company has made strategic investments in its Transformer Plant, and has increased manufacturing capacity to 8000 MVA from 3800 MVA. Similarly, investments are being made in the Motor Plant to produce customised motors of higher frame sizes.

SEGMENT ANALYSIS

The Company operates under only one reportable segment i.e. Industrial Products.

INDUSTRIAL PRODUCTS

Under this segment, the Company manufactures and markets a wide range of low tension standard and customised motors, variable speed drives, power and distribution transformers, and industrial components. It also markets submersible pumps and anti-corrosion chemical products.

The motor business increased by 18% over the previous year on the back of a 60% growth during the previous year. A combination of ongoing strategic outsourcing and improved product mix helped to increase margins. The Company will make further investments in a manufacturing facility with a state-of-the-art test field for large motors at its Kalwe Works.

The order inflow, production and dispatches for the Transformer business were significantly higher compared to the previous year. The growth was 50%, 38% and 34% respectively over the previous years. Nine units of 100 MVA transformers were booked, 3 units were produced and 1 unit was despatched during the year under review. Prestigious orders, and several repeat orders, were received from M/s TGCL, HVPNL, UPPCL, SUZLON, MPSEB, PSEB, MSEB, RRVNL, KPTCL etc.

The Vapour Phase Drying System has been installed and is fully operational in the new Transformer Plant, and the new state-of-the-art winding section has also been commissioned. With this, the manufacturing capacity stands enhanced to 8000 MVA.

RISK MANAGEMENT, INTERNAL CONTROL & AUDIT SYSTEM

The Company has an effective Internal Control System with an independent audit set-up and Company-wide policies and procedures. This ensures reliable financial reporting, safeguarding of assets, appropriate risk management, and promotion of ethical conduct. The systems are regularly reviewed and modified for changes in operating and regulatory requirements.

In addition, the Company has an Audit Committee of independent Directors, which regularly reviews important Audit findings. Four Audit Committee meetings were held during the year.

The Statutory Auditor, during the audit process, satisfies himself on the adequacy or otherwise of the internal controls and there are no qualificatory observations in the Annual Report or in the Review Reports of the earlier four quarters.

The Company's internal authority-approval processes, policies and procedures, coupled with Electronic Data Management Systems enable identification, assessment and mitigation of different kinds of risks. Risks relating to product pricing, cost trends, competition, financing, foreign exchange, product liability, warranty, insurances, patents are continuously monitored.

I.T. Systems are a critical factor for effective control, and an Information Technology Corporate Group has been formed to improve business processes with a focus on decision making and risk mitigation by increased use of integrated I.T. Systems.

RISKS AND CONCERNS

Inflation is expected to be higher and is likely to continue to push input costs upwards.

The unprecedented increase in the prices of raw materials, particularly copper and special steels for lamination, compounded by worldwide and local shortages, is a major cause of concern for executing transformer orders. This could affect margins adversely.

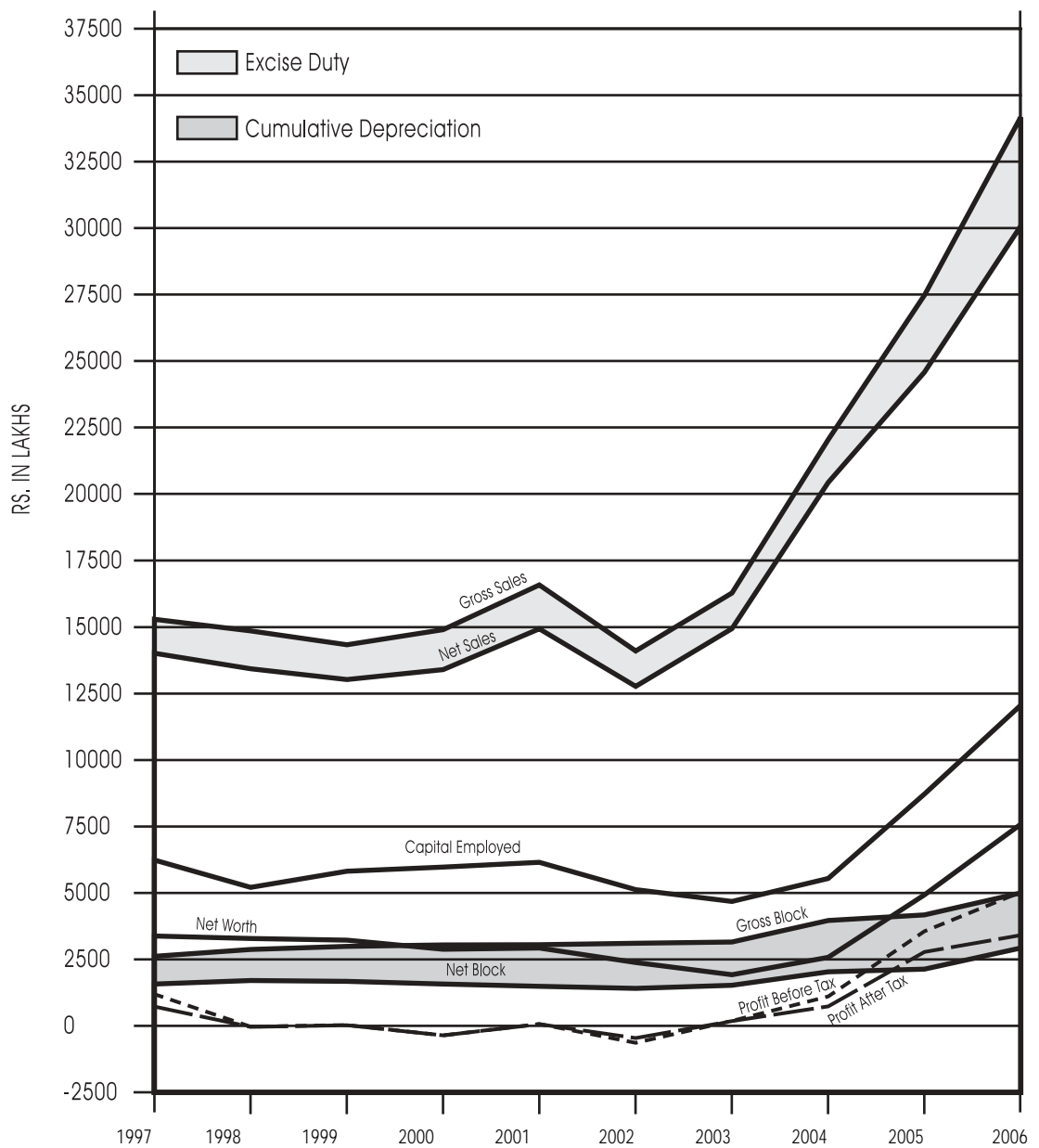
Margins on motors are likely to come under pressure due to price warfare on one hand and spiralling copper prices on the other.

FUTURE OUTLOOK

Any further significant growth in demand for motors is unlikely but many segments of the user industry are doing well, and hence volumes are likely to be stable during the ensuing year.

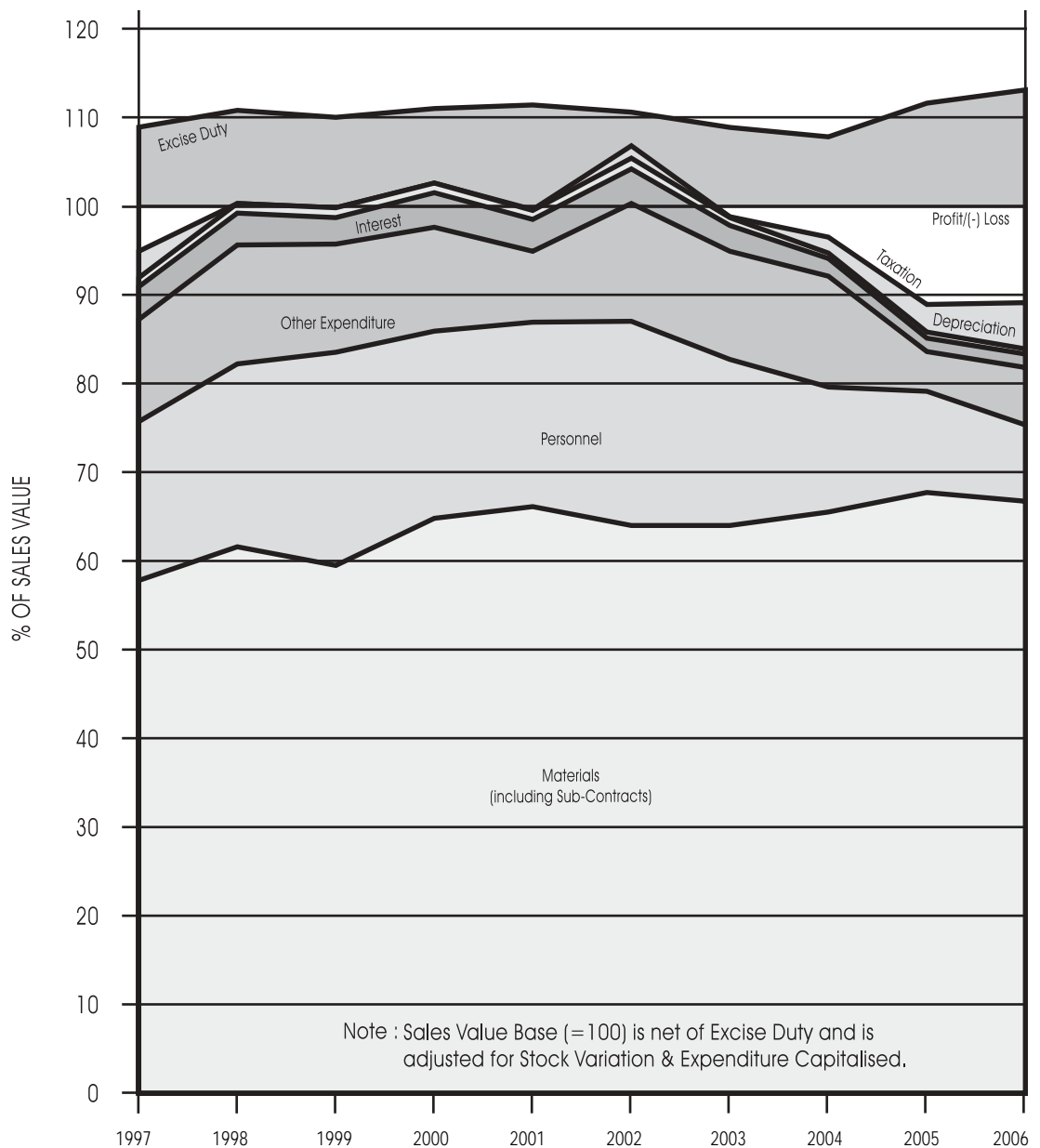
In the 10th 5-year plan about 34000 MW of power generation capacity is expected to be added, predominantly during 2006-2007. In the 11th 5-year plan (2007-2012) 61000 MW of capacity addition is targeted with the Government committed to power reforms and "Power to all by 2012". This should translate into a growing demand for power and distribution transformers in our served markets. The unexecuted order book continues to be healthy and the increased demand for power transformers in our served market is expected to be met by optimal utilization of the increased capacity of our new Transformer Plant and de-bottlenecking of the old Transformer Plant, coupled with further streamlining of the planning and supply-chain management processes.

BUSINESS TRENDS



Particulars	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Gross Sales	15292	14852	14334	14899	16581	14100	16282	22042	27479	34173
Net Sales	14017	13432	13025	13397	14932	12770	14940	20430	24584	30078
Cptl. Empld.	6239	5209	5816	5968	6151	5120	4675	5546	8718	12061
Net Worth	3379	3286	3225	2878	2925	2379	1923	2573	4928	7585
Gross Block	2614	2871	2993	3047	3053	3105	3157	3966	4171	5000
Net Block	1572	1704	1670	1572	1490	1405	1521	2034	2135	2924
Profit/(-) Loss Before Tax	1188	-35	28	-357	73	-637	185	1101	3557	5030
Profit/(-) Loss After Tax	726	-38	22	-361	63	-464	177	734	2777	3407

COST TRENDS



Particulars	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Excise Duty	8.9	10.8	10.0	11.0	11.4	10.6	8.9	7.8	11.6	13.1
Profit/(-) Loss	5.1	-0.3	0.2	-2.6	0.4	-3.7	1.2	3.5	11.1	10.9
Taxation	3.2	0.0	0.0	0.0	0.1	-1.4	0.1	1.8	3.1	5.2
Depreciation	0.8	1.1	1.1	1.1	1.0	1.2	0.9	0.6	0.7	0.6
Interest	3.7	3.6	3.0	3.9	3.6	3.9	2.9	2.0	1.5	1.5
Other Exp. ^s	11.5	13.4	12.2	11.7	8.0	13.3	12.2	12.5	4.5	6.5
Personnel [#]	17.9	20.6	24.0	21.1	20.8	22.8	18.7	14.1	11.4	8.6
Materials	57.8	61.6	59.5	64.8	66.1	63.9	64.0	65.5	67.7	66.7

^s Other Expenditure is adjusted for Other Income and Exceptional Income.

[#] Personnel cost is adjusted for Expenditure on VRS write off and Provision for Gratuity.

TEN YEARS FINANCIAL DATA

(Rs. in Lakhs)

Period ended	March 2006	March 2005	March 2004	March 2003	March 2002	March 2001	March 2000	March 1999	March 1998	March 1997
SALES AND EARNINGS										
Sales	34173.42	27479.12	22041.64	16281.89	14099.45	16580.86	14898.72	14334.11	14852.41	15292.42
Profit/(-) Loss Before Taxes	5029.64	3556.90	1101.30	184.77	-637.37	73.05	-356.82	28.39	-34.81	1187.53
Profit/(-)Loss After Taxes Net of adjustments	3367.98	2776.54	729.11	175.95	-463.93	62.72	-360.49	21.89	-30.63	722.96
Dividends	762.96	508.64	226.06	56.52	—	—	—	56.52	56.52	113.03
ASSETS										
Gross Block	5000.28	4171.10	3965.77	3157.26	3105.37	3052.54	3046.99	2992.68	2871.44	2613.78
Net Block	2923.67	2135.32	2033.93	1520.72	1404.75	1490.36	1571.52	1669.71	1704.27	1572.23
Investments		284.97	283.97	302.31	302.31	302.31	320.68	202.66	196.66	190.66
Deferred Tax Liabilities (Asset)	82.63	(13.23)	102.03	(150.29)	(138.28)	—	—	—	—	—
Current Assets, Loans & Advances	18048.73	15197.04	12507.86	10312.69	9670.25	11088.92	10493.43	9353.01	8538.88	10416.82
Current Liabilities & Provisions	10923.19	9346.08	9750.67	8099.05	6465.65	6758.53	6429.75	5429.60	5230.73	5941.17
Net Current Assets	7125.54	5850.96	2757.19	2213.64	3204.60	4330.39	4063.68	3923.41	3308.15	4475.69
Capital Employed	12061.46	8718.04	5546.41	4674.63	5119.72	6150.64	5967.73	5815.85	5209.08	6238.58
LIABILITIES										
Share Capital	565.16	565.16	565.16	565.16	565.16	565.16	565.16	565.16	565.16	565.16
Reserves & Surplus	7164.04	4666.03	2469.47	1995.38	1883.19	2387.22	2324.50	2679.83	2720.67	2813.47
Shareholders' Funds	7729.20	5231.19	3034.63	2560.54	2448.35	2952.38	2889.66	3244.99	3285.83	3378.13
Loan Funds	4249.63	3500.08	2409.75	2264.38	2671.37	3198.26	3078.07	2570.86	1923.25	2859.95
Earnings Per Share (Rs.)	*59.59	491.29	129.01	31.13	-82.09	11.10	-63.78	3.87	-5.42	127.92
Equity Dividend Rate Rs. Per Share	*13.50	90	40	10	—	—	—	10	10	20
Net Worth Per Share (Rs.)	*134.21	871.99	455.27	340.19	420.87	517.52	509.21	574.18	581.40	597.82
Debt Equity Ratio†	0.26:1	0.39:1	0.81:1	0.55:1	0.33:1	0.33:1	0.41:1	0.31:1	0.34:1	0.34:1

† Debt = Loan Funds less cash credit & Short-Term Loans from Banks; Equity = Shareholders' Funds.

* On Equity Share of Rs. 10/- each sub-divided

TEN YEARS FUNDS FLOW

(Rs. in Lakhs)

Period ended	March 2006	March 2005	March 2004	March 2003	March 2002	Five Periods Total	Previous Five Years Total
SOURCES OF FUNDS:							
Gross Profit/(Loss)	5682.50	4104.26	1644.65	762.86	(5.96)	12188.31	4036.87
Deduct: Depreciation	184.02	168.22	134.61	138.97	146.23	772.05	707.67
Deduct: Interest	468.84	379.14	408.74	439.12	485.18	2181.02	2431.86
Deduct: Taxation	1622.28	779.91	367.31	7.74	(173.12)	2604.12	485.17
Profit After Tax/(Loss)	3407.36	2776.99	733.99	177.03	(464.25)	6631.12	412.17
Add: Depreciation	184.02	168.22	134.61	138.97	146.23	772.05	707.67
Add: Deferred Tax Debit/(Credit)	95.85	(115.26)	252.32	(12.01)	(178.37)	42.53	—
Add: Misc. Exp./Intangible Assets w/off	172.59	180.66	167.85	180.77	28.36	730.23	45.24
Internal Generation	3859.82	3010.61	1288.77	484.76	(468.03)	8175.93	1165.08
Term Loans Raised	747.10	281.24	1633.88	705.73	286.63	3654.58	2370.11
Total	4606.92	3291.85	2922.65	1190.49	(181.40)	11830.51	3535.19
APPLICATION OF FUNDS:							
Preferene Capital Redeemed							
Fixed Assets Additions (net)	873.06	387.31	647.82	254.94	60.62	2223.75	1209.01
Term Loans Repaid	673.13	437.88	593.73	464.82	460.35	2629.91	2614.36
Investment Changes (net)	1550.00	1.00	(18.34)	—	—	1532.66	115.08
Misc. Exp./Intangible Assets	2.37	38.43	1.21	748.95	70.56	861.52	72.82
Working Capital Changes	638.39	1847.25	1443.21	(342.28)	(772.93)	2813.64	(725.31)
Dividends	869.97	579.98	255.02	63.76	—	1768.73	249.23
Total	4606.92	3291.85	2922.65	1190.19	(181.40)	11830.21	3535.19
WORKING CAPITAL CHANGES:							
Inventories	782.56	(739.25)	431.43	597.23	(172.53)	899.44	(773.81)
Debtors	2961.98	108.03	1657.74	(24.69)	(1101.67)	3601.39	1512.30
Cash & Bank Balances and Other Current Assets	(2349.11)	2286.24	129.89	(34.28)	(78.97)	(46.23)	(215.97)
Loans and Advances	1456.26	(9.24)	(15.05)	104.18	(65.50)	1470.65	205.44
Sub-Total	2851.69	1645.78	2204.01	642.44	(1418.67)	5925.25	727.96
Bank Loans	675.57	1246.97	(894.78)	(647.60)	(353.18)	26.98	447.39
Other Current Liabilities	(331.32)	(2287.63)	1419.29	1547.61	(355.39)	(7.44)	1220.89
Provisions	1869.05	839.19	236.29	84.71	62.83	3092.07	(215.01)
Sub-Total	2213.30	(201.47)	760.80	984.72	(645.74)	3111.61	1453.27
Net	638.39	1847.25	1443.21	(342.28)	(772.93)	2813.64	(725.31)

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of Bharat Bijlee Limited, as at 31st March, 2006 and also the annexed Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. 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.

- (1) 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 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.
- (2) As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), (as amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a Statement on the matters specified in paragraphs 4 and 5 of the said Order;
- (3) Further to our comments in Annexure referred to in paragraph 2 above, we report that:
 - (a) 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;
 - (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 of the Company;
 - (c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the books of account of the Company;

- (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement 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 the 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;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements, read with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present 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 the affairs of the Company as at 31st 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 of the Company for the year ended on that date.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner

Mumbai: May 10th 2006

Membership No.: 37310

ANNEXURE TO THE AUDITORS' REPORT

STATEMENT REFERRED TO IN PARAGRAPH 2 OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF BHARAT BIJLEE LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006.

On the basis of the records produced to us for our verification/perusal, such checks as we considered appropriate, and in terms of information and explanations given to us on our enquiries, we state that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management at reasonable intervals during the year. According to the information and explanations given to us and the records produced to us for our verification, discrepancies noticed on such physical verification were not, in our opinion, material and the same have been properly dealt with in the books of account.

- (c) As per the information and explanations given to us on our enquiries the disposal of assets during the year were not substantial and would not have an impact on the operations of the Company.
- (ii) (a) The inventories have been physically verified by the management at reasonable intervals during the year and at the close of the year;
- (b) The procedures of physical verification of inventories followed by the management as explained to us are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) According to the records produced to us for our verification, the discrepancies noticed on physical verification of inventories referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;

(iii) As per the information and explanations given to us and the records produced to us for our verification the Company has neither granted nor taken any loans secured or unsecured to/from Companies, Firms and other parties in the register maintained under Section 301 of the Companies Act, 1956;

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services. As per the information given to us, no major weaknesses in the internal controls have been identified by the management or the internal audit department of the Company during the year. During the course of our audit, nothing had come to our notice that may suggest a major weakness in the internal control systems of the Company;

(v) (a) On the basis of the audit procedures performed by us and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section;

(b) The transactions made in pursuance of such contracts and arrangements and exceeding the value of Rs. Five Lakhs in respect of any party during the year, have been, in our opinion, as per the information and explanations given to us, made at prices which are reasonable having regard to prevailing market prices as available with the Company for such transactions or prices at which transactions, if any, for similar goods have been made with other parties at the relevant time;

(vi) In our opinion, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, where applicable with regard to the deposits accepted by it from the public. Since the Company has not defaulted in repayments of deposits, compliance of Section 58AA or obtaining any order from the National Company Law Tribunal, does not arise;

(vii) On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business;

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate;

(ix) (a) According to the records of the Company, the Company has been 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;

(b) According to the records of the Company and the information and explanations given to us upon our enquiries in this regards, disputed dues in respect of Sales Tax, Income-tax, Wealth-tax, Service Tax, Customs Duty and Excise Duty/Cess unpaid as at the last day of the financial year, are as follows:

Rs. in Lacs

Statutes	FORUMS BEFORE WHOM PENDING				
	Commissioner Appeals	Tribunal	High Court	Supreme Court	Total
Excise	Rs. —	Rs. 350.85	Rs. —	Rs. 9.25	Rs. 360.10
Income Tax	—	8.88	—	—	8.88
Sales Tax	127.46	—	—	—	127.46
Customs Duty	—	305.83	—	—	305.83

(x) On the basis of the records examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks;

(xi) The Company has, in our opinion, maintained proper records and contracts with respect to its investments where timely entries of transactions have been made therein;

(xii) According to the information and explanations given to us, and the representation made by the management, the Company has not given any guarantees for loans taken by others from banks or financial institutions;

(xiii) As per information and explanations given to us, the Term Loans are applied for the purpose for which the loans were obtained;

(xiv) As per the information and explanations given to us and on an overall examination of the Balance Sheet of the Company we report that no funds raised by the Company on short-term basis have been used for long-term investment;

(xv) As per the information and explanations given to us on our enquiries on this behalf there were no frauds on or by the Company which have been noticed or reported during the year;

In view of the nature of business carried on by the Company Clause No. (xiii) of CARO, 2003 is not applicable to the Company. Further in view of the absence of conditions prerequisite to the reporting requirement of clauses (x), (xii), (xviii), (xix) and (xx) the said clauses are, at present, not applicable.

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner

Mumbai: May 10th 2006

Membership No. 37310

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	Rupees in Lakhs	31st March, 2006 Rupees in Lakhs	31st March, 2005 Rupees in Lakhs
SOURCES OF FUNDS:				
SHAREHOLDERS' FUNDS:				
(a) Share Capital	A	565.16		565.16
(b) Reserves and Surplus	B	7164.04		4666.03
			7729.20	5231.19
LOAN FUNDS:				
(a) Secured Loans	C	1109.23		2730.60
(b) Unsecured Loans	D	3140.40		769.48
			4249.63	3500.08
DEFERRED TAX LIABILITY/(ASSET) (Refer Note 7)			82.63	(13.23)
Total			12061.46	8718.04
APPLICATION OF FUNDS:				
FIXED ASSETS:				
(a) Gross Block	E	5000.28		4171.10
(b) Deduct: Depreciation		2076.61		2035.78
(c) Net Block		2923.67		2135.32
(d) Capital Work-in-Progress		18.41		117.70
			2942.08	2253.02
INTANGIBLE ASSETS (SOFTWARE):	F		14.39	26.02
INVESTMENTS:	G		1834.97	284.97
CURRENT ASSETS, LOANS AND ADVANCES:				
(a) Inventories	H	4300.07		3517.51
(b) Sundry Debtors		9766.69		6804.71
(c) Cash & Bank Balances		622.60		2210.91
(d) Loans and Advances		3294.62		1838.36
(e) Other Current Assets		64.75		825.55
		18048.73		15197.04
Deduct:				
CURRENT LIABILITIES AND PROVISIONS:				
(a) Current Liabilities	I	6680.58		7011.90
(b) Provisions		4242.61		2334.18
		10923.19		9346.08
NET CURRENT ASSETS:			7125.54	5850.96
MISCELLANEOUS EXPENDITURE:	J		144.48	303.07
Total			12061.46	8718.04
Significant Accounting Policies and Notes forming part of the Accounts	Q			

As per our attached report of even date.
For and on behalf of DALAL & SHAH,
Chartered Accountants,

Shishir Dalal
Partner

D.N. Nagarkar
Company Secretary &
General Manager: Legal

S.B. Godbole
Vice President: Finance

Nikhil J. Danani

Nakul P. Mehta

Mukul Harkisondass

Vice Chairmen &
Managing Directors

Director

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

	Schedule	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs	Year ended 31st March, 2005 Rupees in Lakhs
INCOME:				
Sales and Services (Gross)		34173.42		27479.12
Less: Excise Duty		4095.08		2894.81
			30078.34	24584.31
Other Income	K L		368.07	440.84
			30446.41	25025.15
EXPENDITURE:				
Materials	M	19691.00		16503.26
Personnel	N	2517.66		2255.03
Other Expenditure	O	2746.66		3080.22
Interest and Financial Charges	P	468.84		379.14
Depreciation		184.02		168.22
			25608.18	22385.87
PROFIT BEFORE EXCEPTIONAL ITEMS & TAXATION:			4838.23	2639.28
Exceptional Income/(Expenses) (net) (Refer Note 4)			191.41	917.62
PROFIT BEFORE TAXATION:			5029.64	3556.90
Provision for Taxation				
Wealth Tax		5.50		5.25
Current Tax		1479.98		889.92
Fringe Benefit Tax		40.95		—
Deferred Tax Debit/(Credit)		95.85		(115.26)
			1622.28	779.91
PROFIT FOR THE YEAR AFTER TAXATION			3407.36	2776.99
(Short)/Excess Provision for Tax for earlier years			(39.38)	(0.45)
PROFIT AFTER TAXATION			3367.98	2776.54
Balance brought forward from previous year			1744.66	298.10
PROFIT AVAILABLE FOR APPROPRIATION			5112.64	3074.64
Transfer to General Reserve		2500.00		750.00
Proposed Dividend on Equity Shares		762.96		508.64
Provision for Tax on proposed Equity Dividend		107.01		71.34
			3369.97	1329.98
BALANCE CARRIED TO BALANCE SHEET			1742.67	1744.66
Weighted average number of equity shares outstanding during the year			56,51,560	5,65,156
Basic and Diluted earning per share (in Rs.) (nominal value Rs. 10 per share, previous year Rs. 100 per share)				
— including exceptional items			59.59	491.29
— excluding exceptional items (net of tax)			55.64	293.02
Basic and Diluted earning per share (in Rs.) (nominal value Rs. 10 per share for current and previous year)				
— including exceptional items			59.59	49.13
— excluding exceptional items (net of tax)			55.64	29.30

Significant Accounting Policies and Notes forming part of the Accounts Q

As per our attached report of even date.
For and on behalf of DALAL & SHAH,
Chartered Accountants,

Shishir Dalal
Partner

D.N. Nagarkar
Company Secretary &
General Manager: Legal

S.B. Godbole
Vice President: Finance

Nikhil J. Danani

Nakul P. Mehta

Mukul Harkisondass

Vice Chairmen &
Managing Directors

Director

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

SCHEDULE A		31st March, 2006	31st March, 2005
		Rupees in Lakhs	Rupees in Lakhs
SHARE CAPITAL:			
Authorised:			
2,00,000	12% Non-Convertible Redeemable Cumulative Preference Shares of Rs. 100 each	200.00	200.00
80,00,000	Equity Shares of Rs. 10 each (Previous year – 8,00,000 Equity share of Rs. 100 each)	800.00	800.00
		<u>1000.00</u>	<u>1000.00</u>
Issued and Subscribed:			
56,51,560	Equity Shares of Rs. 10 each, fully paid (Previous year – 5,65,156 Equity shares of Rs. 100 each) The Company's Equity shares of Rs. 100 each were sub-divided into Equity shares of Rs. 10 each with effect from 16.09.2005.	565.16	565.16
Of the above shares,			
47,05,830	Equity Shares of Rs. 10 each issued as fully paid Bonus shares by capitalisation of reserves (Previous year 4,70,583 Equity shares of Rs. 100 each)		
3,46,230	Equity Shares of Rs. 10 each issued on conversion of Convertible Bonds (Previous year 34,623 Equity shares of Rs. 100 each)		
		<u>565.16</u>	<u>565.16</u>
SCHEDULE B			
RESERVES AND SURPLUS:			
General Reserve:			
	As per last Account	2921.37	2171.37
	Add: Transferred from Profit & Loss Account	2500.00	750.00
		<u>5421.37</u>	<u>2921.37</u>
Balance in Profit and Loss Account:		<u>1742.67</u>	<u>1744.66</u>
		<u>7164.04</u>	<u>4666.03</u>
SCHEDULE C			
SECURED LOANS:			
Working Capital Facilities from Banks:		240.32	1564.75
Secured by hypothecation of all tangible moveable assets including stock of Raw Materials, Stores, Spares, Fuel, Work-in-Progress, Finished Goods and Book Debts and by oral equitable mortgage, ranking second and subservient to mortgages created or to be created, on immovable properties excluding vacant land at Company's Kalwe factory.			
Term Loan From Financial Institution:			
Secured by Equitable mortgage of immovable property at Mumbai and pledge of shares of a company held as investment (Rs. 280.00 lakhs falling due within one year – previous year Rs. 280.00 lakhs)			
		840.00	1120.00
Other Term Loan:			
Secured by hypothecation of certain vehicles (Rs. 18.37 lakhs falling due within one year – previous year Rs. 16.95 lakhs)			
		28.91	45.85
		<u>1109.23</u>	<u>2730.60</u>

SCHEDULES (Contd.)

SCHEDULE D

	Rupees in Lakhs	31st March, 2006 Rupees in Lakhs	31st March, 2005 Rupees in Lakhs
UNSECURED LOANS:			
Fixed Deposits:			
(Rs. 210.09 lakhs falling due within one year – previous year Rs. 376.18 lakhs)		1115.40	769.48
Short-Term Loans:			
— from Banks	2000.00		—
— from Others	25.00		—
		<u>2025.00</u>	<u>—</u>
		<u>3140.40</u>	<u>769.48</u>

SCHEDULE E

FIXED ASSETS:

(Rupees In Lakhs)

Description of Assets	GROSS BLOCK (AT COST) *				DEPRECIATION				NET BLOCK	
	As At 31.03.2005	Additions	Deductions	As At 31.03.2006	As At 31.03.2005	For the year	On Deductions	As At 31.03.2006	As At 31.03.2006	As At 31.03.2005
Leasehold Land*	6.81	—	0.13	6.68	—	—	—	—	6.68	6.81
Buildings Incl. Roads+	1332.57	250.09	—	1582.66	344.19	28.86	—	373.05	1209.61	988.38
Plant & Machinery etc.	2391.75	713.51	109.29	2995.97	1410.74	131.68	94.30	1448.12	1547.85	981.01
Furniture & Fixtures	99.39	3.59	0.33	102.65	84.35	4.44	0.33	88.46	14.19	15.04
Office Equipment	246.05	16.85	55.25	207.65	170.65	10.82	48.10	133.37	74.28	75.40
Motor Vehicles	94.53	10.69	0.55	104.67	25.85	8.22	0.46	33.61	71.06	68.68
TOTAL	<u>4171.10</u>	<u>994.73</u>	<u>165.55</u>	<u>5000.28</u>	<u>2035.78</u>	<u>184.02</u>	<u>143.19</u>	<u>2076.61</u>	<u>2923.67</u>	<u>2135.32</u>
Previous Year's Total	3965.77	307.34	102.01	4171.10	1936.85	168.22	69.29	2035.78	2135.32	2028.92

* Except Leasehold Land which is at cost, less amount written off.

+ Includes Rs. 10,500 being the value of 205 shares in Co-operative Societies for ownership premises.

SCHEDULE F

INTANGIBLE ASSETS (SOFTWARE):

31st March, 2006

Rupees
in Lakhs31st March, 2005
Rupees
in Lakhs

As per Last Accounts

26.02

9.66

Add: Acquired during the year

2.37

38.43

28.3948.09

Less: Written off during the year

14.00

22.07

14.3926.02

SCHEDULES (Contd.)

SCHEDULE G

	Rupees in Lakhs	31st March, 2006 Rupees in Lakhs	31st March, 2005 Rupees in Lakhs
INVESTMENTS — at cost:			
(Non-Trade/Long Term)			
Quoted:			
(All fully paid up and held in Demat mode):			
2,82,516 Equity shares of Rs. 10 each of Siemens Ltd. (out of above 1,00,000 equity shares pledged with HDFC Ltd. — previous year 2,82,000)		214.81	214.81
1,02,980 Equity shares of Rs. 10 each of HDFC Ltd.		13.52	13.52
15,821 Equity shares of Rs. 10 each of ICICI Bank Ltd.		6.16	6.16
1,50,000 Equity shares of Rs. 10 each of Hindustan Oil Exploration Co. Ltd.		22.50	22.50
500 Equity shares of Rs. 10 each of HDFC Bank Ltd.		0.05	0.05
5,400 Equity shares of Rs. 10 each of Bank of India		2.43	2.43
(Fully paid up and held in physical form)			
24,398 6.75% Tax free US 64 Bonds of Rs. 100 each of Unit Trust of India		24.40	24.40
		<u>283.87</u>	<u>283.87</u>
Unquoted:			
1,000 Equity shares of Rs. 10 each of the Saraswat Co-operative Bank Ltd.		0.10	0.10
10,000 Equity Shares of Rs. 10 each of the North Kanara G.S.B. Co-op. Bank Ltd.		1.00	1.00
15,500 NHB Capital Gain Bonds		1550.00	—
		<u>1834.97</u>	<u>284.97</u>
Quoted:			
Cost		283.87	283.87
Market value		17759.70	5778.32
Unquoted:			
Cost		1551.10	1.10

SCHEDULE H

CURRENT ASSETS, LOANS AND ADVANCES:

(a) A. Inventories:			
(i) Raw Materials and Components		924.32	1370.68
(ii) Packing Materials, Stores, Spare Parts and Fuel		25.94	33.33
(iii) Consumable Tools		13.63	15.22
(iv) Work-in-Progress at works		1990.44	1100.90
(v) Finished Goods		1191.53	869.66
		<u>4145.86</u>	<u>3389.79</u>
B. Materials in Transit		154.21	127.72
		<u>4300.07</u>	<u>3517.51</u>
(b) Sundry Debtors, Unsecured:			
(i) Over six months : Good		346.92	246.28
Doubtful	160.44		359.59
Deduct: Provision	<u>160.44</u>		<u>359.59</u>
		—	—
(ii) Others : Good		9419.77	6558.43
		<u>9766.69</u>	<u>6804.71</u>

SCHEDULES (Contd.)

SCHEDULE H (Contd.)

	Rupees in Lakhs	31st March, 2006 Rupees in Lakhs	31st March, 2005 Rupees in Lakhs
(c) Cash and Bank Balances:			
(i) (a) Cash on hand	7.99		7.25
(b) Cheques on hand and cheques for collection with Bank	270.92		106.30
(c) Remittances in transit	228.63		350.71
		<u>507.54</u>	<u>464.26</u>
(ii) Balances with Scheduled Banks:			
(a) In Current Accounts		55.58	55.98
(b) In Fixed Deposits (including kept with bank as margin Rs. 22.36 lakhs – previous year Rs. 19.98 lakhs) (including interest accrued Rs. 0.86 lakhs – previous year Rs. 5.12 lakhs)		58.22	1685.10
(iii) Balances with a Non-scheduled Bank: The Municipal Co-op. Bank Ltd.:			
(a) In Current A/c. (Maximum Balance during the year Rs. 1.67 lakhs – previous year Rs. 5.88 lakhs)		1.16	5.47
(b) In Fixed Deposit (Maximum balance during the year Rs. 0.10 lakh – previous year Rs. 0.10 Lakh)		0.10	0.10
		<u>622.60</u>	<u>2210.91</u>
(d) Loans and Advances, good:			
Secured:			
Loans to employees (includes loan to an Officer Rs. 0.37 lakh – previous year Rs. 0.62 lakh – maximum balance during the year Rs. 0.62 Lakh – previous year Rs. 0.87 lakhs)		16.09	16.25
Unsecured:			
(i) Advances recoverable in cash or in kind or for value to be received (includes loan to an Officer Rs. 0.08 lakh – previous year Rs. 0.23 lakh) (maximum balance during the year Rs. 0.23 lakh - previous year Rs. 0.38 lakh)		589.34	555.56
(ii) Sundry Deposits (including National Plan Savings Certificates of the face value of Rs. 0.38 lakh matured but not encashed deposited with Government Departments and Semi-Government Authorities – previous year Rs. 0.38 lakh)	0.38		0.38
Other Deposits (including interest accrued Rs. 0.94 lakhs – previous year Rs. 1.35 lakhs)	134.23		124.16
		<u>134.61</u>	<u>124.54</u>
(iii) Balance with Central Excise Department		0.13	0.79
(iv) Advance payments of tax and tax deducted at source		2554.45	1141.22
		<u>3294.62</u>	<u>1838.36</u>
(e) Other Current Assets			
(i) Interest accrued on Investment		64.75	0.55
(ii) Instruments held under an arrangement			
(a) 990 Bond "A" of original face value of Rs. 50,000 each of M/s Tiger Elevator Pvt. Ltd.	—		495.00
(b) 660 Bond "B" of original face value of Rs. 50,000 each of M/s. Tiger Elevator Pvt. Ltd.	—		330.00
		<u>—</u>	<u>825.00</u>
		<u>64.75</u>	<u>825.55</u>
		<u>18048.73</u>	<u>15197.04</u>

SCHEDULES (Contd.)

SCHEDULE I

	Rupees in Lakhs	31st March, 2006 Rupees in Lakhs	31st March, 2005 Rupees in Lakhs
CURRENT LIABILITIES AND PROVISIONS:			
(a) Current Liabilities:			
(i) Acceptances		2820.66	3473.16
(ii) Advances from Customers		548.52	770.60
(iii) Sundry Creditors			
(a) Small Scale and Ancillary Industrial Suppliers	96.75		113.30
(b) Others	3181.48		2612.49
		3278.23	2725.79
(iv) Staff Security Deposits		0.40	0.29
(v) Interest accrued but not due, on Loans		25.57	38.84
(vi) Unclaimed Dividends		7.20	3.22
		6680.58	7011.90
(b) Provisions:			
(i) Gratuity		485.20	460.55
(ii) Unutilised Leave encashment		216.04	180.18
(iii) Warranties and Claims		93.88	78.91
(iv) Taxation		2577.52	1034.56
(iv) Proposed Dividend on Equity Shares		762.96	508.64
(v) Tax on Proposed Equity Dividend		107.01	71.34
		4242.61	2334.18
		10923.19	9346.08

SCHEDULE J

MISCELLANEOUS EXPENDITURE:

(To the extent not written off or adjusted)

Voluntary Retirement Scheme		303.07	461.66
Deduct: Written off during the year		158.59	158.59
		144.48	303.07

SCHEDULE K

SALES AND SERVICES:

	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs
Sales	34163.49		27473.71
Less: Excise Duty	4095.08		2894.81
		30068.41	24578.90
Services		46.54	38.95
		30114.95	24617.85
Deduct: Returns		36.61	33.54
		30078.34	24584.31

SCHEDULES (Contd.)

SCHEDULE L	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs	Year ended 31st March, 2005 Rupees in Lakhs
OTHER INCOME:			
Interest Gross (Tax deducted at source Rs. 12.47 Lakh – previous year Rs. 4.44 Lakh)		125.90	70.31
Dividend		61.45	42.16
Miscellaneous Income		26.37	35.67
Surplus on sale of Assets		4.54	0.15
Shared Services under an Agreement		17.73	169.33
Bad Debt recoveries		51.14	21.04
Forex Gain		6.94	—
Excess Provision written back		74.00	102.18
		<u>368.07</u>	<u>440.84</u>
SCHEDULE M			
MATERIALS:			
A. Raw Materials and Components Consumed:			
Stock at Commencement	1370.68		1636.44
Less: Transferred under Scheme of Arrangement	—		248.66
	<u>1370.68</u>		<u>1387.78</u>
Purchases	18762.54		15566.54
Processing Charges	454.80		287.25
		<u>20588.02</u>	<u>17241.57</u>
Deduct: Scrap Sales	249.32		160.73
Stock at close	924.32		1370.68
		<u>1173.64</u>	<u>1531.41</u>
		<u>19414.38</u>	<u>15710.16</u>
Packing Materials, Stores, Spare Parts and Tools consumed		531.24	453.02
Fuel consumed (excluding for own power generation)		57.43	32.93
Purchases for resale		899.35	666.10
		<u>20902.40</u>	<u>16862.21</u>
B. Variation in Work-in-Progress and Finished Goods:			
Work-in-Progress:			
Stock at commencement	1100.90		1910.40
Less: Transferred under Scheme of Arrangement	—		902.26
	<u>1100.90</u>		<u>1008.14</u>
Deduct: Stock at close	1990.43		1100.90
		<u>(889.53)</u>	<u>(92.76)</u>
Finished Goods:			
Stock at Commencement	869.66		603.47
Deduct: Stock at close	1191.53		869.66
		<u>(321.87)</u>	<u>(266.19)</u>
		<u>19691.00</u>	<u>16503.26</u>
SCHEDULE N			
PERSONNEL:			
Salaries, Wages, Bonus etc.		1886.66	1699.10
Workmen and Staff Welfare Expenses		349.46	332.98
Contribution to Provident and Other Funds		281.54	222.95
		<u>2517.66</u>	<u>2255.03</u>

SCHEDULES (Contd.)

SCHEDULE O	Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs	Year ended 31st March, 2005 Rupees in Lakhs
OTHER EXPENDITURE:			
Sub-Contract Charges		344.96	301.96
Power (including fuel for own generation)		159.91	147.57
Repairs to Buildings		55.65	72.43
Repairs to Machinery (excluding Spare Parts)		39.55	32.64
Other Repairs		13.12	11.53
Insurance		64.35	34.79
Rent		31.73	24.90
Rates and Taxes		20.34	23.52
Taxes and Levies by Government and Local Authorities		23.17	398.53
Excise Duty Expense		48.71	329.27
Royalty and Technical Service Fees		—	4.93
Post and Telecommunication Charges		55.85	59.95
Travelling, Conveyance and Motor Vehicle Expenses		183.94	182.19
Freight and Forwarding Charges (Net)		251.44	331.06
Discount & Allowances on Sales		137.38	115.05
Product Advertisement and Publicity		7.14	7.29
Printing and Stationery		46.16	49.06
Data Processing Charges		18.30	25.77
Audit Fees & Professional Charges		134.97	148.35
Commission		325.00	119.42
Bank Charges		185.70	184.91
Miscellaneous		412.66	374.94
Directors' Fees		6.00	4.85
Managing Directors' Remuneration		195.96	91.33
Amount written off against Leasehold Land		0.13	0.12
Loss on Assets sold, demolished discarded and scrapped		21.42	3.61
Provision for Doubtful Debts	18.76		5.66
Less: Provision for Doubtful debts no longer required	217.91		13.65
		(199.15)	(7.99)
Bad Debts		162.17	3.32
Short Provision for Expenses		0.03	0.80
Donations		0.07	—
Forex loss		—	4.12
		<u>2746.66</u>	<u>3080.22</u>

SCHEDULE P

INTEREST AND FINANCIAL CHARGES:

Interest			
on Fixed Loans	183.73		218.71
on Others	266.02		152.05
		449.75	370.76
Discounting Charges		19.09	8.38
		<u>468.84</u>	<u>379.14</u>

SCHEDULES (Contd.)

SCHEDULE Q

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

A. Significant Accounting Policies

1. System of Accounting:

The Company follows the mercantile system of accounting in general except in case of significant uncertainties. Dividends are accounted when received.

2. Leasehold Land, Fixed Assets & Depreciation:

Leasehold land is carried at historical cost less amounts written off proportionate to expired lease period.

Fixed assets are carried at historical cost net of Cenvat and other setoffs and accumulated depreciation.

Depreciation is provided in accordance with the provisions of Section 205(2)(b) of the Companies Act 1956, at the rates and in the manner prescribed in the Schedule XIV of the Act.

Machinery spares of the nature of capital spares/insurance spares are capitalised. The total cost of such spares is depreciated over a period not exceeding the useful life of the fixed asset to which they relate.

3. Intangible Assets:

Expenditure on application software are amortised over a period of three years.

4. Investments:

Investments are carried at cost of acquisition.

5. Inventories:

Inventories are valued at lower of cost or net realisable value except Raw Materials and Components, Packing Materials, Stores, Spare Parts Fuel and material in transit or in bonded warehouse which are valued at Cost to date.

Historical cost of bought items at the factory is determined using Weighted Average formula, for bought items at other locations using FIFO formula and of manufactured items at all locations are valued at standard cost adjusted for variances calculated for the period under review.

Finished goods are valued inclusive of Excise Duty.

6. Changes in Foreign Exchange Rates:

Foreign currency liabilities for fixed assets outstanding at the close of a financial year are revalued at the contracted and/or appropriate exchange rate at the close of that year.

The gain or loss due to decrease or increase in rupee liability due to fluctuation in exchange rates is adjusted to the cost of assets acquired through these loans.

Foreign exchange gain or loss arising out of transactions settled during the year is charged to the profit and loss account. Current assets and current liabilities in foreign currencies at the close of the financial year are converted at the contracted and/or appropriate exchange rates at the close of the year.

7. Deferred Revenue Expenditure:

Voluntary Retirement Scheme

Expenditure on Voluntary Retirement Scheme are amortised over a period of five years.

8. Retirement Benefits:

(a) Retirement benefits in the form of provident fund/pension scheme and superannuation/Annuity schemes are accounted on accrual basis and charged to the profit and loss account of the year.

(b) Liabilities in respect of Gratuity and Leave Encashment are determined and accrued on the basis of an independent actuarial valuation.

9. Borrowing Costs:

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

SCHEDULES (Contd.)

SCHEDULE Q (Contd.)

10. Taxation:

Current Tax is determined at the current rates based on assessable income.

Deferred Tax is determined using the tax rates and tax laws that have been enacted or substantially enacted by the Balance Sheet date, based on tax effect of timing differences between accounting income and taxable income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets are recognised and carried forward only if there is reasonable/virtual certainty of its realisation. Such assets are reviewed at each balance sheet date to reassess realisation.

11. Leases:

For premises taken/given on lease, lease rentals payable/receivable are charged/credited to the revenue.

	31st March, 2006 Rupees in Lakhs	31st March, 2005 Rupees in Lakhs
B NOTES:		
1. Contingent Liabilities not provided for in respect of:		
(i) Bills Discounted (under IDBI deferred Bills Scheme)	120.55	425.51
(ii) Bills Discounted (Since realised Rs. 809.20 Lakhs — Previous year Rs. Nil)	809.20	0.00
(iii) Disputed Sales Tax set-off and Demands	172.26	155.80
(iv) Disputed Excise Duty Demands	360.10	73.39
(v) Disputed Custom Duty Demands	305.83	0.00
(vi) Disputed Income Tax Demands	15.91	56.92
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	71.87	181.66
3. Audit Fees and Professional Charges include:		
(a) To Auditors: (including Service Tax)		
(i) As Auditors Fees	7.13	6.99
(ii) For Tax Audit	1.35	1.35
(iii) For Tax matters	1.19	0.78
(iv) For Company Law and other matters	0.25	0.25
(v) For Certifications	0.86	4.67
(vi) Reimbursement of Out of Pocket Expenses	0.42	0.26
	<u>11.20</u>	<u>14.30</u>
(b) To Cost Auditor	0.28	0.28
4. Exceptional Income/(Expenses) represents:		
(a) Gratuity	0.00	(431.65)
(b) Expenditure on Voluntary Retirement Scheme written off	(158.59)	(158.59)
(c) Profit from transfer of Elevator Field Operations Division (Refer Note 8 below)	350.00	1507.86
	<u>191.41</u>	<u>917.62</u>

SCHEDULES (Contd.)

SCHEDULE Q (Contd.)

	Rupees in Lakhs	31st March, 2006 Rupees in Lakhs	31st March, 2005 Rupees in Lakhs
5. Managerial Remuneration:			
(a) Computation of Managing Directors' Commission:			
Profit before Taxation as per Profit and Loss Account		5029.64	3556.90
Add: Managing Directors' Remuneration	195.96		91.33
Loss on Assets sold, demolished, discarded, and scrapped	21.42		3.61
Provision for Doubtful Debts	(199.15)		(7.99)
Expenditure on Voluntary Retirement Scheme written off	158.59		158.59
		<u>176.82</u>	<u>245.54</u>
		5206.46	3802.44
Less: Surplus on Sale of Assets		4.54	0.15
Profit from transfer of Elevator Field Operations Division		350.00	1507.86
Net Profit on which Commission is payable		<u>4851.92</u>	<u>2294.43</u>
Commission @ 1% of net profit per Managing Director		<u>48.52</u>	<u>22.94</u>
Total Commission payable		<u>97.04</u>	<u>45.89</u>
(b) Profit and Loss Account includes payments and provisions on account of Managing Directors' as under:			
(i) Salary		42.00	24.00
(ii) Gratuity		24.65	1.70
(iii) Commission		97.04	45.89
(iv) Contribution to Superannuation/Deferred Annuity Plan		10.50	6.00
(v) House Rent & Other Perquisites		21.77	13.74
		<u>195.96</u>	<u>91.33</u>
6. The names of the Small Scale Industrial undertakings to whom the Company owes a sum outstanding for more than 30 days are as follows:			
Century Pumps Products, Danmet Chemicals Pvt. Ltd., Hemant Industries, KSH International Pvt. Ltd., La-Gajjar Machineries Ltd., Meerut Pffe Products Pvt. Ltd., Mileen Engineers, Mikronix Gauges Pvt. Ltd., Plastrols, Sri. Shantha Pumps, Shree Insupac, Stromag Engineers Ltd., Sunanda Engineering Works, Shining Engineers & Founders, Unity Engineers, Venus Engineering Co., Wiperdrive Engineering.			
The above information regarding Small Scale Industrial undertakings has been determined to the extent such parties have been identified on the basis of the information available with the Company.			
7. The major components of Deferred Tax Asset/(Liability) are set out below:			
Component	As on 01.04.2005 (Rs. in Lakhs)	For the Year Ended 31.03.2006 (Rs. in Lakhs)	As on 31.03.2006 (Rs. in Lakhs)
Difference between Book and Tax Depreciation (Cumulative)	(317.17)	(48.82)	(365.99)
Provision for Doubtful Debts	121.04	(67.03)	54.01
U/s 43B of the Income Tax Act, 1961	209.36	20.00	229.35
Deferred Tax Liability/(Asset)	<u>13.23</u>	<u>(95.85)</u>	<u>(82.63)</u>
8. Transfer of Elevator Field Operations Division:			
Vide Settlement Agreement dated 29th August, 2005, the total consideration for the transfer of Elevator Field Operation Division as of Effective date to Olympus Elevator Pvt. Ltd. (formerly Tiger Elevator Pvt. Ltd.) was fixed at Rs. 36.50 Crores of which Rs. 33.00 Crores was accounted for in the previous year. The balance of Rs. 3.50 Crores has been accounted in the current year.			

SCHEDULES (Contd.)

SCHEDULE Q (Contd.)

9. The disclosures required by AS-29 on Provisions, Contingent Liabilities & Contingent Assets:

(Rs. in Lakhs)

Class of Provision	Carrying amount as on 01.04.2005	Provision made/ Increase in Provision	Amount used during the year	Carrying amount as on 31.03.2006
Warranty	78.91	60.50	45.53	93.88

10. Warranty

- i. Warranty is given to customers at the time of sale of Motors, Transformer & Industrial Components. Warranty Cost includes expenses in connection with repairs & free replacement of parts during warranty period.
- ii. Expected Timing of resulting outflow:
Majority of Warranty Cost will be incurred over the contractual warranty period.

11. RELATED PARTY DISCLOSURES:

I. RELATED PARTIES

A. Key Management Personnel.

Mr. Nikhil J. Danani, Vice Chairman & Managing Director
Mr. Nakul P. Mehta, Vice Chairman & Managing Director

B. Relatives of the Key Management Personnel

Mr. Jaisingh R. Danani, a non-executive Director (father of Mr. Nikhil J. Danani)
Mr. Anand J. Danani, a non-executive Director (brother of Mr. Nikhil J. Danani)
Mr. Shome N. Danani (son of Mr. Nikhil J. Danani)
Ms. Avanti P. Mehta (sister of Mr. Nakul P. Mehta)
Ms. Sita P. Mehta (sister of Mr. Nakul P. Mehta)

C. Enterprises over which any of (A) or (B) can exercise control or significant influence

Danmet Chemicals Pvt. Ltd.
Nasivan Investments Pvt. Ltd.
Gayatri Education, Medical & Research Foundation.

Related parties relationships as stated in I (A) to I (C) above are identified by the Company as required under Accounting Standard 18 (AS-18) and relied upon by the Auditors.

II. Transactions with Related Parties

Nature of transaction	Related Parties					
	Referred in I (A) above		Referred in I (B) above		Referred in I (C) above	
	During the Year	Closing Balance Debit/ Credit(-)	During the Year	Closing Balance Debit/ Credit(-)	During the Year	Closing Balance Debit/ Credit(-)
Remuneration	Refer Note 5 above	— (—)	1.13 (0.25)	— (—)	— (—)	— (—)
Sitting Fee	— (—)	— (—)	0.90 (0.80)	— (—)	— (—)	— (—)
Purchases	— (—)	— (—)	— (—)	— (—)	150.61 (148.92)	-5.95 (-6.23)
Deposit taken	25.00 (25.00)	-25.00 (-25.00)	2.00 (2.00)	-2.00 (-2.00)	0.25 (0.25)	-0.25 (-0.25)
Interest Paid	1.75 (1.60)	— (—)	0.23 (0.25)	— (—)	0.02 (0.03)	-0.02 (-0.03)
Rent Received	— (—)	— (—)	— (—)	— (—)	1.67 (1.57)	— (—)

- a. No amount has been written off or written back during the year ended 31.03.2006.
- b. Figures in the brackets are for the previous year.

SCHEDULES (Contd.)

SCHEDULE Q (Contd.)

12. Detailed Information regarding Goods manufactured, Turnover, Opening Stock, Closing Stock, Raw Materials consumed etc.

(a) (i) Capacities, Production, Stock & Turnover:

Class of Goods (Unit)	Installed Capacity*	Produc- tion	Opening Stock		Turnover		Closing Stock	
			Qty.	Value Rupees in Lakhs	Qty.	Value Rupees in Lakhs	Qty.	Value Rupees in Lakhs
Electric Motors (HP in 000's)	750 (370)	702 (638)	+ 18 + (15)	312.28 (171.90)	677 (621)	10047.10 (8660.97)	38 (18)	484.81 (312.28)
Transformers (MVA)	8000 (3800)	4019 (2912)	128 (135)	453.93 (299.25)	3922 (2919)	16225.71 (9375.30)	225 (128)	610.72 (453.93)
Controllers for VSD system (Nos.)	250 (250)	10 (7)	— (—)	0.38 (0.38)	10 (6)	37.45 (19.02)	— (—)	0.28 (0.38)
Pumps (Nos.)	10000 (10000)	— (27)	++ 57 (114)	2.30 (7.96)	8 (84)	0.71 (5.72)	45 (57)	1.64 (2.30)
Spare Parts & Components ##						2603.58 (5621.90)		
Services						46.54 (38.95)		
Carried Over				768.89 (479.49)		28961.09 (23721.86)		1097.45 (768.89)

(ii) Details in respect of
Goods traded in:

Class of Goods (Unit)	Purchases		Opening Stock		Turnover		Closing Stock	
	Qty.	Value Rupees in lakhs	Qty.	Value Rupees in Lakhs	Qty.	Value Rupees in Lakhs	Qty.	Value Rupees in Lakhs
Brought forward				768.89 (479.49)		28961.09 (23721.86)		1097.45 (768.89)
Pumps, Motors etc. (Nos.)	3560 (4551)	132.52 (169.97)	1292 (1564)	83.52 (107.19)	3575 (4823)	178.85 (245.48)	1277 (1292)	80.28 (83.52)
Other Electrical Goods # #	— (—)	617.85 (357.03)	— (—)	— (0.84)	— (—)	798.32 (486.95)	— (—)	— (—)
Maintenance Products/Accessories # #		148.99 (139.10)		17.25 (15.95)		176.69 (163.56)		13.80 (17.25)
		899.36 (666.10)		100.77 (123.98)		1153.86 (895.99)		94.08 (100.77)
Total				869.66 (603.47)		30114.95 (24617.85)		1191.53 (869.66)

Explanatory Notes :

- (1) Figures in brackets are for the previous year.
- (2) The Company's products are exempt from licencing requirements under the Industrial policy in terms of notification No. S.O. 477(c) dated 25th July, 1991.
- (3) Notations

* As certified by a Managing Director being a technical matter and accepted by the Auditors as correct.

+ Including 5 HP (previous year - 10 HP) Captive Consumption & 4HP scrapped in previous year.

++ 4 Nos. Monoblock Pumps captively consumed in current year.

These include many items with different quantitative units or ratings.

SCHEDULES (Contd.)

SCHEDULE Q (Contd.)

	Qty. M.T.	Year ended 31st Mar. 2006 Value Rupees in Lakhs	Qty. M.T.	Year ended 31st Mar. 2005 Value Rupees in Lakhs
(b) Raw Materials and Components Consumed:*				
Group of Items:				
Stampings and Laminations	3780	6760.11	3140	3758.45
Electrolytic Copper Wires, Strips & Aluminium Ingots	1806	3954.48	1579	3032.08
Hardware and Special Components	**	6624.95	**	6779.13
Others		2074.84		2140.50
		<u>19414.38</u>		<u>15710.16</u>
*Net of Sales				
**Since the quantity denominations & type of components are dissimilar in nature, it is impracticable to disclose the quantitative information in respect thereof.				
(c) Value of Raw Materials, Spare Parts and Components consumed	%		%	
Raw Materials and Components:				
Imported	4	846.13	6	948.45
Indigenous	96	18568.25	94	14761.71
	<u>100</u>	<u>19414.38</u>	<u>100</u>	<u>15710.16</u>
Spare parts:				
Imported	5	0.91	3	0.53
Indigenous	95	16.17	97	16.00
	<u>100</u>	<u>17.08</u>	<u>100</u>	<u>16.53</u>
(d) Value of Imports on C.I.F. basis:				
Raw Materials		767.06		594.96
Components & Spare parts		4.00		0.00
Capital Goods		49.12		135.11
(e) Expenditure in Foreign Currency on Account of:				
Travelling		5.86		9.35
Technical Services Fees (Includes Capitalised Rs. 28.04 Lakhs, previous year Rs. 1.58 Lakhs)		28.04		5.19
Interest		0.00		1.10
Others		3.02		0.83
(f) Earnings in Foreign Exchange:				
(i) Direct Exports on F. O. B. basis		5.68		55.36
(ii) Others		0.00		3.63

SCHEDULES (Contd.)

SCHEDULE Q (Contd.)

	Year ended 31st Mar. 2006 Value Rupees in Lakhs	Year ended 31st Mar. 2005 Value Rupees in Lakhs
(g) Deemed Exports	3108.57	772.77
(h) Net amount remitted during the year in Foreign Currencies on account of Dividends	0.02	0.02
Number of Non-resident Shareholders	1	1
Number of Shares held by Non-resident on which Dividend were due	25	60
Year for which due	2004-05	2003-04

13. Foreign exchange expenses not hedged at the close of the year.

Nature of Transaction	Currency	31st March, 2006	31st March, 2005
Payable	USD	558413.74	—
	EUR	23464.56	25278.20
	CHF	—	67896.40

14. Information required in terms of Part IV of Schedule VI of the Companies Act, 1956 is attached.

15. Previous Year's figures have been regrouped wherever necessary.

As per our attached report of even date.
For and on behalf of DALAL & SHAH,
Chartered Accountants,

Shishir Dalal
Partner

D.N. Nagarkar
Company Secretary &
General Manager: Legal

S.B. Godbole
Vice President: Finance

Nikhil J. Danani

Nakul P. Mehta

Mukul Harkisondass

} Vice Chairmen &
Managing Directors

Director

Mumbai, 10th May, 2006

Mumbai, 10th May, 2006

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

	31st March, 2006 Rupees in Lakhs	31st March, 2005 Rupees in Lakhs
A: CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxation	5029.64	3556.90
Adjustments for:		
Depreciation	184.02	168.22
Amount w/off against Leasehold Land	0.13	0.12
Surplus/deficit on sale of Assets (net)	16.88	3.46
Interest (net)	342.94	308.83
Dividend received	-61.45	-42.16
Amortisation of Application Software	14.00	22.07
Amortisation of VRS Expenditure	158.59	158.59
Provision for Gratuity during the year	24.65	433.35
Provision for Leave Encashment during the year	35.86	2.42
	<u>715.62</u>	<u>1054.90</u>
Operating Profit Before Working Capital changes	5745.26	4611.80
Adjustments for:		
Trade and other receivables	-2244.61	-872.99
Inventories	-782.56	739.25
Current Liabilities	-307.06	-2213.03
	<u>-3334.23</u>	<u>-2346.77</u>
Cash generated from Operations	2411.03	2265.03
Direct Taxes paid	-1507.42	-987.02
(a) Net cash from Operating activities	<u>903.61</u>	<u>1278.01</u>
B: CASH FLOW FROM INVESTING ACTIVITIES		
Expenditure on Application Software	-2.37	-38.43
Purchase of Fixed Assets	-895.44	-420.03
Sale of Fixed Assets	5.35	29.14
Purchase/Sale of Investments	-1550.00	-1.00
Interest received	126.31	70.31
Dividend received	61.45	42.16
(b) Net cash in Investing activities	<u>-2254.70</u>	<u>-317.85</u>
	<u>-1351.09</u>	<u>960.16</u>
C: CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings (Net)	749.55	1090.33
Interest paid	-482.11	-367.02
Dividend paid	-504.66	-225.03
(c) Net Cash from Financing activities	<u>-237.22</u>	<u>498.28</u>
	<u>-1588.31</u>	<u>1458.44</u>
Net increase in Cash and Cash equivalents	-1588.31	1458.44
Cash and Cash equivalents at the beginning of the year	2210.91	752.47
Cash and Cash equivalents at the close of the year	622.60	2210.91

As per our attached report of even date.
For and on behalf of DALAL & SHAH,
Chartered Accountants,

Shishir Dalal
Partner

D.N. Nagarkar
Company Secretary &
General Manager: Legal

S.B. Godbole
Vice President: Finance

Nikhil J. Danani

Nakul P. Mehta

Mukul Harkisondass

Vice Chairmen &
Managing Directors

Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I	Registration Details	5 0 1 7	State Code	0 1 1
	Balance Sheet Date	3 1 0 3 2 0 0 6		
II	Capital raised during the year (Amount in Rs. Thousands)			
	*Public Issue	N I L	*Rights Issue	N I L
	*Bonus Issue	N I L	*Private Placement	N I L
III	Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)			
	Total Liabilities	2 2 9 8 4 6 5	Total Assets	2 2 9 8 4 6 5
Sources of Funds	Paid-up Capital	5 6 5 1 6	Reserves & Surplus	7 1 6 4 0 4
	Secured Loans	1 1 0 9 2 3	Unsecured Loans	3 1 4 0 4 0
Application of Funds	Net Fixed Assets	2 9 4 2 0 8	Investment	1 8 3 4 9 7
	Net Current Assets	7 1 2 5 5 4	Miscellaneous Expenditure	1 4 4 4 8
	Accumulated Losses	N I L		
IV	Performance of Company (Amount in Rs. Thousands)			
	Turnover	3 0 0 7 8 3 4	Total Expenditure	2 5 6 0 8 1 8
	+/- Profit/Loss Before Tax	+ 5 0 2 9 6 4	+/- Profit/Loss After Tax	+ 3 3 6 7 9 8
	Earnings per Share in Rs.	6 0	Dividend Rate %	1 3 5
V	Generic Names of Two Principal Products/Services of Company (as per monetary terms)			
	Item Code No.	8 5 . 0 1		
	Product Description	E L E C T R I C M O T O R S		
	Item Code No.	8 5 . 0 4		
	Product Description	E L E C T R I C T R A N S F O R M E R S		

D.N. Nagarkar
Company Secretary &
General Manager: Legal

S.B. Godbole
Vice President: Finance

Nikhil J. Danani }
Nakul P. Mehta } Vice Chairmen &
Managing Directors

Mukul Harkisondass Director



Bharat Bijlee Limited

Registered Office: Electric Mansion, 6th Floor, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORMAT

To
Intime Spectrum Registry Ltd.,
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai-400 078

To,
The Depository Participant Concerned

(IN CASE OF ELECTRONIC HOLDING ONLY)

(IN CASE OF PHYSICAL HOLDING ONLY)

Dear Sir,

FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND (BHARAT BIJLEE LTD.)

Please fill in the information in CAPITAL LETTERS in ENGLISH only. Please TICK wherever applicable.

- For Shares held in Physical Form
Master Folio No.
- For Shares held in Electronic Form
[Shareholders holding shares in Electronic Form should forward this form to their respective Depository Participant].

DP ID

--	--	--	--	--	--	--	--	--	--

Client ID

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

- Shareholder's Name Shri/Smt./Kum./Ms. _____

- Shareholders Address: _____

5. Particulars of Bank											
Bank Name	_____										
Branch Name & Address	_____										
Branch Code	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td></tr></table>										
	(9 Digits Code Number appearing on the MICR Band of the Cheque supplied by the Bank. Please attach a xerox copy of a Cheque or a Blank Cheque of your Bank duly cancelled for ensuring accuracy of the Bank Name, Branch Name and Code Numbers).										

Account Type	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td></tr></table>		Savings	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td></tr></table>		Current	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td></tr></table>		Cash Credit	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td></tr></table>	

A/c. No. (As appearing in the Cheque Book)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td></tr></table>																			

- Date from which the mandate should be effective:

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I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold the Company/Registrars & Share Transfer Agents of the Company responsible. I also undertake to advise any change in the particulars of my account to facilitate updation of records for purpose of credit of dividend amount through ECS.

Place:

Member's Signature



Bharat Bijlee Limited

Registered Office: Electric Mansion, 6th Floor, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025

ATTENDANCE SLIP

TO BE COMPLETED AND HANDED OVER AT THE ENTRANCE TO THE AUDITORIUM

I hereby record my presence at the 59th ANNUAL GENERAL MEETING of the Company held at Walchand Hirachand Hall, Indian Merchants' Chamber Building, Veer Nariman Road, Churchgate, Mumbai 400 020, on Monday, 26th June, 2006 at 4.00 p.m.

Folio No. DP ID NO. CLIENT ID NO.

Name

Member/Proxy

Signature



Bharat Bijlee Limited

FORM OF PROXY

Folio No. DP ID NO. CLIENT ID NO. NO. OF SHARES

I/We

of

.....being a member/members of the

above named Company hereby appoint

.....

of

or failing him

of

..... as my/our proxy

to vote for me/us on my/our behalf at the 59th ANNUAL GENERAL MEETING of the Company to be held on Monday, 26th June 2006 at 4.00 p.m. and at any adjournment thereof.

Signed this day of 2006



(Signature of Member)

NOTES:

- (a) The form should be signed across the stamp as per specimen signature registered with the Company.
- (b) The Companies Act, 1956, lays down that the instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time fixed for holding the meeting.
- (c) A proxy need not be a member.

