

17th Annual Report 2005-2006



Bharat RASAYAN LIMITED
(AN ISO 9001 : 2000 CERTIFIED COMPANY)

**BOARD OF DIRECTORS****Promoter Directors**

S.N. GUPTA
M.P. GUPTA
R.P. GUPTA

Chairman & Managing Director
Whole Time Director
Whole Time Director

Other Directors

SANDESH KUMAR JAIN
PRADEEP KUMAR GUPTA
NARESH AGARWAL

Director (Independent & Non-Executive)
Director (Independent & Non-Executive)
Director (Independent & Non-Executive)

**COMPANY SECRETARY &
COMPLIANCE OFFICER**

LAKSHMI GURUNG

AUDITORS

M/S. B.K. GOEL & ASSOCIATES

Chartered Accountants
P-16, N.D.S.E.-II,
New Delhi - 110 049.

BANKERS

STATE BANK OF INDIA

REGISTERED OFFICE

1501, Vikram Tower,
Rajendra Place,
New Delhi - 110 008.

FACTORY

2 KM Stone, Madina-Mokhra Road,
Village Mokhra, Tehsil Meham,
Distt. Rohtak (Haryana).

**REGISTRAR & SHARE
TRANSFER AGENT**

M/S. INTIME SPECTRUM REGISTRY LIMITED

A-31, 3rd Floor, Near PVR Cinema,
Naraina Industrial Area, Phase-I,
New Delhi - 110 028.
Tel. Nos. : 91-11-41410592-94
Fax No. : 91-11-41410591

*Members may please note that no
gifts/coupons shall be distributed
at the meeting*

CONTENTS**Page No.**

<i>Notice</i>	<i>1</i>
<i>Directors' Report</i>	<i>5</i>
<i>Corporate Governance Report</i>	<i>9</i>
<i>Auditors' Report</i>	<i>16</i>
<i>Balance Sheet</i>	<i>19</i>
<i>Profit & Loss Account</i>	<i>20</i>
<i>Schedules</i>	<i>21</i>
<i>Balance Sheet Abstract</i>	<i>31</i>
<i>Cash Flow Statement</i>	<i>32</i>

**NOTICE**

The 17th Annual General Meeting of Bharat Rasayan Limited will be held at Punjabi Bagh Club, Ring Road, Punjabi Bagh, New Delhi-110026, on Saturday, the 30th September, 2006, at 10:30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2006 and the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Mr. M.P.Gupta who retires by rotation and is eligible for reappointment.
3. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Pradeep Kumar Gupta who was appointed as an additional director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article No. 89 of the Articles of Association of the Company and Clause 49 of the Listing Agreement with effect from 18.03.2006 and who holds office upto the date of ensuing Annual General Meeting and being eligible for re-appointment and in respect of whom the Company has received a notice in writing pursuant to provisions of Section 257 of the Companies Act, 1956, proposing his candidature as a Director of the Company, be and is hereby appointed as a director of the Company, liable to retire by rotation."

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Sandesh Kumar Jain who was appointed as an additional director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article No. 89 of the Articles of Association of the Company and Clause 49 of the Listing Agreement with effect from 01.06.2006 and who holds office upto the date of ensuing Annual General Meeting and being eligible for re-appointment and in respect of whom the Company has received a notice in writing pursuant to provisions of Section 257 of the Companies Act, 1956, proposing his candidature as a Director of the Company, be and is hereby appointed as a director of the Company, liable to retire by rotation."

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Article No. 116 of the Articles of Association of the Company and Sections 198, 269, 309, 310, 311, Schedule-XIII and other applicable provisions of the Companies Act, 1956, approval of the members be and is hereby accorded for re-appointment of Mr. R.P.Gupta as a Whole Time Director of the Company for a further period of 5 years w.e.f. 01.10.2005 to 30.09.2010, on the following terms and conditions:

- (A) Salary : Rs. 41,500/- (Rupees Fourty One Thousand Five Hundred only) per month in the scale of Rs. 41500-1500-47500
- (B) Perquisites: In addition to the above, he shall be entitled to the following perquisites restricted to an amount equal to his annual salary. For this purpose, perquisites are classified into three categories, "A", "B" and "C" as follows:

CATEGORY-A**1. Housing**

- a) In case the hired accommodation is provided by the Company, the expenditure by the Company on hiring unfurnished accommodation for him will be subject to the ceiling of fifty percent of his salary over and above ten percent payable by him.
- b) In case the accommodation provided to him is owned by the Company, ten percent of his salary shall be deducted by the Company.
- c) In case no accommodation is provided by the Company, he shall be entitled to house rent allowance as may be approved by the Board subject to ceiling of sixty percent of his salary.

**2. Gas, Electricity, Water, Furnishings**

The Company will bear the charges of gas, electricity, water, furnishing etc. as per Company's Rules from time to time which shall be valued as per Income Tax Rules, 1962 and shall be restricted to 10% of his salary.

3. Medical Reimbursement

Medical expenses incurred by him for self and family will be reimbursed, not to exceed Rs. 15,000/- per annum, on submission of relevant bills.

4. Leave Travel Concession

Leave Travel Concession for him and his family, once in a year, in accordance with the Rules of the Company.

5. Club Fees

Club fees, subject to a maximum of two clubs excluding admission and life membership fees.

6. Personal Accident Insurance

Premium not to exceed Rs. 4,000/- per annum.

The aggregate monetary value of the above perquisites shall not exceed his annual salary.

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

CATEGORY-B

Contribution to Provident Fund, Superannuation Fund or Annuity Fund, as per Company's rules, will not be included in the computation of ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.

CATEGORY-C

The Company shall provide Car with Driver and telephone at his residence. Provision of car and telephone at residence for official duty and Company's business will not be considered as perquisites.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profit in any financial year, Mr. R.P.Gupta will be entitled to receive minimum remuneration permissible under Section-II of Part-II of Schedule-XIII to the Companies Act, 1956, as amended or as may be amended from time to time."

Regd. Office :-
1501, Vikram Tower,
Rajendra Place,
NEW DELHI - 110008.
AUGUST 30, 2006.

BY ORDER OF THE BOARD

(LAKSHMIGURUNG)
COMPANY SECRETARY

EXPLANATORY STATEMENT

The explanatory statement as required under Section 173(2) of the Companies Act, 1956, in respect of Special Business

ITEM NO. 4

Mr. Pradeep Kumar Gupta was appointed as an additional director on 18.03.2006 vide board meeting held on 18.03.2006 as per Section 260 of the Companies Act, 1956 to hold office up to the date of the Seventeenth Annual General Meeting of the Company. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member signifying the intention to propose the name of Mr. Pradeep Kumar Gupta as a director alongwith a deposit of Rs. 500/-.

None of the Directors except Mr. Pradeep Kumar Gupta is interested or concerned in the resolution.

ITEM NO.5

Mr. Sandesh Kumar Jain was appointed as an additional director on 01.06.2006 vide board meeting held on 01.06.2006 as per Section 260 of the Companies Act, 1956 to hold office up to the date of the Seventeenth Annual General Meeting of the Company. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member signifying the intention to propose the name of Mr. Sandesh Kumar Jain as a director alongwith a deposit of Rs. 500/-.

None of the Directors except Mr. Sandesh Kumar Jain is interested or concerned in the resolution.

**ITEM NO. 6**

The tenure of Mr. R.P.Gupta has expired on 30.09.2005. Subject to the approval of the members in their Annual General Meeting, the Board of Directors in their meeting held on 01.10.2005 decided to re-appoint Mr. R.P.Gupta as a Whole Time Director of the Company for a further period of 5 years with effect from 01.10.2005 on the remuneration and other terms and conditions contained in the resolution.

After re-appointment of Mr. R.P.Gupta as a Whole-time Director, this is the first general meeting of the shareholders for their approval.

Mr. R.P.Gupta is looking after the factory production and General Administration and also he is extending the technical support to the Company. In view of contribution made and significant services rendered by Mr. R.P.Gupta to the Company and having regard to his knowledge and experience, the Board considers that the re-appointment of Mr. R.P.Gupta as a Whole Time Director of the Company will be beneficial and in the interest of the Company.

No other Director except Mr. R.P.Gupta is concerned or interested in the resolution.

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote, instead of himself, and such proxy(ies) need not be a member of the Company. Proxy(ies) in order to be effective, must be delivered at the registered office of the Company, not less than 48 hours before the time of the meeting.
2. Members/Proxies should bring the attendance slip duly completed. Members who hold shares in dematerialised mode are requested to bring their Client-ID and DP-ID Numbers also for easy reference.
3. The copies of the annual report will not be distributed at the annual general meeting. Members are, therefore, requested to bring their copies of the annual report to the meeting.
4. Members intending to seek any information on the annual accounts at the meeting are requested to intimate the Company at least seven days before the date of the meeting.
5. Nominations - Members holding shares in physical mode and desirous of making a nomination in respect of their shareholdings in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to obtain the prescribed Form-2B, from the Company Secretary. Members holding shares in dematerialised mode may approach their Depository Participant (DP) in this regard.
6. M/s. Intime Spectrum Registry Limited (ISRL) acts as a Registrar and Share Transfer Agent on behalf of the Company and is a common agency for dealing with demat and physical shares.
7. The share transfer books and register of members of the Company will remain close from 26.09.2006 to 30.09.2006 (both days inclusive) for the purpose of Annual General Meeting.
8. The register of Directors' Shareholding shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.
9. Information required to be furnished under the Listing Agreement in respect of following director proposed to be reappointed / appointed as Director(s):

Mr. M.P.GUPTA**A) Brief Resume**

- | | | |
|------------------|---|----------|
| a) Age | : | 52 Years |
| b) Qualification | : | B.Com. |
| c) Experience | : | 29 years |

Mr. M.P.Gupta is a Director of the Company since 15.05.1989

B) Work exposure : Specialization in the field of Finance, Banking, Taxation, Accounts and General Administration

- C) Other Directorships**
- :
- i) M/s. Bharat Insecticides Limited
 - ii) M/s. Bharat Rasayan Finance Limited
 - iii) M/s. BR Agrotech Limited
 - iv) M/s. Siris Crop Sciences Limited

He is also a member of the Company's Shareholders' & Investors' Grievance Committee and Shares Transfer Committee.

**Mr. PRADEEP KUMAR GUPTA****A) Brief Resume**

- a) Age : 46 Years
b) Qualification : B.Com., L.L.B
c) Experience : 9 Years

- B) Work exposure** : i) Practicing Advocate of District Court, High Court and Supreme Court;
ii) specialization in the field of Revenue and Civil Matters.

- C) Other Directorships/ Proprietorship** : M/s. Pradeep Gupta & Co., Advocate

He is also a member of the Company's Audit Committee, Remuneration Committee and Shareholders' and Investors' Grievance Committee.

Mr. SANDESH KUMAR JAIN**A) Brief Resume**

- a) Age : 42 Years
b) Qualification : B.Com., F.C.A
c) Experience : 16 Years

- B) Work exposure** : i) practicing Chartered Accountant;
ii) specialization in the field of Corporate Laws & Corporate Finance

- C) Other Directorships** : i) M/s. Rathi Graphic Technologies Limited
ii) M/s. Maruti Capital Services Pvt. Limited
iii) M/s. New Delhi Media Pvt. Limited
iv) M/s. Shekhar Builder Pvt. Limited

- Proprietorships** : M/s. Sandesh Jain & Co., Chartered Accountant

Membership in the Committees

- a) M/s. Rathi Graphic Technologies Limited:

- i) Audit Committee;
ii) Remuneration Committee; and
iii) Shareholders' and Investors' Grievance Committee

- b) He acts as a Chairman of Company's Audit Committee and Remuneration Committee and also a member of Shares Transfer Committee.

Mr. R.P.GUPTA**A) Brief Resume**

- a) Age : 40 Years
b) Qualification : B.Com.
c) Experience : 20 years

Mr. R.P.Gupta is a Director of the Company since 15.05.1989

- B) Work exposure** : looking after the factory production and General Administration

- C) Other Directorships** : i) M/s. Bharat Insecticides Limited
ii) M/s. Bharat Rasayan Finance Limited
iii) M/s. Siris Crop Sciences Limited

He is also a member of the Company's Shares Transfer Committee.



DIRECTORS' REPORT

TO THE MEMBERS OF BHARAT RASAYAN LIMITED

Your Directors have pleasure in presenting their 17th Annual Report together with the audited accounts of the Company for the year ended 31st March, 2006:

FINANCIAL RESULTS

(Rs. In Lacs)

Particulars	For the year ended 31.03.2006		For the year ended 31.03.2005	
Sales & Other Income		<u>4967.34</u>		<u>5243.97</u>
Profit before interest & depreciation		<u>390.28</u>		<u>330.44</u>
Less : Interest	<u>67.76</u>		54.83	
: Depreciation	<u>84.69</u>	<u>152.45</u>	<u>89.28</u>	<u>144.11</u>
Profit before income tax		<u>237.83</u>		<u>186.33</u>
Provision for Taxation - Current Liability	<u>91.30</u>		90.00	
- Deferred Liability/(Tax Assets)	<u>(8.35)</u>	<u>82.95</u>	<u>(5.08)</u>	<u>84.92</u>
Profit after tax		<u>154.88</u>		<u>101.41</u>
Surplus brought forward from previous year		<u>79.32</u>		<u>77.91</u>
Profit available for appropriation		<u>234.20</u>		<u>179.32</u>
Appropriations				
Transferred to General Reserve		<u>200.00</u>		<u>100.00</u>
Balance being surplus carried over to the Balance Sheet		<u>34.20</u>		<u>79.32</u>

FINANCIAL HIGHLIGHTS

During the year under review, gross receipts were Rs. 49.67 Crores as compared to Rs. 52.44 Crores in the previous year, a marginal decline of 5%. Exports during the year were Rs. 21.40 Crores as compared to Rs. 24.96 Crores in the previous year. Profit after tax has increased to Rs. 1.54 Crores as compared to Rs. 1.01 Crores previous year mainly due to other income.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report in terms of Clause-49 of the Listing Agreements with Stock Exchanges is enclosed as **Annexure-I**.

DIVIDEND

With increase in the competition from the global players in the pesticides industries, your directors plan for developing new molecules for which your company will need more funds. With a view to conserve the company's resources your directors have decided to skip the dividend and have thus not recommended any dividend for this financial year.

FIXED DEPOSITS

The Company continues to accept the deposits under Section 58A of the Companies Act, 1956, and as on 31.03.2006 there was no overdue deposit with the Company. All deposits due for payment were either paid or renewed during the year.

INSURANCE

The Company continues to carry adequate insurance cover for all its assets against foreseeable perils. The Company continues to maintain consequential loss (Fire) Policy and Public Liability Policy as per the provisions of Public Liability Insurance Act.

POLLUTION CONTROL

The Company has taken various initiatives to keep the environment free from pollution. It has already installed various devices in the factory to control the pollution.

AUDITORS & AUDITORS' REPORT

M/s. B.K.Goel & Associates, Chartered Accountants, the auditors of the Company retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. Your Directors commend for their re-appointment.

The report of the Auditors is self-explanatory and does not call for any comments from the Directors.

**STATUTORY STATEMENTS**

- a) **Conservation of energy, technology absorption and foreign exchange earnings/outgo**
Statements pursuant to section 217(1)(e) of the Companies Act, 1956, are given in **Annexure-II**.
- b) **Particulars of employees pursuant to section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975:**
As such there is no employee covered under the said Rules.
- c) **Directors' responsibility statement pursuant to Section 217(2AA) of the Companies Act, 1956**
Your Directors confirm:
1. that in the preparation of the Annual Accounts the applicable accounting standards have been followed. There were no material departures requiring any explanation.
 2. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the profit of the Company for the year ended on that date.
 3. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
 4. that the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Your Company has been committed to the principles of good corporate governance and the board of directors always believes in the transparency, accountability and integrity. Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance and Auditor's Certificate on it is given in **Annexure-III**.

DIRECTORATE

Mr. Tarun Agarwal and Mr. Bimal Agarwal have resigned from the Board w.e.f. 18.03.2006 and 01.06.2006 respectively. Your directors wish to place on record their sincere appreciation of valuable advice received from them during their tenure as Directors.

Mr. Pradeep Kumar Gupta and Mr. Sandesh Kumar Jain were appointed as Additional Directors on 18.03.2006 and 01.06.2006 respectively. Mr. Pradeep Kumar Gupta and Mr. Sandesh Kumar Jain hold office upto the date of the ensuing Annual General meeting and the Company has received notices along with the requisite deposits of Rs. 1,000/- (Rs. 500/- each) from two members under Section-257 of the Companies Act, 1956, to propose their names as directors. The Board is of the opinion that their association with the Company will be beneficial to the Company and hence commends the resolutions for your approval.

Mr. M.P.Gupta retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible offers himself for reappointment.

The present term of Mr. R.P.Gupta as a Whole Time Director has expired on 30.09.2005. Your approval pursuant to Sections 198, 269, 310, 311 & Schedule-XIII and other applicable provisions of the Companies Act, 1956, for his re-appointment and revision of his remuneration is sought in the annual general meeting.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the support extended by the Company's Bankers, customers, suppliers, depositors and last but not the least, the shareholders. Your directors also take this opportunity to place on record their sincere appreciation to employees of the Company, at all levels, for their concerted efforts and services rendered to the Company during the year.

ON BEHALF OF THE BOARD

NEW DELHI
AUGUST 30, 2006.

(S. N. GUPTA)
CHAIRMAN & MANAGING DIRECTOR

**ANNEXURE - I TO THE DIRECTORS' REPORT****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Industry Structure and Development**

The Company is engaged in the business of agrochemicals. In Indian agrochemicals industry, there is equal presence of Multinational as well as Indian Companies. The MNCs have focused on high-end speciality products whereas Indian players have focused on generic and off-patent products. Agribusiness-companies are developing new models to reach out to farmers and consumers, providing new technology etc. With the growth of Indian economy and the emphasis placed by the Government on improving productivity in the Agriculture sector, the agrochemicals industry has a pivotal role to play.

The industry has built up large capacities and has many players resulting in high level of competition. Due to seasonal nature of the business and uncertainties involved in the coverage of monsoon, a large inventory is required to be maintained.

Financial Performance with respect to operational performance

During the year under review, gross receipts were Rs. 49.67 Crores as compared to Rs. 52.44 Crores in the previous year, a marginal decline of 5%. Profit after tax has increased to Rs. 1.54 Crores as compared to Rs. 1.01 Crores previous year mainly due to other income.

Outlook

Having regard to the thrust given by the Central Government to the agriculture sector and overall normal monsoon, the outlook for the current year 2006-07 appears to be good barring unforeseen circumstances. Further, during the year, the Company got some new registrations of the products and one new product has been manufactured by the Company and the company has also increased reasonable amount on R&D activities towards development of some more new products and the benefits from it will accrue in the year 2006-07 and onwards.

Risk, Concern and Threats

The overall pesticides business is dependent on weather and sudden change in the weather affects the demand for the agrochemicals and this kind of risk will always remain in this industry. Due to the unusual increase in crude oil prices globally, the prices of raw materials have consequently gone up, this has adversely affected the input cost. However, the sale price has not improved in same proportion. Even though, the agrochemical industry plays a very positive role to increase the productivity of the agriculture but there is always a negative perception in the minds of the people and environmentalists

about its effects on environment and agriculture produce.

The industry has to maintain a large inventory and offers extended credit due to seasonality of agricultural operations and at times when the monsoon is not favourable, the Industry suffers and has to incur high cost of interest.

SWOT ANALYSIS**Strength**

1. Your Company is one of the foremost Companies in India that has a large manufacturing range of agrochemicals. It is one of the few companies manufacturing own technical grade pesticides from basic raw materials. This gives it an inherent advantage over quality and prices.
2. The Company's products have been widely accepted in foreign markets and our export market is exploring further.
3. The Company has a team of competent and dedicated professional managers on its roll.

Weakness

In today's modern economy with the changing preferences, the business environment is changing at a very fast pace. The multinational companies have been expending huge amounts on R&D for developing new molecules and your company is manufacturing the generic range products. The Company has to gear up its R&D efforts to align itself to the WTO/Patent Regime that will affect most of the manufacturing sectors in India.

Opportunities

1. Several agriculture oriented policy initiatives under implementation by the Government and the availability of credit to the agriculture sector as priority sector are expected to improve the prospects of Agrochemicals industry as a whole.
2. Enhanced awareness among the farming community regarding usage of pesticides for better yields.
3. Export potential of generic pesticides.

Adequacy and Internal Controls System

During the year, the Board and Audit Committee have vigorously interacted with the external auditors of the company to review the overall systems and all major findings and suggestions are complied with and reported to the Audit Committee on a quarterly basis. Further, the Company has proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use and that the transactions are authorized, recorded and reported correctly.

**Human Resources Development**

Your Company believes that human resources are the most precious assets of your Company. Your Company's ongoing thrust is to maintain productive work culture and to orient the employees to effectively face the new and emerging challenges emanating from the competitive environment. Number of employees on Company Roll as on 31.03.2006 was 190. Besides, the Company also employed casual workers through contractors during the year. The job description of each member has been defined and performance indicators are monitored accordingly to improve motivation level and to encourage talent. The company has been continuously conducting in-house and external training programmes through Workshops, Conferences, Seminars etc. for its people so as to develop their skills and capabilities.

The industrial relations climate of the Company continues to remain harmonious and cordial.

Cautionary Statement

Statements in the Management Discussion and analysis describing the company's objectives, projections and expectations may be forward looking statements within the meaning of applicable law and regulations. Actual results might differ materially from those expressed or implied. The important factors that could make a difference to the Company's operations include climatic conditions, economic conditions affecting demand/supply, global players and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

ANNEXURE-II TO THE DIRECTORS' REPORT

INFORMATION REQUIRED UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

- (a&b) Wherever possible, energy conservation measures have already been implemented. However, efforts to conserve and optimize the use of energy through improved operational methods and other means are being continued on an ongoing basis.
- (c) The energy consumption and the cost of production is being kept under control.
- (d) Not Applicable.

B. TECHNOLOGY ABSORPTION**FORM 'B'****Research & Development (R&D)**

- (1) R&D efforts of the Company are directed towards quality assurance, improvement of existing products and development of new processes for products.
- (2) Improvement in the product quality and cost reduction.
- (3) Studies for cost reduction, improvement of product quality, import substitution & introduction of new products are carried out on an ongoing basis.
- (4) The R&D efforts are totally integrated with the processing activities including development of new products. As such, R&D expenses cannot be segregated. Further, the Company is engaged in the development of new products, process and effluent treatment.

Technology Absorption, Adaptation & Innovation

- (1) The Company has no technical collaboration and the processes are carried out on the standard known technology and efforts are made to improve upon the same on an ongoing basis.
- (2) The Company has been in a position to cater to the requirements of customers, both Indian and foreign.
- (3) The Company has not imported any technology so far.

C. FOREIGN EXCHANGE EARNINGS & OUTGO

- (1) The Company is in constant touch with the overseas markets. Efforts are being made to develop new markets and consolidate the existing one by marketing products conforming to international standards.
- (2) Total foreign exchange used Rs. 412.45 lacs (previous year Rs. 113.57 lacs)
- (3) Total foreign exchange earned Rs. 2139.57 lacs (previous year Rs. 2292.51 lacs)

ON BEHALF OF THE BOARD


ANNEXURE-III TO THE DIRECTORS' REPORT
REPORT ON CORPORATE GOVERNANCE
 (Pursuant to Clause-49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company believes that good Corporate Governance strengthens the Investors' trust and ensures a long term partnership that helps in Company's objectives. The Company's Philosophy on Corporate Governance lays strong emphasis on transparency, accountability, integrity, full disclosures and independent monitoring the state of affairs. The philosophy is manifested in its operations through exemplary standards of ethical behaviour, both within the organisation as well as in external relationships.

2. BOARD OF DIRECTORS
a) Composition and Category of Directors

Presently the Board of Directors of your Company comprises of presently six directors, of which three are Executive Directors and the rest are Independent and Non-Executive Directors. There is no nominee director, appointed by any Financial Institution on the board. Thus the requirements of the Listing Agreement are duly complied with. As on 31.03.2006, the composition of the Board of Directors was as under:

Sr.No.	Name of the Director	Category of Directorship	No. of Directorships of other	
			Companies	Committees
1.	Mr. S.N.Gupta	Chairman & Managing Director	2	None
2.	Mr. M.P.Gupta	Executive Director	4	None
3.	Mr. R.P.Gupta	Executive Director	3	None
4.	Mr. Bimal Agarwal	Independent/Non-Executive Director	None	None
5.	Mr. Naresh Agarwal	Independent/Non-Executive Director	None	None
6.	Mr. Pradeep Kumar Gupta	Independent/Non-Executive Director	None	None

b) Mr. S.N.Gupta is an Executive Chairman of the Company.

c) Meetings and Attendance

During the financial year 2005-06, Twenty-Two (22) board meetings were held. The dates on which the said meetings were held are as follows:

30.04.2005	07.05.2005	16.06.2005	30.07.2005
17.08.2005	24.08.2005	03.09.2005	09.09.2005
01.10.2005	20.10.2005	28.10.2005	31.10.2005
30.11.2005	01.12.2005	14.12.2005	23.12.2005
05.01.2006	20.01.2006	31.01.2006	17.03.2006
18.03.2006	31.03.2006	—	—

The Annual General Meeting was held on 30.09.2005.

The attendance of the Directors in the meetings was:

Sr.No.	Name of the Director	Category of Directorship	Attendance at	
			Board Meetings	A.G.M. held on 30.09.2005
1.	Mr. S.N.Gupta	Chairman & Managing Director	22	Yes
2.	Mr. M.P.Gupta	Executive Director	21	Yes
3.	Mr. R.P.Gupta	Executive Director	17	Yes
4.	Mr. P.K.Mittal*	Independent / Non-Executive Director	03	No
5.	Mr. Bimal Agarwal	Independent / Non-Executive Director	12	No
6.	Mr. Tarun Agarwal^	Independent / Non-Executive Director	19	No
7.	Mr. Naresh Agarwal@	Independent / Non-Executive Director	08	N.A.
8.	Mr. Pradeep Kumar Gupta#	Independent / Non-Executive Director	01	N.A.

*Retired on 30.09.2005

^Resigned on 18.03.2006 #Appointed on 18.03.2006

@Appointed by the members in their meeting held on 30.09.2005

**3. AUDIT COMMITTEE****i) Composition and Category of Members**

Presently the Audit Committee comprises of three members all of which are Independent/Non-Executive Directors. As on 31.03.2006, the composition of the Audit Committee was as under:

S.No.	Name of the Member	Category of Member
1.	Mr. Bimal Agarwal, Chairman	Independent / Non-Executive Director
2.	Mr. Naresh Agarwal	Independent / Non-Executive Director
3.	Mr. Pradeep Kumar Gupta	Independent / Non-Executive Director

Since Mr. Bimal Agarwal, Chairman of the Committee had resigned on 01.06.2006, Mr. Sandesh Kumar Jain was inducted and appointed as a Chairman of the Committee. The Company Secretary acts as the Secretary of the Audit Committee.

ii) Meetings and Attendance

During the financial year 2005-06, Five (5) meetings were held. The dates on which the said meetings were held are as follows:

30.04.2005	30.07.2005	17.08.2005	31.10.2005	31.01.2006
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The attendance of the members in the meetings was:

Sr.No.	Name of the Member	Category of Member	Numbers of Meetings Attended
1.	Mr. Bimal Agarwal	Independent / Non-Executive Director	5
2.	Mr. P.K.Mittal*	Independent / Non-Executive Director	3
3.	Mr. Tarun Agarwal@	Independent / Non-Executive Director	5
4.	Mr. Naresh Agarwal#	Independent / Non-Executive Director	2
5.	Mr. Pradeep Kumar Gupta^	Independent / Non-Executive Director	Nil

*Retired on 30.09.2005

#Appointed by the members in their meeting held on 30.09.2005

@Resigned on 18.03.2006 ^Appointed on 18.03.2006

iii) Brief description of terms of reference

The terms of reference to the Audit Committee are as per guidelines given in the Code of Corporate Governance and Clause 49 of the Listing Agreement.

4. REMUNERATION COMMITTEE**i) Composition and Category of Members**

Presently the Remuneration Committee comprises of three members all of which are Independent/Non-Executive Directors. As on 31.03.2006, the composition of the Remuneration Committee was as under:

S.No.	Name of the Member	Category of Member
1.	Mr. Bimal Agarwal, Chairman	Independent / Non-Executive Director
2.	Mr. Naresh Agarwal	Independent / Non-Executive Director
3.	Mr. Pradeep Kumar Gupta	Independent / Non-Executive Director

Since Mr. Bimal Agarwal, Chairman of the Committee had resigned on 01.06.2006, Mr. Sandesh Kumar Jain was inducted and appointed as a Chairman of the Committee. The Company Secretary acts as the Secretary of the Remuneration Committee.

ii) Meetings and Attendance

During the financial year 2005-06, One (1) meeting was held. The said meeting was held on 01.10.2005.



The attendance of the Members in the meeting was:

Sr. No.	Name of the Member	Category of Member	No. of Meetings Attended
1.	Mr. Tarun Agarwal*	Independent / Non-Executive Director	1
2.	Mr. Naresh Agarwal#	Independent / Non-Executive Director	1
3.	Mr. Bimal Agarwal	Independent / Non-Executive Director	Nil
4.	Mr. Pradeep Kumar Gupta^	Independent / Non-Executive Director	Nil

*Resigned on 18.03.2006

^Appointed on 18.03.2006

#Appointed by the members in their meeting held on 30.09.2005

iii) **Brief description of terms of reference**

The terms of reference to the Remuneration Committee are as per guidelines given in the Code of Corporate Governance and Clause 49 of the Listing Agreement.

iv) The Remuneration Committee has power to determine the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment and such other terms of reference as may be assigned to it by the Board of Directors from time to time.

v) **Details of remuneration to the whole time directors during the year 2005-06:** (Amt. in Rs.)

Particulars	Mr. S.N.Gupta	Mr. M.P.Gupta	Mr. R.P.Gupta
Salaries	13,80,000	6,90,000	6,90,000
Commission based on profits	—	—	—
Employer contribution to P/F & Gratuity	1,47,286	78,323	78,323
Monetary Value of residential accommodation borne by the Company	—	—	—

The Company is paying the premium to Life Insurance Corporation of India for securing the payment of gratuity to its employees including its whole-time directors, which has already been included in the above. All the whole-time directors have been provided the company's car and the telephone on their residences for official use.

No sitting fee has been given to any director during the year under review.

5. **SHAREHOLDERS' COMMITTEE**

A) **Shareholders and Investors' Grievance Committee**

i) **Composition and Category of Members**

The Shareholders and Investors' Grievance Committee of the Board of Directors comprised of three members. As on 31.03.2006, the composition of the Committee was as under:

S.No.	Name of the Member	Category of Member
1.	Mr. Naresh Agarwal, Chairman	Independent / Non-Executive Director
2.	Mr. Pradeep Kumar Gupta	Independent / Non-Executive Director
3.	Mr. M.P.Gupta	Executive Director

The Company Secretary being Compliance Officer acts as a Secretary of the Shareholders' and Investors' Grievance Committee. Mr. A.C.Upadhyay was the Company Secretary of the Committee till 22.06.2006. At present Mrs. Lakshmi Gurung acting as a Company Secretary-cum-Compliance Officer w.e.f. 24.07.2006.

ii) **Meetings and Attendance**

During the financial year 2005-06, Four (4) meetings were held. The dates on which the said meetings were held are as follows:

01.04.2005	01.07.2005	01.10.2005	05.01.2006
------------	------------	------------	------------

The attendance of the Members in the meetings was:

Sr. No.	Name of the Member	Category of Member	Numbers of Meetings Attended
1.	Mr. P.K.Mittal*	Independent / Non-Executive Director	2
2.	Mr. Naresh Agarwal@	Independent / Non-Executive Director	2
3.	Mr. Pradeep Kumar Gupta#	Independent / Non-Executive Director	Nil
4.	Mr. M.P.Gupta	Executive Director	4

*Retired on 30.09.2005

#Appointed on 18.03.2006

@ Appointed by the members in their meeting held on 30.09.2005



- iii) **Brief description of terms of reference**
The terms of reference of the Investors' Grievance Committee are as per the guidelines given in the Listing Agreement with the Stock Exchanges and includes looking into Investors' Complaints/Grievances, approval and registration of transfers and/or transmission of securities and allotment of further securities and all incidental head thereto.
- iv) During the financial year 2005-06, the Shareholders & Investors' Grievance Committee Meeting of the Company took on record the status of 11 complaints/requests received from the shareholders. The average time taken to resolve the complaints was 10 days.
- v) There was none of the complaint, which was not solved to the satisfaction of the shareholder.
- vi) The Company had no pending transfers at the close of the financial year.
- vii) The Company had no pending transmission at the close of the financial year.

B) Share Transfer Committee

The Company has also formed the Shares Transfer Committee and the Board has delegated the power of shares transfer to this committee. As on date Mr. M.P.Gupta, Mr. R.P.Gupta, Whole Time Directors and Mr. Sandesh Kumar Jain, Director of the Company are its members. The Committee is meeting four times in a month on an average basis to transact the cases related with shares transfers and dematerialisation of shares.

6. GENERAL BODY MEETINGS

No. of AGM	Year ended	Venue	Date and Time	Whether Special Resolution passed?
16th	31.03.2005	Satyam Banquets 6, Bhera Enclave, Outer Ring Road, Paschim Vihar, New Delhi - 110 087.	30.09.2005 10:30 A.M.	No
15th	31.03.2004	-Do-	29.09.2004 10:30 A.M.	No
14th	31.03.2003	-Do-	30.09.2003 10:30 A.M.	Yes

7. DISCLOSURES**i) Details of materially significant related party transactions**

None of the transactions with any of the related parties mentioned in the Notes to the Accounts were in conflict with the interest of the Company. The transactions entered into are based on consideration of various business exigencies such as synergy in operations sectoral specialization etc. and are negotiated on arms length basis and are only intended to further the interest of the Company.

ii) Compliance by the Company

The Company has complied with the requirements of Stock Exchanges, SEBI and other Statutory Authority(ies) during the preceding three financial years on all matters related to Capital Markets and no penalties/strictures were imposed on the Company.

8. CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

The Board at its meeting held on December 1, 2005 has adopted the Code of Conduct. This Code is a comprehensive code applicable to all Directors, Executive as well as Non-Executive, as well as members of Senior Management.

A copy of the Code of Conduct has been put on the Company's Website, viz. www.bharatgroup.co.in.

The Code has been circulated to all the members of the Board and Senior Management and they have affirmed the Compliance of the same. A declaration signed by the Chairman & Managing Director is given below:

"I hereby confirm that the Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of financial year 2005-06."

(S.N.GUPTA)

Chairman & Managing Director

9. WHISTLER BLOWER MECHANISM

The Company promotes ethical behavior in all its business activities and has put in places mechanism of reporting illegal or unethical behavior. Employees are free to report violation of laws, rules and regulations or unethical conduct to their immediate Supervisors/notified Persons/Audit Committee. The report received from any employee will be reviewed by the Directors/Senior Management/Audit Committee and are obligated to maintain confidentiality of such reporting and ensure that the Whistler Blower are not subjected to any discriminatory practice.


10. MEANS OF COMMUNICATION

- i) The quarterly and half-yearly financial results are generally published in the widely circulating national and local newspapers such as "The Pioneer" / "The Financial Express" - English Edition and "Rashtra Ka Vidhan" / "Jansatta" - Hindi Edition. These are not sent to each shareholders.
- ii) **Website :** The Company's financial results/official news releases and other important investor related information are periodically displayed and updated on the company's website, viz. **www.bharatgroup.co.in.**
- iii) Presentation made to institutional investors or to the analysts: Not Applicable.
- iv) Management Discussion and Analysis Report forms part of Directors' Report.

11. GENERAL SHAREHOLDERS' INFORMATION
i) Annual General Meeting

The next annual general meeting is scheduled to be held at Punjabi Bagh Club, Ring Road, Punjabi Bagh, New Delhi-110026, on Saturday, the 30th September, 2006, at 10:30 A.M.

ii) Financial Calender for the year 2006-07
a) Financial Reporting for -

- Quarter ending 30.06.2006	:	End of July, 2006
- Quarter ending 30.09.2006	:	End of October, 2006
- Quarter ending 31.12.2006	:	End of January, 2007
- Quarter ending 31.03.2007	:	End of April, 2007

b) Annual General Meeting for the year ended 31.03.2007

: End of September, 2007

iii) Book Closure Date

The register of members and share transfer books of the Company will remain closed from 26.09.2006 to 30.09.2006 (both days inclusive).

iv) Dividend
i) Dividend Payment Date

Not applicable as the company has not declared any dividend for the year under review.

ii) Unclaimed Dividend

Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31st March, 1999 and thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investors Education and Protection Fund of the Central Government. Thereafter no claim shall lie either with the Central Government or with the Company in respect of such dividend. **Unpaid dividend for the financial year ended 31.03.1999 will be transferred to the said fund after 07.11.2006.**

v) Listing on Stock Exchange

Company's shares are listed at National Stock Exchange of India Limited and upto date annual listing fees has been paid to them.

vi) Stock Code

National Stock Exchange of India Limited : BHARATRAS

vii) Market Price Data and Sensex Comparison (High/Low)

Monthly High and Low quotation of shares traded and sensex on National Stock Exchange during the financial year 2005-06 are as follows:

Month and Year	NSE Market Price Data		NSE[S&P Nifty] Indices	
	High (in Rs.)	Low (in Rs.)	High	Low
April, 2005	58.00	45.25	2084.90	1896.30
May, 2005	53.00	43.70	2099.35	1898.15
June, 2005	54.50	43.60	2226.15	2061.35
July, 2005	63.50	42.50	2332.55	2171.25
August, 2005	83.90	45.30	2426.65	2294.25
September, 2005	65.50	52.50	2633.90	2382.90
October, 2005	55.00	39.10	2669.20	2307.45
November, 2005	46.00	39.10	2727.05	2366.80
December, 2005	42.00	37.75	2857.00	2641.95
January, 2006	45.75	40.00	3005.10	2783.85
February, 2006	53.00	36.70	3090.30	2928.10
March, 2006	45.50	40.05	3433.85	3064.00


viii) Registrar and Share Transfer Agent and Share Transfer System of the Company

The shares are accepted for registration and transfer at the registered office and also at the office of Registrar and Share Transfer Agent (RTA) - M/s. Intime Spectrum Registry Limited (ISRL). ISRL has a separate department headed by the Deputy Head - Share Registry, and assisted by dealing assistants to attend the investors' queries on issue of share certificates, share transfers and related matters. ISRL is fully equipped with the latest computers and professional manpower to undertake the activities of share transfers and redressal of shareholders' grievances. ISRL processes the shares for transfer and forwards the same to the Company for approval of the Shares Transfer Committee of the Board set up for the purpose. The Committee meets periodically for approving shares transfer and other related activities. This Committee is working under the Chairmanship of Mr. M.P.Gupta, Executive Director. The shareholders who do not get prompt response from the R&T Agent may write to Mr. Pradeep Kumar Gupta, Non-Executive Director and Chairman of Shareholders and Investors' Grievance Committee at the Registered Office of the Company.

The address and other details of our Registrar and Share Transfer Agent (RTA) is as follows:

M/s. Intime Spectrum Registry Limited

A-31, 3rd Floor, Near PVR Cinema, Naraina Industrial Area, Phase-I, New Delhi - 110 028.
Tel. Nos. : 91-11-41410592-94 Fax No. : 91-11-41410591

ix) Distribution of Shareholding as on 31.03.2006

Category		Number of Shares held	% of Paid-Up Capital
A.	PROMOTER'S HOLDING		
1	Promoters		
	- Indian Promoters	2871083	67.575%
	- Foreign Promoters	—	—
2	Persons acting in Concert	51889	1.221%
	** Sub Total **	2922972	68.796%
B.	NON - PROMOTER'S HOLDING		
3	Institutional Investors		
a.	Mutual Funds & UTI	—	—
b.	Banks, FIs, Insurance Companies, (Central/State Govt. Institutions/Non-Govt. Institutions)	—	—
c.	Foreign Institutional Investors	—	—
	** Sub Total **	—	—
4	Others		
a.	Private Corporate Bodies	193609	4.557%
b.	Indian Public	1131395	26.629%
c.	NRIs / OCBs	764	0.018%
d.	Others	—	—
	** Sub Total **	1325768	31.204%
	** GRAND TOTAL **	4248740	100.000%

x) Dematerialisation of shares and liquidity

The Securities and Exchange Board of India (SEBI) has notified for compulsory trading in Company's shares in dematerialised mode from 30.04.2001. The ISIN of the Company's shares is INE838B01013. After dematerialisation of shares the shareholders must contact their DPs for any information/instructions in respect of their shareholdings, except dividend warrants which are directly despatched by the Company to the shareholders (beneficiaries) at their address registered with their DPs.

As on 31.03.2006, the status of dematerialisation of equity shares of the Company was as under:

S.No.	Particulars	Shareholders		Shareholding	
		(In Nos.)	(In %)	(In Nos.)	(In %)
1.	N.S.D.L.	2033	37.13%	36,83,294	86.69%
2.	C.D.S.L.	451	8.24%	1,31,188	3.09%
3.	Physical	2991	54.63%	4,34,258	10.22%
	Total	5475	100.00%	42,48,740	100.00%



xi) Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and impact on equity

Since the Company has not issued any GDR or ADR Warrants or any convertible instruments.

xii) Plant Location

2 KM Stone, Madina-Mokhra Road, Village Mokhra, Tehsil Meham, Distt. Rohtak (Haryana).

xiii) Address for Correspondence

1501, Vikram Tower, Rajendra Place, New Delhi - 110 008.

ON BEHALF OF THE BOARD

NEW DELHI
AUGUST 30, 2006.

(S. N. GUPTA)
CHAIRMAN & MANAGING DIRECTOR

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
BHARAT RASAYAN LIMITED

We have examined the compliance of conditions of corporate governance by BHARAT RASAYAN LIMITED for the year ended on 31st March 2006 as stipulated in clause 49 of Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination has been in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring the compliance with the conditions of the corporate governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on our reliance upon the representations made by the management that there were no transactions of material nature with the management or by relatives that may have potential conflict with the interest of the company at large.

The Share Transfer Agent of the company has certified the number of complaints received from the investors and the number of complaints resolved during the financial year and that there are no complaints pending as at the year end as stated of the Company's report on Corporate Governance.

We certify that the company has complied in all material respects with the conditions of Corporate governance as stipulated in the above mentioned Listing Agreement.

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

For B.K.GOEL & ASSOCIATES
CHARTERED ACCOUNTANTS

NEW DELHI,
AUGUST 30, 2006.

(B.K.GOEL)
Proprietor
Membership No. : 82081

**AUDITORS' REPORT****TO THE MEMBERS OF BHARAT RASAYAN LIMITED**

Friends,

We have audited the attached Balance Sheet of Bharat Rasayan Limited as at 31st March, 2006, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) order (Amendment) 2004 issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such examination of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of our audit, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that:-
 - a) We have obtained all the informations and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of accounts.
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, Profit & Loss Account and Cash Flow Statement read together with significant accounting policies & notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:-
 - 1) in so far as it relates to the Balance Sheet, of the state of affairs of the company as at 31st March, 2006;
 - 2) in so far as it relates to the Profit & Loss account, of the Profit for the year ended on 31st, March, 2006 and
 - 3) in so far as it relates to the cash flow statement, of the cash flows for the year ended on that date.
3. On the basis of written representations received from the directors, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st, March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For B.K.GOEL & ASSOCIATES
CHARTERED ACCOUNTANTS

NEW DELHI,
AUGUST 30, 2006.

(B.K.GOEL)
Proprietor
Membership No. : 82081

**ANNEXURE TO THE AUDITORS' REPORT**

- i) a) According to the information and explanations given to us and as certified by the management, the company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- b) According to the information and explanations given to us, the management has conducted physical verification of major fixed assets during the year, which in our opinion is reasonable having regard to the size of the company and the nature of the assets. No material discrepancies were said to have noticed on such verification.
- c) According to the information and explanations given to us, the company has not disposed off substantial part of its fixed assets.
- ii) a) Physical verification of inventories has been conducted at reasonable intervals during the year by the management. In our opinion, the frequency of the verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and nature of its business.
- c) In our opinion, the company is maintaining proper records of inventories and based on the information and explanations given to us, discrepancies noticed on physical verification were not material in relation to the operations of the company and the same have been properly dealt with in the books of accounts.
- iii) a) According to the information and explanations given to us, the company has granted loans by way of Inter Corporate Deposits to Companies covered in the register maintained under Section 301 of the Companies Act, 1956. Maximum amount to these parties during the year was Rs. 855.00 Lacs. However outstanding at the year end is Rs. 595.00 Lacs only receivable from one such party which is as per terms of the deposit.
- b) In our opinion, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the company.
- c) The parties are repaying the principal amounts as stipulated and have also been regular in the payment of interest to the company.
- d) There is no overdue amount in excess of Rs. 1.00 Lacs in respect of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- e) The company had taken loans by way of Inter Corporate Deposits, public deposits and loan from directors from 18 companies / firms / parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 467.50 Lacs and the year end balance of loans/ Deposits/ICDs taken from such parties was Rs.256.00 Lacs.
- f) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- g) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
- v) a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupee five lacs in respect of any such party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with



- regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve bank of India or any court or any other Tribunal on the company in respect of the said deposits.
- vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of accounts maintained by the company in respect of its products where pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed U/S 209(1)(d) of the Act and are of the opinion that prima face, the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix) a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess were in arrears, as at 31.03.2006 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us and the records of the company examined by us, the disputed amount of income tax liability of approx. Rs. 24.07 lacs pertaining the Asstt. Year 2000-01, 2001-02, 2002-03 and 2003-04 for which requisite appeals before Hon'ble Delhi High Court/ ITAT / CIT Appeals are pending has not been deposited by the company. However the issues involved in these years are mainly similar as decided by honourable ITAT in favour of the company in Asstt. Year 1996-97, 1997-98 and 1998-99.
- x) The Company is a profit making company and having nil accumulated losses upto 31.03.2006. Further the company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
- xii) We are of the opinion that the company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of special Statute applicable to chit fund/ Nidhi/ Mutual benefit fund / Societies are not applicable to the company.
- xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv) According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from Banks or other financial institutions.
- xvi) The company has neither taken any term loan during the year nor outstanding such term loan carried over from earlier years.
- xvii) According to 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 on short term basis have been used for long term investment.
- xviii) The Company has not made any preferential allotment of shares during the year.
- xix) The Company has not issued any debentures during its lifetime.
- xx) The company has not raised any money by way of any public issue during the year.
- xxi) During the course of our examination of the books and records of the company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company noticed or reported during the year, nor have we been informed of any such case by the management.

For B.K.GOEL & ASSOCIATES
CHARTERED ACCOUNTANTS

NEW DELHI,
AUGUST 30, 2006.

(B.K.GOEL)
Proprietor
Membership No. : 82081

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

Particulars	Schedule No.	As at 31.03.2006 (Rupees)		As at 31.03.2005 (Rupees)	
SOURCES OF FUNDS					
Shareholders' Funds:					
Share Capital	1	42,487,400		42,487,400	
Reserves & Surplus	2	<u>243,419,745</u>	285,907,145	<u>227,931,937</u>	270,419,337
Loan Funds:					
Secured Loans	3	41,170,901		7,532,703	
Unsecured Loans	4	<u>25,600,000</u>	66,770,901	<u>40,000,000</u>	47,532,703
Deferred Tax Liability (See Note No.21)	21		<u>6,865,689</u>		<u>7,700,970</u>
			<u>359,543,735</u>		<u>325,653,010</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	172,406,713		154,603,569	
Less : Depreciation		<u>110,402,347</u>		<u>102,013,054</u>	
NET BLOCK			62,004,366		52,590,515
Investment (At Cost):	6		13,159,000		66,469,058
Current Assets, Loans & Advances :					
Inventories	7	77,625,104		41,143,541	
Machinery Spare Parts & Others (WIP)	-	3,807,016		2,406,230	
Sundry Debtors	8	131,372,999		119,987,219	
Cash & Bank Balances	9	3,272,499		10,144,627	
Other Current Assets	10	1,242,000		42,000	
Loans & Advances	11	109,310,765		49,724,558	
TOTAL - [A]		<u>326,630,383</u>		<u>223,448,175</u>	
Current Liabilities & Provisions :					
Liabilities	12	42,086,325		14,858,540	
Provisions	13	163,689		1,996,198	
TOTAL - [B]		<u>42,250,014</u>		<u>16,854,738</u>	
NET CURRENT ASSETS [A - B]			<u>284,380,369</u>		<u>206,593,437</u>
			<u>359,543,735</u>		<u>325,653,010</u>
Significant accounting policies and notes to accounts	21				

Annexure to our report of even date
for **B.K. GOEL & ASSOCIATES**
CHARTERED ACCOUNTANTS

FOR & ON BEHALF OF THE BOARD

B.K.GOEL
Proprietor
Membership No. : 82081

LAKSHMI GURUNG
Company
Secretary

S.N.GUPTA Chairman & Managing Director
M.P.GUPTA
R.P.GUPTA
Directors

NEW DELHI
AUGUST 30, 2006.

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

	Schedule No.	Year ended 31.03.2006 (Rupees)	Year ended 31.03.2005 (Rupees)
INCOME			
Income from operation	20	476,400,086	519,213,405
Add : Other Income	19	<u>20,334,351</u>	<u>5,183,794</u>
		496,734,437	524,397,199
EXPENDITURE			
Cost of goods consumed/sold	14	366,950,072	412,022,081
Manufacturing Expenses	15	36,906,756	29,327,269
Personnel Expenses	16	27,641,372	23,015,155
Administrative & Selling Expenses	17	26,208,703	26,988,664
Interest	18	6,776,127	5,483,516
Depreciation	15	<u>8,468,881</u>	<u>8,927,860</u>
Profit before tax		23,782,526	18,632,654
Provision for Taxation - Current Liability		9,129,999	8,999,824
- Deferred Tax Assets		<u>(835,281)</u>	<u>(507,953)</u>
Profit after tax		15,487,808	10,140,783
Add : Balance brought forward from previous year		<u>7,931,937</u>	<u>7,791,154</u>
Balance available for appropriation		<u>23,419,745</u>	<u>17,931,937</u>
Appropriations :			
Transferred to General Reserve		20,000,000	10,000,000
Balance being surplus carried to Balance Sheet		<u>3,419,745</u>	<u>7,931,937</u>
		<u>23,419,745</u>	<u>17,931,937</u>
Significant accounting policies and notes to accounts	21		

Annexure to our report of even date
for **B.K. GOEL & ASSOCIATES**
CHARTERED ACCOUNTANTS

FOR & ON BEHALF OF THE BOARD

B.K.GOEL
Proprietor
Membership No. : 82081

LAKSHMI GURUNG
Company
Secretary

S.N.GUPTA Chairman & Managing Director
M.P.GUPTA
R.P.GUPTA
Directors

NEW DELHI
AUGUST 30, 2006.



	As at 31.03.2006 (Rupees)	As at 31.03.2005 (Rupees)
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
10,000,000 Equity Shares of Rs. 10/- each	<u>100,000,000</u>	<u>100,000,000</u>
Issued, Subscribed & Paid-Up		
4,248,740 Equity Shares of Rs. 10/- each	<u>42,487,400</u>	<u>42,487,400</u>

SCHEDULE - 2**RESERVES & SURPLUS****General Reserve**

- at the commencement of the year	220,000,000		210,000,000	
- transferred from the Profit & Loss Account	<u>20,000,000</u>	240,000,000	<u>10,000,000</u>	220,000,000

Surplus being balance in Profit & Loss Account	<u>3,419,745</u>		<u>7,931,937</u>	
	<u>243,419,745</u>		<u>227,931,937</u>	

SCHEDULE - 3**SECURED LOANS****Working Capital Borrowings**

State Bank of India*	<u>41,170,901</u>		<u>7,532,703</u>	
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*The borrowings are secured by way of :

- 1) hypothecation of raw materials, finished goods, semi-finished goods, stores, spares and book debts, both present and future, of the company.
- 2) equitable mortgage of the land & factory building, plant & machinery and other assets of the company at Village Mokhra, Distt. Rohtak, Haryana.
- 3) the borrowings are further guaranteed by the personal guarantees of the Managing Director and Whole Time Directors of the Company.

SCHEDULE - 4**UNSECURED LOANS**

- from Directors	1,600,000		10,000,000	
- from Public-Fixed Deposits	<u>24,000,000</u>		<u>30,000,000</u>	
	<u>25,600,000</u>		<u>40,000,000</u>	



SCHEDULE - 5
FIXED ASSETS

(Rupees)

Particulars	Gross Block (At Cost)					Depreciation				Net Block	
	As at 31.03.05	Additions during the year	Sales during the year	Adjustment	As at 31.03.06	Up to 31.03.05	For the Year	Adjustment	Upto 31.03.06	As at 31.03.06	As at 31.03.05
1. Land	608,803	—	—	—	608,803	—	—	—	—	608,803	608,803
2. Building	13,324,252	—	—	—	13,324,252	6,010,451	565,716	—	6,576,167	6,748,085	7,313,801
3. Plant & Machinery	133,411,291	17,570,611	372,000	20,110	150,609,902	91,251,603	7,298,922	50,092	98,500,433	52,109,469	42,159,688
4. Furniture & Fixture	1,950,575	142,037	—	—	2,092,612	997,673	178,538	—	1,176,211	916,401	952,902
5. Office Equipments	3,810,035	522,606	—	—	4,332,641	2,825,172	279,240	—	3,104,412	1,228,229	984,863
6. Vehicles	1,498,613	—	15,000	25,000	1,483,613	928,155	146,465	29,496	1,045,124	438,489	570,458
Total	154,603,569	18,235,254	387,000	45,110	172,451,823	102,013,054	8,468,881	79,588	110,402,347	62,049,476	52,590,515
Corresponding figures for the prev. year	154,473,333	1,782,420	1,652,184	—	154,603,569	94,055,119	8,927,860	969,925	102,013,054	52,590,515	60,418,214

As at 31.03.2006
(Rupees)

As at 31.03.2005
(Rupees)

SCHEDULE - 6
INVESTMENT (AT COST)

Unquoted- other than Trade Investment

(i) 1315900 Equity Shares of Rs.10/- each (Fully Paid Up) in Siris Crop Sciences Ltd.	13,159,000	13,159,000
(ii) Units in HSBC Floating Rate Fund of Rs. 10/- each (Prev. Year 5326220.842 Units-Market Rate 10.0271 Per Unit)	—	53,310,058
	<u>13,159,000</u>	<u>66,469,058</u>

SCHEDULE - 7
INVENTORIES

(As taken, valued & certified by the management)

A) Raw Materials & Other Consumable Goods

i) Raw Materials, Consumable & Utilities	27,113,422	16,499,788
ii) Consumable Stores and Packing Materials	281,281	628,865
iii) Fuels	1,273,928	1,004,361
iv) Others - Delhi Trading Items	—	28,668,631

B) Stock-in-process

21,522,147

9,265,180

C) Finished Goods

27,434,326

11,962,847

77,625,104

41,143,541



	As at 31.03.2006 (Rupees)	As at 31.03.2005 (Rupees)
SCHEDULE - 8		
SUNDRY DEBTORS		
(Unsecured, Considered Good)		
- Outstanding for more than 6 months	3,418,589	12,100,413
- Others	127,954,410	107,886,806
	<u>131,372,999</u>	<u>119,987,219</u>
SCHEDULE - 9		
CASH & BANK BALANCES		
a. Cash in hand	486,346	555,075
b. Balances with Scheduled Banks & Other Banks		
i) in Current Accounts	2,158,340	8,757,602
ii) in Unpaid Dividend Accounts	627,813	831,950
	<u>3,272,499</u>	<u>10,144,627</u>
SCHEDULE - 10		
OTHER CURRENT ASSETS		
Fixed Deposits with State Bank of India (Margin Money for LC / BG)	<u>1,242,000</u>	<u>42,000</u>
SCHEDULE - 11		
LOANS & ADVANCES		
(Unsecured - Considered Good)		
a) Loans		
Inter Corporate Deposits	59,500,000	19,500,000
b) Advances recoverable in cash or in kind or for value to be received		
i) Central Excise Duty & Service Tax	18,631,938	11,647,874
ii) Export Incentives Receivables	10,524,999	12,302,483
iii) Commissioner of Central Excise and Custom	2,467,631	1,708,499
iv) Suppliers, Staff and Others	17,364,970	48,989,538
c) Security Deposits		
i) For Electricity and Power	590,627	590,627
ii) For Telephones & Telex	34,800	34,800
iii) with Suppliers and Others	195,800	821,227
	<u>821,227</u>	<u>171,800</u>
	<u>109,310,765</u>	<u>49,724,558</u>
SCHEDULE - 12		
CURRENT LIABILITIES		
Sundry Creditors	36,158,784	9,577,079
Expenses Payable	5,244,079	4,449,511
Advance from Customers	55,649	0
Unclaimed Dividend	627,813	831,950
	<u>42,086,325</u>	<u>14,858,540</u>
SCHEDULE - 13		
PROVISIONS		
- for income tax (Net of taxes paid)	<u>163,689</u>	<u>1,996,198</u>



	Year ended 31.03.2006 (Rupees)	Year ended 31.03.2005 (Rupees)
SCHEDULE - 14		
COST OF GOODS CONSUMED / SOLD		
Opening Stock		
- Finished Goods	11,962,847	19,334,410
- Stock-in-process	9,265,180	15,632,644
- Raw Materials, Consumables & Others	<u>19,915,514</u>	<u>41,143,541</u>
	22,162,217	57,129,271
Add : Purchases		
- Raw Materials, Consumables & Others	<u>403,431,635</u>	<u>396,036,351</u>
	444,575,176	453,165,622
Less : Closing Stock		
- Finished Goods	27,434,326	11,962,847
- Stock-in-process	21,522,147	9,265,180
- Raw Materials, Consumables & Others	<u>28,668,631</u>	<u>19,915,514</u>
	77,625,104	41,143,541
(As taken, valued & certified by the management)	<u>366,950,072</u>	<u>412,022,081</u>
SCHEDULE - 15		
MANUFACTURING EXPENSES		
Freight & Cartage Inward	6,055,124	4,953,743
Power & Electricity	10,159,721	8,907,672
Testing and R & D Expenses	66,153	313,067
Machinery Repairs & Maintenance	12,250,815	6,872,465
Factory Maintenance	1,481,921	1,649,567
Laboratory Expenses	1,166,745	631,356
Job Work Expenses	<u>5,726,277</u>	<u>5,999,399</u>
	<u>36,906,756</u>	<u>29,327,269</u>
SCHEDULE - 16		
PERSONNEL EXPENSES		
Salaries, Wages , Bonus & Staff Accomodation	22,585,715	19,211,333
Staff & Labour Welfare Expenses	987,887	864,678
Employer's contribution to Provident Fund	904,469	835,218
Diwali Expenses	234,535	293,727
Staff Bus Expenses	1,504,234	1,353,909
Premium for Employees' Gratuity Policy	1,119,492	215,340
Workers Safety Expenses	<u>305,040</u>	<u>240,950</u>
	<u>27,641,372</u>	<u>23,015,155</u>



	Year ended 31.03.2006 (Rupees)	Year ended 31.03.2005 (Rupees)
SCHEDULE - 17		
ADMINISTRATIVE & SELLING EXPENSES		
Advertisement Expenses	268,946	485,248
AGM Expenses	8,460	6,750
Audit Fee		
- as Auditors	100,000	100,000
- as Advisors - Management services	<u>120,000</u>	<u>95,000</u>
Bad Debts	2,386,001	7,121
Bank Charges	937,718	947,976
Books, Periodicals and Subscriptions	482,526	437,556
Building Repairs & Maintenance	860,976	280,296
Business Promotion Expenses	461,581	122,083
Car Repairs & Maintenance	373,574	298,366
Commission Paid	1,884,782	2,233,108
Computer Expenses	199,780	271,492
Conveyance Expenses	928,525	891,444
Directors' Remuneration	3,063,932	2,376,740
Donations	24,852	32,000
Electricity Charges	273,689	208,970
Filing Fee	3,000	8,500
Freight & Cartage Outward	6,942,105	6,361,098
Insurance Charges	1,742,964	2,159,753
Keyman Insurance Premium	—	3,966,433
Legal & Professional Expenses	1,178,745	926,806
Listing Fee	8,400	8,400
Loss on Sale of Investment	—	88,373
Miscellaneous and General Expenses	475,453	419,586
Office Expenses	351,542	286,590
Postage, Telegram & Telephone Expenses	816,926	954,976
Printing & Stationery	273,716	241,824
Rates & Taxes	255,638	471,928
Rebates	87,876	126,582
Rent Paid	68,250	49,300
Sales Tax Paid	28,258	41,756
Scooter Repairs & Maintenance	911	7,056
Hire Charges	54,162	—
Service Tax Paid	104,722	—
Security Services	519,113	508,192
Tour & Travelling Expenses	921,580	1,567,361
	<u>26,208,703</u>	<u>26,988,664</u>
SCHEDULE - 18		
INTEREST PAID		
- on Fixed Deposits	3,052,721	3,511,779
- to the Managing Director	812,071	1,054,795
- to Others	<u>3,666,634</u>	<u>2,136,799</u>
	7,531,426	6,703,373
Less : Interest received		
- from Bank on FDR	70,439	19,604
- from Trade Debtors & Others	<u>684,860</u>	<u>1,200,253</u>
Net Paid	<u>6,776,127</u>	<u>5,483,516</u>



	Year ended 31.03.2006 (Rupees)	Year ended 31.03.2005 (Rupees)
SCHEDULE - 19		
OTHER INCOME		
Rental Charges of Cylinders	245,000	244,500
Interest Received on Investments	9,322,143	4,055,207
Income from Dividend / Mutual Fund	554,337	544,359
Profit on Sale of Fixed Assets	34,478	167,742
Long Term Capital Gain	—	171,986
Keyman Insurance (Surrender Value)	10,178,393	—
	<u>20,334,351</u>	<u>5,183,794</u>
SCHEDULE - 20		
INCOME FROM OPERATION		
Sales	464,527,036	500,952,665
Job Work	96,183	88,025
Export Incentives	11,776,867	18,172,715
	<u>476,400,086</u>	<u>519,213,405</u>

SCHEDULE - 21
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

- Corresponding figures of the previous year have been regrouped and/or re-arranged wherever necessary.
- Cost of goods consumed/sold includes cost of raw materials, consumable stores, fuels/oils, packing materials & utilities.
- Details of managerial remuneration are as under:

	Year Ended 31.03.2006 Rs.	Year Ended 31.03.2005 Rs.
i) Salaries	2,760,000	2,304,000
ii) Monetary value of perquisites	303,932	72,740
	<u>3,063,932</u>	<u>2,376,740</u>
4. Computation of net profit in accordance with section 198 of the Companies Act, 1956		
Profit before income tax	23,747,526	18,632,654
Add : Directors' remuneration	3,063,932	2,376,740
Eligible Profit	<u>26,811,458</u>	<u>21,009,394</u>
Maximum remuneration allowable as per section 309(3) of the Companies Act, 1956 read with Schedule-XIII	<u>3,063,932</u>	<u>2,376,740</u>

- Inventory have been valued at lower of cost or net realisable value. Raw Materials are valued on the basis of FIFO. In the case of finished goods cost comprises material, labour and factory overheads. Goods in process have been valued at raw material cost incurred upto the stage of production + conversion cost apportioned. Other Inventories are valued at cost. All the stocks have been certified by the management.



6. Sales have been accounted for exclusive of sales tax and excise duty wherever applicable and are net of returns and discounts. Exports benefits under DEPB scheme have been accounted for separately. The Export benefits are accrued on the date of export. Sales do not include captive consumption.

7. Contingent Liabilities not provided for in respect of :

	As at 31.03.2006 Rs. in Lacs	As at 31.03.2005 Rs. in Lacs
i) Counter guarantees given to the banks in respect of guarantees given by them	2.80	2.80
ii) Guarantees given to Sales Tax Authorities under Local and Central Sales Tax Act for business associates	6.70	6.70
8. Depreciation has been provided for on written down value method as per Schedule XIV to the Companies Act, 1956.		
9. The Company follows the Accrual System of Accounting and on assumptions of an ongoing concern.		
10. As per practice consistently followed, the consumption of raw materials is net of Cenvat Credit availed.		
11. The applicable Accounting standards have been followed in preparation of final Accounts.		
12. Bad Debts debited to P & L A/c Rs. 2,386,001/- are net of Bad Debts written off in earlier years but recovered during the year Rs. 50,000/-		
13. The Management have selected such accounting policies and applied them consistently and made judgements and estimates that are prudent and reasonable so as to give a true and fair view of the state of affairs of the Company as at 31.03.2006 and of the profit of the Company for the year ended on that date.		
14 Retirement Benefits Contributions are made to Approved Employees' Provident Fund. In respect of Gratuity, the Company has opted for Group Gratuity Life Insurance Scheme of the Life Insurance Corporation of India. The Company has not provided for any accrued liability towards Leave with Wages. Expenses have been claimed under this head on payment basis only.		
15 The Company's claim for sales tax exemption on its 3rd Expansion Unit which was rejected by DETC, Rohtak and Honourable High Court of Punjab & Haryana has been decided in favour of the company by the Hon'ble Supreme Court. The Company is eligible for availing Sales Tax exemption in respect of its third expansion unit from current date on its future sales as per provisions of the Act.		
16 Balances of Sundry Debtors, Advances to Suppliers and Creditors and Advances from Customers are subject to confirmation.		
17 Export Invoices in foreign currencies are recorded at the rate of exchange in force at the time of transactions. Provisions as per Accounting Standard AS-11 issued by the Institute of Chartered Accountants of India for overseas debtors for exchange rate difference at the end of the year are made. Final Exchange Rate difference is accounted for at the time of realisation of book debts.		
18 The Company is manufacturing Technical Grade Pesticides & Formulations that too in a single Manufacturing Unit constitutes a single segment, based on the guiding principles given in Accounting Standard AS-17 issued by the Institute of Chartered Accountants of India. Hence details of segments are not required.		

**19 Related Party Transactions :**

As per Accounting Standard AS-18 issued by the Institute of Chartered Accountants of India, the Company's related parties are disclosed below :

a) Key Management Personnel & Other Relatives

- i) Mr. S. N. Gupta Chairman & Managing Director
- ii) Mr. M. P. Gupta Director
- iii) Mr. R. P. Gupta Director

and their Relatives

b) Associated Companies

- i) Bharat Insecticides Limited
- ii) BR Agrotech Limited
- iii) BRL Finlease Limited
- iv) Bharat Seeds Limited
- v) Siris Crop Sciences Limited

c) Transactions with Related Parties

Name of Related Party	Nature of Transactions/ Amount Credited/Paid*
Mr. S. N. Gupta	Managerial Remuneration & Interest Paid (Rs. 23.39 Lacs)
Mr. M. P. Gupta	Managerial Remuneration (Rs. 7.68 Lacs)
Mr. R. P. Gupta	Managerial Remunerations (Rs. 7.68 Lacs)
Bharat Insecticides Limited	Material purchased & Rent paid for Rs. 70.30 Lacs and sales & Jobwork for Rs. 204.58 Lacs
BR Agrotech Limited	Purchase of Materials Rs. 13.78 Lacs and sales / transfer of DEPB Licence & job work for Rs. 85.99 Lacs
Siris Crop Sciences Limited	Purchase of materials worth Rs. 58.47 Lacs Sale/Transfer of DEPB Licence & job work for Rs. 13.17 Lacs, Interest received Rs. 87.86 Lacs on ICD
BRL Finlease Limited	Interest Paid (Rs. 0.41 Lacs) on ICD
Bharat Seeds Limited	Interest Paid (Rs. 0.14 Lacs) on ICD
Lucid Technologies	Purchase of Fixed Assets Rs. 0.44 Lacs
Relatives of Key Managerial Personnel	Interest Paid Rs. 29.98 Lacs on Public Deposit of Rs. 300.00 Lacs

* Reimbursements not taken into account and figures are inclusive of all taxes & duties.

20 As per Accounting Standard AS-20 on earning per share, issued by the Institute of Chartered Accountants of India, the earning per share of the Company is Rs. 3.65 (Last Year Rs. 2.38)



- 21 As per Accounting Standard AS-22 on Accounting for Taxes on income, the Company has recorded the cumulative net deferred tax liability upto 31.03.2006 of Rs. 6,865,689/-. For the current year the Company has recorded the net deferred tax assets of Rs. 835,281/-, carrying forward cumulative deferred tax liability of Rs.6,865,689/-.

	As at 31.03.2006 (Rs.)	As at 31.03.2005(Rs.)
<i>Computation of Deferred Tax Liability/Assets</i>		
Difference in Tax and Book Depreciation	20,485,549	22,967,073
Less: Short Term Capital Loss eligible for Set off in next years	88,373	88,373
	<u>20,397,176</u>	<u>22,878,700</u>
Tax on above Difference	6,865,689	7,700,970
Deferred Tax Liability	6,865,689	7,700,970
Deferred Tax Assets for the Year	<u>835,281</u>	<u>507,953</u>

- 22 Additional information pursuant to Part-II of Schedule VI to the Companies Act, 1956.

I. CAPACITY & PRODUCTION

(Rounded off in metric tonnes)

	Installed Capacity		Production*	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
Technical Grade Pesticides	1000	1000	539	625
Pesticides Formulations	600	600	181	268
Intermediates	400	400	603	595
	<u>2000</u>	<u>2000</u>	<u>1323</u>	<u>1488</u>

Notes :

- Installed capacities are interchangeable between different products.
- * Net of captive consumption and as certified by the management and relied on by the auditors being a technical matter.

II. QUANTITATIVE DETAILS IN RESPECT OF STOCKS, SALES AND CONSUMPTION OF RAW MATERIALS

	2005-06		2004-05	
	Qty. (Kgs.)	Value (Rs. in Lacs)	Qty. (Kgs.)	Value (Rs. in Lacs)
A) OPENING STOCK				
I) Finished Goods				
Technical Grade Pesticides	24843	93.95	55300	152.73
Pesticides Formulations	279	0.43	4000	3.02
Intermediates	8184	25.25	15288	37.59
		<u>119.63</u>		<u>193.34</u>
II) Stock-In-Process				
Technical Grade Pesticides	13652	30.76	30899	46.62
Intermediates	38339	57.46	46599	108.29
Others	—	4.43	—	1.42
		<u>92.65</u>		<u>156.33</u>
B) CLOSING STOCK				
I) Finished Goods				
Technical Grade Pesticides	43995	248.98	24843	93.95
Pesticides Formulations	10739	11.13	279	0.43
Intermediates	6710	14.23	8184	25.25
		<u>274.34</u>		<u>119.63</u>



	2005-06		2004-05	
	Qty. (Kgs.)	Value (Rs. in Lacs)	Qty. (Kgs.)	Value (Rs. in Lacs)
II) Stock-In-Process				
Technical Grade Pesticides	53137	107.26	13652	30.76
Intermediates	61257	106.98	38339	57.46
Others	—	0.98	—	4.43
		<u>215.22</u>		<u>92.65</u>
C) SALES*				
Technical Grade Pesticides (Self manufactured)	520222	2302.91	655785	2532.39
Pesticides Formulations	170420	201.97	271240	316.68
Intermediates	604855	1739.10	601901	1647.26
Delhi Trading of Technical Grade Pesticides	106102	318.59	164607	470.63
Others	—	82.70	—	42.56
		<u>4645.27</u>		<u>5009.52</u>
*Net of Captive Consumption				
D) CONSUMPTION OF RAW MATERIALS				
Aluminium Chloride	915600	311.38	958900	316.89
Benzaldehyde	547270	420.94	555070	386.83
D.V.Acid Chloride	115613	522.01	202256	874.00
Phenol	456500	256.62	456850	301.43
Parachloro Toluene	199000	182.31	114400	81.10
Isopropyl Bromide	92524	94.11	77938	66.33
Sodium Cyanide	136172	91.35	120175	67.88
Fuels	—	320.58	—	262.37
Others	—	1624.91	—	1689.67
		<u>3824.21</u>		<u>4046.50</u>
Increase/Decrease in Stock of Finished Goods(Opening-Closing)		(154.71)		73.72
Cost of Goods Consumed		<u>3669.50</u>		<u>4120.22</u>
III. VALUE OF IMPORTS				
Raw Materials (CIF Value)		<u>397.98</u>		<u>94.46</u>
IV. EXPENDITURE IN FOREIGN CURRENCIES				
i) Travelling Expenses		2.99		2.36
ii) Commission on Sales		7.27		13.55
iii) Others		4.21		3.20
		<u>14.47</u>		<u>19.11</u>
V. EARNING IN FOREIGN CURRENCIES				
Export of Goods (FOB value/CIF)		<u>2139.57</u>		<u>2292.51</u>
VI. CONSUMPTION OF IMPORTED & INDIGENOUS MATERIALS				

	2005-06		2004-05	
	% of total Consumption	Value (Rs. in Lacs)	% of total Consumption	Value (Rs. in Lacs)
Imported	9.47	362.04	3.86	156.24
Indigenous	90.53	3462.17	96.14	3890.26
	<u>100.00</u>	<u>3824.21</u>	<u>100.00</u>	<u>4046.50</u>



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration Number	36264	State Code	55
Balance Sheet Date	31.03.2006		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Issue	NIL

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

Total Liabilities	401,794	Total Assets	401,794
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Sources of Funds

Paid-up Capital	42,487	Reserves & Surplus	243,420
Secured Loans	41,171	Unsecured Loans	25,600
Deferred Tax Liability	6,865		

Application of Funds

Net Fixed Assets	62,004	Investments	13,159
Net Current Assets	284,380	Misc. Expenditure	—

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

Turnover (Sales & Other Income)	496,734	Total Expenditure	472,952
Profit before tax	23,783	Profit after tax	15,488
Earning per share (in Rs.)	3.65	Dividend rate (in %)	—

V. Generic Names of three Principal Products of the Company

Item Code No.	291221.00
Product Description	METAPHENOXY BENZALDEHYDE
Item Code No.	380810.29
Product Description	FENVALERATE TECHNICAL & FORMULATIONS
Item Code No.	380810.24
Product Description	CYPERMETHRIN TECHNICAL & FORMULATIONS

**CASH FLOW STATEMENT PURSUANT TO LISTING AGREEMENTS**

	Year ended 31.03.2006 (Rs.in lacs)	Year ended 31.03.2005 (Rs.in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before income tax & extraordinary items	237.83	186.33
Adjustments for:		
Depreciation	84.69	89.28
Profit/Loss on sale of fixed assets	-0.34	-1.68
Interest received	-7.55	-12.20
Interest paid	75.31	67.03
Operating profit before working capital changes	389.94	328.76
Adjustments for:		
Increase/Decrease in Sundry Debtors	-113.86	148.40
Increase/Decrease in Inventories	-364.82	159.86
Increase/Decrease in Machinery Spare Parts	-14.01	25.49
Increase/Decrease in Loans and Advances	-595.86	-187.42
Increase/Decrease in Current Liabilities	272.28	37.79
Cash generated from operations	-426.33	512.88
Interest received	7.55	12.20
Interest paid	-75.31	-67.03
Direct taxes paid	-109.63	-70.04
Net cash from operating activities	-603.72	388.01
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment in Shares & Units	533.10	-469.20
Additions to fixed assets	-182.35	-17.83
Proceeds from sale of fixed assets	3.87	8.50
Net Cash used in Investing Activities	354.62	-478.53
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from new borrowings	336.38	400.00
Repayment of borrowings	-144.00	-294.79
Net cash used in financing activities	192.38	105.21
Net increase in cash & cash equivalents (A+B+C)	-56.72	14.69
Cash and cash equivalents as at 01.04.2005	101.87	87.18
Cash and cash equivalents as at 31.03.2006	45.15	101.87

Annexure to our report of even date
for **B.K. GOEL & ASSOCIATES**
CHARTERED ACCOUNTANTS

FOR & ON BEHALF OF THE BOARD

B.K.GOEL
Proprietor
Membership No. : 82081

LAKSHMI GURUNG
Company
Secretary

S.N.GUPTA Chairman & Managing Director
M.P.GUPTA
R.P.GUPTA
Directors

NEW DELHI
AUGUST 30, 2006.

Bharat RASAYAN LIMITED

1501, Vikram Tower, Rajendra Place, New Delhi-110008.

PROXY FORM

I/We of in the district of being a member(s) of the above named company, hereby appoint Mr./Miss/Mrs. of in the district of or failing him/her, Mr./Miss/Mrs. of in the district of as my/our proxy to vote, for me/us on my/our behalf at the 17th Annual General Meeting of the Company to be held on Saturday, the 30th September, 2006 or at any adjournment thereof.

No. of shares held Registered Folio No.

D.P.ID No.# Client ID No.#

Signed this day of 2006.



Signature(s)

Note: The proxy form must be deposited at the Registered Office of the company at 1501, Vikram Tower, Rajendra Place, New Delhi-110008, not less than 48 hours before the time for holding the meeting. Proxy need not be a member.

For members holding shares in dematerialised mode.

----- TEAR HERE -----

Bharat RASAYAN LIMITED

1501, Vikram Tower, Rajendra Place, New Delhi-110008.

ATTENDANCE SLIP

Name of the shareholders :
(IN BLOCK LETTERS)

Registered Folio No. :

D.P.ID No.# Client ID No.#

I hereby record my presence at the 17th Annual General Meeting on Saturday, the 30th September, 2006 at 10.30 A.M. at Punjabi Bagh Club, Ring Road, Punjabi Bagh, New Delhi-110026. I certify that I am a registered shareholder/proxy* for the registered shareholder of the company.

.....
(Name of the Proxy)

.....
(Signature of the member/proxy* to be signed at the attendance counter)

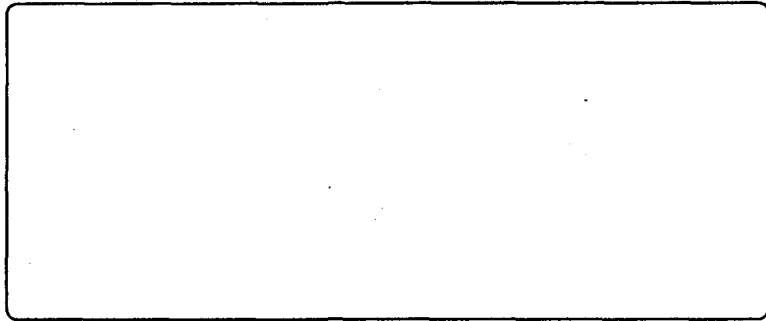
*Delete whichever is not applicable

#For members holding shares in dematerialised mode.

Notes:

1. For their own convenience, the members are requested to deliver their attendance slips at the attendance counter in a queue.
2. Incomplete attendance slips will not be accepted at the attendance counter. For any problem or information, please contact the enquiry counter, before proceeding to attendance counter.
3. Please bring your copy of annual report at the Annual General Meeting. Copies of the annual reports will not be distributed again at the meeting in view of its high cost.
4. **No gifts/coupons shall be distributed at the meeting.**

BOOK - POST



If Undelivered, please return to :

Bharat RASAYAN LIMITED

1501, Vikram Tower,
Rajendra Place,
New Delhi - 110 008.