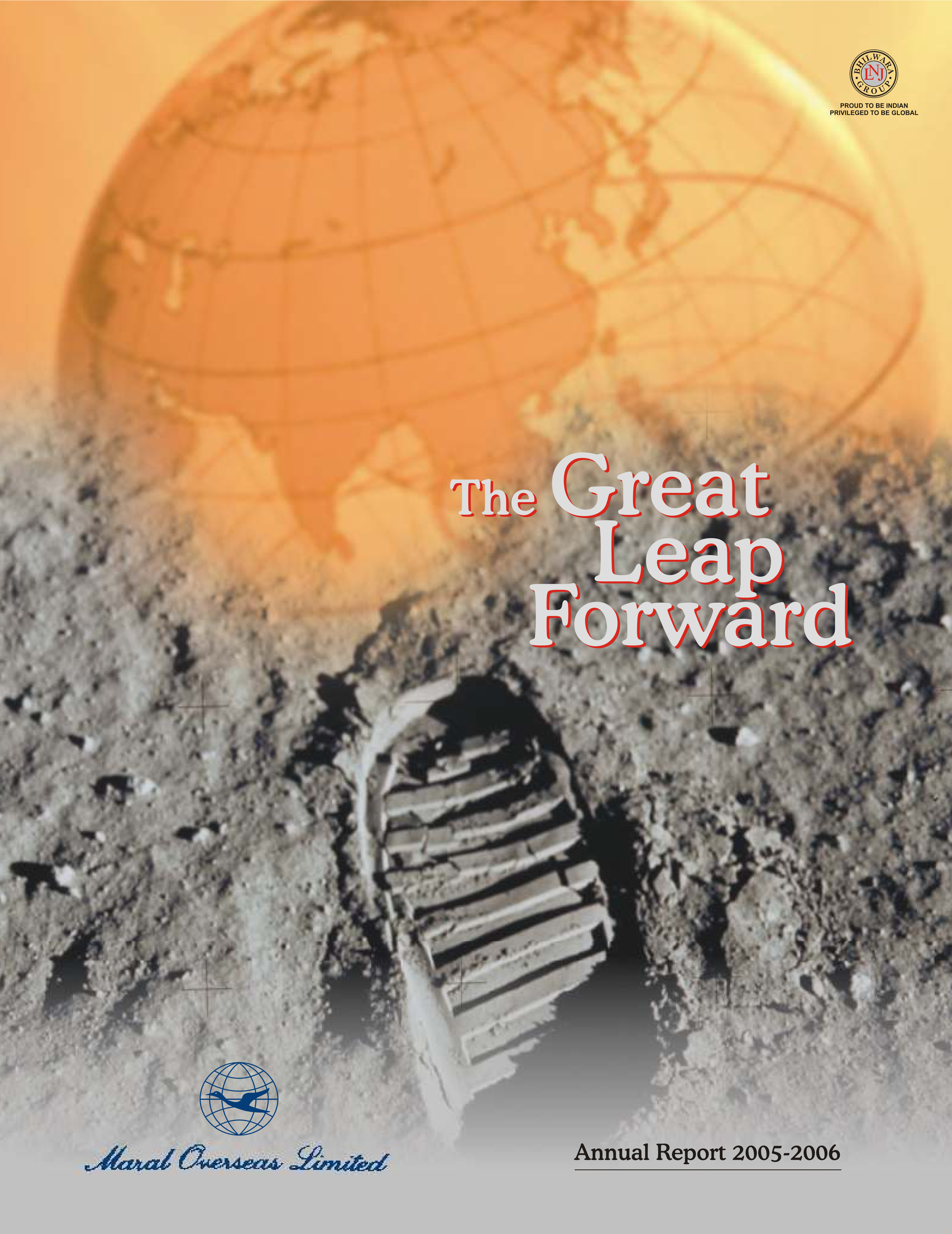


BHILWARA GROUP
LNJ

PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

The Great Leap Forward

Maral Overseas Limited

Annual Report 2005-2006

L. N. Jhunjhunwala
Chairman - Emeritus

Innovating to forge ahead

The LNJ Bhilwara Group has always endeavoured to be at the forefront of all things new and dynamic, much like the first man who stepped on the moon. The many forays and ventures into diverse businesses, have been undertaken with enthusiasm, and driven by a passion to achieve excellence in every step. In this view, all the Group's companies have realised the importance in creating benchmarks, leading from the front with a responsibility to serve society at large.

And now it is breaking the shackles, empowering its highly-skilled workforce, and literally unleashing their latent powers... enabling the people that make up the companies of the Group, to raise the bar and look beyond boundaries, and to challenge limits at every step, in every situation.

L. N. Jhunjhunwala
Chairman - Emeritus
LNJ Bhilwara Group

Contents

LNJ Bhilwara Group Milestones

Knitted Garments : **Maral Overseas Ltd.**

- Recently, installed a 1000 MT p.a. Yarn Dyeing facility to facilitate expansion of spinning, knitting and processing capacity.
- A 10 MW Captive Thermal Power Plant to be completed by end of FY 2007.

Textiles : **Rajasthan Spinning & Weaving Mills Limited**

- One of the largest producers and exporters of Polyester / Viscose Blended Yarn in India.
- Acquired Jaipur Polyspin Ltd., to manufacture Synthetic dyed Blended Yarn.
- Acquired an open-end plant with 1680 rotors from Phillipines.
- Introduced ready-to-wear Apparels, manufactured at a newly set up unit in Bangalore.
- Setting up a 46 MW Captive Thermal Power Plant in Mordi.
- Setting up a Rs. 190 crore Denim manufacturing facility in Mordi.
- Announced plans to increase spindle capacity by 15%.

Graphite / Steel / Power : **HEG Limited**

- Has the largest single site Graphite Electrodes manufacturing plant in South & South-East Asia and the Middle East; is the world's second-largest single site plant.

GROUP FINANCIAL HIGHLIGHTS

(Rs in crore)

PARTICULARS	2003-04	2004-2005	2005-2006
Turnover	1815	2049	**2387**
Export Sales	792	893	**1016**
PBIDT	259	274	**374**
PBDT	201	208	**286**
PBT	81	96	**156**
PAT	72	79	**115**
Gross Fixed Assets	1953	2494	**2922**
Net Worth	768	969	**1382**

- Internationally recognised Bureau Vertitas (BUQI) ISO140001-1996.
- Quality leadership enables exports to top 50 steel producers of the world.
- Production capacity in Mandideep scaled up to 52,000 MT p.a. from 30,000 MT last year.
- State-of-the-art R&D centre set up in Mandideep.
- New 25 MW Captive Power Plant commissioned in Mandideep.
- Set up a 1,00,000 MT production capacity Steel Billets project in Durg, M.P.

Suitings : **BSL Limited**

- Setting up a 6 MW Captive Thermal Power Plant; expanding spinning facility by 16,000 spindles.

Power Generation : **Malana Power Company Ltd. / AD Hydro Power Ltd.**

- Malana Hydro Electric project commissioned in record construction time of 30 months.
- Work of 200 MW Allain-Duhangan Hydro Electric Project picked up momentum in Manali, H.P.; to be commissioned by second quarter of 2008.
- Bagged 75 MW prestigious hydro project in Punjab, through competitive bidding.
- Microsoft Dynamics Navision business suite ERP solution implemented for power companies connecting HO (Noida) with sites in Malana & AD Hydro on single platform.
- Design partner RSW, Canada, and equity partner SN Power, Norway, also connected on the same platform.

Power Consultancy : **Indo Canadian Consultancy Services Ltd.**

- Offers Engineering Consultancy Services to several prestigious Hydro & Thermal Power projects across India, besides handling ongoing Group projects.

Corporate information

BOARD OF DIRECTORS

L. N. Jhunjhunwala, *Chairman-Emeritus*

Ravi Jhunjhunwala, *Chairman*

Shekhar Agarwal, *Managing Director*

D.N. Davar, *Director*

Kamal Gupta, *Director*

P. S. Dasgupta, *Director*

KEY EXECUTIVES

Sarovar Unit

R.K. Khandelwal, *President*

Tarun Baldua, *Vice President (Commercial)*

Jammu Unit

Satish Kaul, *President*

Noida Unit

Sunil Taneja, *Assistant Vice President (Exports)*

COMPANY SECRETARY

Rajat Prothi

AUDITORS

Doogar & Associates, New Delhi

Ashim & Associates, New Delhi

BANKERS

Bank of Baroda

Canara Bank

Central Bank of India

Export Import Bank of India

IndusInd Bank Ltd.

Industrial Development Bank of India Ltd.

State Bank of Bikaner & Jaipur

State Bank of Hyderabad

State Bank of India

State Bank of Indore

State Bank of Patiala

The Jammu & Kashmir Bank Ltd.

UTI Bank Ltd.

Yes Bank Ltd.

REGISTERED OFFICE

Maral Sarovar, V. & P.O. Khalbujurg, Tehsil Kasrawad, Distt. Khargone - 451 660 (Madhya Pradesh)

CORPORATE OFFICE

Bhilwara Towers, A-12, Sector-1
Noida - 201 301 (U.P.)

WORKS :

Sarovar Unit

Maral Sarovar, V. & P.O. Khalbujurg, Tehsil Kasrawad, Distt. Khargone - 451 660 (Madhya Pradesh)

Jammu Unit

SIDCO Industrial Complex,
Bari Brahmana - 181 133 (Jammu)

Noida Unit

A-11, Hosiery Complex, Phase - II (Extension), Noida - 201 305 (U.P.)

MARAL FINANCIAL HIGHLIGHTS

(Rs in crore)

PARTICULARS	2003-2004	2004-2005	2005-2006
Net Turnover	238.24	248.64	**245.23**
Exports	184.91	185.53	**181.79**
Net Worth	80.73	79.38	**86.20**
Capital Expenditure	7.64	13.20	**55.57**
PBIDT	(2.59)	28.53	**26.30**
Interest	12.05	10.22	**12.09**
PBDT	(14.64)	18.31	**14.21**
Depreciation	21.43	18.25	**16.46**
Provision for Taxation	(12.88)	(1.03)	**(2.74)**
PAT	(23.19)	1.09	**0.49**
EPS (Rs.)	(11.30)	0.53	**0.23**
CEPS (Rs.)	(0.86)	9.42	**7.79**
Book Value (Rs.)	39.32	38.66	**39.62**

Maral Overseas Limited

From the Chairman's Desk

Ravi Jhunjhunwala
Chairman

Dear Shareholders,

India has performed excellently yet again. The initial estimate of India's Real GDP growth in 2005-06 is 8.1%. For the textile industry, there has been another positive; dismantling of quota restrictions on 1st January, 2005, with the expiry of the Multi-Fibre Agreement, has provided opportunities for Indian players who have the scale and the ability to consistently produce yarn, fabric and garments, that meet increasingly demanding global standards.

These developments present us with both opportunities and challenges. Your Company has done well to leverage this opportunity by focusing on building fresh capacities and consolidating the operations.

The margins have been under pressure in the last few years and we are expecting the trend to continue in the future also. Our continued efforts in upgrading and modernising of operations in the past have borne results, and with investments lined up for a captive thermal power project, we can further increase productivity and secure attractive price points, so as to continue increasing operational efficiencies. It is not an easy task in a market as competitive as textiles. But if anyone can do it, it has to be your Company's employees. Time and time again they have risen to challenges. And I am confident that the elixir of growth will stimulate the best out of them in the years to come.

Your Company is confident of getting the best out of its larger, more consolidated and technologically modern operations, to further leverage the goodwill that its products enjoy in global markets. I am therefore looking forward to a better performance in 2006-07.

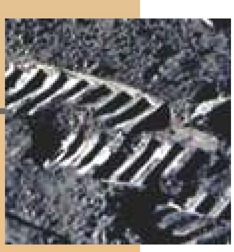
May I request you to bestow your good wishes upon all those at Maral Overseas Limited, who are responsible for making this growth possible? And please allow me to express my heartfelt thanks and gratitude for your continuing support.

India will grow. And with it, Maral Overseas Limited.

Jai Hind!

Ravi Jhunjhunwala
Chairman

Footprints of Success



Message from the Managing Director

Shekhar Agarwal
Managing Director

Dear Shareholders,

The year 2005-2006 has been challenging for the textile industry and especially for your Company, which has witnessed a few difficult years. The abolition of the Multi-Fibre Agreement in January 2005, presented a good opportunity to the textile industry in India. At the same time there were challenges to meet, especially the increasing input costs and falling margins due to substantial price reductions. Your Company has been preparing to meet these challenges, whether by taking advantage of increased demand in the post-quota regime, by maintaining efficiency in production costs.

Your Company looks upon these opportunities to consolidate its operations, and to expand capacities in order to meet global challenges. Firstly, the Company is in the process of enhancing its capacities. The Company is also focusing on value-addition and controlling costs to increase margins, in order to be competitive and survive in global markets. It is implementing a 10 MW Thermal Power Plant to mitigate power cost, a major cost to the Company.

In order to consolidate and focus its operations, your Company disposed off its domestic marketing division, during the year. Your Company's business has been largely export-oriented, and faces the challenge to seize opportunities in the free-trade regime, post abolition of quotas. The Company's exports during the year amounted to Rs 177.71 crore, comprising 72.5% of its revenues. The Company substantially increased its garment exports during the year, to 67.62 lac pieces of made-ups, against 46.21 lac pieces last year. There is scope to improve realisations in this product segment, which is a great challenge, and which will boost the overall profitability of the Company.

Additionally, the Company has installed a yarn dyeing facility of 1000 MT per annum, expected to contribute significantly to operations in the future. The volumes of both grey knitted fabric and processed fabric are on the uptrend, though margins remained under pressure. Your Company is intensifying efforts and focusing to improve margins, to realise the full benefits of increasing volumes. The Company has also undertaken modernising, balancing of equipment and upgrading of technology, besides initiating the further expansion of its spinning capacity to about 95000 spindles, from 54528 spindles presently, by the next fiscal.

Your Company foresees good potential for the garment business, being a high value-added product. The Company has undertaken an aggressive marketing strategy to improve its margins for its garment business, in order to achieve the full benefits of the value-addition.

The Company emphasises the need for cost-consciousness, consistent quality and reliable service to customers, to meet its challenges and maintain a leadership position, enabling it to face global competition.

With these efforts, we are sure that we are moving in the right direction, and with your support, we will do much better in future.

Shekhar Agarwal
Managing Director

Management Discussion and Analysis

The Textile Industry in India is a major contributor to industrial growth. The Indian economy is presently enjoying a high growth mode, having recorded an over 8% GDP growth over the last 3 consecutive years. The textile industry covers a wide range of activities and thus plays a significant role in the economy of the country. As per recent estimates, it contributes about 20% to industrial production and about 15% to the country's export earnings, while providing 18% employment in the manufacturing sector. In the above context, it is clear that for the ongoing growth of the Indian economy, the textile industry will have to maintain its pace of growth.

The Multi-Fibre Agreement (MFA), that had governed the extent of textile trade between nations since 1962, expired on 1st January, 2005. This has now presented a good opportunity to the textile industry in India. Maral Overseas Limited (MOL) also looks upon these opportunities to consolidate its operations, and to expand capacities in order to meet global challenges. Apart from modernisation, balancing of equipment and upgradation of technology, the Company has initiated further expansion of its spinning capacity, as well as installation of a coal-based power generating plant.

It is expected that the above initiatives will improve the operations of the Company.

Opportunities and Threats

The Indian Textile Industry is at crossroads today. The complete phasing out of quantitative restrictions and consequent global integration of markets after the year 2004, offers opportunities as well as threats to the textile trade and industry. It is regarded as an opportunity due to removal of quantitative restrictions on our exports, but this will be possible only if we are competitive, and customer-focused. Textile manufacturers in India would need to use their comparative advantage, in order to convert threats into opportunities. The Company emphasises the need for cost consciousness, consistent quality and reliable service to customers, to meet challenges and maintain a leadership position in order to face global competition, particularly from neighbouring countries. The Company, under the Technology Upgradation Funds Scheme (TUFs), announced by the Ministry of Textiles, has upgraded its plant and machinery in recent years, to gear-up to face these global challenges.

Business

MOL is a leading manufacturer of cotton yarn, knitted fabric (both grey and processed) and textile garments. It is one of the leading exporters of cotton yarn from India and has a commanding position in knitted fabrics and textile garments in domestic, as well as international, markets. During the year under review, the Company consolidated its operations and recorded a turnover of Rs 245.23 crore, as against Rs 248.64 crore in the previous year. In order to consolidate and focus its operations, the Company disposed off its domestic marketing division, after obtaining all necessary approvals. The FOB value of the Company's exports were to the tune of Rs 177.71 crore, against Rs 176.98 crore in the last fiscal. The share of exports accounts for 72.5% in MOL's revenues, as against 71.2% in the previous year.

Currently, the Company's yarn business accounts for 47% of its revenues, while the knitted fabric and textile made-ups business accounts for 13% and 40%, respectively.

Yarn Business

MOL offers to its customers, the finest quality of yarn conforming to international standards, which commands a premium in the global market. MOL, in its quest for offering a broad range of products, introduced dyed yarn during the year, which gives a higher value-addition and is offered on a customised basis, meeting the specifications of customers. MOL sold 164 MT of dyed yarn, which evoked good response from the market. MOL has installed a yarn dyeing facility of 1000 MT, which is expected to contribute significantly to the top and bottom line of the Company in the future.

Recognising the demand for quality yarn, MOL is contemplating expansion of its spinning capacity by 23184 spindles, adding to its existing 54528 spindles and thus increasing the spindlage to 77712, in the short term.

Knitted Fabric Business

MOL offers processed fabric to a wide range of customers across international and domestic markets. MOL improved the volumes of both grey knitted fabric and processed fabric during the period under review, though the margins remained under pressure.

MOL believes that there is good potential for this business, being a high value-addition product.

Textile Made-ups Business / Garments

MOL's garment business caters to a reputed international customer base and is a highly volume-driven business. MOL manufactures garment and textile made-ups at all its units in Sarovar, Jammu and Noida. MOL was able to substantially increase its volume of garment exports during the year, to 67.62 lac pieces of made-ups, against 46.21 lac pieces in the last year, thus recording a growth of 46%. However, due to increase in input costs not matching with the corresponding price realisation of the end product, the Company could achieve a growth of only 22% in its turnover for this segment. Thus, margins were under pressure. Further, the costs at the Jammu unit have been increasing to unsustainable levels, seriously impacting the bottom line of the Company, and operations of Jammu unit needed to be reviewed in depth.

MOL is undertaking an aggressive marketing strategy to improve its margins for this business, in order to achieve full benefits of the value-addition which is inherent in this segment of business.

Risk Management

Market Risk

With the removal of quantitative restrictions, MOL operates in a highly-competitive global environment. The product supply chain consists of various inputs and competes on low-cost, high-quality, accurate delivery and flexibility in variety and volumes, thus involving a higher content of market risk. Any adverse movements in the prices of raw materials and other inputs, such as fuel, can affect the margins of the Company and affect its performance.

MOL is embarking upon various strategies to combat and minimise these risks. Firstly, the Company is in the process of expanding its capacities to gain from economies of scale, and also to cater to a larger volume of orders. Secondly, the Company is focusing on value-addition to increase its margins. Similarly, the Company is also focusing on controlling costs, particularly through the investment in the thermal power plant to generate low-cost power, which will also mitigate the risks, due to high global oil prices.

Currency Risk

MOL, due to its higher content of exports, has large exposure in foreign currency. Further, the prices of raw materials, such as imported cotton and furnace oil, are exposed to import parity and are affected with any movements in the rupee.

In order to combat these risks, MOL has in place a well-documented and established foreign exchange risk policy and currency risks are hedged accordingly.

Internal Control Systems and their adequacy

MOL has in place a strong and effective internal audit and control system for effective monitoring of operations, and utilisation of resources to achieve maximum efficiency. The Company has also in place well-documented policies on most aspects of its business, which are regularly discussed and monitored by the Audit Committee of the Board. The Management of MOL and the Audit Committee regularly interact with internal & management auditors, and seek their independent opinion on the policies and procedures being followed at its various units.

Human Resources

Human Resource is the most valuable asset in any organisation. MOL also focuses on the training and development of its people through continuous internal and external, training and development programmes. The Company has taken various initiatives during 2005-06, to improve and enhance the skills of its people, plus identify their talent through reputed HR consultancy firms.

Harmonious industrial relationships were maintained during the year. The total strength of MOL as at the end of the financial year 2005-06 was 3696 employees.

Corporate Social Responsibility

Ever since its inception, Maral Overseas Limited has always cared about the community it operates in. As such, the Company has looked to providing education, healthcare and development of the environment around. MOL has helped to build several schools and facilities for physically challenged individuals in the proximity of its manufacturing plants. Maral also offers monetary assistance to develop landscaping around its units.

Cautionary Statement

Certain statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements,' within the meaning of applicable laws and regulations. Forward-looking statements are identified in this report by using words like 'anticipates,' 'believes,' 'expects,' 'intends' and other similar expressions in such statements. Although we believe our expectations are based on reasonable assumptions, these forward-looking statements may be influenced by numerous risks and uncertainties that could cause actual outcomes and results to be materially different from those expressed or implied. Some of these risks and uncertainties have been discussed in the section on 'Risk Management.' The Company takes no responsibility for any consequence of decisions made, based on such statements, and holds no obligation to update these in the future.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Seventeenth Annual Report of the Company and the audited financial statements for the year ended 31st March, 2006.

Financial Results

(Rs in crore)

	Current Year	Previous Year
Net Turnover	**245.23**	248.64
Profit / (Loss) before Interest and Depreciation	**26.30**	28.53
Less: Interest & Bank charges	**12.09**	10.22
Profit / (Loss) before Depreciation	**14.21**	18.31
Less: Depreciation	**16.46**	18.25
Profit / (Loss) before Tax	**(2.25)**	0.06
Less: Provision for Taxation	**(2.74)**	(1.03)
Profit/(Loss) after Tax	**0.49**	1.09
Add: Balance brought forward from previous year	**(15.52)**	(16.61)
Balance carried to Balance Sheet	**(15.03)**	(15.52)

Operations

The operations of the Company, during the period under review, have suffered a setback because of lower operating margins. The Company has undertaken modernisation-cum-expansion programmes. The operations in the yarn dyeing facility and process house are under stabilisation. As such, anticipated contributions from modernisation and expansion could not be achieved during the year.

During the year, your Company has been able to achieve a production of 11,787 MT (11,847 MT) of cotton yarn, 164 MT (NIL) of dyed yarn, 2,849 MT (2,225 MT) of grey knitted fabric, 2,951 MT (2,088 MT) of processed fabric and 67.62 lac (46.21 lac) pieces of textile made-ups.

Your Directors are monitoring the operations and are hopeful that the Company will be able to meet global challenges in the coming years.

Dividend

In the absence of adequate profit during the year under review, your Directors do not recommend payment of any dividend on the Equity Shares of the Company.

Industry Scenario

The world markets have opened for export of textile products due to abolition of quantitative restrictions on import by developed countries with effect from 1st January, 2005. However, it has led to greater competition, primarily from countries like China, Pakistan, Sri Lanka, Bangladesh, etc. This emphasises the need for cost consciousness, stricter quality control and service to customers, to maintain a leadership position and to have an edge over competitors.

Your Company is a major player in various product segments of the industry ranging from yarn and fabric to garment and textile made-ups. Your Company is gearing up further to meet the stringent requirements of its discerning customers in all its product categories.

Expansion cum Modernisation

In view of the promising scenario in the Textile Industry, your Company has undertaken modernisation and balancing of equipment and upgradation of technology. The Company has installed a yarn dyeing facility of 1000 MT per annum. The fabric knitting and processing capacities have also been expanded by 240 MT and 390 MT respectively. The operations in all the new projects are under stabilisation.

Expansion of the Company's spinning capacity by 23184 spindles at a cost of Rs 60 crore, is under implementation. A 10 MW Coal Thermal Power Plant at a cost of Rs 40 crore is also under implementation, and is expected to be completed by end of this financial year.

Your Directors are hopeful that, after implementation of the above capex plans, the Company's operations will improve significantly, resulting in improved performance.

Preferential issue of Equity Shares

During the period under review, 12,25,163 Equity Shares of Rs 10/- each, at a premium of Rs 40/- each, aggregating Rs 50/- per Equity Share, were issued to Promoters, Directors and Persons acting in concert, which included Associates and Relatives of such Promoters and Directors of the Company. The Funds received have been used for general corporate purpose and augmenting the long-term resources of the Company.

Disposal of Domestic Marketing Division

During the period under review, the domestic marketing division of the Company which was incurring losses, was sold off after obtaining all the necessary approvals.

Voluntary Delisting of Equity shares

The Company has applied for voluntary delisting of its Equity shares from the Calcutta Stock Exchange, whose response to the application made by the Company, is awaited.

Directors

Mr. L. N. Jhunjhunwala and Mr. P. S. Dasgupta, Directors, retire by rotation and being eligible, offer themselves for reappointment. Mr. Shekhar Agarwal was re-appointed as Managing Director of the Company for a further period of five years, with effect from 1st January, 2006, subject to the approval of the members of the Company. The Board recommends the reappointment of Mr. Shekhar Agarwal.

Auditors

M/s Doogar & Associates and M/s Ashim & Associates, Chartered Accountants, Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting of the Company, and are eligible for re-appointment.

The observations of the Auditors are explained wherever necessary, in the appropriate notes to the accounts.

Internal Control Systems

The Company has an adequate and effective internal control mechanism in place to protect its resources. The top Management and Audit Committee review and ensure that the Internal Controls are in place and functioning to help ensure that applicable statues and regulations are complied with. The recommendations of the Audit Committee for improvement in internal controls are communicated to the unit heads for compliance.

Particulars of Employees

Particulars of Employees, as required to be furnished pursuant to Section 217(2A) of Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, are attached hereto and form part of the Report as Annexure - I.

Directors' Responsibility Statement

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed.
- appropriate accounting policies have been selected and applied consistently and they have 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 on 31st March, 2006, and of the profit of the Company for the year ended on that date.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the Annual Accounts have been prepared on a going concern basis.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars relating to conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, are given as per Annexure - II to the Directors' Report.

Acknowledgements

The Board is thankful to the Bankers and Financial Institutions for their continued support. The Board also takes this opportunity to place on record its gratitude to customers, suppliers and shareholders for their continued cooperation, support and assistance. The Board also appreciates the sincerity and devotion shown by the officers and staff of the Company in the discharge of their duties.

for and on behalf of the Board

Noida (U.P.)
25th April, 2006

Ravi Jhunjhunwala
Chairman

ANNEXURE - I TO DIRECTORS' REPORT

Statement of Particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

Sl. No.	Name	Age (Years)	Designation/Date of commencement of Employment	Remuneration (Rs)	Qualification	Experience (Years)	Last Employment Held		
							Organisation	Position Held	Duration (Years)
A.	**PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR**					NONE			
B.	**PERSONS EMPLOYED FOR PART OF THE FINANCIAL YEAR**								
1.	Mr. Shekhar Agarwal	53	Managing Director 01/01/1991	7,62,000	B. Tech (ME) M.Sc. (Chicago)	24	Rajasthan Spg. & Wvg. Mills Ltd.	Vice Chairman & Managing Director	22

Notes:

Mr. Shekhar Agarwal, Managing Director is relative of Mr. L.N. Jhunjhunwala, Chairman Emeritus and Mr. Ravi Jhunjhunwala, Chairman.

Mr. Shekhar Agarwal, Managing Director joined the Company on 1st January, 1991, but his remuneration commenced from 1st January, 2006. He continues to be Vice Chairman & Managing Director of Rajasthan Spinning & Weaving Mills Ltd.

ANNEXURE - II TO DIRECTORS' REPORT

Statement of particulars pursuant to Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

I. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

1. Fixing of FRP fans in Humidity Plant.
2. Installation of inverters on H-Plants Pumps & Fans.
3. Reduction of light intensity in non-productive region.
4. Replacement of conventional ballast with electronic ballast.
5. Recycling of machine cooling water from dye house.
6. Heat utilisation from effluent.

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

1. Replacement of old motor with energy-efficient motors.
2. Installation of energy-efficient Air Compressor.
3. Conversion of Electric heating system to Steam heating.
4. Utilisation of waste heat for hot water generation.

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

The estimated savings on account of the above measures are expected to be about 1.50 lac units per month.

INFORMATION AS PRESCRIBED IN FORM A	**Current Year**	Previous Year
(A) POWER AND FUEL CONSUMPTION		
1. Electricity		
a. Purchased		
Units	**1,925,187**	1,703,090
Total amount (Rs)	**4,842,720**	5,293,091
Rate / Unit (Rs)	**2.52**	3.11
b. Own Generation		
i) Through Diesel Generator		
Units	**45,180,136**	45,334,944
Units / Litre of HSD / FO	**4.08**	3.99
Cost / Unit	**3.44**	2.56

		Current Year	Previous Year
	ii) Through Steam Turbine / Generator		
	Units	**–**	–
	Units / Litre of fuel oil	**–**	–
	Gas	**–**	–
	Cost / Unit	**–**	–
2.	**Coal**		
	Quantity MT	**–**	–
	Total Cost	**–**	–
	Average Rate / MT	**–**	–
3.	**Furnace Oil / HSD**		
	Quantity KL	**11067**	11348
	Total Cost	**155,394,727**	115,916,205
	Average Rate / Litre	**14.04**	10.21
4.	**Other / Internal generation**	**N.A.**	N.A.
B.	**CONSUMPTION PER UNIT OF PRODUCTION**		
	i) Electricity		
	Cotton Yarn (Kg.)	**3.23**	3.34
	Knitted Fabric (Kg.)	**0.32**	0.37
	Processed Fabric (Kg.)	**1.70**	2.05
	Garment (Pc.)	**0.39**	0.48

II. TECHNOLOGY ABSORPTION

A. RESEARCH AND DEVELOPMENT

The Company has a Central Product Development Department, which undertakes product development activities for new products. During the period under review, the Company focused on production of more value-added Yarn and Fabric.

Besides this, the Company has a Quality Assurance Department equipped with well experienced / qualified personnel and latest sophisticated machines, to monitor and ensure quality parameters at each stage of production, and to ensure consistency in quality & adherence to quality standards norms.

B. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

The Company has continued renovation and upgradation of its Spinning Mill. It has also continued Yarn development and Fabric development, by adding latest technologies, equipment and machines. A Yarn dyeing facility of 3 MT per day has been installed and the Fabric dyeing facility has been expanded under the TUF Scheme of the Government of India.

2. Benefit derived as a result of the above efforts

The Company has started commercial production of value-added yarn like core spun, slub, compact and dyed yarn. The quality of fabric has also improved. This will help the Company in meeting existing and forthcoming challenges in the international and domestic markets.

3. In case of recently Imported Technology, the requisite information in brief

Olympian Technology has been installed to improve dyeing efficiency, reducing dyeing cycle time and reducing water, steam, power, dyes & chemical cost and also to reduce extracted effluents.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

The products being exported by the Company are Yarn, Fabric and Garments. The Company has been participating in international textile exhibitions and is developing new products, especially High Value Products, to enter new markets and to sustain the existing clientele. The Company has embarked upon a modernisation-cum-expansion programme involving a capital expenditure of Rs 60.00 crore, to take care of the increased export.

During the year, the Company has earned foreign exchange of Rs 17771.42 lac at FOB price, against an outgo of Rs 5518.17 lac compared to the previous period's foreign exchange earning of Rs 17697.76 lac and outgo of Rs 2299.67 lac.

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance

Maral Overseas Limited (MOL) is committed to high standards of Corporate Governance and has in place appropriate structures and reporting systems. The Company believes that the governance process should ensure that the available resources are utilised in a manner that meets the aspirations of all its stakeholders. Therefore, the Company follows Corporate Governance envisaging timely disclosures, the attainment of high level of transparency and has a strong and professional Board which seeks to achieve shareholders trust and maximise shareholder value. The Board ensures that the Corporate Governance processes are directed to achieve the referred purpose and the Company follows the same in practice and spirit.

2. Board of Directors

The current strength of the Board of Directors is six, comprising of the Chairman Emeritus, Chairman, Managing Director and three Independent Directors. The Chairman Emeritus, Chairman and the Managing Director are Promoter Directors. The Managing Director is Executive and all the other Directors are Non-Executive.

The Composition of the Board of Directors and their attendance at the meetings during the year and the number of other Directorships, Committee Memberships and Committee Chairmanships are as follows:

Sl. No.	Name	Title	Category	No. of Meetings		No. of other Directorships and Committee Membership/Chairmanship#		
				Held	Attended	Directorships*	Committee Memberships	Committee Chairmanships
1.	Mr. L. N. Jhunjhunwala	Chairman Emeritus	Promoter - Non-Executive	6	6	7	1	–
2.	Mr. Ravi Jhunjhunwala	Chairman	Promoter - Non-Executive	6	5	9	4	2
3.	Mr. Shekhar Agarwal	Managing Director	Promoter - Executive	6	6	7	3	1
4.	Dr. Kamal Gupta	Director	Independent - Non-Executive	6	5	6	7	2
5.	Mr. P.S. Dasgupta	Director	Independent - Non-Executive	6	4	7	6	–
6.	Mr. D. N. Davar	Director	Independent - Non-Executive	6	4	12	8	5

*Notes : * Excludes Directorships held in Private Limited Companies*
 # Includes Audit and Shareholders / Investors Grievance Committees only

The Board of Directors meets regularly throughout the year. The meetings of the Board of Directors during the financial year 2005-2006 were held on the 30th April, 2005, the 29th July, 2005, the 27th August, 2005, the 7th October, 2005, the 27th October, 2005 and the 24th January, 2006.

The previous Annual General Meeting of the Company was held on the 17th August, 2005 and was attended by Mr. Shekhar Agarwal, Managing Director and Dr. Kamal Gupta, Director and Chairman of the Audit Committee of the Company.

3. Audit Committee

The Audit Committee is chaired by Dr. Kamal Gupta and consists entirely of Non-Executive Directors. Mr. L. N. Jhunjhunwala, Chairman Emeritus, Mr. P. S. Dasgupta and Mr. D. N. Davar, Independent Directors are other members of the Audit Committee.

The Audit Committee of the Company met four times during the financial year 2005-2006. The meetings were held on the 30th April, 2005, the 29th July, 2005, the 27th October, 2005 and the 23rd January, 2006. The attendance of the Committee members at these meetings was as follows:

Name of the Member	No. of Meetings Attended
Mr. L. N. Jhunjhunwala	3
Dr. Kamal Gupta	4
Mr. P.S. Dasgupta	4
Mr. D. N. Davar	4

Mr. Rajat Prothi, Company Secretary is the Secretary to the Committee. Invitees to the Audit Committee include the Chief Financial Officer, Chief Coordinator - Internal Audit and the representative of the statutory auditors, internal auditors and cost auditors.

Dr. Kamal Gupta, Chairman of the Audit Committee, possesses high degree of accounting and financial management expertise and all members of the Committee have sound accounting and financial knowledge.

The functions of the Audit Committee include the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
    - Changes, if any, in accounting policies and practices and reasons for the same.
    - Major accounting entries involving estimates based on the exercise of judgment by management.
    - Significant adjustments made in the financial statements arising out of audit findings.
    - Compliance with listing and other legal requirements relating to financial statements.
    - Disclosure of any related party transactions.
    - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the shareholders and creditors.
- Carrying out any other function as is desirable.

MOL has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- Management letters / letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
- Whenever applicable, the uses / applications of funds raised through public issues, rights issues, preferential issues by major category (capital expenditure, sales and marketing, working capital, etc), as part of the quarterly declaration of financial results.
- If applicable, on an annual basis, statement certified by the statutory auditors, detailing the use of funds raised through public issues, rights issues, preferential issues for purposes other than those stated in the offer document / prospectus / notice.

With regard to information on related party transactions, whenever applicable, the Audit Committee is presented with the following information:

- A statement in summary form of transactions with related parties in the ordinary course of business.
- Details of material individual transactions with related parties which are not in the normal course of business.
- Details of material individual transactions with related parties or others, which are not on an arm's length basis along with management's justification for the same.

Pursuant to its terms of reference, the Audit Committee is empowered to:

- Investigate any activity within its terms of reference and to seek any information it requires from any employee.
- Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

4. Remuneration Committee

The Remuneration Committee considers, approves and recommends to the Board the remuneration payable to Managerial personnel coming within the purview of applicable provisions of the Companies Act, 1956. The Remuneration Committee which was constituted during the year comprises of three Non-Executive Independent Directors – Dr. Kamal Gupta, Mr. D.N. Davar and Mr. P.S. Dasgupta. Dr. Kamal Gupta is the Chairman of this Committee.

A meeting of the Remuneration Committee was held during the year on the 27th October, 2005, for the purpose of fixing the remuneration of Mr. Shekhar Agarwal consequent upon his reappointment as Managing Director of the Company for a period of five years, with effect from the 1st January, 2006, subject to the approval of the shareholders. This was attended to by all the members of the Committee.

Table 1 gives details of the remuneration paid to Directors during the year 2005-06.

1. Remuneration paid or payable to Directors for 2005-06 **(in Rs)**

Name of the Director	Category	Sitting fee	Salaries, allowances and perquisites#	Commission	Total
Mr. L. N. Jhunjhunwala	Promoter – Non-Executive	1,80,000	–	–	1,80,000
Mr. Ravi Jhunjhunwala	Promoter – Non-Executive	1,00,000	–	–	1,00,000
Mr. Shekhar Agarwal	Promoter – Executive	–	7,62,000	–	7,62,000
Dr. Kamal Gupta	Independent	5,60,000	–	–	5,60,000
Mr. D. N. Davar	Independent	1,80,000	–	–	1,80,000
Mr. P. S. Dasgupta	Independent	1,80,000	–	–	1,80,000

Note: # Includes retirement benefits

During 2005-06, the Company did not advance any loans to any of its Directors. None of the Directors hold stock options.

Table 2 gives details of the shares held by the Non-Executive Directors as on the 31st March, 2006.

2. Equity Shares held by Non-Executive Directors as on the 31st March, 2006

Name of the Director	Category	Number of Shares held
Mr. L. N. Jhunjhunwala	Promoter – Non-Executive	Nil
Mr. Ravi Jhunjhunwala	Promoter – Non-Executive	10
Dr. Kamal Gupta	Independent	1000
Mr. D. N. Davar	Independent	1000
Mr. P.S. Dasgupta	Independent	Nil

The Non-Executive Directors are paid sitting fees for attending the Board meetings as well as Committee meetings. The remuneration of the Managing Director is subject to approval of the Board and shareholders at the Annual General Meeting, and is within the ceilings laid down under the Companies Act, 1956.

5. Code Of Conduct

MOL's Board has laid down a code of conduct for all Board members and designated senior management of the Company. All Board members and designated senior management personnel have affirmed compliance with this Code of Conduct. The code of conduct is displayed on the website of the Company www.maraloverseas.com. A declaration to this effect, signed by Mr. Shekhar Agarwal, Managing Director and Mr. P. S. Puri, Chief Financial Officer is enclosed at the end of this report.

6. Management

This annual report has a detailed chapter on management discussion and analysis.

During the financial year 2005-2006, there were no material financial or commercial transactions by the Company with its Promoters, Directors, Management or relatives, etc. that may have potential conflict with the interests of the Company at large.

7. Shareholders Committee

The Company's Shareholders / Investors Grievance Committee comprises of Dr. Kamal Gupta, an Independent Director as the Chairman and Mr. Shekhar Agarwal, Managing Director as the member of the Committee. Mr. Rajat Prothi, Company Secretary is the Compliance Officer of the Company.

The Committee looks into the redressal of Shareholders and Investors complaints related to transfer and transmission of shares, non-receipt of Annual Reports, Dividend Warrants and other share related matters. The Committee also reviews the status of Investors' grievances and redressal mechanism.

During the year ended the 31st March, 2006, four meetings of the Committee were held on the 30th April, 2005, the 29th July, 2005, the 27th October, 2005 and the 27th January, 2006.

22 complaints were received during the financial year 2005-2006 all of which were redressed / answered to the satisfaction of the shareholders. No Investor Grievance remained unattended / pending for more than 30 days. There were no pending complaints as on the 31st March, 2006. No request for dematerialisation of Equity Shares of the Company was pending for approval as at the 31st March, 2006.

The Company has a Share Transfer Committee to look after requests for transfer / transmission of equity shares, issue of duplicate share certificates and consolidation / split / replacement of share certificates etc. The Board of Directors has also delegated the authority to approve the share transfers to Mr. Shekhar Agarwal, Managing Director who attends and approves the share transfer requests on a fortnightly basis.

The Share Transfer Committee of the Company meets as often as required. All valid requests for share transfer received during the year have been acted upon by the Company within the stipulated time limit.

8. General Body Meetings

The last three Annual General Meetings (AGM) were held as per details below:

Date of AGM	Relevant Financial Year	Venue/Location where held	Time of Meeting
26th September, 2003	2002-2003	Maral Sarovar, V. & P.O. Khalbujurg, Tehsil Kasrawad, Distt. Khargone Madhya Pradesh - 451 660	12:30 P.M.
28th September, 2004	2003-2004	Maral Sarovar, V. & P.O. Khalbujurg, Tehsil Kasrawad, Distt. Khargone Madhya Pradesh - 451 660	12:30 P.M.
17th August, 2005	2004-2005	Maral Sarovar, V. & P.O. Khalbujurg, Tehsil Kasrawad, Distt. Khargone Madhya Pradesh - 451 660	2:30 P.M.

One Special Resolution was passed at the Annual General Meeting of the Company held on the 26th September, 2003. No Special resolutions were passed at the Annual General Meetings of the Company held on the 28th September, 2004 and the 17th August, 2005, respectively.

The Company passed one resolution by postal ballot on the 4th July, 2005. The Ordinary Resolution passed by postal ballot pertained to disposal of the domestic marketing division for the reasons detailed in the Resolution.

Mr. V.P. Kapoor, Practising Company Secretary was Scrutinizer for conducting the Postal Ballot as per the procedure prescribed under the Companies Act, 1956. The details of the voting pattern of the Postal Ballot as per the report of the Scrutinizer are as follows:

Result of the Postal Ballot

Particulars	Number of Votes	%*
Total Forms	551	
In Favour	1,08,43,522	52.81
Against	5,654	0.03
Invalid Ballots (41 Forms)	7,500	0.04
Total Receipts (551 Forms)	1,08,56,676	52.88

**At the time of Postal Ballot, the Company had 2,05,32,837 number of Equity Shares Issued, Subscribed and Paid-Up.*

9. Compliances

MOL has complied with all the requirements of regulatory authorities. No penalties / strictures were imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital market during the last three years.

The Company is fully compliant with the applicable mandatory requirements of the revised Clause 49.

As regards the non-mandatory requirements, the Board of MOL has constituted a Remuneration Committee. Details of the Remuneration Committee have been provided under the Section 'Remuneration Committee.' Also, the Company's financial statements are free from any qualifications by the Auditors.

10. Means of Communication

The Company publishes its quarterly, half yearly and yearly results in at least one prominent national and regional newspaper. The same are also displayed on Company's website at www.maraloverseas.com.

The Annual Reports of the Company are also displayed on website, http://sebiedifar.nic.in. This website is also accessible through a hyperlink 'EDIFAR' from SEBI's official website, http://www.sebi.gov.in.

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER LISTING AGREEMENT

To the Members of
Maral Overseas Limited

We have examined the compliance of conditions of Corporate Governance by Maral Overseas Limited, for the year ended on 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. 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 opinion on the financial statements of the Company.

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

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

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 Doogar & Associates
Chartered Accountants

Mukesh Goyal
Partner
Membership No. 81810

For Ashim & Associates
Chartered Accountants

Ashim Agarwal
Partner
Membership No. 84968

Noida (U.P.)
25th April, 2006

SHAREHOLDERS' INFORMATION

1. Annual General Meeting

Day, Date and Time	:	Thursday, the 28th September, 2006 at 12:30 P.M.
Venue	:	Maral Sarovar, V. & P. O. Khalbujurg, Tehsil Kasrawad Distt. Khargone - 451 660, Madhya Pradesh

2. Financial Calendar

Financial year	:	April - March
Quarterly Financial reporting	:	Within one month from the end of each quarter except fourth quarter when annual results are published within two months

3. Dates of Book Closure : 21st Sept., 2006 (Thursday) to 28th Sept., 2006 (Thursday) (Both days inclusive)

4. Dividend Payment Date : N/A

5. Listing of Shares on Stock Exchange

1) Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
2) National Stock Exchange of India Ltd., Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.
3) Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Kolkata - 700 001.

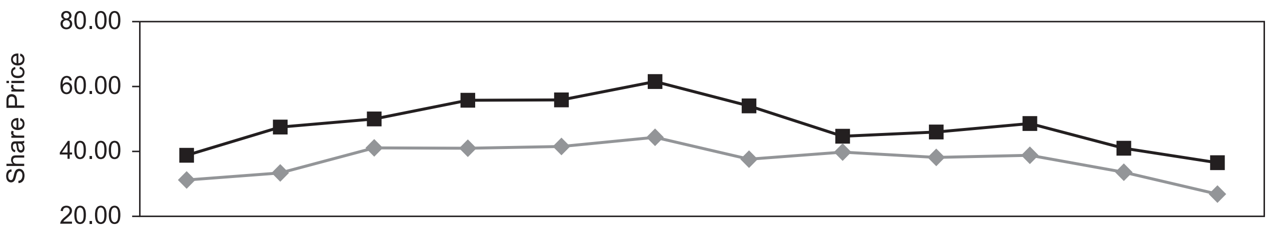
Listing fee as prescribed has been paid to the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) upto 31st March, 2007. The Company has made application to Calcutta Stock Exchange for delisting and its approval is awaited.

During the financial year 2005-2006, the Company received listing approvals from NSE and BSE for listing of 12,25,163 Equity Shares issued to Promoters, Directors and Persons acting in concert, which included Associates and Relatives of such Promoters and Directors of the Company.

6. Stock Code

Bombay Stock Exchange Limited	:	521018
National Stock Exchange of India Limited	:	MARALOVER

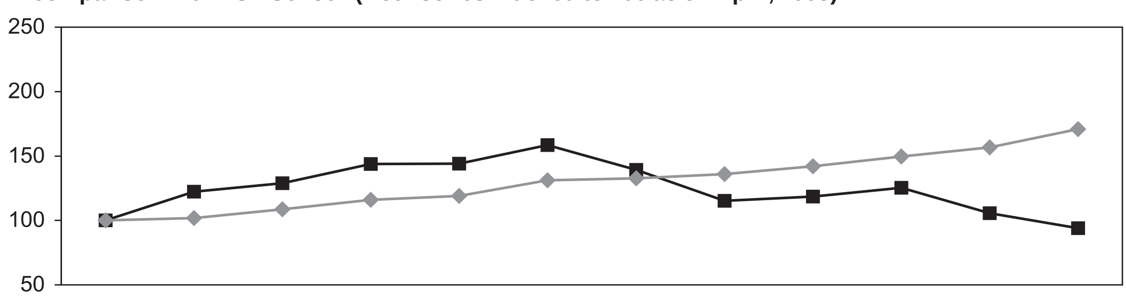
7. Stock Market Data: Monthly High Low closing values (in Rs) at BSE



	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
High	38.80	47.45	50.00	55.80	55.90	61.50	54.00	44.70	46.00	48.60	41.00	36.50
Low	31.25	33.40	41.05	41.00	41.50	44.40	37.60	39.75	38.10	38.80	33.55	26.80

Source: Bombay Stock Exchange Ltd.

8. Performance in comparison with BSE Sensex (Both series indexed to 100 as on April, 2005)



	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06
MOL (High)	100.00	122.29	128.87	143.81	144.07	158.51	139.18	115.21	118.56	125.26	105.67	94.07
Sensex (High)	100.00	101.85	108.70	115.93	119.13	131.17	132.67	135.86	142.01	149.56	156.75	170.80

Source: Bombay Stock Exchange Ltd.

9. Registrar and Transfer Agent

M/s MCS Limited is the Share Transfer Agent of the Company. The Shareholders may contact M/s MCS Ltd. for matters related to Share Transfers etc. at the following address:

MCS Limited, Sri Venkatesh Bhavan, W-40, Okhla Industrial Area, Phase-II, New Delhi - 110 020
Phone No. : 011-41406149, Fax No. : 011-41709881, E-mail : mcsdel@vsnl.com

10. Share Transfer System

The matters related to Share Transfer and transmission etc. are attended by the delegated authorities on fortnightly basis. Share transfers are registered and returned within 30 days from the date of receipt, if the documents are in order in all respects. The total number of shares transferred during the year 2005-06 were 62,037.

11. Distribution of Shareholding as on 31st March, 2006

No. of Equity Shares held	No. of Share holders	% of Share holders	No. of Shares	% of Share holding
1-500	19,126	89.87	28,17,610	12.95
501-1000	1,094	5.14	9,33,792	4.29
1001-10000	892	4.19	25,84,659	11.88
10001 and above	109	0.51	1,53,35,332	70.48
Shares in Transit	62	0.29	86,607	0.40
Total	**21,283**	**100.00**	**2,17,58,000**	**100.00**

12. Dematerialisation of Shares and liquidity

1,56,20,921 shares were dematerialised till 31-03-2006, which is 71.79 % of the total paid up Equity Share Capital of the Company. Trading in Shares of the Company is permitted in dematerialised form only.

13. Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDRs / ADRs / Warrants or any convertible instruments.

14. Plant Locations

1) Maral Sarovar, V. & P. O. Khalbujurg, Tehsil Kasrawad, Distt. Khargone - 451 660, Madhya Pradesh.
2) SIDCO Industrial Complex, Bari Brahmana - 181 133, Jammu.
3) A-11, Hosiery Complex, Phase-II (Extension), Noida - 201 305 (U.P.).

15. Address for Correspondence

Investor correspondence should be addressed to:

1. Share Transfer Agent
   MCS Limited, Sri Venkatesh Bhavan, W-40, Okhla Industrial Area, Phase-II, New Delhi - 110 020
   Phone No. : 011-41406149, Fax No. : 011-41709881, E-mail : mcsdel@vsnl.com

2. Company Secretary
   Maral Overseas Limited, Bhilwara Towers, A-12, Sector 1, Noida- 201 301 (U.P.)
   Phone No. : 0120 -2541810, Fax No. : 0120-2531648, E-mail : skg@lnjb.com

AUDITORS' REPORT

To the Members of
Maral Overseas Limited

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

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. These 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.

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure 'A' a statement on the matters specified in paragraph 4 and 5 of the said order.

Further to our comments in the Annexure referred to 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 those books;

c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, dealt with by this report, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

e) 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.

f) The Company, as technically advised, had hitherto been considering certain plant & machinery as continuous process and charging depreciation accordingly. This being a technical matter, we cannot form an independent opinion on such classification of assets and are therefore unable to comment thereon. From the financial year 2000-2001, the Company has revised, downwards, the estimated useful life of said plant & machinery and has accordingly charged higher depreciation (Refer Note no.4 to Schedule 16-Notes on Accounts).

Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the accounting policies and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) In the case of Balance Sheet, of the state of 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 for the year ended on that date.

For Doogar & Associates
Chartered Accountants

Mukesh Goyal
Partner
Membership No. 81810

For Ashim & Associates
Chartered Accountants

Ashim Agarwal
Partner
Membership No.84968

Noida (U.P.)
25th April, 2006

ANNEXURE 'A' TO AUDITORS' REPORT

(Referred to in the Auditors' Report of even date to the members of Maral Overseas Ltd. for the year ended 31st March, 2006)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Management has physically verified certain fixed assets during the year. As informed to us, no material discrepancies were noticed on such verification.

   (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.

2. (a) The inventory, except material lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

   (b) The procedures for physical verification of inventory followed by the management are, in our opinion, 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 inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of accounts.

3. (a) The Company has not granted any loans to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly clauses 4 (iii) (b) to (d) of the Companies (Auditor's Report) Order, 2003 are not applicable

   (b) The Company has taken unsecured loans from five body corporates covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year in this respect was Rs 638.60 lac and the year end balance of loan taken from such parties was Rs 500.00 lac.

   (c) In our opinion, the rate of interest and other terms and conditions on which such loans have been taken are not prima facie prejudicial to the interests of the Company.

   (d) The Company is regular in the payment of interest and principle amount, wherever demanded during the year.

4. In our opinion, and according to the information and explanations given to us during the course of the audit, there are adequate internal control procedures 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 & services. We did not observe any major weaknesses in internal control during the course of our audit.

5. (a) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

   (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and aggregating during the year to Rupees five lac or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, where such market prices are available.

6. The Company has not accepted any deposits from the public.

7. In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.

8. We have broadly reviewed the records, including the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of Company's products and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

9. (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us and as per the books and records examined by us, there are no arrears of undisputed statutory dues outstanding as on the date of balance sheet for a period exceeding six months from the date they became payable.

   (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of statutory dues of the specified status as at the end of the year, which have not been deposited on account of a dispute are referred to in Annexure 'B'.

10. The accumulated losses of the Company at the end of the financial year are less than fifty percent of its net worth. The Company has not incurred any cash loss in the current and immediately preceding financial year.

11. According to the information and explanations given to us and as per the books and records examined by us, the Company has not defaulted in repayment of dues to any financial institution or bank.

12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. Provisions of the order applicable to chit funds, nidhi, mutual benefit fund / societies are not applicable to the Company.

14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

15. According to the information and explanations given to us and as per the books and records examined by us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

16. In our opinion, and according to the information and explanations given to us, the term loans raised during the year by the Company have been applied for the purpose for which the said loans were obtained, where such end use has been stipulated by the lender.

17. According to the information and explanations given to us and as per the books and records examined by us, as on the date of balance sheet, the funds raised by the Company on short term basis have not been applied for long term investments.

18. During the year the Company has made preferential allotment of equity shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956. These shares have been issued at a price determined in accordance with SEBI (Disclosure and Investor Protection) Guidelines, 2000 and which is not prejudicial to the interests of the Company.

19. The Company has not issued any debentures.

20. The Company has not raised any money by way of public issue, during the year.

21. Based on our examination of the books and records of the Company and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For Doogar & Associates
Chartered Accountants

Mukesh Goyal
Partner
Membership No.81810

For Ashim & Associates
Chartered Accountants

Ashim Agarwal
Partner
Membership No.84968

Noida (U.P.)
25th April, 2006

ANNEXURE 'B' TO AUDITORS' REPORT

Referred to in Paragraph 9 (b) of Annexure 'A' a statement on the matters specified in the Companies (Auditors' Report) Order, 2003 of Maral Overseas Limited for the year ended 31st March, 2006

Name of the Statute	Nature of Dues	Amount Rs in lac	Forum where the dispute is pending
Income Tax Act	Disputed regular Income Tax demands	8.35	Income Tax Tribunal
Income Tax Act	Disputed regular Income Tax demands	65.80	CIT (Appeals)
Central Sales Tax Act	Non submission of relevant statutory forms	0.64	Assistant Commissioner of Sales Tax
	Non submission of relevant statutory forms	31.00	Deputy Commissioner of Sales Tax (Appeals)
Central Excise Act	Removal of samples	9.61	CESTAT
	Duty on returned fabric	0.94	CESTAT
Madhya Pradesh Upkar Adhiniyam	Cess on captive power consumption	195.15	High Court

BALANCE SHEET AS AT 31ST MARCH, 2006

	SCHEDULE		As at 31.03.2006 Rs / lac		As at 31.03.2005 Rs / lac
SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1	**2,175.80**		2,053.28	
Reserves & Surplus	2	**6,497.10**		5,957.60	
			8,672.90		8,010.88
Loan Funds					
Secured	3	**20,339.63**		14,830.82	
Unsecured	4	**500.00**		340.70	
			20,839.63		15,171.52
Deferred Tax Liability			**1,127.20**		1,451.29
TOTAL			**30,639.73**		24,633.69
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		**33,739.11**		28,620.22	
Less: Depreciation & Impairment		**16,145.19**		14,902.20	
Net Block		**17,593.92**		13,718.02	
Capital Work in Progress		**917.46**		896.75	
			18,511.38		14,614.77
Investments	6		**11.91**		17.76
Current Assets, Loans & Advances	7				
Inventories		**9,202.87**		6,644.64	
Sundry Debtors		**1,737.79**		2,404.62	
Cash & Bank Balances		**297.06**		302.93	
Loans & Advances		**2,740.84**		2,338.06	
		13,978.56		11,690.25	
Less: Current Liabilities & Provisions	8				
Liabilities		**1,705.36**		1,566.68	
Provisions		**209.50**		195.16	
		1,914.86		1,761.84	
Net Current Assets			**12,063.70**		9,928.41
Miscellaneous Expenditure	9				
(to the extent not written off or adjusted)			**52.74**		72.75
TOTAL			**30,639.73**		24,633.69
NOTES ON ACCOUNTS	16				

As per our report of even date

For Doogar & Associates
Chartered Accountants

Mukesh Goyal
Partner
Membership No.81810

For Ashim & Associates
Chartered Accountants

Ashim Agarwal
Partner
Membership No. 84968

Ravi Jhunjhunwala
Chairman

Shekhar Agarwal
Managing Director

P.S. Puri
Chief Financial Officer

Rajat Prothi
Company Secretary

Noida (U.P.)
25th April, 2006

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

	SCHEDULE		Year Ended 31.03.2006 Rs / lac		Year Ended 31.03.2005 Rs / lac
Income					
Gross Turnover	10	**24,765.57**		25,158.30	
Less: Excise Duty		**242.69**		294.18	
Net Turnover			**24,522.88**		24,864.12
Other Income	11		**570.66**		493.78
Increase / (Decrease) in Stocks	12		**935.74**		1,154.81
			26,029.28		26,512.71
Expenditure					
Materials	13		**`12,903.83**		13,770.15
Operating & Other Expenses	14		**10,494.93**		9,889.49
Financial Expenses	15		**1,209.02**		1,021.61
			24,607.78		24,681.25
Profit / (Loss) Before Depreciation & Amortisation			**1,421.50**		1,831.46
Depreciation & Amortisation			**1,646.24**		1,825.44
Profit / (Loss) before Taxation			**(224.74)**		6.02
Profit from continuing operations before tax (see note 10 of Schedule 16)		**(66.95)**		104.87	
Taxation – Current		**–**		–	
– Deferred		**271.75**		64.61	
– Adjustment for earlier years		**(3.00)**		–	
– Fringe Benefits Tax		**(46.19)**		–	
Profit from continuing operations after tax - (a)		**155.61**		169.48	
(Loss) from discontinuing operation before tax (see note 10 of Schedule 16)		**(157.79)**		(98.85)	
Taxation – Current		**–**		–	
– Deferred		**52.34**		38.33	
– Fringe Benefits Tax		**(0.72)**		–	
(Loss) from discontinuing operation after tax - (b)		**(106.17)**		(60.52)	
Profit / (Loss) After Taxation (a + b)			**49.44**		108.96
Balance brought forward from previous year			**(1,552.05)**		(1,661.01)
Balance Carried to Balance Sheet			**(1,502.61)**		(1,552.05)
Earnings Per Share (Equity shares, par value Rs 10/- each)					
Basic			**0.23**		0.53
Diluted			**0.23**		0.47
NOTES ON ACCOUNTS	16				

As per our report of even date

For Doogar & Associates
Chartered Accountants

Mukesh Goyal
Partner
Membership No.81810

For Ashim & Associates
Chartered Accountants

Ashim Agarwal
Partner
Membership No. 84968

Ravi Jhunjhunwala
Chairman

Shekhar Agarwal
Managing Director

P.S. Puri
Chief Financial Officer

Rajat Prothi
Company Secretary

Noida (U.P.)
25th April, 2006

1. Share Capital		As at 31.03.2006 Rs / lac	As at 31.03.2005 Rs / lac
Authorised			
3,00,00,000	Equity Shares of Rs 10/- each	**3,000.00**	3,000.00
25,00,000	Cumulative Redeemable Preference Shares of Rs 100/- each	**2,500.00**	2,500.00
		5,500.00	5,500.00
Issued, Subscribed & Paid-up			
21,758,000	(Previous year 2,05,32,837) Equity Shares of Rs 10/- each fully paid up	**2,175.80**	2,053.28
		2,175.80	2,053.28

Note: During the year 12,25,163 Equity Shares of Rs 122.52 lac were issued to the promoters in accordance with SEBI (Disclosure and Investor Protection) Guidelines, 2000.

2. Reserves and Surplus	As at 31.3.2005 Rs / lac	Additions Rs / lac	Deductions Rs / lac	As at 31.3.2006 Rs / lac
Capital Reserve	123.48	–	–	**123.48**
Capital Redemption Reserve Account	2,000.00	–	–	**2,000.00**
Share Premium Account	2,100.00	490.06	–	**2,590.06**
General Reserve	3,286.17	–	–	**3,286.17**
Profit & Loss Account	(1,552.05)	49.44	–	**(1,502.61)**
	5,957.60	539.50	–	**6,497.10**

3. Secured Loans		As at 31.3.2006 Rs / lac		As at 31.3.2005 Rs / lac
From Financial Institutions & Banks				
Rupee Term Loans	**10,402.24**		7,954.21	
Foreign Currency Term Loans	**2,410.18**		1,894.74	
		12,812.42		9,848.95
From Banks				
For Working Capital		**7,527.21**		4,981.87
		20,339.63		14,830.82

Notes

1. Term loans of Rs 11,423.05 lac are secured by a first charge on all the present and future immovable properties (except those situated in the State of Jammu & Kashmir) of the Company and hypothecation of movable assets (except book debts) ranking pari-passu, subject to prior charges in favour of the Company's bankers on stocks of raw material, semi-finished and finished goods, consumable stocks and book debts for availing working capital facilities.
2. Term loans of Rs 1,389.37 lac are secured by a first charge on all the movable \ immovable properties (save & except book debts) of the Company's Jammu unit, both present and future, subject to prior charges created in favour of the Company's bankers to secure borrowings for working capital for the Jammu unit.

3. Term Loans repayable in next 12 months Rs 2,671.91 lac (Previous Year - Rs 1,089.53 lac).

4. Working capital facilities from banks are secured by way of hypothecation of stock in trade, stores (excluding machinery spares) and book debts.

   In respect of facilities, other than those related to the Company's Jammu unit, these are further secured by second pari-passu charge on all the immovable properties of the Company (other than the properties in respect of the Company's Jammu unit).

   In respect of working capital facilities from banks for the Company's Jammu unit these are further secured by second charge on the properties of the Company's Jammu unit.

4. **Unsecured Loans**	**As at 31.3.2006 Rs / lac**	As at 31.3.2005 Rs / lac
From Corporate	**500.00**	340.70
	500.00	340.70

5. Fixed Assets (Rs / lac)

	Particulars	***Gross Block*** As at 1.4.2005	Additions during the year	Sale/ Adj.	***As at 31.3.2006***	***Depreciation, Impairment & Amortisation*** As at 1.4.2005	For the year	Sale/ Adj.	Impairment	***As at 31.03.2006***	***Net Block*** ***As at 31.03.2006***	As at 31.03.2005
A	***Fixed Assets***											
	Land – Lease Hold	41.69	30.66	–	***72.35***	3.73	0.75	–	–	***4.48***	***67.87***	37.96
	– Free Hold	32.48	–	–	***32.48***	–	–	–	–	–	***32.48***	32.48
	Buildings	4,441.53	661.73	–	***5,103.26***	1,064.10	127.18	–	–	***1,191.28***	***3,911.98***	3,377.43
	Plant & Machinery	22,533.08	4,774.11	132.66	***27,174.53***	12,845.90	1,355.57	126.62	–	***14,074.85***	***13,099.68***	9,687.18
	Furniture & Office Equip.	568.64	35.63	154.72	***449.55***	399.21	28.76	152.71	–	***275.26***	***174.29***	169.43
	Vehicles	257.47	34.14	26.84	***264.77***	131.33	36.93	20.76	–	***147.50***	***117.27***	126.14
	Livestock	2.34	–	–	***2.34***	–	–	–	–	–	***2.34***	2.34
B	***Intangibles***											
	Software	642.99	–	3.16	***639.83***	357.93	97.05	3.16	–	***451.82***	***188.01***	285.06
	Trade Marks	100.00	–	100.00	–	100.00		100.00	–	–	–	–
	Total (A + B)	28,620.22	5,536.27	417.38	***33,739.11***	14,902.20	1,646.24	403.25	–	***16,145.19***	***17,593.92***	13,718.02
C	***Capital Work in Progress***											
	Buildings										***113.41***	93.94
	Plant & Machinery										***20.19***	199.60
	Capital Advances (Unsecured, Considered good)										***597.51***	513.26
	Pre-operative Expenses pending allocation										***186.35***	89.95
	Total (C)										***917.46***	896.75
	Grand Total	28,620.22	5,536.27	417.38	***33,739.11***	14,902.20	1,646.24	403.25	–	***16,145.19***	***18,511.38***	14,614.77
	Previous Year	28,104.07	610.37	94.22	***28,620.22***	12,635.48	1,825.44	60.01	501.29	***14,902.20***	***14,614.77***	

Note: Buildings include Rs 0.02 lac paid for acquiring shares in housing society.

		As at 31.3.2006 Rs / lac	As at 31.3.2005 Rs / lac
6. Investments			
Quoted			
A. Long Term			
75,000	Equity Shares of Rs 10/- each fully paid of Bhilwara Spinners Limited	**15.00**	15.00
B. Others			
7,700	Equity Shares of Rs 10/- each fully paid of BPL Engineering Limited	**5.78**	5.78
560	Equity Shares of Rs 100/- each fully paid of State Bank of Bikaner & Jaipur	**3.02**	3.02
		23.80	23.80
Less: Provision for diminution in value of Investments		**11.89**	6.04
		11.91	17.76

Notes:

1. Market value Rs 32.21 lac (Previous Year - Rs 22.88 lac).
2. None of the Investments are trade investments.

7. Current Assets, Loans & Advances				
INVENTORIES				
(At lower of cost or net realisable value)				
Raw Materials	**4,615.92**		3,211.37	
Packing Materials	**4.64**		12.78	
Stores and Spares	**309.45**		202.24	
Dyes & Chemicals	**86.14**		62.44	
Embellishments	**204.13**		108.96	
Finished goods	**3,145.29**		2,123.03	
Stock in process	**825.60**		915.00	
Waste	**11.70**		8.82	
		9,202.87		6,644.64
SUNDRY DEBTORS (Unsecured, Considered good)				
Due over six months	**157.49**		81.28	
Others	**1,580.30**		2,323.34	
	1,737.79		2,404.62	

		As at 31.3.2006 Rs / lac		As at 31.3.2005 Rs / lac
Considered doubtful				
Due over six months	**58.93**		58.91	
	1,796.72		2,463.53	
Less: Provision for doubtful debts	**58.93**		58.91	
		1,737.79		2,404.62
CASH & BANK BALANCES				
Cash,Cheques & Stamps in hand	**201.48**		70.52	
Balances with Scheduled Banks in:				
Current Account	**35.57**		174.27	
Deposit Account #	**27.60**		24.41	
Margin Money Account #	**6.27**		0.27	
Dividend Account	**21.02**		27.88	
Savings Bank Account (Employees' Security Deposit)	**5.11**		5.57	
Post Office Saving Account	**0.01**		0.01	
		297.06		302.93
# Includes pledged with : Government Departments Rs 3.33 lac (Previous Year Rs 2.19 lac) Bank as Margin Rs 8.82 lac (Previous Year Rs 1.20 lac)				
LOANS AND ADVANCES (Unsecured, considered good)				
Advances recoverable in cash or				
in kind or for value to be received	**2,482.36**		2,206.94	
Excise and other deposits	**258.48**		131.12	
		2,740.84		2,338.06
		13,978.56		11,690.25
8. Current Liabilities & Provisions				
CURRENT LIABILITIES				
Trade Creditors	**609.07**		649.73	
Advance from customers	**145.55**		114.90	
Other Liabilities	**888.25**		739.06	
Unclaimed Dividend *	**21.02**		27.88	
Interest accrued but not due	**41.47**		35.11	
		1,705.36		1,566.68

* Investor Education & Protection Fund shall be credited by these amounts.

		As at 31.3.2006 Rs / lac		As at 31.3.2005 Rs / lac
PROVISIONS				
For Gratuity & other employee benefits	**184.02**		184.22	
For Taxation	**9.52**		9.52	
For Fringe Benefit Tax	**14.47**		–	
For Wealth Tax	**1.49**		1.42	
		209.50		195.16
		1,914.86		1,761.84

	As at 31.3.2006 Rs / lac	As at 31.3.2005 Rs / lac
9. Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Deferred Revenue Expenses		
(Premium paid on resetting of interest rate on term loans)	**52.74**	72.75
	52.74	72.75

	Year Ended 31.3.2006 Rs / lac	Year Ended 31.3.2005 Rs / lac
10. Turnover		
Export Sales	**17,871.93**	18,375.42
Deemed Export Sales	**307.35**	177.95
Domestic Sales	**4,760.02**	4,501.06
Domestic Waste Sales	**1,380.99**	1,361.05
Job Charges	**67.03**	123.42
Export Incentives	**378.25**	619.40
	24,765.57	25,158.30
11. Other Income		
Insurance and Other Claims	**170.34**	140.76
Exchange Fluctuation	**106.85**	0.86
Miscellaneous Income	**270.46**	340.29
Dividend on Investment	**0.56**	0.56
Profit on sale of fixed assets	**22.45**	11.31
	570.66	493.78

		Year Ended 31.3.2006 Rs / lac		Year Ended 31.3.2005 Rs / lac
12. Increase / (Decrease) in Stocks				
Stock in Trade (At close)				
Finished Goods	**3,145.29**		2,123.03	
Stock in Process	**825.60**		915.00	
Waste	**11.70**		8.82	
		3,982.59		3,046.85
Stock in Trade (At opening)				
Finished Goods	**2,123.03**		1,224.92	
Stock in Process	**915.00**		655.42	
Waste	**8.82**		11.70	
		3,046.85		1,892.04
		935.74		1,154.81

		Year Ended 31.3.2006 Rs / lac		Year Ended 31.3.2005 Rs / lac
13. Purchases & Materials Consumed				
Purchases		**2,441.70**		2,736.30
Raw Material Consumed				
Stock at opening	**3,211.37**		4,872.47	
Purchases	**9,223.52**		7,532.66	
Less: Cotton Sold	**1.35**		169.66	
Less: Stock at close	**4,615.92**		3,211.37	
		7,817.62		9,024.10
Packing Materials		**451.59**		350.96
Dyes & Chemicals		**1,007.31**		631.18
Embellishments		**1,019.48**		814.55
Stores		**166.13**		213.06
		12,903.83		13,770.15

			Year Ended 31.3.2006 Rs / lac		Year Ended 31.3.2005 Rs / lac
14. Operating & Other Expenses					
Salaries, Wages & Benefits					
Salaries, Wages, Bonus & Gratuity etc.	**3,460.37**			3,101.54	
Contribution to Provident Fund, ESI etc	**289.97**			282.99	
Employee Welfare & Other Expenses	**116.23**			138.23	
			3,866.57		3,522.76
Job Charges			**1,470.29**		1,006.66
Power & Fuel			**1,704.45**		1,380.25
Repairs & Maintenance					
Machinery (including spares)	**499.48**			552.92	
Building	**24.09**			42.26	
Others	**88.28**			78.31	
			611.85		673.49
Insurance Charges			**165.03**		169.44
Rent			**119.09**		132.84
Rates & Taxes			**31.42**		36.98
Travelling & Conveyance			**216.62**		229.11
Managerial Remuneration (including sitting fee)			**19.62**		4.58
Miscellaneous Expenses			**618.44**		565.31
Exchange Fluctuation			**–**		335.38
Freight & Forwarding			**1,008.62**		1,087.10
Commission / Claims			**414.35**		437.62
Other Selling Expenses			**132.05**		149.02
Cost of Export Entitlements			**–**		9.90
Provision for doubtful debts			**0.20**		6.69
Loss on sale of fixed assets			**0.16**		2.26
Excise Duty			**84.66**		9.56
Wealth Tax			**1.50**		1.54
Amortisation of Deferred Revenue Expenses			**30.01**		129.00
			10,494.93		9,889.49

		Year Ended 31.3.2006 Rs / lac		Year Ended 31.3.2005 Rs / lac
15. Financial Expenses				
Interest				
On Term Loans	**626.91**		592.43	
On Working Capital	**407.60**		222.41	
Others	**22.49**		48.37	
	1,057.00		863.21	
Less: Interest Income (T.D.S. Rs 0.58 lac Previous Year Rs 0.90 lac)	**16.50**		3.01	
		1,040.50		860.20
Bank charges & other financial expenses		**168.52**		161.41
		1,209.02		1,021.61

16. Accounting Policies & Notes on Accounts

A. Accounting Policies

1) Revenue Recognition

i) The accounts of the Company are prepared under the historical cost convention and in accordance with the applicable accounting standards.

ii) Income is accounted for on accrual basis in accordance with Accounting Standard (AS) 9 - "Revenue Recognition."

iii) Sale is recognised on dispatch to customer.

iv) Insurance and other claims are recognised in accounts on lodgment to the extent these are measurable with reasonable certainty of acceptance. Excess / shortfall is adjusted in the year of receipt.

2) Inventories

Inventories are valued at lower of cost, computed on a weighted average basis, and estimated net realisable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Finished goods and work-in-progress include costs of conversion and other costs in bringing the inventories to their present location and condition.

3) Investments

Long term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management. The current investments are stated at lower of cost or quoted / fair value computed categorywise.

4) Fixed & Intangible Assets

i) Fixed assets are stated at historical cost less provision for impairment losses, if any, depreciation, amortisation and after adjustments on account of foreign exchange fluctuation in respect of changes in rupee liability of foreign currency loans used for acquisition of fixed assets.

ii) Borrowing costs eligible for capitalisation incurred, in respect of acquisition / construction of a qualifying asset, till the asset is substantially ready for use, is capitalised as part of the cost of that asset.

iii) Pre-operative, trial run and incidental expenses relating to the projects are carried forward to be capitalised and apportioned to various assets on commissioning of the project.

iv) Intangible assets are recognised on the basis of recognition criteria as set out in Accounting Standard (AS) 26 - "Intangible Assets."

5) Depreciation & Amortisation

Depreciation & Amortisation for the year has been accounted on the following basis:

i) Plant & machinery, building & other assets, on straight line method at the rates specified in Schedule XIV to The Companies Act, 1956 (Also refer note no. 4 of this Schedule-Notes on Accounts).

ii) Vehicles, on written down value method at the rates specified in Schedule XIV to The Companies Act, 1956.

iii) Leasehold land is amortised over the period of lease.

iv) Free hold land and live stock are not depreciated.

v) Assets costing upto Rs 5,000 are fully depreciated in the year of purchase.

vi) Software costs are amortised at the rate applicable for computers specified in Schedule XIV to The Companies Act, 1956, which is a fair representation of the period of time over which the asset is expected to be used.

vii) In the case of assets where an impairment loss is recognised, the revised carrying amount is depreciated over the remaining estimated useful life.

6) Impairment of Assets

Specified assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount being the higher of the asset's net selling price and its value in use. Value in use is based on the present value of the estimated future cash flows relating to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash generating units).

Previously recognised impairment losses, relating to assets other than goodwill, are reversed where the recoverable amount increases because of a favourable change in the estimates used to determine the recoverable amount since the last impairment was recognised. A reversal of an asset's impairment loss is limited to its carrying amount that would have been determined (net of depreciation or amortisation), had no impairment loss been recognised in prior years.

7) Foreign Currency Transactions

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the profit and loss account except exchange differences related to acquisition of fixed assets which are adjusted in the carrying amount of the related fixed assets.

Monetary assets and liabilities denominated in foreign currencies, which are outstanding as at the year end are translated at exchange rates prevailing on the last working day of the accounting year. The resultant exchange differences (except those related to acquisition of fixed assets) are recognised in the profit & loss account.

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date as well as future transactions in respect of which either firm commitments have been made or which are highly probable forecast transactions. The premium or discount on all such contracts arising at the inception of each contract is amortised as expense or income over the life of the contract. The exchange differences on such forward contracts is accounted for being the difference between (i) the foreign currency amount of the contract translated at the exchange rate on the reporting date, or the settlement date where the transaction is settled during the reporting period, and (ii) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or expense for the period.

8) Miscellaneous Expenditure

Premium paid on resetting of interest rate on term loans is amortised over balance period of the respective loans.

9) Retirement Benefits

Contribution to provident and superannuation funds is accounted on accrual basis. Liability for gratuity and leave encashment is provided as determined on actuarial valuation.

10) Tax On Income

i) Current Corporate Tax is provided on the results for the year after considering applicable tax rates and laws.

ii) Deferred Tax is provided on timing differences between tax and accounting treatments that originate in one period and are expected to be reversed or settled in subsequent periods. Deferred Tax assets and liabilities are measured using the enacted / substantively enacted tax rates and laws for continuing operations.

Deferred Tax assets arising on account of unabsorbed depreciation and carry forward losses under tax laws, that exceed the Deferred Tax liability, are recognised only where there is virtual certainty of realisation.

Deferred Tax assets on account of other timing differences are recognised only to the extent there is reasonable certainty of realisation.

The carrying amount of Deferred Tax assets is reviewed at each balance sheet date to reassess realisation.

11) Provisions and Contingent Liabilities

Provisions are recognised for present obligations, of uncertain timing or amount, arising as a result of a past event where a reliable estimate can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where it is not probable that an outflow of resources embodying economic benefits will be required or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of resources embodying economic benefits is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, are also disclosed as contingent liabilities unless the probability of outflow of resources embodying economic benefits is remote.

B.	**Notes on Accounts**	**As at 31.3.2006 Rs / lac**	As at 31.3.2005 Rs / lac
1)	Contingent Liabilities not provided for in respect of :		
	i) Counter guarantees given in respect of Guarantees given by the Company's bankers	**176.09**	378.05
	ii) Duties & tax liabilities disputed by the Company	**455.16**	386.19
2)	Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	**5,891.81**	1,581.29
3)	Bills discounted with banks	**3,253.00**	2,391.42

4) Based on technical opinion, the Company was treating plant & machinery of spinning unit as continuous process plant and accordingly charging depreciation upto financial year 1999-2000. To keep pace with changes in technology, Company has since, revised estimated useful life of the said plant & machinery to 13 years.

Had the depreciation been provided at rates applicable for triple shift operations, the depreciation charge for the year would have been lower by Rs 90.94 lac (Previous Year - Rs 189.97 lac).

5) Miscellaneous income includes provision for diminution in value of investments written back during the year of Rs Nil (Previous Year - Rs 5.86 lac). Miscellaneous expenses include provision for diminution in value of investments made of Rs 5.85 lac (Previous Year - Rs Nil).

6) Trade creditors include outstanding dues of small scale industrial undertakings Rs 74.69 lac (Previous Year - Rs 11.46 lac). The above information regarding small scale industrial undertakings has been determined to the extent such parties have been identified by the Company, on the basis of information available with them. This has been relied upon by the auditors.

7) During the year, the Company has capitalised borrowing costs of Rs 112.81 lac (Previous Year - Rs 3.00 lac), incurred on acquisition of fixed assets. The allocation of interest on borrowings, for the purpose of capitalisation, in respect of funds borrowed and used for the purpose of obtaining a qualifying asset has been done on the basis of use of funds as per the best possible estimates.

8) a) The following were the unadjusted foreign exchange contracts & unhedged exposures as at the balance sheet date

	Category	**Purpose**	**Currency**	**As at 31.3.2006**
A	**Outstanding forward exchange contracts**			
	Exports	Hedging	USD	**1,404,877**
		Hedging	Euro	**554,458**
		Hedging	GBP	**342,732**
	Imports	Hedging	CHF	**125,000**
		Hedging	Euro	**174,000**
		Hedging	GBP	**144,000**
		Hedging	JPY	**175,000,000**
	Term loans	Hedging	USD	**3,332,909**
B	**Unhedged foreign currency exposures**			
	Term loans		USD	**2,069,272**

b) The Institute of Chartered Accountants of India has issued an announcement with regard to recognition of exchange differences, arising on a forward exchange contract entered into to hedge the foreign currency risk of a firm commitment or a highly probable forecast transaction, in the statement of profit and loss in the reporting period in which the exchange rate changes. The exchange difference on such year end outstanding foreign exchange contracts was hitherto not being accounted for.

Accordingly the Company has recognised, during the current year, an exchange gain of Rs 38.42 lac on the outstanding forward exchange contracts as at end of the year. Had such exchange gain not been recognised, profit for the year would have been lower to that extent.

9) During the year Company raised a sum of Rs 6.13 crore through private placement of equity shares on preferential basis to the promoters and utilised the same for general corporate purpose and augmenting the long term resources.

10) During May, 2005, the Board of Directors resolved disposal of the Company's retail clothing division, which is included in the 'Textile Made-up' business segment. The disposal is consistent with the Company's long-term strategy to focus in the area of manufacture of textile products with primary emphasis being on exports, and to divest unrelated activities.

The process of disposing the division has been completed during the year. As at the end of current year, the carrying amount of assets of the retail clothing division was Rs 27.60 lac (previous year Rs 328.55 lac) and its liabilities were Rs 18.58 lac (previous year Rs 83.39 lac).

The following statement shows the revenue and expenses of continuing operations and discontinuing operation:

Rs /lac

	Continuing Operations		Discontinuing Operation		Total	
	2005-06	2004-05	**2005-06**	2004-05	**2005-06**	2004-05
Net sales from operations	**24364.06**	24122.57	**158.82**	741.55	**24522.88**	24864.12
Other income	**545.52**	463.13	**25.14**	30.65	**570.66**	493.78
Total income	**24909.58**	24585.70	**183.96**	772.20	**25093.54**	25357.90
Operating expenses	**23768.21**	23461.67	**341.05**	868.60	**24109.26**	24330.27
Pre-tax profit / (loss) from operations	**1141.37**	1124.03	**(157.09)**	(96.40)	**984.28**	1027.63
Financial expenses	**1208.32**	1019.16	**0.70**	2.45	**1209.02**	1021.61
Profit / (loss) before tax	**(66.95)**	104.87	**(157.79)**	(98.85)	**(224.74)**	6.02
Provision for taxation	**(222.56)**	(64.61)	**(51.62)**	(38.33)	**(274.18)**	(102.94)
Profit / (loss) after tax	**155.61**	169.48	**(106.17)**	(60.52)	**49.44**	108.96

11) Deferred taxes

Deferred taxes arise because of difference in treatment between financial accounting and tax accounting, known as "Timing differences." The tax effect of these timing differences is recorded as "Deferred Tax assets" (generally items that can be used as a tax deduction or credit in future periods) and "Deferred Tax liabilities" (generally items for which the Company has received a tax deduction , but have not yet been recorded in the statement of income).

The principal components of the net Deferred Tax balance are as follows:

Rs / lac

	As at 31.3.2006	As at 31.3.2005
Deferred Tax liabilities		
Depreciation	**2,360.54**	2,489.67
Intangibles	**17.75**	24.48
Deferred Tax assets		
Employee benefits	**60.52**	60.59
Provisions for expenses	**66.49**	56.58
Unabsorbed depreciation and carry forward loss	**1,100.24**	923.82
Others	**23.84**	21.87
Net Deferred Tax liability	**1,127.20**	1,451.29

Based on schedule of reversal of timing differences of Deferred Tax liabilities, historical pre-tax earnings and projections for future taxable income over the periods in which the Deferred Tax assets are deductible, management believes it is more likely than not that the Deferred Tax assets would be realised.

	2005-2006 Rs / lac	2004-2005 Rs / lac
12) Auditors' remuneration		
(a) Audit Fee	**6.00**	6.00
(b) Tax Audit	**1.00**	1.00
(c) Certification	**1.41**	1.32
(d) Reimbursement of Expenses	**1.05**	1.40
13) (a) Computation of net profit in accordance with Section 198 of the Companies Act, 1956 and commission payable to Managerial Personnel.		
Profit before taxation	**–**	6.02
Add: Sitting fee to Directors	**–**	4.40
Commission to Managing Director	**–**	0.18
Provision for doubtful debts	**–**	6.69
Provision for Wealth Tax	**–**	1.54
Net Profit for Section 198 of the Companies Act, 1956	**–**	18.83
Commission @ 1% of Net Profit	**–**	0.18
(b) Managerial Remuneration		
Salary	**6.00**	–
Provident Fund Contribution	**0.72**	–
Contribution to Superannuation	**0.90**	–
Commission to Managing Director	**–**	0.18
	7.62	0.18
(c) Payments to Directors		
Sitting fee	**12.00**	4.40
	12.00	4.40

14) Lease Commitments

The Company leases space for office and other facilities under various operating leases for periods ranging between three to five years along with options that permit renewals for additional periods. The total amount recognised in the profit & loss account on account of rental expense for operating leases for the year is Rs 119.09 lac (Previous year - Rs 132.84 lac).

Future minimum commitments in respect of the operating leases that have remaining non-cancelable terms are set out below.

Rs / lac

	As at 31.3.2006	As at 31.3.2005
Within one year	**–**	0.97
Beyond one year to five years	**–**	–

15) Franchise Commitments

The Company had established retail outlets, through franchisee's, in various cities for its retail clothing division. The franchise agreements entitled the franchisee to a percentage commission on sales with a minimum assured guarantee in some cases, based on location and size of outlet. Pursuant to disposal of the retail clothing division, there were no franchise agreements outstanding as at the year end.

Summary of expense for such franchise agreements for the respective years is as follows.

Rs / lac

	2005-06	2004-05
Minimum payments	**6.25**	21.05
Other payments	**–**	98.41

16) Earnings Per Share

Basic earning per share is computed by dividing the net profit or loss for the year available to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit or loss for the year by the weighted average number of equity shares in issue, adjusted for the effect of all dilutive potential equity shares that were outstanding during the year. Dilutive potential equity shares are weighted for the period they were outstanding and are deemed converted as of beginning of the year, unless they have been issued at a later date.

The following table sets forth the computation for basic and diluted earnings per share:

Rs / lac

	2005-2006		2004-2005	
	Basic	**Diluted**	Basic	Diluted
Numerator				
Net income / (loss) for the year	**49.44**	**49.44**	108.96	108.96
Add: Interest (net of tax)	**–**	**–**	–	77.34
Net earnings / (loss) for per share calculation	**49.44**	**49.44**	108.96	186.30
Denominator				
Weighted average number of equity shares	**2,11,23,601**	**2,11,23,601**	2,05,32,837	2,05,32,837
Dilutive potential equity shares	**–**	**–**	–	1,95,07,333
Total average equivalent shares	**2,11,23,601**	**2,11,23,601**	2,05,32,837	4,00,40,170
Net Earnings / (Loss) per share (Rs)	**0.23**	**0.23**	0.53	0.47
Nominal value per share (Rs)	**10.00**	**10.00**	10.00	10.00

Potential equity options may arise only in the event of default in payment due on certain loan funds. For the current year, diluted earnings per share is the same as the basic calculation, as the inclusion of any equity options would be anti dilutive, but these options could be dilutive in future.

17) Related Party Transactions

Following information regarding related parties has been determined on the basis of criteria specified in AS-18 "Related Party Disclosures."

a) Related parties with whom transactions have taken place.

i) Group A comprises of enterprise having key management in common with the Company.

– Rajasthan Spinning & Weaving Mills Ltd. (RSWM)

ii) Group B comprises of enterprises over which the key management personnel of the Company are able to exercise significant influence

– Mayur Knits (P) Ltd.
– Raghav Knits (P) Ltd.
– Jyoti Knits (P) Ltd.
– Essay Marketing Company Ltd.

iii) Group C comprises of key management personnel and their relatives
- Mr. Shekhar Agarwal
- Mrs. Shashi Agarwal
- Mr. Shantanu Agarwal
- Ms. Shuchi Agarwal

	2005-2006	2004-2005
b) Sales to related parties (as a proportion to total turnover)		
Group A	**2.02%**	1.77%
c) Purchase of materials from related parties (as a proportion to materials consumed)		
Group A	**2.38%**	2.79%
d) Outstanding 'Due from' (as a proportion of total advances)		
Group A	**–**	4.60%
e) Outstanding 'Due to' (as a proportion of trade creditors)		
Group A	**3.96%**	–
Group B	**1.06%**	0.17%
f) Unsecured loans 'Due to' (as a proportion of total term borrowings)		
Group B	**–**	1.36%

g) The Company paid Rs 40.61 lac (Previous year - Rs 34.77 lac) as rent for space occupied by them in the corporate head quarters owned by RSWM.

h) In view of common occupation of the corporate head quarters by the Company alongwith RSWM and others, certain expenses consisting primarily of proportionate common expenses of Rs 61.01 lac (Previous year - Rs 61.19 lac) were allocated by RSWM towards Company's share. Likewise, expenses of Rs Nil (Previous year - Rs 1.04 lac) were allocated by the Company to RSWM.

i) The Company has received commission on export sales from RSWM of Rs 22.15 lac (Previous year - Rs 28.03 lac) as consideration for marketing of the latter's products in certain overseas markets.

j) There were minor recoveries of Rs 4.35 lac (Previous year - Rs 5.42 lac) towards use of the Company's testing & other facilities by RSWM.

k) The Company has taken during the year unsecured intercorporate loans of Rs Nil (Previous year Rs 138.60 lac) from group 'B' enterprises of which the sum repaid during the year was Rs 138.60 lac (Previous year Rs Nil). A sum of Rs 5.21 lac (Previous year - Rs.1.20 lac) has been paid towards interest on the same.

l) During the year Company raised a sum of Rs 612.58 lac through private placement of equity shares on preferential basis to the promoters comprising of group 'B' & 'C' parties.

m) Company has paid job charges to RSWM of Rs 59.61 lac (Previous year - Rs 26.42 lac).

n) Company has paid rent for lease of office premises to group 'C' parties of Rs 6.00 lac (Previous year - Rs Nil).

o) Company has purchased fixed assets of Rs 5.87 lac (Previous year Rs Nil) from a Group B enterprise.

p) Payment of remuneration to directors is as per note no.13 of this schedule.

18) Segment Information

The Company is currently organised into three business operating segments: Yarn, Fabric and Textile Made-ups. The Company's business segments offer different products and require different technology and marketing strategies.

Yarn, covers bought out yarn as well as production of cotton yarn over a wide range of counts, which besides being primarily exported, is also used for further value addition in fabric and garments. Fabric includes both bought out fabric as well as the value added activities relating to knitting, dyeing and processing. Textile Made-ups, comprise of made-ups (both knitted as well as woven) made for renowned international brands.

The accounting principles used in preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments and are as set out in the note on significant accounting policies.

Transfer prices for inter segment revenues are generally set on an arm's length basis and are eliminated in consolidation.

Revenue and direct expenses in relation to segments are categorised based on items that are individually identifiable or allocable on a reasonable basis to that segment. Certain corporate level revenue and expenses, besides financial costs and taxes are not allocated to operating segments and are included in "reconciliation."

Assets and liabilities represent assets (both tangible and intangible) employed in operations and liabilities owed to third parties that are individually identifiable or allocable on a reasonable basis to that segment. Assets and liabilities excluded from allocation to operating segments such as investments, corporate debt and taxes etc. are included in "reconciliation."

Segment assets employed in the Company's various business segments are all located in India. Capital expenditure includes expenditure incurred during the period on acquisition of segment fixed assets.

Geographical revenues are segregated based on location of the customer who is invoiced. North America comprises the United States of America, Canada and Mexico; Europe includes continental Europe (both the east and west), Ireland and the United Kingdom; Africa includes Mauritius; Asian continent has been segregated into the Middle East & Gulf countries while the rest of Asia, other than India has been covered under Far East & South East Asia; Rest of the World comprises all other places except those mentioned above and India.

a) Segment data Rs / lac

	Yarn	Fabric	Textile Made-ups	Reconciliation	Consolidated Total
Sales					
External	11,419	3,257	9,847	–	24,523
	(13,486)	(3,307)	(8,071)	(–)	(24,864)
Inter segment	2,322	4,398	–	(-)6,720	–
	(3,630)	(3,488)	(–)	(- 7,118)	(–)
Total revenue	**13,741**	**7,655**	**9,847**	**(-)6,720**	**24,523**
	(17,116)	**(6,795)**	**(8,071)**	**(- 7,118)**	**(24,864)**
Segment result	**1,531**	**115**	**(-) 706**	**–**	**940**
	(1,293)	**(193)**	**(-474)**	**(–)**	**(1,012)**
Other income				1	1
				(1)	(1)
Unallocated expense				(-) 39	(-) 39
				(-35)	(-35)
Financial costs				(-) 1,127	(-) 1,127
				(-972)	(-972)
Taxes				274	274
				(103)	(103)
Net profit	**1,531**	**115**	**(-) 706**	**(-) 891**	**49**
	(1,293)	**(193)**	**(-474)**	**(-903)**	**(109)**
Assets	18,502	6,693	6,773	534	32,502
	(14,376)	(4,831)	(6,609)	(505)	(26,321)
Liabilities	609	360	866	80	1,915
	(475)	(334)	(873)	(80)	(1,762)
Capital employed	**17,893**	**6,333**	**5,907**	**454**	**30,587**
	(13,901)	(4,497)	(5,736)	(425)	(24,559)
Capital expenditure	2,485	2,904	147	–	5,536
	(171)	(66)	(373)	(–)	(610)
Non Cash Expense					
Depreciation & Amortisation	865	450	331	–	1,646
	(1,114)	(414)	(297)	(–)	(1,825)
Impairment loss	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)
Other non cash expense	13	9	8	–	30
	(23)	(8)	(98)	(–)	(129)

b) Revenues from customers by geographic region

Rs / lac

Geographic Segments	Yarn	Fabric	Textile Made-ups	Total
North America	–	–	2,889	2,889
	(184)	(-)	(1,465)	(1,649)
Europe	614	99	4,236	4,949
	(909)	(386)	(3,862)	(5,157)
Gulf & Middle East	462	–	1,216	1,678
	(704)	(–)	(1,068)	(1,772)
Far East & South East Asia	3,221	1,814	450	5,485
	(3,900)	(1,337)	(88)	(5,325)
Africa	2,839	–	–	2,839
	(3,908)	(417)	(–)	(4,325)
Rest of the World	31	–	–	31
	(147)	(–)	(–)	(147)
India	4,252	1,344	1,056	6,652
	(3,734)	(1,167)	(1,588)	(6,489)
Total	**11,419**	**3,257**	**9,847**	**24,523**
	(13,486)	**(3,307)**	**(8,071)**	**(24,864)**

19) Additional information pursuant to Schedule VI to the Companies Act, 1956:

a) Capacities

	Unit	Licensed	Installed *
Spindles	Nos.	**89088** (89088)	**54528** (54528)
Knitted Fabric	MT/Annum	**7533** (7533)	**5497** (5258)
Processed Fabric	MT/Annum	**6319** (6319)	**4431** (4040)
Dyed Yarn	MT/Annum	**1000** (1000)	**1000** (–)
Readymade Garments	Lac Pcs. /Annum	**97** (97)	**79** (79)
Knitted Sweater	Lac Pcs. /Annum	**1** (1)	**1** (1)
Knitted/Woven Made-ups	Lac Pcs./Annum	**50** (50)	**–** (–)

* As certified by the Management. Since the Company's installation can technically be considered as a multi-purpose plant, its capacity is necessarily variable in line with process improvements and the product mix adopted from time to time. The figures given in relation to installed capacity, are therefore, approximate and refer to an assumed product mix.

b) Production, Turnover & Stocks

Rs / lac

		Opening Stock		Production % / Purchases		Captive Consumption	Turnover		Closing Stock	
	Unit	Qty.	Value	Qty.	Value	Qty.	Qty.	Value	Qty.	Value
Yarn	MT	462.038	540.47	13,143.727 *	–	3,655.242	9,263.748	10,145.90	686.775	742.69
		(145.565)	(178.02)	(13,194.865)	(–)	(2,678.698)	(10,199.694)	(11,991.33)	(462.038)	(540.47)
Dyed Yarn	MT	–	–	164.151	–	87.493	45.094	87.74	31.564	46.56
		(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Knitted Fabric	MT	166.423	235.82	3,574.312 #	–	3,393.408	82.757	71.51	264.570	385.86
		(96.802)	(124.26)	(2,773.219)	(–)	(2,220.338)	(483.260)	(664.95)	(166.423)	(235.82)
Processed Fabric	MT	163.075	395.23	3,240.781 ^	–	2,139.060	961.814	3,145.32	302.982	726.37
		(130.528)	(267.01)	(2,284.712)	(–)	(1,542.950)	(709.215)	(2,492.98)	(163.075)	(395.23)
Woven Fabric	Mtrs in lac	0.010	0.44	–	–	–	0.01	0.14	–	–
		(0.490)	(57.05)	(0.220) $	(–)	(0.690)	(0.01)	(0.13)	(0.010)	(0.44)
Garments / Made-ups	Lac Pcs	5.870	951.07	67.772 @	–	–	64.251	9,439.04	9.391	1,243.81
		(5.151)	(598.58)	(46.505)	(–)	–	(45.786)	(7,550.23)	(5.870)	(951.07)
Cotton / Other Waste	MT	33.749	8.82	5,472.293	–	–	5,462.685	1,430.65	43.357	11.70
		(29.040)	(11.70)	(5,071.879)	(–)	–	(5,067.170)	(1,715.86)	(33.749)	(8.82)

Notes:

		Unit	2005-2006	2004-2005
*	Includes outside production / purchases	MT	**1,356.901**	1,348.254
#	Includes outside production / purchases	MT	**724.924**	548.497
^	Includes outside processing / purchases	MT	**289.407**	197.045
$	Includes purchases	Mtrs in lac	**–**	0.220
@	Includes purchases	Lac Pcs	**0.150**	0.292

% Production excludes quantities produced for third parties under contract with the Company.

	Unit	2005-2006 Qty.	2005-2006 Value Rs / lac	2004-2005 Qty.	2004-2005 Value Rs / lac
c) Raw Material Consumed					
Cotton	MT	**16,371.131**	**7,817.62**	15,637.082	9,024.10
Yarn purchased	MT	**1,318.530**	**2,012.87**	1,294.856	1,965.03
Fabrics purchased	MT	**215.984**	**402.37**	326.892	546.48
Fabrics purchased	Mtrs in lac	**–**	**–**	0.216	22.09
			10,232.86		11,557.70
d) Value of Imports calculated on CIF basis in respect of:					
Raw Materials			**754.81**		1,034.66
Stores & Spares (including Dyes,Chemicals & Embellishments)			**2,304.24**		585.50
Capital Goods			**1,984.78**		291.92

	2005-2006 Value Rs / lac	2004-2005 Value Rs / lac
e) Expenditure in Foreign Currency		
Travelling	**31.61**	43.76
Commission and others	**281.40**	240.50
Interest	**161.33**	103.33
f) Earnings in Foreign Currency		
FOB value of Exports	**17,771.42**	17,697.76
Others (Freight, Insurance, Claims etc.)	**311.85**	792.65

	2005-2006		2004-2005	
	Value Rs / lac	**%**	Value Rs / lac	%
g) Details of imported and indigenous Raw Material & Stores consumed				
Raw Material				
– Imported	**754.81**	**7.38**	1,084.27	9.38
– Indigenous	**9,478.05**	**92.62**	10,473.42	90.62
Stores & Spares (including Dyes, Chemicals & Embellishments)				
– Imported	**47.33**	**1.86**	279.45	13.62
– Indigenous	**2,493.63**	**98.14**	1,772.95	86.38

20) a) Figures in brackets, wherever given, are in respect of previous year.

b) Previous year's figures have been regrouped and recast wherever considered necessary.

The Schedules referred to in Balance Sheet and Profit & Loss Account form an integral part of the accounts.

Signed for identification Schedule 1 to 16

For Doogar & Associates
Chartered Accountants

Mukesh Goyal
Partner
Membership No.81810

For Ashim & Associates
Chartered Accountants

Ashim Agarwal
Partner
Membership No. 84968

Ravi Jhunjhunwala
Chairman

Shekhar Agarwal
Managing Director

P.S. Puri
Chief Financial Officer

Rajat Prothi
Company Secretary

Noida (U.P.)
25th April, 2006

SCHEDULE - VI

PART - IV

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	00008255	State Code	10
Balance Sheet Date	31 03 2006		

II. Capital Raised during the year (Amount in Rupees Thousands)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	12252

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

Total Liabilities	3063973	Total Assets	3063973
Sources of Funds		**Application of Funds**	
Paid-up Capital	217580	Net Fixed Assets	1851138
Reserves & Surplus	649710	Investments	1191
Secured Loans	2033963	Net Curret Assets	1206370
Unsecured Loans	50000	Miscellaneous Expenditure	5274
Deferred Tax Liability	112720	Accumulated Losses	NIL

IV. Performance of Company (Amount in Rupees Thousands)

Net Turnover	2452288	Total Expenditure	2474762
+/- Profit/Loss before tax	- 22474	+/- Profit/Loss after tax	+ 4944
Earning per share (in Rs)	0.23	Dividend Rate (%)	NIL

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

Item Code No. (ITC Code)	Product Description
52.00	COTTON COMBED HOSIERY YARN
60.00	COTTON KNITTED FABRIC
61.00	COTTON KNITTED GARMENT

Ravi Jhunjhunwala
Chairman

Shekhar Agarwal
Managing Director

P.S. Puri
Chief Financial Officer

Noida (U.P.)
25th April, 2006

Rajat Prothi
Company Secretary

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

Rs / lac

		Year Ended 31.3.2006		Year Ended 31.3.2005
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit / (Loss) before tax		**(224.74)**		6.02
Adjustments for:				
Depreciation & Amortisation		**1,646.24**		1,825.44
Dividend received		**(0.56)**		(0.56)
Interest Cost		**1,040.50**		860.20
Unrealised Exchange Difference		**63.27**		6.06
Diminution in value of investments		**5.85**		(5.86)
(Profit) / Loss on sale of Fixed Assets (Net)		**(22.29)**		(9.05)
Miscellaneous Expenditure written off		**30.01**		129.00
Operating profit before working capital changes		**2,538.28**		2,811.25
Adjustments for				
Trade Receivables		**666.83**		(742.45)
Inventories				
Raw Material & Packing Material	**(1,396.40)**		1,655.68	
Stock in Process	**89.40**		(259.58)	
Finished Goods & Waste	**(1,025.15)**		(895.23)	
Stores, Spares & Others	**(226.08)**		112.23	
		(2,558.23)		613.10
Loans & Advances		**(410.00)**		(970.46)
Trade Payables	**139.17**		(700.89)	
Provisions	**(0.13)**		(21.55)	
		139.04		(722.44)
Deferred Revenue Expenditure		**(10.00)**		(98.44)
Cash from operating activities		**365.92**		890.56
Taxes Paid		**(35.44)**		–
Net cash from operating activities		**330.48**		890.56
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of fixed assets		**(5,443.34)**		(1,316.89)
Sale / Adjustment of fixed assets		**36.41**		43.26
Interest received		**14.99**		3.35
Dividend received		**0.56**		0.56
Net Cash used in investing activities		**(5,391.38)**		(1,269.72)
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from increase in share capital	**612.58**		–	
Receipts from Term & Other Borrowings	**7,168.19**		4,040.70	

Rs / lac

		Year Ended 31.3.2006		Year Ended 31.3.2005
Increase / (Decrease) in Short Term Bank Borrowings	**2,545.34**		(1,006.64)	
		10,326.11		3,034.06
Repayment of Term & Other Borrowings	**(4,108.69)**		(1,902.78)	
Interest Cost	**(1,164.26)**		(873.09)	
		(5,272.95)		(2,775.87)
Net Cash from financing activities		**5,053.16**		258.19
Net increase in Cash and Cash equivalents		**(7.74)**		(120.97)
Opening Cash and Cash equivalents		**244.81**		365.78
Closing Cash and Cash equivalents		**237.07**		244.81

Notes

1. Cash and cash equivalents consist of cash on hand and demand deposits with bank.
2. Cash and cash equivalents included in the cash flow statement comprise of the following amounts:

Cash, Cheques & Stamps in hand		**201.48**		70.53
Balances with bank		**95.57**		232.39
Post Office Saving Account		**0.01**		0.01
As per the Balance Sheet		**297.06**		302.93
Less: Deposits under lien	**5.88**		3.11	
Margin Money Account	**6.27**		0.27	
Unpaid Dividend Account	**21.02**		27.88	
Employees Security – Savings Account	**5.10**		5.57	
– Deposit Account	**21.72**		21.29	
		59.99		58.12
Closing cash & cash equivalents as restated		**237.07**		244.81

3. Cash flows of continuing operations and discontinuing operation are:

	Continuing Operations		Discontinuing Operation		Total	
	2005-06	2004-05	**2005-06**	2004-05	**2005-06**	2004-05
Net cash from / (used in) operating activities	**261.67**	969.23	**68.81**	(78.67)	**330.48**	890.56
Net cash from / (used in) investing activities	**(5,393.38)**	(1,269.81)	**2.00**	0.09	**(5,391.38)**	(1,269.72)
Net cash from / (used in) financing activities	**5,053.74**	260.14	**(0.58)**	(1.95)	**5,053.16**	258.19

4. Previous year's figures have been rearranged wherever necessary.

As per our report of even date

For Doogar & Associates
Chartered Accountants

Mukesh Goyal
Partner
Membership No.81810

For Ashim & Associates
Chartered Accountants

Ashim Agarwal
Partner
Membership No. 84968

Ravi Jhunjhunwala
Chairman

Shekhar Agarwal
Managing Director

P.S. Puri
Chief Financial Officer

Rajat Prothi
Company Secretary

Noida (U.P.)
25th April, 2006

FINANCIAL INDICATORS

(Rs / lac)

S.NO.	DESCRIPTION	2001-2002	2002-2003	2003-2004	2004-2005	**2005-2006**
1.	Net Turnover	25,370.97	26,574.48	23,824.32	24,864.12	**24,522.87**
2.	PBIDT	3,646.59	3,544.58	(259.03)	2,853.07	**2,630.52**
3.	Interest					
	– Long Term	697.99	766.82	681.85	592.43	**626.91**
	– Short Term	827.12	466.40	523.81	429.18	**582.11**
	– Total	1,525.11	1,233.22	1,205.66	1,021.61	**1,209.02**
4.	Depreciation	1,855.86	2,038.93	2,142.86	1,825.44	**1,646.24**
5.	PBT	265.62	272.43	(3,607.55)	6.02	**(224.74)**
6.	Provision for Income Tax	143.56	(38.42)	(1,288.27)	(102.94)	**(274.18)**
7.	PAT	122.06	310.85	(2,319.28)	108.96	**49.44**
8.	EPS (Weighted Avg.)	(0.30)	1.48	(11.30)	0.53	**0.23**
9.	Equity Capital	2,053.28	2,053.28	2,053.28	2,053.28	**2,175.80**
10.	Preference Capital	500.00	–	–	–	**–**
11.	Return on Net Worth (%) # (PAT / Net Worth)	(0.63)	3.00	(28.73)	1.37	**0.57**
12.	Interest Cover # (PBIDT-Tax) / Interest	2.15	3.17	0.83	3.25	**2.63**
13.	Debt - Equity #	0.86	0.74	1.00	1.28	**1.54**
14.	Return on Sales	0.48	1.17	(9.73)	0.44	**0.20**
1.	Total Capital Employed	24,710.77	26,523.72	23,888.26	24,560.94	**30,586.99**
2.	Net Worth	10,211.25	10,129.57	8,072.98	7,938.13	**8,620.16**
3.	Total Debt	11,386.83	13,324.72	14,034.12	15,171.52	**20,839.63**
4.	Term Debt	7,896.11	7,511.33	8,045.61	10,189.65	**13,312.42**
5.	Gross Fixed Assets	26,276.42	27,685.49	28,291.30	29,516.97	**34,656.57**

Note: # Preference Share Capital has been considered as part of debt and corresponding dividend thereon as part of financial cost.

QUANTITATIVE DATA

YEAR	YARN MT	FABRIC MT	PROCESSED FABRIC MT	GARMENT LAC PCS
PRODUCTION				
2001-2002	11587.76	3020.56	2349.42	42.47
2002-2003	12166.63	2981.52	2463.72	65.77
2003-2004	9952.95	1920.62	1678.65	42.10
2004-2005	11846.61	2224.72	2087.67	46.21
2005-2006	**11786.83**	**2849.39**	**2951.37**	**67.62**
SALES				
2001-2002	10065.68	931.76	536.13	56.38
2002-2003	11051.53	680.52	554.31	66.67
2003-2004	9738.05	622.96	818.84	45.42
2004-2005	10199.69	483.26	709.21	45.79
2005-2006	**9263.75**	**82.76**	**961.81**	**64.25**

FINANCIAL STATISTICS

CAPITAL ACCOUNT

(Rs / lac)

YEAR	CAPITAL	RESERVES	NETWORTH
2001-2002	2553.28	8270.05	10211.25
2002-2003	2053.28	8573.56	10129.57
2003-2004	2053.28	6254.29	8072.98
2004-2005	2053.28	5957.60	7938.13
2005-2006	**2175.80**	**6497.10**	**8620.16**

REVENUE ACCOUNT

(Rs / lac)

YEAR	NET SALES	OPERATING COST			PBIDT	INTEREST	DEPRECIATION	PBT	TAX	PAT
		RAW MATERIAL	PACKING COST	VALUE ADDED						
2001-2002	25,370.97	12,813.95	530.93	12,026.09	3,646.59	1,525.11	1,855.86	265.62	143.56	122.06
2002-2003	26,574.48	13,918.84	560.70	12,094.94	3,544.58	1,233.22	2,038.93	272.43	(38.42)	310.85
2003-2004	23,824.32	12,853.02	421.43	10,549.87	(259.03)	1,205.66	2,142.86	(3,607.55)	(1,288.27)	(2,319.28)
2004-2005	24,864.12	13,419.19	350.96	11,093.96	2,853.07	1,021.61	1,825.44	6.02	(102.94)	108.96
2005-2006	***24,522.88***	***12,452.24***	***451.59***	***11,619.05***	***2,630.52***	***1,209.02***	***1,646.24***	***(224.74)***	***(274.18)***	***49.44***

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, Shekhar Agarwal, Managing Director and P.S. Puri, Chief Financial Officer, of Maral Overseas Limited, hereby certify to the Board that:

(a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

  (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

  (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by Maral Overseas Limited during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) We are responsible for establishing and maintaining internal controls for financial reporting in Maral Overseas Limited and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit Committee:

  (i) Significant changes in internal control over financial reporting during the year;

  (ii) Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and

  (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

(e) We affirm that we have not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct).

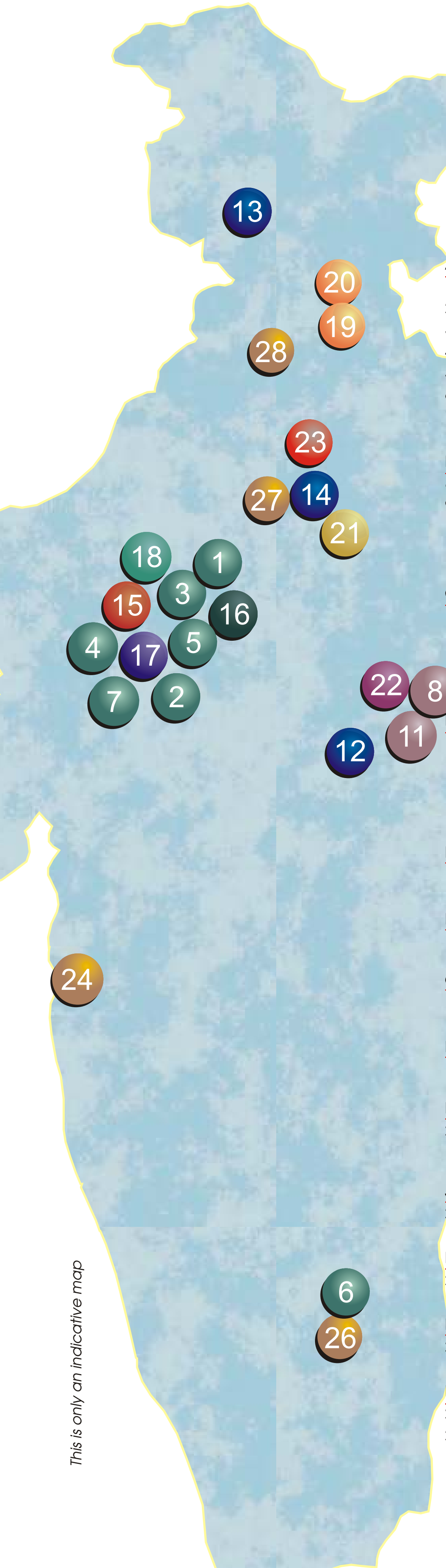
(f) We further declare that all Board members and designated senior management have affirmed compliance with the Code of Conduct for the current year.

Noida (U.P.)	**Shekhar Agarwal**	**P. S. Puri**
25th April, 2006	Managing Director	Chief Financial Officer

Notes:

LNJ Bhilwara Group

A Nationwide Presence



A. Rajasthan Spinning & Weaving Mills Ltd.

1.	*Gulabpura*	Synthetic, Regenerated Cellulosic Blended Grey, Dyed Yarn & Fabric
2.	*Banswara*	Synthetic, Regenerated Cellulosic & Cotton-blended Grey Yarn
3.	*Mandpam*	Cotton Melange Yarn, Cotton-blended Melange & Dyed Yarn
4.	*Rishabhdev*	Synthetic, Blended & Grey Yarn
5.	*Ringas*	Synthetic & Blended Dyed Yarn
6.	*Bangalore*	Apparels
7.	*Mordi*	Process House

B. HEG Ltd.

8.	*Mandideep*	Graphite Electrodes & Thermal Power
9.	*Durg*	Steel / Sponge Iron
10.	*Durg*	Waste Heat Recovery Power
11.	*Tawanagar*	Hydro Electric Power

C. Maral Overseas Ltd.

12.	*Maral Sarovar* (100% EOU)	Cotton Yarn, Cotton-knitted Fabric & Cotton Knitwear
13.	*Jammu*	Cotton-knitted Fabric Cotton Knitwear & Sweaters
14.	*Noida*	Knitwear

D. BSL Ltd.

15.	*Mandpam*	Yarn, Worsted & Synthetic Fabric, Readymade Garments & Accessories

E. Bhilwara Spinners Ltd.

16.	*Bhilwara*	Synthetic, Blended Grey & Dyed Yarn

F. Bhilwara Melba De Witte Pvt. Ltd.

17.	*Mordi - Banswara*	Specialised Automotive Fabric & Furnishing Fabric

G. Bhilwara Processors Ltd.

18.	*Mandpam*	Processing of Synthetic & Worsted Fabric, Tops Fibre Dyeing

H. Malana Power Company Ltd.

19.	*Malana (Kullu)*	Hydro Electric Power

I. AD Hydro Power Ltd.

20.	*Allain-Duhangan* (Manali)	Hydro Electric Power

J. Indo Canadian Consultancy Services Ltd.

21.	*Noida*	Power Engineering Services

K. Bhilwara Scribe Pvt. Ltd.

22.	*Bhopal*	IT-enabled Services

L. Corporate Office

23.	*Noida (NCR - Delhi)*

M. Regional / Marketing Offices

24.	*Mumbai*	25. *Kolkata*	26. *Bangalore*
27.	*Delhi*	28. *Ludhiana*	

PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL

The LNJ Bhilwara Group

Our Companies

Textiles	Graphite Electrodes / Steel / Power	Knitted Garments	Power Generation	Power Generation	Power Engineering Consultancy	Automotive Fabric	Suitings	Yarn

Our Brands

Yarn	Garments	Suitings	Fabric	Suitings

Our Partnerships

Company	Partner with	Activity
Statkraft Norfund Power Invest A.S., Norway	AD Hydro Power Ltd.	192 MW Hydroelectric Project
RSW International, Canada	ICCS Ltd.	Power Consultancy Services
International Finance Corporation, Washington	AD Hydro Power Ltd.	Equity holders in AD Hydro Power Project
De Witte Lietaer, Belgium	BMD Pvt. Ltd.	Specialised Automotive Furnishing Fabric
Tencel, UK (now **Lenzing**, Austria)	RSWM Ltd.	Tencel Yarn Spinning
Hoechst (now **Trevira CS**), Germany	RSWM Ltd.	Flame Retardant Yarn & Fabric
eScribe Inc., USA	Bhilwara Scribe Pvt. Ltd.	IT Enabled Services
Enercon (India), a subsidiary of Enercon (Germany)	BSL Ltd.	Wind Energy Project

Maral Overseas Limited

Corporate Office:
Bhilwara Towers, A-12 Sector I, Noida - 201301 (NCR Delhi), India. Tel. : +91-120-4390300. Fax : +91-120-2531648, 2531745
Website : **www.maraloverseas.com** **www.lnjbhilwara.com**