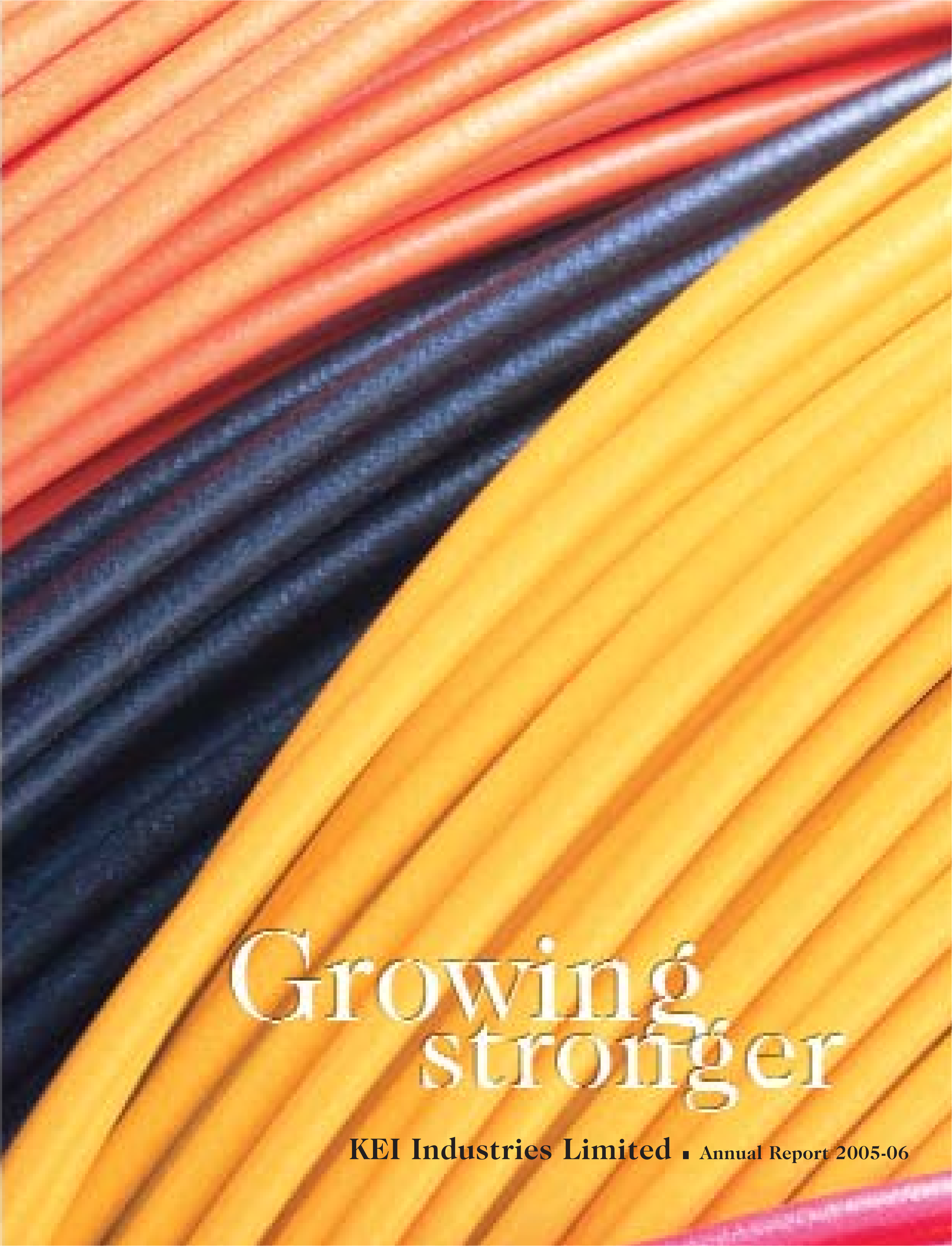


Growing stronger

KEI Industries Limited ■ Annual Report 2005-06

About us

CONTENTS

Business overview

KEI Industries Limited (hereafter referred to as KEI), which was formerly known as Krishna Electrical Industries, is an established player in the power cables segment and is the second largest power cable company in India. Manufacturing Low Tension (LT) cables since its inception, the company has recently forayed into High Tension (HT) cables and today features as the preferred supplier to a number of customers.

Product range

The company's product portfolio includes LT cables, control & instrumentation cables, specialty cables, rubber cables, flexible & house wires and HT cables addressing the myriad demands of a cross section of sectors.

Manufacturing

KEI's three manufacturing units are located in New Delhi, Bhiwadi (Alwar) and at Silvassa. KEI's combined current manufacturing capacity is 32,000 km per annum. The current capacity stands at 13,000 km per annum for LT power cables, 8,000 km per annum for control cables, 5,000 km per annum for instrumentation cables, 3,000 km per annum for rubber cables and 3,000 km per annum for HT power cables.

Quality measures

KEI's products are tested as per international standards by BRE (UK), LLOYDS REGISTER, BVQI, DNV, KVERNER POWERGAS, CPRI, SRIRAM TEST HOUSE, ERDA, IDEMI, EIL, PDIL and MECON ensuring high quality products.

Financial performance

In 2005-06, the company reported a stupendous performance with revenues of Rs. 3.4 bn and profit after tax of Rs. 260 mn, as compared to revenues of Rs. 2.30 bn and profit after tax of Rs. 83.89 mn in the previous fiscal. In the year under review, almost 90 per cent of the revenues accrued from the domestic market and the balance from exports across various countries.

Listing

KEI is listed on the National Stock Exchange, Bombay Stock Exchange as well as the Delhi and Kolkata stock exchanges. And through the Global Depository Receipts (GDR) issue is also listed on the Luxembourg stock exchange.

Corporate information

BOARD OF DIRECTORS

Mr. Anil Gupta
Chairman-cum-Managing Director

Mr. Sunil Gupta
Director

Mrs. Archana Gupta
Director

Mr. Pawan Bholusaria
Director

Mr. K.G. Somani
Director

Mr. Vijay Bhushan
Director

Mr. Vikram Bhartia
Director

Mr. Rajeev Gupta
Executive Director (Finance)

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Kishore Kunal

AUDITORS

M/s. Jagdish Chand & Co.
Chartered Accountants
New Delhi

BANKERS

DENA BANK
PUNJAB NATIONAL BANK
ING VYSYA BANK LTD.
STATE BANK OF HYDERABAD
YES BANK LTD.
ICICI BANK LTD.
BANK OF INDIA

SHARE TRANSFER AGENT

MAS SERVICES PVT. LTD.
AB-4, Safdarjung Enclave
New Delhi - 110 029.
Tel.: 011-26104142, Fax: 011-26181081

REGISTERED OFFICE

D-90 Okhla Industrial Area,
Phase-I, New Delhi - 110 020.

WORKS OFFICE

- D-90 Okhla Industrial Area, Phase-I, New Delhi - 110 020.
- SP-919-920 RIICO Industrial Area, Phase-III, Bhiwadi Dist., Alwar (Raj.) - 301 019.
- 99/2/7 Madhuban Industrial Estate, Village Rakholi, Silvassa (D&H) - 396 240.

KEI MANAGEMENT PERSONNEL

Mr. Pawan Aggarwal
Vice President

Mr. Manoj Kakkar
Vice President (Mktg)

Mr. S.K. Mohanty
Senior General Manager (Mktg)

Mr. K.C. Sharma
Senior General Manager (Works-Cable)

Mr. M. Kanak Rajan
General Manager (Mktg-South-Cable)

Mr. P.K. Ghose
General Manager (Works)

Mr. Alok Maity
General Manager (Works)

Mr. Alok Shah
Deputy General Manager (Mktg-East-Cable)

Mr. Ravi Kumar
Deputy General Manager (Mktg)

Mr. Ajit Dinesh Durve
Deputy General Manager (Mktg)

Mr. Ajay Mehra
Deputy General Manager (Works)

growing stronger

If there is one phrase that succinctly and accurately characterises the year 2005-06, it is "growing stronger".

India continues to be an ongoing success story, eclipsing the growth of almost all other countries around the world. To grow stronger, India needs world-class infrastructure facilities of which power is a critical element.

By 2012, India will need 240000 MW of power, almost twice its current capacity. Government has accorded top priority to augment India's power generation capacity, transmission and distribution network and has chalked out aggressive plans for it, setting the stage for strong demand for power cables. In economic terms, 1 MW of power entails an investment of Rs. 30-40 mn, of which cables form 2-3 per cent.

Exponential industrial expansion and power cogeneration also generates demand for power cables, be it HT, medium tension or LT cables, and accounting for an estimated 2- 2.5 per cent of the total capex. An estimated 1 per cent of the investment as the share of cables translates in a demand valued at Rs. 87.5 bn.

Economic prosperity has also augured well for Indian realty, an industry growing at 30 per cent and expected to touch USD 45-50 bn in just five years. In turn, it is expected to generate demand of Rs. 2.3 bn in power cabling.

Total demand for cables across the economy is estimated at Rs. 396.9 bn.

Against this backdrop, KEI has grown stronger by

1 rapidly converting opportunities into business, focusing on markets and geographies that offer the greatest potential for growth, targeting industry leaders who are expanding their capacities with the growing economy, reaching out to the smallest requirement of the retail customers across the country and by

2 maximising operational efficiencies, undertaking capacity expansions, entering high value segments, embarking on developing new products and niche customised offerings and by constantly monitoring and managing raw material and interest costs.

We are proud to state in our annual report 2005-06, that the multiple strategies deployed by us has helped KEI Industries not only witness a growth of 50 per cent on a Y-O-Y basis, but enabled our profitability to grow three-fold.

We believe that with the vision and strategy in place, KEI is likely to move up one notch and emerge as the largest cable company in India and evolve even stronger with a solid foundation, sturdy balance sheet and a promising future for all our stakeholders.

"Looking ahead, our business strategy remains unchanged: we continue to drive volumes and value growth by focusing on key markets, acquiring tier I customers, exploring newer opportunities in the domestic institutional and retail segment and overseas in the fast growing emerging global markets and strengthening margins through maximising efficiencies of our operations, reporting higher utilisation levels and improving our product mix."

Dear Shareholders,

The year 2005-06 has been one of the most exciting times in the corporate history of KEI, as we fortified our position as one of the leading and most versatile one-stop power cable manufacturing company in the country. While the industry grew by 10 per cent over the previous fiscal, I am proud to state that your company emerged a frontrunner and grew faster than the industry by clocking a 50 per cent growth over the FY 05 revenues with the profits increasing by more than three fold.

Your company's strong financial results are a clear testament to the company's inherent business strengths reflected in the successful expansion and restructuring of our product portfolio, opportune foray into HT power cable plant which completes the breadth of our product offerings, acquiring new orders from renowned customers who today are shaping the economic development of our country, catering to the growing retail demand, strengthening our foothold in the Gulf and never losing focus on improving profitability through a continuous monitoring of raw material and interest costs, improving utilisation levels and maximising operational efficiencies.

Business highlights

ROBUST EXPANSIONS AND EXTENSIONS

One of our biggest achievements was the successful re-engineering and conversion of the idle Jelly Filled Telecom Cables (JFTC) manufacturing capacities at the Silvassa plant to now manufacture power cables. This exercise was necessary due to the transition in the telecom sector where optical fibres were preferred to JFTC on one hand and the increased domestic demand for power cables on the other. I am happy to report that during the current year our new re-engineered plant generated revenues of over Rs. 1,000 mn for KEI, almost 30 per cent of our total revenues.

We have successfully completed setting up our HT power plant at Bhiwadi in a record time of 8 months. KEI can now manufacture high-value HT cables upto 33KV, which will help us garner higher value contracts, offer a wider product basket to our existing clients who in addition to LT cables also need a high amount of HT cables, allow us to expand our global footprints and also set the foundation to execute bit ticket EPC contracts. With the additional HT capacity and our existing capacities to manufacture LT, instrumentation, control cables, rubber cables and house wires and additionally execute customised orders, we have now become a one-stop company offering all varieties of power cables.

MAPPING SPECIALISED NEEDS

Over the years, our focused endeavour to manufacture specialised, high-end, complex, niche and customised products to the exacting needs of our valued customers has yielded fruitful results. In FY 05-06, KEI developed specialised cables for a prestigious Gas Injection project in Abu Dhabi. This order was carried out through Larsen & Toubro(L&T) and is the first of its kind

to have been imported from India. By executing this project, we have not only expanded our product bandwidth but also demonstrated our customisation and complex manufacturing capabilities. We are confident that this order will place us as a preferred vendor for specialty cables to many large customers in league with the engineering giant L&T.

KEI has also developed the technical prowess to manufacture specialised and niche cables for the wind energy sector. With the Indian government increasing thrust to generate power from renewable sources of energy such as wind power, we foresee a huge demand for cables accruing from this sector in the future. The company has already demonstrated its competence in this area explicit from the fact that it acquired and executed prestigious orders for clients like Suzlon Energy Ltd., Asia's fastest growing fully integrated wind power company and Enercon, the market leader in Germany, to name just a few.

We believe that the successful execution of such projects in the rapidly growing engineering and wind power sector credibly display KEI's ability to serve the market leaders, who themselves have strong order books and high value projects, which in turn strengthen demand for specialised cables. To further leverage on such opportunities, KEI is building additional capacities for cables required in wind power projects at its Bhiwadi plant which is likely to be operational by July 06 and would generate revenues to the tune of Rs. 800-900 mn.

RETAIL FOCUS

In addition to executing institutional orders, your company augmented its focus on retail sales where margins are higher than the institutional segment and which helps address smaller sized and regular orders. KEI is continuously strengthening its distribution network and investing in building a credible brand which coupled with the capacity expansion in Silvassa for house wires, will further boost revenues from this segment in the future.

STRENGTHENING MARGINS

During the last year, one of the biggest challenges faced by the power cable sector was the spiraling prices of copper, a key raw material. To safeguard our profitability, we put in place a team to monitor the movement of copper prices on a day-to-day basis and resorted to forward contracts for hedging purposes. To further control our cost of production, we are implementing a backward integration plan by setting up a plant to produce some of the key raw materials and compounds. This plant is expected to be operational by September 2006 and will enable us to reduce our costs significantly.

SERVICING BLUE CHIP CLIENTS

Our success for the year can be attributed to the concerted efforts of our marketing team, superior quality standards, product approvals from reputed international EPC players, top-of-the-line power generation and distribution companies and other renowned manufacturing companies, timely delivery schedules and the unmatched service to our customers. This has resulted in your company receiving orders from an enviable list of clients such as Suzlon, L&T, BHEL, NTPC, Essar and Jindal Power. These clients between them contributed approximately 25 per cent to the company's revenues. KEI has also been able to maintain its existing clients and receive high quantum of repeat orders from them. In the overseas market, your company added a new customer Areva, one of the world's leading transmission and distribution companies with customers in over 100 countries to whom KEI is the single source vendor, and has also secured orders valued at Rs. 100 mn from the UAE markets.

> 'Capacity expansion, entry into the high volume, high value HT segment and restructuring of our product portfolio has been the cornerstone of our long-term growth and we have made significant strides in this area.'

Future outlook

As we look forward to FY 06-07, we believe that the future is positive and strong. We foresee a huge demand for power cables due to the increased government thrust on the core sectors of the economy such as the power and infrastructure development, coupled with proposed industrial expansions in various sectors and the housing sector boom have together created a strong outlook. We are confident that KEI's recently completed expansion will help us make the most of these opportunities, further strengthen our position in the domestic power cables industry and emerge as a complete solution company by virtue of undertaking EPC projects, right from cables to turnkey basis for sub-stations, grid designing and distribution. To expand our global footprints, KEI is also planning to adopt the inorganic route by acquiring units in the European countries as units in these countries are closing down due to high operational costs. With capacity expansions completed, we are further looking at doubling revenues from the international market.

Today, our order book stands at a healthy Rs. 1000 mn to be executed in the first quarter of FY 06-07 and for FY 07-08, we have set an ambitious target of increasing our revenues by more than threefold.

Conclusion

In conclusion, we would like to express our gratitude to our customers, our employees and all stakeholders for the continued support and confidence and for sharing our vision and helping us realise it.

Thus, with the future bright; the vision clear, the strategy in place, and execution remaining our daily responsibility. We welcome the responsibility to take KEI to an entirely new level in the years to come, and look forward to another exciting year of milestones and success.

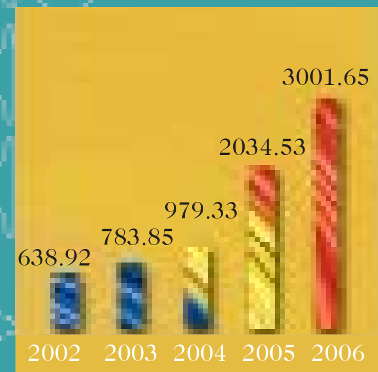
Anil Gupta
Chairman-cum-Managing Director

5 years summary

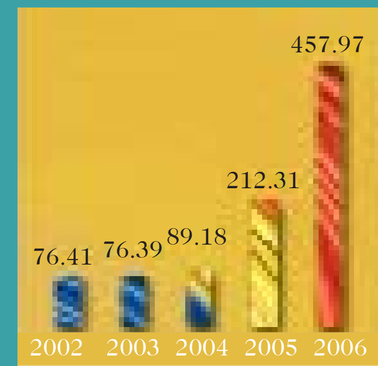
Rs. in mn

	31.03.02	31.03.03	31.03.04	31.03.05	31.03.06
PAID UP CAPITAL	79.20	79.20	79.20	79.20	100.93
CAPITAL EMPLOYED	324.17	339.95	338.46	526.53	1379.90
SALES	711.43	869.47	1086.38	2302.29	3413.50
LESS: EXCISE DUTY	72.51	85.62	107.05	267.76	411.84
NET SALES	638.92	783.85	979.33	2034.53	3001.65
PBDIT	76.41	76.39	89.18	212.31	457.97
PBIT	63.43	59.19	71.63	192.46	431.07
PBT	25.32	10.07	15.59	123.93	336.48
PAT	17.01	7.46	8.93	83.90	260.07
EPS (Rs.)	2.67	0.94	1.13	10.59	28.60
PROFITABILITY RATIOS					
PBDIT	11.96	9.75	9.11	10.44	15.26
PBIT	9.93	7.55	7.31	9.46	14.36
PBT	3.96	1.28	1.59	6.09	11.21
PAT	2.66	0.95	0.91	4.12	8.66
ROCE (PAT/CAP. EMP.)	5.25	2.19	2.64	15.93	18.85
GROWTH RATIOS					
NET SALES	-0.04	22.68	24.94	107.75	47.54
PBDIT	8.11	-0.03	16.74	138.07	115.71
PBIT	5.54	-6.68	21.02	168.69	123.98
PAT	-22.54	-56.14	19.71	839.53	209.98
CAPITAL EMPLOYED					
FIXED ASSETS	254.94	278.95	274.24	288.81	804.66
CURRENT ASSETS	370.96	525.65	619.29	1108.61	2003.60
LESS: CURRENT LIABILITIES	159.02	279.78	346.73	629.77	991.43
LESS: BANK BORROWING	115.42	155.76	173.85	203.10	377.02
LESS: DEFERRED TAX LIABILITY	27.29	29.11	34.49	38.02	59.86
CAPITAL EMPLOYED	324.17	339.95	338.46	526.53	1379.90

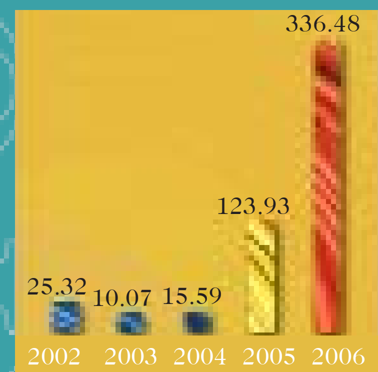
growing



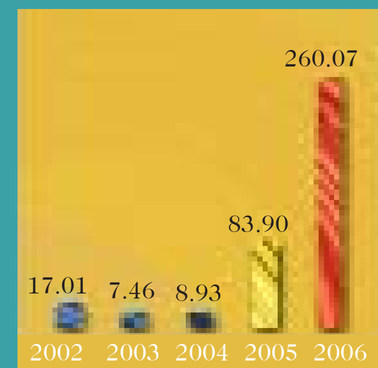
Net Sales (Rs. mn)



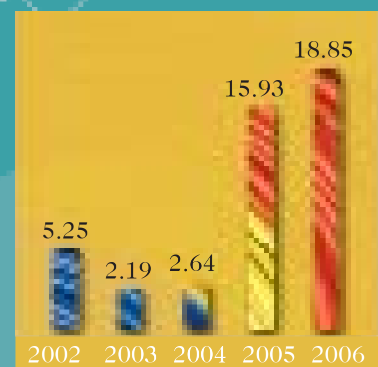
PBDIT (Rs. mn)



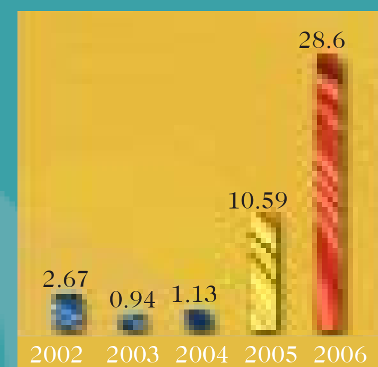
PBT (Rs. mn)



PAT (Rs. mn)



ROCE (%)



EPS (Rs.)

Growing stronger with emerging opportunities

growing stronger

A quick look into the opportunities and factors likely to fuel a consistent, sustainable and long-term demand for cables.

Increase in power generation capacity, transmission and distribution spending coupled with, industrial expansion, the housing sector boom in the country and the increased construction opportunities unfolding overseas especially in the Gulf region are likely to result in increased demand for cables.

1

EXPANSION OF POWER GENERATION CAPACITIES

In order to bridge the demand supply short fall and foster economic growth the government has accelerated the power reforms process to modernize its generation capacity.

- The power generating capacity in India at the end of FY 05 stood at 1,22,275 MW (excluding captive capacities of around 25,000 MW). This capacity is far below the required demand and it is estimated that the peak demand deficit in the country is currently around 12.2 per cent.
- In order to meet this shortfall, the government plans to augment the power generation capacity by 1,50,000 MW (1,00,000 MW thermal capacity and 50,000 MW hydro capacity) over the next decade.
- As per the 11th plan, the government is likely to increase the country's power generation capacity by 62,000 MW which is likely to entail an investment of Rs. 2488 bn.

OPPORTUNITY FOR KEI

- Cables account for nearly 3-3.5 per cent of the total project generation cost. This means that for every MW of generation capacity added, additional demand for power cables would be between Rs. 1.2 mn to Rs. 1.4 mn, over and above the replacement demand. Translating into a cumulative demand for Rs. 120 bn for cables over the next 7 years.

DISTRIBUTION AND TRANSMISSION

Power distribution is the backbone of power sector reforms in the country. Out of the total power generated in the country, hardly 66 per cent is utilised due to inefficient transmission and distribution, further adding to the power shortages.

- The country's transmission perspective plan for 10th and 11th plan focuses on the creation of a National Grid in a phased manner by adding over 60,000 ckm of Transmission Network by 2012. Such an integrated grid shall evacuate additional 1,00,000 MW by the year 2012 and carry 60 per cent of the power generated in the country.

- In order to reduce T&D losses and increase the investment in transmission and distribution the government is increasingly seeking private sector participation. Privatisation has already been initiated in Delhi and many states like Uttar Pradesh, Gujarat and Maharashtra may follow the suit.

- It is estimated that if 62,000 MW power generation capacity is to be added, the investment in transmission is estimated to be around Rs. 1,244 bn and while the investment in distribution sector is pegged at Rs. 500 bn. (as per the 11th plan)

OPPORTUNITY FOR KEI

Power transmission

The investment in developing the transmission sector would lead to an increased demand for development and construction of new transmission towers and conductors, which in turn would augment the demand for power cables (estimated to be around 3-3.5 per cent of the project cost). Assuming the demand for cables in such projects is 2 per cent of investment, it translates into an opportunity valued at Rs. 25.3 bn

Power distribution

In the entire value chain of power generation, transmission and distribution - the power distribution segment is the largest consumer of power cables. It is estimated that the share of power cables in a power distribution project is around 30-40 per cent. On a conservative note, even if the demand for cables is assumed at 12.5 per cent of distribution spending it translates into Rs. 137.5 bn.

3

INDUSTRIAL EXPANSION

Ongoing economic progress has lead to industries across various sectors operating at full capacity leading to rapid expansion in the form of building new factories and manufacturing units which would require power cables, be it high tension, medium tension or low tension in turn fuelling demand for power cables in future.

- Large-scale industrial expansion plans have been announced across different sectors right from steel, cement, fertilizers, petrochemicals, oil and gas, mining and more.
- Co-generation is another important driver of growth, especially since large steel, aluminum, cement, oil and gas companies are increasingly moving towards captive power generation for reliability, assured and uninterrupted power supply and to curtail electricity costs.

OPPORTUNITIES FOR KEI

The investment in cables in the industrial sector is estimated at 2-2.5 per cent of the total capex and on a conservative basis assuming that the share of cables forms 1 per cent of the investment it translates in a demand valued at Rs. 87.5 bn.

4

BOOMING REALTY SECTOR

India's dynamic real estate sector is emerging as one of the fastest growing sectors and contributors to the country's GDP, with the potential to grow from the current USD 12 bn to over 45-50 bn in just five years, vaulting at a rate of 30 per cent per annum.

- The demand in real estate sector from India Inc across various sectors is likely to ensure sustained long-term demand at over 14.5 per cent per annum or approximately 20 mn sq. ft. per annum over the next three years.
- A per the estimates of the 10th five year plan, a huge demand supply gap exists in the residential sector - an estimated prevailing shortage of 22.4 mn houses.
- A wave of consumerism is currently sweeping the country and an estimated 46 mn sq. ft. are being added for malls and multiplexes in the country out of which 32 mn sq. ft. is spread over across seven major Indian cities. As many as 45 malls with over 9.5 mn sq ft of retail real estate are expected to come up in Tier-2 cities by end of 2007.

OPPORTUNITIES FOR KEI

- The realty sector predominantly uses the LT cables and house wires for wiring purpose which form 2-2.5 per cent of the project cost. The growing real estate sector is expected to create a prospect of Rs. 2.3 bn towards power cabling segment.

IN THE GULF REGION

- The huge construction and expansion activities in the OPEC countries would lead to an increased demand for power cables as:

- It is estimated that OPEC member countries have committed a total of USD 58 bn to various refinery projects over the next six years (2005-2011) in a twin-objective of boosting global refining capacity and ensuring stability in the international oil market.

- The increasing oil revenues, supported by freehold property laws brought in by various Gulf Cooperation Council (GCC) countries, are giving fillip to the construction industry.

- A study commissioned by the Abu Dhabi National Exhibitions Company (ADNEC) reveals that the UAE dominates the Gulf construction sector with USD 35.562 bn worth of projects under construction in 2005, accounting for 63.7 per cent of the total value of projects under construction in the GCC states while Saudi Arabia occupies the second slot with USD 7.869 bn, with Qatar USD 4.596 bn in third place.

OPPORTUNITIES FOR KEI

Gauging this, KEI has already set up an office in Dubai to cater to the growing demands in the Gulf countries.

KEI Industries is well poised to witness growth from prevailing opportunities by commissioning an HT power cable plant, moving up the value chain by executing EPC contracts, fortifying institutional presence, servicing the fastest growing sectors in the economy, expanding global footprints and by maximising operational excellence.

(Source - Ministry of Power website, Equitymaster.com, Oman Economic Review, research reports)

As the first step towards emerging as a complete cable shop, KEI has successfully set up a HT power cable plant with a capacity of 3,000 Km/pa in a record time of 8 months.

Growing stronger by responding to opportunities

Looking at the lucrative opportunities unfolding and fully appreciating that sustainable long-term success can grow only from a solid foundation, KEI has outlined key strategic initiatives to respond to these opportunities which include completing product offerings, restructuring product portfolio, enhancing manufacturing capacities, entering the EPC space and setting up new capacities, all of which form the bedrock of its business.

1. Commissioned an HT power cable plant at Bhiwadi

As the first step towards emerging as a complete cable shop, KEI has successfully set up a HT power cable plant with a capacity of 3,000 Km/pa in a record time of 8 months.

The key benefits derived from this move are as follows:

COMPLETE SOLUTION PROVIDER

It completes the company's product bandwidth and enhances its product mix as demand for HT cables is as huge as a market for LT cables and are marked by higher realisations (1.5-2 per cent), translating into a stronger topline and improved margins in the future.

SINGLE SOURCE VENDOR

Some of the company's existing customers require both LT and HT cables. With the company's strong client-relationships, it will help offer the entire range of products from one source, increase the quantum of business from them and allow KEI to emerge as a single source vendor to these clients with the complete mix of HT, LT and specialised cables.

COST CONTROL

With the plant for HT situated adjacent to the existing plant for LT cables, it will translate into significant savings on manufacturing and administrative costs.

BETTER UTILISATION LEVELS

KEI's versatile manufacturing facilities allow for production switch between LT and HT cables ensuring higher utilisation levels, flexibility to increase production of either of the cables depending on the demand and reduce the risk of keeping the production line idle, all of which will finally enhance the margins going forward.

MOVING UP THE SPECTRUM

HT cables form a third of the total EPC project requirement. With the company having chalked out clear plans to enter this high value turnkey solutions service space in the future, it becomes even more imperative to invest in an HT cables plant, as undertaken by the company.

KEI initially plans to undertake setting up local substations and then gradually ramp up the size and scale of our business operations. It is also in the process of building a team of experienced professionals and specialists in executing EPC contracts.

The company is optimistic that its excellent relationships with international EPC players, its wide product basket, and customization capabilities and setting up of an overseas manufacturing base, will together help it set the concrete base for its step forward in the value chain of executing EPC contracts.

With a capital expenditure of Rs. 500 mn, this capacity expansion (funded through the GDR issue) will help the company generate revenues to the tune of approximately Rs. 2000 mn per annum from the next fiscal, and expected to contribute almost 30 per cent of its total revenues in 2006-07.

2. Custom-manufactured specialty cables

While bulk-manufacturing power cables is the primary focus and driver of KEI operations, the company has also built significant expertise in customising and precision manufacturing high-end, niche cables to the exacting requirements of customers that support demanding applications, survive extreme temperatures and hostile environments at competitive prices, an initiative which represents the prized caviar of its engineering, R&D and operational strengths. Some of the specialty cables manufactured by KEI encompass low smoke zero halogen cables, fire survival rubber cables and braided cables for specialised applications.

SUCCESS ACHIEVED

In FY 05-06, KEI Industries showcased its customisation strength by manufacturing specialty cables for premium projects including:

- To extract trapped gas in Abu Dhabi, it developed specialised cables for the "Gas Injection Project" carried out by L&T. KEI provided specialty cables worth Rs. 25 mn for this project but more importantly, it was the first time that such cables were imported from India.
- Developed cables for onshore and offshore platforms for ONGC, and
- Developed specialised cables for the prestigious Delhi Metro Project.

growing stronger

3. Re-engineered the JFTC capacity

After its JFTC capacity, which was was lying idle for almost two years (set up in 2002), due to the telecommunications industry shifting from JFTC to optical fibre cables, the company successfully converted this capacity into LT cables, a proactive reengineering initiative which has further boosted KEI's LT cables capacity from 14000 km/pa to 25000 km/pa in FY06 and strengthened its ability to leverage the robust boom for power cables by effectively drawing on its incremental capacities. With an investment of Rs. 30 mn, this re-engineering helped the company generate revenues of over Rs. 1000 mn in 2005-06, almost 30 per cent of its total revenues.

4. Setting up new capacities

In future, the company intends to set up a new plant for manufacturing its existing product range. With feasibility studies being undertaken for the same, this plant would require a capex of an estimated USD 40-50 mn, to be funded through internal accruals and external sources through the issue of FCCB/GDR. This would generate revenues worth approximately Rs. 5000-6000 mn thereby placing the company on exponential growth trajectory.

Product Basket

POWER CABLES

HT - they are used for bulk power transmission especially in metro cities, in congested areas and where overhead transmission lines cannot be installed. They are also used in transmission of power in power plants, industries, railways, projects and all other electrical installations.

LT - 1.1 KV cables are used for power distribution in cities and for institutional projects. It is used to transmit power from the HT transformers to the consumers end.

CONTROL CABLES

These cables are used for electrical distribution system such as generating stations, sub-stations, industrial application, and indoor and outdoor projects.

INSTRUMENTATION CABLES

Instrumentation cables are used for control of equipments/instruments to transmit power in the control room as well as machine rooms.

RUBBER CABLES

Rubber insulated cables have variety of applications in wind power, hydropower, industries, mines, ships, aircraft, earth moving equipment etc.

SPECIALTY CABLES

These cables are manufactured to meet specialised needs and are customised as per the client's requirements.

STAINLESS STEEL WIRES

Stainless steel wires have application in diverse areas like it is used in wire mesh, graded house fasteners, filters for vehicles, spring quality, wire ropes, weaving, knitting etc.

Growing stronger by fortifying

institutional presence

70 per cent of total revenues.

2005-06 was a watershed year in the company's existence. Domestic revenues increased by a phenomenal 53 per cent over the previous year on the back of robust demand. It received the single largest order in its history. It acquired and expanded its blue-chip client base. And by offering a comprehensive product range catering to diverse sectors, matching stringent quality measures and on-time-delivery schedules and by constantly developing specialised and customised new products, KEI emerged as the second largest cables manufacturer in the country.

KEI's triumph in the domestic market comprised the following

DIVERSE PRESENCE

The company's product address the specific requirements of diverse sectors such as oil refineries, railways, power sector, cement, and steel amidst others.

EXPANDED VERTICAL PRESENCE

In FY 05-06, the company extended its presence in a new sector - the BPO sector, wherein through a contractor, it supplied to the IT major WIPRO, an order worth Rs. 90 mn.

INSTITUTIONAL PRESENCE

Consolidated its position in the project or institutional segment with a 12 per cent market share and an order book position of Rs. 1060 mn to be completed over the next three months. Almost 70 per cent of the company's total revenues accrue from the institutional segment pegged at Rs. 2205 mn.

ESTEEMED CLIENTELE

The company has a longstanding presence in the sector which has resulted in an esteemed clientele comprising some of the biggest names in the industry such as:

- Suzlon Energy, one of the fastest growing wind energy companies in the world and Asia's fully integrated wind power company. Suzlon ranks amongst the top ten in the world.
- Larsen & Toubro, acknowledged as one of the top five fabrication companies in the world, with engineering and manufacturing capabilities that are among the most sought after in the industry.
- BHEL, one of the largest engineering and manufacturing enterprise in India in the energy-related/infrastructure sector.
- Essar Steel, India's largest exporter of flat products, selling almost one-third of its production to the highly demanding US and European markets.

ORDERS EXECUTED

In addition to an esteemed clientele KEI has also executed various big-ticket orders. The company's top 5 clients accounted for revenues worth Rs. 900 mn (28 per cent of its total domestic revenues). Some of the significant orders executed in 2005-06 comprised:

- Essar Refinery - an order worth Rs. 160 mn, the single largest order in the history of KEI.
- Suzlon Energy - an order worth Rs. 280 mn (20 - 30 mn per month).
- Jindal Power - Rs. 150 mn.
- BHEL - Rs. 173 mn.

The company is optimistic that with huge ongoing projects of its clients reflected in their robust order book, they would look at outsourcing a major portion of their power cables requirements from KEI.

Growing stronger by fortifying

institutional presence

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The goodwill established by the company since its inception has resulted in enriching KEI's clientele which can be gauged from the following:

POWER TRANSMISSION	FERTILIZERS	REFINERIES	ENERGY
Ahmedabad Electricity Co. Ltd. (AEC)	Hindustan Fertilizers Co.	BPCL	Suzlon Energy
ABB	IFFCO	CPCL	GAIL (India) Ltd.
BSES Limited	NFL	IOCL	IOCL
CEB Mauritius	RCF	HPCL	ONGC
Essar Power	TATA Chemicals	ESSAR	
ENRON	Zuari Agro		
Gujarat State Energy Corporation			
Indian Railways			
Jindal Power			
NTPC			
Nuclear Power Corporation			
Power Grid Corporation			
Tata Power			
State Electricity Boards			

INTERNATIONAL EPCS	STEEL	BPO
Siemens	ESSAR Steel	Wipro
ABB	JINDAL Steel	
L&T	TATA Steel	
Alstom	SAIL	
Areva		

Growing stronger by servicing the

fastest growing sector

20 per cent of total revenues

KEI believes in extending its presence in every sector where strong demand is being witnessed.

With the company already enjoying a strong foothold in the institutional sector, it is now all geared to step up its marketing and distribution efforts, establish its own brand of house wires and LT cables to service the growing number of orders from retail customers and also address the demand accruing from the most dynamic sector in the economy: real estate and the entire community involved with this sector right from engineering, construction, realty developers to construction firms, architects and finally the individual customer.

Strategic initiatives

Some of the initiatives undertaken by the company involve:

CAPACITY EXPANSION AT SILVASSA

The company already has a manufacturing unit for house wires at Silvassa which generates revenues of Rs. 30 mn per month. In order to meet the increased orders for house wires, the company is undertaking capacity expansions at the Silvassa plant which will augment its capacity to generate approximately Rs. 100-150 mn of house wires sales per month.

STRENGTHENING ITS DISTRIBUTION NETWORK

With the retail segment offering higher margins as compared to institutional sales, KEI has spent the past two years in developing a strong distribution network comprising a mix of dedicated dealers' and multi-product dealers across the country and intends to double this strength in a span of a year.

FOCUS ON ELECTRICAL CONTRACTORS

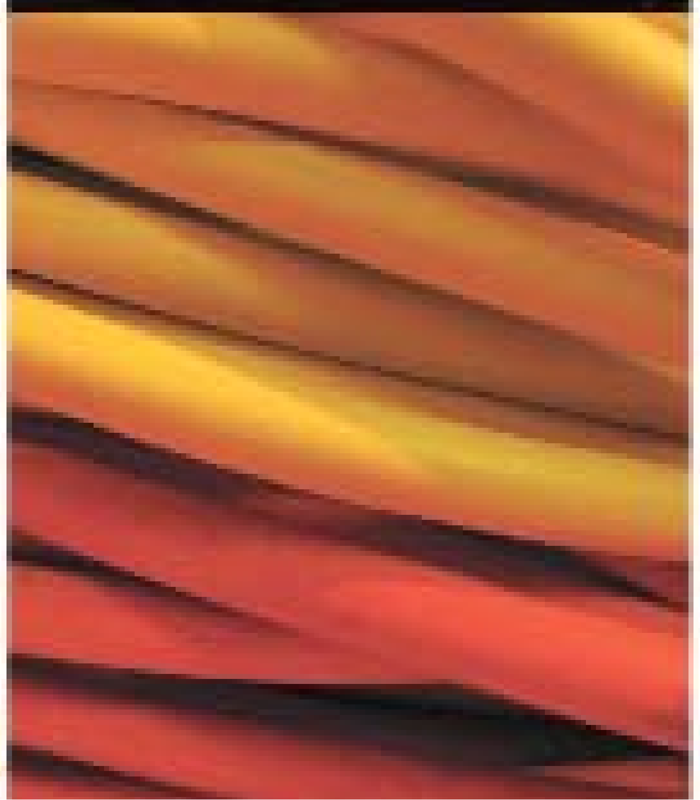
In addition to its distribution network, KEI also intends to receive an approved vendor status directly from contractors, which will not only ensure a high value of repeat orders in the future but also ensure favourable recommendation to architects who will in turn determine the buying preference of end users and in turn spur company sales.

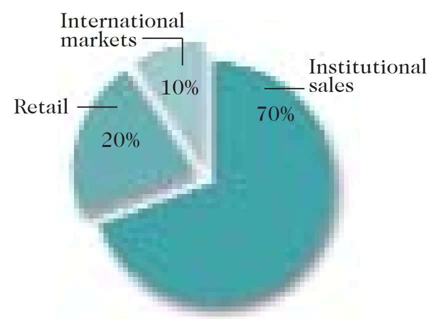
BRANDING

Success in the retail sector is all about visibility and as a step towards its brand building exercise, the company has allocated a budget of Rs. 5-7.5 mn for the financial year FY06-07 which will involve extensive outlay of advertisements and billboards to highlight the unmatched record of safety and quality of its cables and regular participation in important exhibitions organised across the globe.

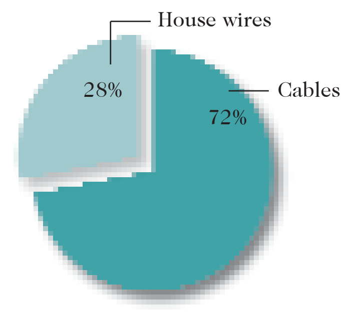
STRENGTHENING MARKETING TEAM

The company's 75 member plus marketing team coupled with its strong regional presence across the country will further help it garner a significant market share in the retail segment.





Sales Break-up



Product Break-up

With the company already enjoying a strong foothold in the institutional sector, it is now all geared to step up its marketing and distribution efforts and establish its own brand of house wires and LT cables

Rs 235 mn
revenues from exports

It generated revenues worth Rs. 235 mn through exports of which Rs. 100 mn accrued from the Gulf market.

Growing stronger by strengthening
global footprints

10 per cent revenues

Being a principal player in the domestic market, KEI decided to propel its growth story by servicing the needs of customers in the overseas market. With its ability to satisfy all its customer requirements, from immediate demand to integrated cable management - quickly, efficiently & competitively, KEI with its added capacities now is all geared to combine material availability with technical expertise to address the need for quality cables across the globe.

International presence

- Currently, the company exports its products to Canada, South Africa, Australia, USA, France, Italy, Germany, UK, Uganda, West Indies, Kenya, Nigeria, Cyprus, to Iran, Iraq, Abu Dhabi to Malaysia, Mauritius, Sri Lanka to Philippines and Vietnam.
- The company is also looking at strengthening its presence in the Gulf region keeping in mind the attractive prospects opening up in the Organisation of Petroleum Exporting Countries (OPEC).

Highlights

- It generated revenues worth Rs. 235 mn through exports, of which Rs. 100 mn accrued from the Gulf market.
- It acquired a new customer, Areva, one of the world's leading T &D companies serving customers in over 100 countries. Currently the worldwide requirement for Areva is sourced from KEI.
- It has emerged as the 2nd largest supplier to EPC contractors such as Areva, ABB, Siemens, L&T, Alstom to name a few.

Strategic initiatives

FOCUSING IN THE GULF REGION
To capitalise on the manifold construction activities and opportunities in the Gulf region which will generate a colossal demand for cables, KEI has set up a dedicated office in Gulf, which will be responsible for servicing the requirements of customers in this geography and also for building a strong distributors network.

IDENTIFYING NEW MARKETS
Besides focusing on the Gulf region, KEI has set up a dedicated marketing team to map the developmental activities transpiring across emerging economies having strong expansion, engineering and construction potential and which would in turn generate a robust demand for power cables.

ACQUISITIONS
In future, KEI wants to ramp up its international presence by acquiring a manufacturing unit in Europe, as many industrial units are on the brink of closure due to high cost of production. Once such units are acquired, KEI plans to restructure operations by transferring the manufacturing assets to India which will prune production costs and provide KEI ready customer base in Europe.

Looking ahead, the company has set an ambitious target of an estimated Rs. 750 mn to be generated from exports, of which an approximate Rs. 450 mn is expected to be generated from the Gulf market.

Growing stronger by maximising
operational excellence

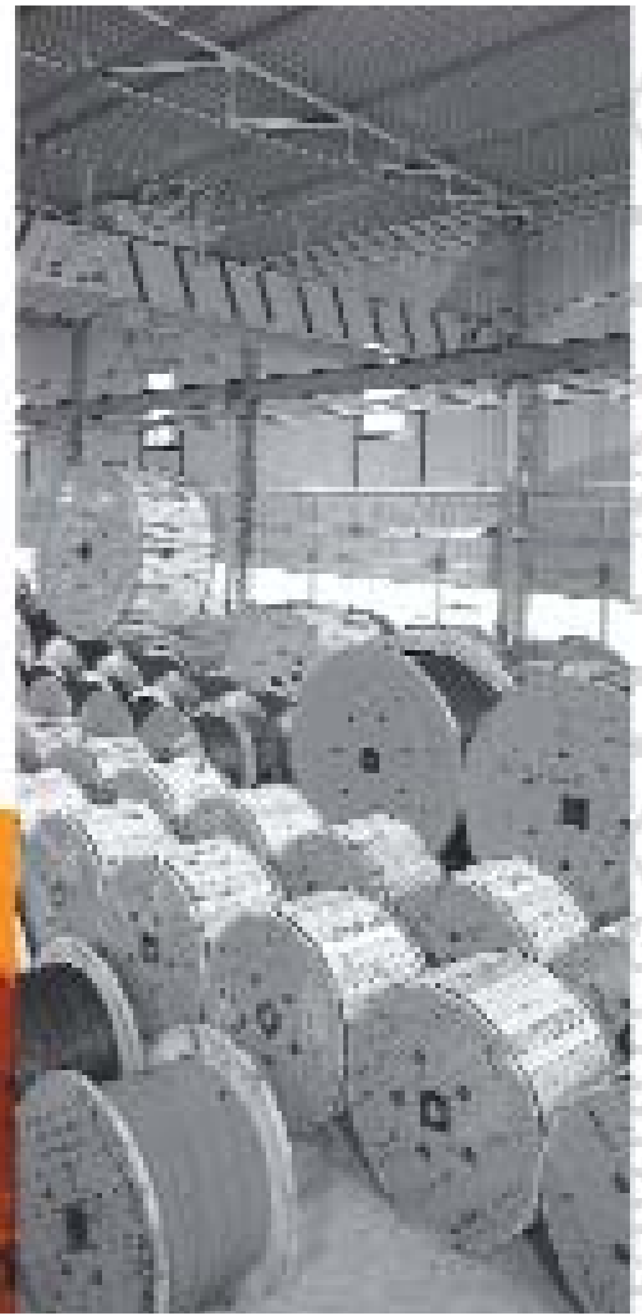
Today, to augment its profitability and to be globally competitive, it is imperative for company to prudently manage its costs by optimising operational efficiency.

For KEI, with its raw material cost forming almost 70 per cent of its sales, its ability to effectively manage raw material costs, enhance economies of scale, backward integrate to produce key raw materials and implement systems have helped it achieve the above mentioned objective.

This investment of Rs. 70-100 mn for backward integration will help KEI reduce raw material cost by almost Rs. 40-50 mn on an annual basis and simultaneously enable it to feature amongst the top 3 backward integrated cable companies.

Controlling costs

The company's business is highly raw material intensive with its key raw materials such as copper, steel and aluminum accounting for almost 50-60 per cent of the total cost. With the prices of these commodities escalating over the last 12-18 months, translating into an increasing raw material to sales ratio, KEI embarked on insulating its raw material procurement through the use of forward contracts. Through this KEI placed orders for 3-4 months in advance instead of a year, thereby allowing it to get locked for a short period of time and factor major price fluctuations, post which it reviewed the raw material prices again for future orders. Thanks to this prudent hedging practice, KEI has been able to control its raw material costs significantly.



Backward integration and economies of scale to improve margins

In addition to reporting better economies of scale, the company is in the process of integrating backwards by setting up an aluminum properzi and PVC compounding plant (key raw material for cables) which is likely to be operational by September 06, at a capex of Rs. 70-100 mn. This will further strengthen operating margins in the future by reducing the cost for the company to the extent of Rs. 40- 50 mn per annum and enable KEI to feature amongst the top 3 backward integrated cable companies.

Setting up systems

To further enhance its operational efficiency, the company has implemented Enterprise Resource Planning (ERP) which will facilitate greater accessibility to data, allowing management up-to-the-minute access to information needed to make key decisions and facilitate tracking actual costs of activities. This system is already functional at the Delhi office since March 2006, and will be operational at Bhiwadi and Silvassa plants by the second quarter of FY 06-07.

Margin improvement

Thanks to prudent raw material management along with higher capacity utilisation (100 per cent utilisation levels in 05-06) and a better product mix, KEI's EBIDTA margins improved significantly from 10.44 per cent in FY 04-05 to 15.26 per cent in FY 05-06.

Director's report

To The Members

Your Directors take pleasure in presenting their 14th Annual Report for the year ended 31.03.2006. Briefly stated the financial results of operation are: -

		(Rs. in Lacs)
	01.04.05 to 31.03.06	**01.04.04 to 31.03.05**
Sales and other income	**34338.59**	23215.52
Profit before interest, Depreciation and tax	**4579.77**	2123.12
Less : Financial Charges (Net)	**945.95**	685.29
Depreciation	**269.04**	198.57
Profit before tax	**3364.78**	1239.25
Provision for Taxation		
– General	**491.20**	365.00
– Fringe Benefit Tax	**19.70**	N A
– Deferred	**238.02**	35.30
Profit after tax	**2615.86**	838.96
Less : Taxation for earlier years	**15.19**	0.03
Net Profit	**2600.67**	838.92
Add : Balance Brought Forward	**1564.64**	866.03
Amount available for Appropriations	**4165.31**	1704.95
Appropriation:		
Proposed Dividend	**201.88**	79.20
Provision for Taxation on Proposed Dividend	**28.31**	11.11
Transfer to General Reserve	**250.00**	50.00
Balance Carried Forward	**3685.12**	1564.64

During the year the company was able to improve its performance both in terms of sales and profits. The improvement was possible due to increase in turnover of cables from Rs. 19129.44 lacs in 2004-05 to Rs.26433.43 lacs in 2005-06. Stainless Steel Wire Products Contributed Rs.4237.35 lacs in 2005-06 as compared to Rs.2606.62 lacs in 2004-05. Winding, Flexible & Home Wire Cable contributed Rs.2960.83 lacs in 2005-06 as against Rs.968.13 lacs in 2004-05. Profit after tax is higher at Rs. 2615.86 lacs during 2005-06 as compared to Rs. 838.96 lacs during 2004-05.

DIVIDEND & APPROPRIATIONS :

An amount of Rs.250.00 Lacs has been credited to General Reserves.

Your Directors have recommended a dividend @ 20% (i.e Rs.2/- per equity share) on 10093943 Equity Shares of Rs. 10/- each for the financial year ended 31st March, 2006, which if approved by the members at the forthcoming Annual General Meeting, will be paid to :

- those equity shareholders whose names appear in the register of members on 15th June, 2006
- those whose names as beneficial owners are furnished by National Securities Depository Limited and Central Depository Services (India) Limited.

REVIEW OF OPERATIONS :

Due to buoyancy in economy, huge investment in infrastructure and power projects and overall improvement in industrial scenario, demand for power, control & instrumentation cables picked-up during the year due to which Company achieved substantial improved financial results. In Stainless Steel Division, the Company's focus on quality has yielded results, which has resulted in increased capacity utilization and sales.

We had recently issued and allotted 2173900 Global Depository Receipts (GDR) representing same number of equity shares at a price of USD 4.60 (equivalent to Rs. 201.526). This was approved by members in the Extra-ordinary General Meeting held on 20th May, 2005.

Company raised US$ 10 million by way of Global

Depository Receipts (GDRs) for financing High Tension (HT) Power Cable Project and long-term working capital requirements of the Company. Each GDR underlying one equity share is listed at Luxembourg Stock Exchange. The proceeds of GDR issue have been used for the objects of the issue and the Company commissioned HT Power Cable facility in March'06. Due to commissioning of this new range of product, the Company will be able to offer almost entire spectrum of cables to its customers.

During the year under review, the company has issued & allotted 1700000 Zero Coupon Convertible Warrants of Rs.10/- each at a price of Rs.138/- per warrant. Each warrant is due for conversion into one equity shares of Rs.10/- within a period of 18 months from the date of allotment. 10% of issue price i.e Rs. 13.80 per warrant has been paid at the time of allotment and the balance is payable at the time of conversion. The proceeds received has been used to meet immediate need for balancing equipment/s and to enhance capital base to reduce interest costs.

The company in earlier year had started producing Rubber Cables, which during the current year met with increased demand and resulted in increase in turnover and profitability of the Company. The Company expanded its existing product range by installing balancing equipment and modernization.

In view of volatility in input prices (Copper & Aluminium) the company undertook several measures to reduce consumption and improve price realization. The Management also took proactive steps to cover its raw-material supplies at the lowest rates.

The Company started its Overseas Marketing office in Dubai catering to the markets of Africa and Middle East, which has also resulted in increased turnover from this region.

RATINGS BY CARE:

During the year under review, Credit Analysis & Research Ltd (CARE) has assigned "PR1" [PR One] rating to the proposed Commercial Paper/Short Term Debt programme of the Company. PR-1 is assigned for High Investment Grade. CARE has assigned this rating taking into account KEI's vast experience in the cable industry, profitable operations, established clientele and continued focus on power sector development by Government of India. The rating also reflects KEI's strong growth in operating income, good order book, moderate liquidity position.

FUTURE OUTLOOK :

In view of the anticipated investments in Infrastructure, Power and Industrial Sectors, it is expected that the demand for Company's product will continue to be Robust. The results of HT Power facility, which has been commissioned, will be reflected in the first full year of production i.e. 2007. The company is also undertaking expansion of its Silvassa Unit for House Wire for the Retail Segment. Keeping in view benefits expected from HT facilities and expansion in LT Power Cables and ongoing expansion in House Wire/ Flexible Wire facility at Silvassa, it is expected that barring unforeseen circumstances there will be substantial increase in sales and profit of the Company during the year 2006-07.

LISTING OF SHARES :

Company's equity shares are listed at Delhi, Bombay (BSE), Kolkata and National Stock Exchange (NSE) and the Company has also paid its up-to-date listing fees. The equity shares of the company has been listed for the first time at the National Stock Exchange of India Ltd (NSE) w.e.f. 23.03.2006. BSE & NSE have nation-wide trading terminals and therefore provide full liquidity to investors. GDRs representing equity shares of the company are also listed at Luxembourg Stock Exchange. The Company's equity shares are in compulsory dematerialization form.

CORPORATE GOVERNANCE :

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a separate section titled Report on Corporate Governance has been included in this annual report. Your directors are pleased to report that your company is fully compliant as on 31st March, 2006 with the SEBI Guidelines on Corporate Governance.

DIRECTORS :

Mr. Vijay Bhushan, Director of the company retires by rotation at the end of 14th AGM and being eligible offers himself for reappointment.

Mr. Vikram Bhartia, Director of the company retires by rotation at the end of 14th AGM and being eligible offers himself for reappointment.

Mr. Rajeev Gupta who was appointed as Additional Director and designated as Executive Director (Finance) of the company will cease to be Director by virtue of Section 260 of the Companies Act, 1956 on the date of this Annual General Meeting, has been proposed for the office of director w.e.f. 21.04.2006 for a period of five years.

DIRECTOR'S RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed

a) That in the preparation of the annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards had been followed;

b) That the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;

c) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d) That the directors have prepared the accounts for the financial year ended 31st March, 2006 on a 'going concern' basis.

FIXED DEPOSITS:

There are no overdue fixed deposits as on 31st March, 2006.

AUDITORS :

M/s Jagdish Chand & Co., Chartered Accountants, auditors of the company will retire at the conclusion of the ensuing AGM and are eligible for reappointment as per certificate furnished by them under section 224 (1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES:

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is as given below:

Name	Designation	Gross Remuneration	Qualification	Experience	Date of joining	Age
Anil Gupta	CMD	Rs. 1,77,59,163	M.Com	26 Years	31.12.92	47yrs

Mr. Anil Gupta, CMD is relative of Mrs. Archana Gupta & Mr. Sunil Gupta, Directors of the Company.

PARTICUALRS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREGIN EXCHANGE EARNING AND OUTGO:

The information as regards conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto as per annexure and forms an integral part of the report.

ACKNOWLEDGMENTS :

Your Directors express their deep appreciation and sincere thanks to various departments of the Central & State Governments, Dena Bank, Punjab National Bank, ING Vysya Bank Ltd., State Bank of Hyderabad , Yes Bank Ltd, ICICI Bank Limited and Bank of India for their valuable assistance and co-operation .

Industrial relations remained cordial during the year . The Directors wish to place on record their appreciation for the contribution made by employees at all levels during the year.

For and on behalf of the Board

Place : New Delhi

Dated : 11th May, 2006

(ANIL GUPTA)
Chairman-cum-
Managing Director

ANNEXURE OF THE DIRECTOR'S REPORT

Disclosure of particulars with respect to conservation of energy, technology absorption, foreign exchange earning and outgo under section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Director's report for the year ended 31st March, 2006.

1. CONSERVATION OF ENERGY :

(a)	Energy conservation measures taken	:	In view of measures taken in earlier years no fresh measures were required to be taken during the year. Power consumption is continuously monitored.
(b)	Additional investments and proposal if any, being implemented for conservation of energy.	:	No major additional investment is required.
(c)	Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.	:	Not Applicable
(d)	Total energy consumption & energy consumption per unit of production as per Form A of the Annexure.	:	Not Applicable

2. TECHNOLOGY ABSORPTION :

(a) **Research & Development :** Details in house analytical laboratory is there for the fine-tuning of operations. Accordingly, success has been achieved in increasing the quality of goods with higher yield percentage.

(b) **Technology Absorption :** The company neither entered into any technical foreign collaboration nor received/ imported any technology from any foreign organisation.

3. FOREIGN EXCHANGE EARNING AND OUTGO :

(a) Activities relating to export initiatives taken to increase exports, developments of new export markets for products and export plans. Cables Company participated in exhibitions in foreign countries for promotion of its products. Products as per requirements of foreign markets were developed.Stainless Steel Wires The company was able to develop new customers, new markets with its thrust on exports during the year. Foreign customers were regularly followed up by visits as well as by other means.

(b) Total foreign exchange used & earned :

Earnings	:	Rs 2309.80 Lacs
Outgo	:	Rs.1541.34 Lacs

For and on behalf of the Board

Place : New Delhi
Dated : 11th May, 2006

(ANIL GUPTA)
Chairman-cum-Managing Director

Management discussion and analysis

OVERVIEW

The principal business of KEI INDUSTRIES LIMITED at present is the manufacture and sale of Cable and Power Cable, House wire & Flexible wire , Winding wire and Stainless Steel Wire.

Company is aggressively concentrating on infrastructure, power projects and industrial expansion for sale of its cables. Company also is marketing some of its cable products through dealer network.

Due to buoyancy in economy, huge investment in infrastructure and power projects and overall improvement in industrial scenario, demand for power, control & instrumentation cables picked-up during the year due to which Company achieved substantial improved financial results. In Stainless Steel Division, the Company's focus on quality has yielded results, which has resulted in increased capacity utilization and sales.

Company raised US$ 10 million by way of Global Depository Receipts (GDRs) for financing High Tension (HT) Power Cable Project and long-term working capital requirements of the Company. Each GDR underlying one equity share is listed at Luxembourg Stock Exchange. The proceeds of GDR issue have been used for the objects of the issue and the Company commissioned HT Power Cable facility in March'06. Due to commissioning of this new range of product, the Company will be able to offer almost entire spectrum of cables to its customers.

During the year under review, the company has issued & allotted 1700000 Zero Coupon Convertible Warrants of Rs.10/- each at a price of Rs.138/- per warrant. Each warrant is due for conversion into one equity shares of Rs.10/- within a period of 18 months from the date of allotment. 10% of issue price i.e Rs. 13.80 per warrant has been paid at the time of allotment and the balance is payable at the time of conversion. The proceeds received has been used to meet immediate need for balancing equipment/s and to enhance capital base to reduce interest costs.

The company in earlier year had started producing Rubber Cables, which during the current year met with increased demand and resulted in increase in turnover and profitability of the Company. The Company expanded its existing product range by installing balancing equipment and modernization.

In view of volatility in input prices (Copper & Aluminium) the company undertook several measures to reduce consumption and improve price realization. The Management also took proactive steps to cover its raw-material supplies at the lowest rates.

The Company started its Overseas Marketing office in Dubai catering to the markets of Africa and Middle East, which has also resulted in increased turnover from this region.

FUTURE OUTLOOK

In view of the anticipated investments in Infrastructure, Power and Industrial Sectors, it is expected that the demand for Company's product will continue to be Robust. The results of HT Power facility, which has been commissioned, will be reflected in the first full year of production i.e. 2007. The company is also undertaking expansion of its Silvassa Unit for House Wire for the Retail Segment. Keeping in view benefits expected from HT facilities and expansion in LT Power Cables and ongoing expansion in House Wire/ Flexible Wire facility at Silvassa, it is expected that barring unforeseen circumstances there will be substantial increase in sales and profit of the Company during the year 2006-07.

COMPETITIVE STRATEGY

The Company is focusing on rapid response time , faster delivery, innovative products development and cost control measures to spearhead its competitive strategy in domestic and overseas market.

HOW YOUR COMPANY FARED

Growth in various segments of the company is given below:

Segments	Sales 2005-06 (Rs. In Lacs)	Sales 2004-05 (Rs. In Lacs)	Growth %
Cables	26433.43	19129.44	38%
Stainless Steel Wire	4237.35	2606.62	62%
Winding, Flexible & House wires	2960.83	968.13	205%

More information on the Company's performance is contained in the Director's Report.

INTERNAL CONTROL SYSTEM

The system of Internal Control provides for maintenance of proper accounting records, reliability of financial information and assures safeguarding of assets against unauthorized use or disruption.

RISK MANAGEMENT

Business Risk

The future of Cables, Power cable, House wire and Flexible, Winding wire and Stainless Steel wire is good and the company is giving due emphasis on enhancement of quality, cost control and production of these products. Demand of Company's products is depending upon the state of Indian economy and new investments in Power and Industrial Sectors. Any adverse development in the above factors can have a negative impact on Company's financial performance. Any increase in prices of raw materials can also have an adverse impact on performance of the Company.

Technology Risk

There is no significant change in the basic technology for the manufacture of cable and stainless steel wire. The Company keeps track of the new trends in the cable and stainless steel industry globally.

Financial Risk

The company has adequate system to control financial risks. The Company has adequate system and control to monitor the adequate inventory levels so as to reduce the cost of capital.

HUMAN RESOURCE

The Company has adequate system to reward and recognize the employee contribution towards the growth of the Company. The effort to reduce/replace employees and "do more with less" is continuing.

The Company has continued its drive to enhance the skill and competence of its human resources. On the other hand , the Company is stressing on building an environment of accountability combined with teamwork and initiative, through innovative performance based incentive structures, objective-setting programs and training seminars.

CAUTIONARY STATEMENT

Statement in the Management Discussions and Analysis describing the company's objectives , projections, estimates, expectations are "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax, corporate and other laws and other incidental factors.

Report on corporate governance

1. **Company's Philosophy:**

The company believes in adopting best practices in the area of corporate governance and follows the principles of full transparency and accountability by providing information on various issues concerning the Company's business and financial performance to its shareholders.

The Board considers itself as the Trustee of its Shareholders. During the period under review, the Board continued its pursuit by adopting and monitoring of corporate strategies, prudent business plans, major risks and ensuring that the company pursues policies and procedures to satisfy its social, legal and ethical responsibilities. The Company has fully complied with Corporate Governance Code as required under Listing Agreement with Stock Exchanges.

2. **Board of Directors:**

(I) Composition of the Board of Directors as on 31.03.2006

Name of the Director	Category of Directorship	Number of other Directorship	Number of Committee membership in all companies	No. of Board Meeting attended	Attendance at Last AGM
Mr. Anil Gupta	Promoter, CMD	1	None	12	Yes
Mr. Sunil Gupta	Promoter, Non-Executive Director	1	1	9	No
Mr. Pawan Bholusaria	Non-Executive Independent Director	3	5	9	Yes
Mr. K. G. Somani	------do-----	3	8	6	Yes
Mr. Vijay Bhushan	------do-----	6	6	7	No
Mr. Vikram Bhartia	------do-----	1	3	8	No
Mrs. Archana Gupta	Promoter, Non-Executive Director	6	None	12	Yes

Meeting of Board of Directors:

There were 12 (Twelve) Board Meetings held during the year ended 31.03.2006.These were on 19.04.05, 11.05.05, 04.06.05, 12.07.05, 27.07.05, 26.08.05, 16.09.05, 19.10.05, 29.10.05, 17.12.05, 24.01.06 and 07.03.06

The last Annual General Meeting (AGM) was held on 30.06.2005

All the Directors except Managing Director of the Company are liable for retirement by rotation. However, he shall be reckoned as a director for the purpose of fixing the number of directors to retire.

(II) Code of Conduct

The Board of Directors at its meeting held on 17th December, 2005 agreed to implement a Code of Conduct to be applicable to all Directors and members of Senior Management. All the Directors & Senior Management has affirmed compliance with this Code for the year ended 31st March, 2006. A declaration of compliance of this code signed by the CMD is annexed as Annexure to this report.

3. Audit Committee:

The Audit Committee headed by Mr. Pawan Bholusaria is working according to the terms of reference under Section 292A of the Companies Act, 1956 and the guidelines set out in the listing agreements which inter-alia include overseeing financial reporting processes; reviewing with the Management the financial statements, accounting policies and practices; recommendation to the Board appointment, re-appointment or removal of statutory auditor and fixation of audit fees; reviewing with the management performance of statutory and internal auditors, adequacy of internal audit functions; discussion with internal auditors on any significant findings, financial and risk management policies; to look into the reasons for substantial defaults in the payment to the depositors, shareholders and creditors; review the functioning of Whistle Blower mechanism; mandatory review of management discussion and analysis of financial condition and result of operations; statement of significant related party transactions submitted by management; management letters / letters of internal control weaknesses issued by statutory auditors and internal audit reports relating to internal control weaknesses.

During the year ended 31.03.2006, four Audit Committee Meetings were held on 11.05.2005, 27.07.2005, 29.10.2005 and 24.01.2006.

Mr. Pawan Bholusaria, Chairman of the Audit Committee was present at the last Annual General Meeting held on 30.06.2005

The composition of the Audit Committee and the attendance of the Members in the meetings are as under :

Name of the Director	Category	Profession	No. of Meetings attended
Mr. Pawan Bholusaria (Chairman)	Non-executive Independent Director	Chartered Accountant	4
Mr. K.G. Somani (Member)	Non-executive Independent Director	Chartered Accountant	3
Mr. Vikram Bhartia (Member)	Non-executive Independent Director	Business	4

Mr. Kishore Kunal, Company Secretary of the Company acts as Secretary to the Committee

4. Shareholders Grievance Committee:

The "Shareholders Grievance Committee" looks in to redressing investor's grievances/complaints such as non-receipt of Balance Sheet, non-receipt of dividends and share transfers related works. During the year ended 31.03.2006, four meeting of the Committee was held on 07.04.2005, 27.07.05, 29.10.05 and 24.01.06.

The composition of the Committee and attendance of the members at the meeting is as under:

Name of Director	Category	No. of meetings attended
Mr. Vijay Bhushan (Chairman)	Non-executive Independent Director	4
Mr. Sunil Gupta (Member)	Non-executive Director	3
Mr. Vikram Bhartia (Member)	Non-executive Independent Director	3

Number of Shareholders complaints received during the year ending 31.03.2006 and resolved was 12, number of complaints not solved to the satisfaction of shareholders was NIL. Number of pending share transfer as on 31.03.2006 was NIL.

Mr. Kishore Kunal, Company Secretary & Compliance Officer of the Company acts as Secretary to the Committee

5. Remuneration Committee:

Although this is a non-mandatory requirement, the Company has constituted a Remuneration Committee for determining the remuneration of executive directors.

During the year no meeting of the Remuneration Committee was held.

The composition of the Committee meeting is as under:

Name of Director	Category
Mr. Vikram Bhartia (Chairman)	Non-executive Independent Director
Mr. Vijay Bhushan (Member)	Non-executive Independent Director
Mr. Pawan Bholusaria (Member)	Non-executive Independent Director

Mr. Kishore Kunal, Company Secretary of the Company acts as Secretary to the Committee

Details of Remuneration paid to Executive Directors for the Year ended on 31st March, 2006:

The aggregate value of salary, perquisites and commission paid for the year ended 31st March, 2006 to the Managing Director and Whole Time Director are as follows:

Name	Salary	Commission	Co.'s Cont. to P.F	Perquisites	Sitting Fees	Total
Mr. Anil Gupta, CMD	2400000	14858413	9360	491390	NIL	17759163

Details of Sitting fees:

Apart from the Remuneration paid to Executive Directors, the Company pays sitting fees to all Non-executive and Independent Directors @Rs.1000/- per Board /Committee meeting. At the Board meeting held on 29.10.2005, the Board increased the sitting fees payable to Directors from Rs.1000/- to Rs.10,000/- per Board / Committee meeting.

The sitting fee paid for the year ended on 31st March, 2006 to Non-executive and Independent Directors are as follows:

Mr. Sunil Gupta	Rs.21000/-
Mr. Pawan Bholusaria	Rs.40000/-
Mr. K.G. Somani	Rs.36000/-
Mr. Vikram Bhartia	Rs.50000/-
Mr. Vijay Bhushan	Rs.29000/-
Mrs.Archana Gupta	Rs.39000/-

6. **General Body Meetings:**

(I) Annual General Meeting (AGM) details :

The last three Annual General Meeting were held at the Hamdard Convention Centre (Hall no.1) Jamia Hamdard Nagar, Near Batra Hospital, New Delhi-110 062 as per details given below:

Year	Day	Date	Time	No. of Special Resolution passed at AGM
2003	Tuesday	30.09.2003	10.30 A.M.	None
2004	Thursday	30.09.2004	10.30 A.M.	None
2005	Thursday	30.06.2005	10.00 A.M.	1

(II) Extra Ordinary General Meeting (EGM) details:

During the year under review one Extra-ordinary General Meeting of the Company was held on Friday, the 20th May, 2005 at Hamdard Convention Centre (Hall No. 1) Jamia Hamdard Nagar, Near Batra Hospital, New Delhi - 110 062, at 10.00 A.M. to pass the following resolutions:

(i) Increase in Authorised Share Capital of the Company

(ii) Alteration of Articles of Association of the Company and

(iii) Raising of Funds through issue of securities in the Demestic and International market.

(III) Postal Ballot:

During the financial year under review, no postal ballot was conducted by the company and no special resolution is proposed to be conducted through postal ballot by the company.

7. **Disclosures:**

(I) Related Party Transactions

There have been no materially significant related party transactions with the company's subsidiaries, promoters, directors, management or their relatives which may have a potential conflict with the interests of the company. Members may refer to Disclosures of transactions with related parties i.e Promoters, Directors, Relatives, Subsidiary or Management made in the Balance Sheet in Schedule "V" Notes to Accounts at Note No.19.

(II) Compliance with Regulations

The company has complied fully with the requirements of the regulatory authorities on capital markets. There have been no instances of non-compliance by the company on any matters related to the capital markets, nor has any penalty or stricture been imposed on the company by the stock exchanges, SEBI or any other statutory authority.

(III) Accounting Standard

The company has followed the accounting standards, laid down by the Institute of Chartered Accountants of India.

(IV) Subsidiary Companies:

The Company does not have any holding or subsidiary company.

(V) Risk Management

The audit committee regularly reviews the risk management strategy of the company to ensure the effectiveness of risk management policies and procedures.

(VI) CEO / CFO Certificate

The Managing Director and Executive Director (Finance) of the company have furnished the requisite certificate to the Board of Directors under Clause 49V of the Listing Agreement.

(VII) Number of Shares and convertible instruments held by Non-executive Directors

Name of Director	Category	No. of shares held
Sunil Gupta	Promoter, Non-executive Director	671409*
Archana Gupta	Promoter, Non-executive Director	167463
Pawan Bholusaria	Non-executive Independent Director	100
K.G Somani	Non-executive Independent Director	200
Vijay Bhushan	Non-executive Independent Director	NIL
Vikram Bhartia	Non-executive Independent Director	NIL

* Out of the above 314075 equity shares are held as Karta of Sunil Gupta (HUF).

8. **Means of Communication:**

The quarterly results are usually published in "The Economic Times" / "Business Standard" / "The Financial Express" (English) and "Navbharat Times" / "Jansatta" (Hindi) Newspaper. The Management Discussion and Analysis Report forms part of the Annual Report.

9. **General Shareholders Information:**

(a) 14th Annual General Meeting- Day, Time and Venue

Day	Date	Time	Venue
Thursday	15.06.2006	10.00 A.M	Hamdard Convention Centre(Hall No.1) Jamia Hamdard, Hamdard Nagar, Near Batra Hospital, New Delhi-110 062.

(b) Financial Calendar:

Financial Year	:	1st April to 31st March

Adoption of quarterly results for the quarter ending (tentative and subject to change):

June, 2006	:	3rd / 4th week of July, 2006
September, 2006	:	3rd / 4th week of October, 2006
December, 2006	:	3rd / 4th week of January, 2007
March, 2007	:	3rd/ 4th week of April, 2007
Date of Book closure (Both days inclusive)	:	10.06.06 to 15.06.06
Dividend payment date	:	Dividend payment on or after June 15, 2006 but within the statutory time limit of 30 days, subject to Shareholders approval.

(c) Registered Office : D-90, Okhla Industrial Area, Phase-I, New Delhi- 110 020

(d) Listing on Stock Exchanges :
- Bombay Stock Exchange Ltd
- National Stock Exchange of India Ltd
- The Delhi Stock Exchange Associations Ltd
- The Calcutta Stock Exchange Association Ltd
- The Luxembourg Stock Exchange*

The Company has paid in time the annual listing fees to each of the said Stock Exchanges.

***Note :** Global Depository Receipt (GDR) is listed at Luxembourg Stock Exchange. During the year under review, the company has issued and allotted 2173900 GDRs on 16.09.2005. Each GDR is represented by one equity shares of Rs. 10/- each.

(e) Stock Code:

National Stock Exchange of India Ltd	:	KEI
Bombay Stock Exchange Ltd	:	517569
The Delhi Stock Exchange Association Ltd	:	11127
The Calcutta Stock Exchange Assoiation Ltd	:	—
Trading Symbol of BSE & NSE are respectively	:	KEI INDUSTRI & KEI

Note : Global Depository Receipt (GDR) of the Company is listed outside India at Luxembourg Stock Exchange.

(f) Stock Market Data:

Month	Bombay Stock Exchange Ltd (BSE)		National Stock Exchange of India Ltd (NSE)	
	High	Low	High	Low
April, 2005	102.90	77.00	–	–
May, 2005	154.65	87.55	–	–
June, 2005	173.00	136.00	–	–
July, 2005	184.90	141.00	–	–
August, 2005	248.40	173.20	–	–
September, 2005	243.25	160.00	–	–
October, 2005	195.05	159.00	–	–
November, 2005	207.00	170.00	–	–
December, 2005	290.00	190.00	–	–
January, 2006	299.90	240.00	–	–
February, 2006	332.55	282.00	–	–
March, 2006	439.00	267.00	441.00	361.00

Note: The equity shares of the company has been listed for the first time at the National Stock Exchange (NSE) w.e.f 23rd March, 2006.

(g) Registrar and Share Transfer Agents

M/s MAS Services Pvt. Ltd.
AB-4, Safdarjung Enclave, New Delhi- 110 029,Ph. No- 011-26104142 Fax No. 011-26181081

(h) Share Transfer System

With a view to expedite the process of share transfer, the Board of Directors has delegated the power of share transfer to Share Transfer Committee of the Board which meets as per the work requirements. The Share for transfer received in Physical mode by the company, are transferred expeditiously and thereafter option letter is sent to the transferee(s) for dematerialisation, confirmation in respect of the request for dematerialisation of shares is sent to the respective Depositories, i.e National Security Depository Limited(NSDL) and Central Depository Services(India) Ltd within 7 days.

(i) Dematerialisation of Shares:

The shares of the company are permitted for trading on dematerialisation form only. The company's shares are available for trading in the depository system of both NSDL and CDSL. As on 31.03.2006, 9939586 equity shares forming 98.47 % of the share capital of the company stands dematerialised. Security Code No. with NSDL and CDSL is- ISIN-INE 878B01019.

(j) Shareholding Pattern as on 31.03.2006:

Category	No. of Shares	%
Promoters	4196764	41.58
Bodies Corporate	536535	5.31
NRI/OCBs	91374	0.91
Bank/ Financial Institutions/ Mutual Funds/ FIIs	3712247	36.78
GDR shares	600100	5.95
Indian Public	956923	9.47
Total	**10093943**	**100.00**

(k) Distribution Schedule of Shareholding as on 31.03.2006

No. of Shareholders	% to Total	Shareholding of Nominal Value of Rs.	No. of Shares	Amount in Rs.	% of Total
3765	89.37	Up to 5000	402416	4024160	3.99
203	4.81	5001 to 10000	157564	1575640	1.55
101	2.40	10001 to 20000	153331	1533310	1.52
39	0.93	20001 to 30000	98545	985450	0.98
19	0.45	30001 to 40000	67299	672990	0.67
11	0.26	40001 to 50000	51080	510800	0.51
18	0.43	50001 to 100000	132155	1321550	1.31
57	1.35	100001 and Above	9031553	90315530	89.47
4213	**100.00**	**Total**	**10093943**	**100939430**	**100.00**

(l) Liquidity of Shares:

The shares of the company are listed at Four Stock Exchanges and thus is liquid security. 10093943 equity shares of the Company has been listed for the first time at The National Stock Exchange of India Ltd (NSE) w.e.f 23rd March, 2006. 6993143 Equity Shares are pending listing at The Calcutta Stock Exchange. Company has provided all the necessary details for listing of these shares to the Calcutta Stock Exchange and is following up the matter with that Stock Exchange.

(m) Outstanding GDRs / ADRs / Warrants / Convertible Instruments

The Company has issued & allotted 2173900 GDRs during the year under review, out of which 600100 GDRs was outstanding for conversion as on 31st March, 2006. Each GDR was issued at a price of USD 4.60 (equivalent to Rs. 201.526). Conversion of GDR into equity shares will not result in the raise in paid up share capital of the company, as each GDR is represented by one equity shares of Rs. 10/- each.

The company has also issued & allotted 17,00,000 Zero Coupon Convertible Warrants of face value of Rs.10/- each on 12.07.2005 at a price of Rs. 138/- per warrant. 10% of the issue price (i.e. Rs. 13.80) was paid at the time of allotment and the balance is payable at the time of conversion. The said warrant is due for conversion within a period of 18 months from the date of allotment. Each warrant is convertible into one equity shares of Rs.10/- each. The paid up share capital of the company will increase by the number of warrant converted into equity shares.

(n) Plant Locations:

1. D-90, Okhla Industrial Area, Phase-I, New Delhi-110 020.
2. SP-919 & 920, RIICO Industrial Area, Phase-III, Bhiwadi Distt., Alwar (Raj.)-301019.
3. 99/2/7 Madhuban Industrial Estate, Village Rakholi, Silvassa(D&H)-396240.

(o) Address for Correspondence:

The shareholders may address their communication/ suggestion/ grievances/ queries to our Share Transfer Agent:
M/s MAS SERVICES PVT. LTD
AB-4, Safdarjung Enclave, New Delhi-110029
Phone : 011-26104142, Fax:011-26181081

10. Non-Mandatory Requirements

(I) Non-executive Chairman

The Company does not has non-executive chairman and no expenses are being incurred & reimbursed in this regard.

(II) Remuneration Committee

The Company has constituted a Remuneration Committee discussed in section 5 above.

(III) Shareholder Rights

The quarterly and half yearly results are not being sent to the personal address of shareholders as the quarterly performance and financial results of the company are published in the press and the results are posted on the SEBI website www.sebiedifar.nic.in

(IV) Whistle Blower Policy

The Board has approved the Whistle Blower Policy, a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct. The mechanism also provide for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. During the year under review no personnel has been denied access to the audit committee.

ANNEXURE TO REPORT ON CORPORATE GOVERNANCE

CEO CERTIFICATION

TO THE MEMBERS OF KEI INDUSTRIES LIMITED

We have examined the compliance of Code of Conduct framed by the Board of Directors of the Company under Clause 49 of the Listing Agreement with the Stock Exchanges for the year ended 31st March, 2006.

The compliance of the conditions of Corporate Governance is the responsibility of the Board of Directors & Company's Senior Management.

We have obtained the Certificate of Compliance of Code of Conduct under Clause 49 of Listing Agreement from all the Directors & members of Senior Management.

On the basis of Certificate received from all the concerned, I on behalf of the company, certify that:

a. We are member in good standing of the Board of Directors / Senior Management of KEI INDUSTRIES LIMITED;

b. We have received, read, and understood the 'KEI's Code of Conduct and Business Ethics';

c. such Code has been and is applicable to our activities as a member of such Board of Directors / Senior Management;

d. We have complied and are in compliance with such Code; and

e. We are not aware of any non-compliance with such Code by others.

For and on behalf of the Board

Place : New Delhi
Date : 11.05.2006

ANIL GUPTA
Chairman-cum-Managing Director

AUDITOR'S CERTIFICATE

TO THE MEMBERS OF KEI INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by KEI INDUSTRIES LIMITED("the Company") for the year ended 31st March, 2006 as stipulated in clause 49 of the listing agreement of the company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement.

We have to state that no Investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholder's 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 **JAGDISH CHAND & CO.**
Chartered Accountant

Place : New Delhi
Dated : 11.05.2006

(J.C. GUPTA)
Partner
M. No : 6107

Auditors' report

To the members of
KEI INDUSTRIES LIMITED

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

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:

a) We have obtained all the information and explanations, which to the best our knowledge and belief were necessary for the purposes of our audit;

b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;

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

d) In our opinion, the Balance Sheet, Profit & Loss Account and the 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 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 of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant 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 the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;

ii. in the case of the Profit & 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 flow of the Company for the year ended on that date.

For **JAGDISH CHAND & CO.**
Chartered Accountants

Place : New Delhi
Dated : 11th May, 2006

(J. C. GUPTA)
Partner
M. No. 6107

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph '3' of the Auditors' Report to the Members of KEI Industries Ltd on the accounts for the year ended March 31, 2006

(i) (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets.

(b) As explained to us, the Company has a programme of physically verifying all its fixed assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. In accordance with this programme, some of the fixed assets were physically verified by the management during the year. The discrepancies noticed on such verification between the physical balances and the fixed assets records were not material and have been properly dealt with in the books of account.

(c) In our opinion and according to the information and explanations given to us, a substantial part of the fixed assets has not been disposed off by the Company during the year.

(ii) (a) During the year, the inventories have been physically verified by the management. In our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the record of inventories, we are of the opinion that, the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.

(iii) (a) There is one party covered in the register maintained under Section 301 of the Companies Act, 1956 to which Company has given deposit as per contractual obligations. The maximum amount involved during the year was Rs. 66,50,000/- and the year end balance of deposit granted to such party was Rs. 38,00,000/-. (Refer Note No 18 of Schedule "V".)

(b) In our opinion, terms and conditions on which deposit has been given to party listed in the register maintained under Section 301 of Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company. No interest was charged from this party, since this is deposit against premises taken on rent.

(c) The party has repaid the principal amount as stipulated, no interest was charged from this party, since this was deposit against premises taken on rent. (Refer Note No 18 of Schedule "V").

(d) There is no overdue amount of deposit granted to Companies, firm or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(e) The company has taken deposits from five Companies and eight other parties covered in register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 13,95,12,674/- and the year end balance of deposits taken from such parties was Rs. 5,80,98,000/-.

(f) In our opinion, the rate of interest where applicable and other terms and conditions on which deposits have been taken from Companies, firms or other parties listed in the register maintained under Section 301 of Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.

(g) The Company is regular in repaying the principal amounts as stipulated and also in the payment of interest where applicable in case of deposits taken from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems, commensurate with the size of the Company and the nature of its business with regard to the purchase of inventories, fixed assets and with regard to the sale of goods. There are no sale of services during the year. Further, on the basis of our examination and according to the information and explanations given to us, we have not come across nor have any information of any instances of major weaknesses in the aforesaid internal control systems.

(v) According to the information and explanations given to us, during the year, there were no transactions that need to be entered into the register maintained under section 301 of the Companies Act 1956. Accordingly, paragraph (V) (a) and (b) of the Order are not applicable.

(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA or any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of deposits) Rules, 1975 with regard to the deposits accepted from the public. As per the information and explanations given to us, no order on the Company under the aforesaid sections has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

(vii) In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.

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

(ix) (a) According to the records of the Company and information and explanations given to us and the records of the Company examined by us, the Company has been regularly depositing the undisputed statutory dues including provident fund, employees state insurance, income tax, Investor Education and Protection fund, Sales tax, wealth tax, Service tax, customs duty, excise duty, Cess and other material statutory dues applicable to it with the appropriate authorities. We are informed there are no undisputed statutory dues as of March 31,2006 outstanding for a period of more than six months from the date they become payable.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues of income tax, service tax, customs duty, wealth tax & Cess which have not been deposited. The particulars of disputed dues on account of sales tax and excise duty matters that have not been deposited by the Company are as follows :-

Name of the Statute	Nature of the Due	Amount Rs.	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Rebate on Export	9,24,044	2003-04	Appeal filed in High Court, Jaipur
	Cenvat Credit Wrongly taken	2,24,67,506	01.09.02-31.08.03	CEGAT, New Delhi
	MODVAT on Capital Goods disallowed	1,78,096	1996-97	Matter Remanded back to Dy. Commissioner by CEGAT
Sales Tax Act	Central Sales Tax	8,80,055	2002-03	Deputy Commissioner of Sales Tax
	Local Sales Tax	20,489	2002-03	Deputy Commissioner of Sales Tax
	Local Sales Tax	3,06,979	1988-89	Deputy Commissioner of Sales Tax
	Local Sales Tax	3,74,862	1987-88	Deputy Commissioner of Sales Tax
	Central Sales Tax	67,995	1988-89	Deputy Commissioner of Sales Tax
	Central Sales Tax	1,00,084	1987-88	Deputy Commissioner of Sales Tax
	Local Sales Tax	3,29,006	2004-05	Sales Tax Officer
	Central Sales Tax	66,97,494	2004-05	Sales Tax Officer

(x) The Company does not have accumulated losses as at the year ended March 31, 2006. Further, the Company has not incurred any cash losses during the year ended March 31, 2006 and in the immediately preceding financial year ended March 31, 2005.

xi) According to the records of the Company examined by us and on the information and explanations given to us, the Company has not defaulted in repayment of dues to banks during the year. The Company has not taken any loans from financial institutions and has not issued debentures during the year.

(xii) As the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4(xii) of the Order is not applicable.

(xiii) As the Company is not a chit fund / nidhi / mutual benefit funds / society to which the provisions of special statute relating to chit fund are applicable, paragraph 4(xiii) of the Order is not applicable.

(xiv) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.

(xv) We are informed that during the period, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.

(xvi) We are informed that the Company has obtained term loans during the year and term loans were applied for the purposes for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that during the year short term funds have not been used to finance long term investments.

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

(xix) The Company has not issued any debentures during the year.

(xx) We have verified the end use of money raised by Global Depository Receipt (GDR) Issue and the same has been disclosed in the Note no.10 Schedule "V".

(xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended March 31,2006.

For **JAGDISH CHAND & CO.**
Chartered Accountants

Place : New Delhi
Dated : 11th May, 2006

(J. C. GUPTA)
Partner
M. No. 6107

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31st March, 2006 Rupees		As at 31st March, 2005 Rupees	
I. SOURCES OF FUNDS :					
1. Shareholder's Funds:					
a) Share Capital	"A"	100939430		79200430	
b) Amounts Received Against Warrants		39460000		–	
c) Reserves & Surplus	"B"	851520036	991919466	201926991	281127421
2. Deferred Tax:					
a) Deferred Tax Liabilities		62382963		39730574	
b) Less: Deferred Tax Assets		2489694	59893269	1705279	38025295
3. Loan Funds:					
a) Secured Loans	"C"	532249330		219145718	
b) Unsecured Loans	"D"	235056964	767306294	229690154	448835872
			1819119029		767988588
II APPLICATION OF FUNDS :					
1. Fixed Assets	"E"				
a) Gross Block		886404989		397300750	
b) Less : Depreciation		142389692		116510772	
		744015297		280789978	
c) Capital Work in progress	"F"	60643071	804658368	8024411	288814389
2. Investments	"G"		2328395		339465
3. Current Assets, Loan & Advances:					
a) Inventories	"H"	984344480		503554384	
b) Sundry Debtors	"I"	757223090		499945167	
c) Cash & Bank Balances	"J"	140761947		49782756	
d) Loans & Advances	"K"	121228951		55325791	
		2003558468		1108608098	
Less : Current Liabilities and Provisions	"L"	991426202		629773364	
Net Current Assets			1012132266		478834734
4. Miscelleneous Expenditure	"M"		–		–
(To the extent not written off or adjusted)			1819119029		767988588
Notes on Accounts	"V"				

As per our Separate report of even date attached

For **JAGDISH CHAND & CO.**
Chartered Accountants

(J. C. GUPTA)
Partner
M.No- 6107

(ANIL GUPTA)
Chairman-cum-Managing Director

(RAJEEV GUPTA)
Executive Director (Finance)

Place : New Delhi
Dated : 11th May , 2006

(KISHORE KUNAL)
Company Secretary

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

		Schedule	Year Ended 31st March, 2006 Rupees	Year Ended 31st March, 2005 Rupees
I.	**INCOME**			
	Gross Sales Less Returns		**3413496024**	2302292012
	Less : Excise Duty		**411849326**	267763700
	Net Sales		**3001646698**	2034528312
	Job Work		**11002132**	18175848
	Other Income	"N"	**9361354**	1084130
	Increase/[Decrease] in Stock	"O"	**370868226**	67672680
			3392878410	2121460970
II.	**EXPENDITURE**			
	Materials	"P"	**2401546750**	1569457141
	Manufacturing,Selling & Other Expenses	"Q"	**433864265**	282751085
	Increase/[Decrease]Excise Duty on Stock		**18663030**	2894738
	Payments to and Provision for Employees	"R"	**62853408**	46869781
	Managerial Remunaration	"S"	**17974163**	4422307
	Financial Charges	"T"	**94595227**	68528996
	Depreciation & Amortisation	"U"	**26903909**	19857289
	Miscellaneous Expenditure Written off		**–**	2754200
			3056400752	1997535537
III.	**PROFIT BEFORE TAX [I-II]**		**336477658**	123925433
	Less : Provision For Taxation			
	– Current Tax		**49120000**	36500000
	– Fringe Benefit tax		**1970000**	–
	– Deferred tax		**23802339**	3529548
IV.	**PROFIT AFTER TAX**		**261585319**	83895885
	Add/(Less) Taxation for earlier years		**(1518995)**	(3496)
V.	**NET PROFIT**		**260066324**	83892389
	Add : Balance Brought Forward From Last year's Account		**156464310**	86602750
VI.	**AMOUNT AVAILABLE FOR APPROPRIATION**		**416530634**	170495139
VII.	**APPROPRIATION**			
	Proposed Dividend		**20187886**	7920043
	Provision for Taxation on Proposed Dividend		**2831351**	1110786
	Transfer to General Reserve		**25000000**	5000000
VIII.	**BALANCE CARRIED TO BALANCE SHEET**		**368511397**	156464310
	Face Value per equity share		**Rs. 10/-**	Rs. 10/-
	Earning per share:			
	– Basic		**28.60**	10.59
	– Diluted		**24.09**	10.59
NOTES ON ACCOUNTS		"V"		

As per our Separate report of even date attached

For **JAGDISH CHAND & CO.**
Chartered Accountants

(J. C. GUPTA)
Partner
M.No- 6107

(ANIL GUPTA)
Chairman-cum-Managing Director

(RAJEEV GUPTA)
Executive Director (Finance)

Place : New Delhi
Dated : 11th May , 2006

(KISHORE KUNAL)
Company Secretary

	As at 31st March, 2006 Rupees		As at 31st March, 2005 Rupees	
SCHEDULE "A" : SHARE CAPITAL				
Authorised				
1,70,00,000 (Previous year 90,00,000) Equity Shares of Rs. 10/- each		**170000000**		90000000
3,00,000 (Previous year 3,00,000) Preference Shares of Rs. 100/- each		**30000000**		30000000
		200000000		120000000
Issued, Subscribed & paid-up		**100939430**		79200430
100,93,943 (Previous year 79,20,043) Equity shares of Rs.10/- each fully paid (of the above 17,43,243 Equity were alloted to as fully paid shares as per Scheme of amalgamation without payment being received in cash)				
		100939430		79200430
SCHEDULE "B" : RESERVES & SURPLUS				
Share Premium				
As per last Balance Sheet	**36621163**		36621163	
Add : Addition During the year	**416358371**		–	
Less : GDR Issue Expenses written off	**3812413**	**449167121**	–	36621163
Revaluation Reserve				
As per last Balance Sheet	–		4861804	
Less : Transfer to Profit & Loss Account	–		57137	
Less : Transfer on Sale of Asset	–	–	4804667	–
General Reserve				
As per last Balance Sheet	**8841518**		3841518	
Add : Transferred from Profit & loss account	**25000000**	**33841518**	5000000	8841518
Profit & Loss Account				
As per Annexed Account		**368511397**		156464310
		851520036		201926991
SCHEDULE "C" : SECURED LOANS				
From Banks				
Term Loan		**146115895**		10580203
(Secured by equitable mortgage of factory land & buildings ,first charge on immovable & movable assets of the company and guaranteed by Sh. Anil Gupta, Chairman Cum Managing Director)				
For working capital		**377028106**		202990140
(Secured by equitable mortgage of factory land & buildings, hypothecation of Company's all Current & Movable assets & by way of first charge on all plant & machinery and guaranteed by Sh. Anil Gupta, Chairman Cum Managing Director)				
Interest Accrured & Due		–		115007
From Others				
Hire Purchase Finance		**9105329**		5460368
(Secured against hypothecation of vehicles & machinery financed)		**532249330**		219145718

	As at 31st March, 2006 Rupees		As at 31st March, 2005 Rupees	
SCHEDULE "D" : UNSECURED LOANS				
Short term Loan from Bank (Against personal Gurantee of Shri Anil Gupta, Chairman Cum Managing Director)		**100000000**		89900000
Deposits				
- Inter Corporate Deposits	**61402160**		56714898	
- Directors	**2630000**		2555000	
- Others	**49175000**	**113207160**	51387000	110656898
Sales Tax Deferment (Repayable within One Year Rs. 7283452/- Previous Year Rs. 7283452/-)		**21849804**		29133256
		235056964		229690154

SCHEDULE "E" : FIXED ASSETS

S. No.	Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As At 31.03.2005	Additions	Deductions	As At 31.03.2006	As At 31.03.2005	For the Year	Dedu-ctions	As At 31.03.2006	As At 31.03.2006	As At 31.03.2005
1	Land	3,660,737	–	–	**3,660,737**	–	–	–	–	**3,660,737**	3,660,737
2	Land (Lease Hold)	8,251,917	50,507,880	–	**58,759,797**	–	–	–	–	**58,759,797**	8,251,917
3	Building	80,135,126	105,747,504	–	**185,882,630**	12,362,084	2,432,832	–	**14,794,916**	**171,087,714**	67,773,042
4	Plant & Machinery	261,342,459	274,907,612	553,216	**535,696,855**	90,745,106	20,393,847	105,488	**111,033,465**	**424,663,390**	170,597,353
5	Electrical Fittings & Equipments	9,121,804	38,962,184	–	**48,083,988**	2,469,815	495,092	–	**2,964,907**	**45,119,081**	6,651,989
6	Furniture, Fixtures & Office Equipments	22,490,741	11,929,744	162,050	**34,258,435**	8,067,179	1,960,934	18,975	**10,009,138**	**24,249,297**	14,423,562
7	Vehicles	7,038,488	502,431	2,053,828	**5,487,091**	2,553,160	608,106	900,526	**2,260,739**	**3,226,352**	4,485,328
8	Assets Acquired under Hire Purchase :	–	–	–	–	–	–	–	–	–	
	– Plant & Machinery	2,457,570	1,245,636	–	**3,703,206**	62,355	271,486	–	**333,841**	**3,369,365**	2,395,215
	– Vehicle	2,801,908	8,070,342	–	**10,872,250**	251,073	741,612	–	**992,686**	**9,879,564**	2,550,835
	TOTAL :	**397,300,750**	**491,873,333**	**2,769,094**	**886,404,989**	**116,510,772**	**26,903,909**	**1,024,989**	**142,389,692**	**744,015,297**	**280,789,978**
	PREVIOUS YEAR :	381,185,541	53,152,260	37,037,051	397,300,750	106,943,238	19,914,426	10,346,892	116,510,772	280,789,978	274,242,303

Note :

1. Title Deeds of Land (Leasehold) Rs. 31159940/- (Previous Year Rs. Nil) are pending registration in the name of the company.
2. Carrying value of Assets acquired under hire purchase as on 31.03.2006 exclude the amount related to hire purchase agreement settled during the current year.

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "F" : CAPITAL WORK IN PROGRESS		
Capital Work in Progress (Including Material lying at Site)	**31895242**	8024411
Capital Advances	**27659217**	–
Capital Goods In Transit	**1088612**	–
	60643071	8024411

	As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
SCHEDULE "G" : INVESTMENTS		
LONG TERM		
OTHER INVESTMENTS		
(UNQUOTED)		
– KEI International Limited 76558 (Previous Year 76558) Equity Shares of Rs. 10 each fully Paid (Bonus Shares)	**–**	–
(QUOTED) :		
– State Bank of India 50 (Previous Year 50) Equity Shares of Rs. 10/- each fully paid	**10000**	10000
– Maryada Commercial Enterprises & Investment Co. Ltd. 1500 (Previous Year 1500) Equity Shares of Rs. 10/- each fully paid	**11200**	11200
– PNB Gilts Ltd. 6000 (Previous Year 6000) Equity Shares of Rs. 10/- each fully paid	**180000**	180000
– Punjab National Bank 2200 (Previous Year 2200) Equity shares of Rs. 10/- each fully paid	**68200**	68200
– Dena Bank 2595 (Previous Year 2595) Equity shares of Rs. 10/- each fully paid	**70065**	70065
– ICICI Bank Ltd 900 (Previous Year NIL) Equity shares of Rs. 10/- each fully paid	**472500**	–
– YES Bank Ltd 254 (Previous Year NIL) Equity shares of Rs. 10/- each fully paid	**11430**	–
– ING Vysya A.T.M. Fund 50000 (Previous Year NIL) Units of Rs. 10/- each fully paid	**500000**	–
– ING Vysya Dividend Yield Fund 50000 (Previous Year NIL) Units of Rs. 10/- each fully paid	**500000**	–
– ING Vysya L.I.O.N. Fund 50000 (Previous Year NIL) Units of Rs. 10/- each fully paid	**500000**	–
– Principal Infrastructure & Services Industries Fund 488.998 (Previous Year NIL) Units of Rs. 10/- each fully paid	**5000**	–
	2328395	339465
Notes:		
1. Quoted Investments		
– Aggregate of Book Value	**2328395**	339465
– Aggregate of Market Value	**3526252**	1131335
2. The Market Value in the case of Units of Mutual Funds is the repurchase price.		
3. During the year the following investments were purchased and sold.		
– ING Vysya Midcap Fund. (50000 units of Face value RS.10/-)	**500000**	–

		As at 31st March, 2006 Rupees		As at 31st March, 2005 Rupees
SCHEDULE "H" : INVENTORIES				
(As taken, valued and certified by the Management)				
Stores, Spares & Consumables		**10853425**		6518568
Raw Materials		**187019528**		127011713
Stock in Process		**380904518**		113996075
Finished Goods		**335323060**		234661732
Goods In Transit		**60694003**		16036397
Packing Material		**3882442**		2960850
Scrap		**5667504**		2369049
		984344480		503554384
SCHEDULE "I" : SUNDRY DEBTORS				
(Unsecured, Considered Good)				
Over six Months		**62682562**		54401994
Other Debts		**694540528**		445543173
		757223090		499945167
SEHEDULE "J" : CASH AND BANK BALANCES				
Cash Balances Including imprest		**1618159**		433794
Balance with Scheduled Banks:				
– Current Accounts	**6903279**		4809441	
– Fixed Deposits*	**131614828**		44413455	
– Unclaimed Dividend	**186395**	**138704502**	126066	49348962
Balance with Other Banks:				
– Current Accounts**	**439286**		–	
– Deposit Accounts***	–	**439286**	–	–
		140761947		49782756
*Includes unutilised balance of GDR issue		**68727251**		
** Maximum Balances in Current accounts with				
– Banco Efisa, Portugal		**437997372**		–
– HSBC Bank Middle East Limited, Dubai		**1866996**		–
***Maximum Balances in Deposit accounts with				
– Banco Efisa, Portugal		**433620000**		–
SCHEDULE "K" : LOANS & ADVANCES				
(Unsecured, Considered good, unless stated otherwise)				
Advances Recoverable in cash or in kind or for value to be received		**25219022**		18831429
Loans & Advances to Workers & staff		**1734231**		1575939
Claims Recoverable from Government		**12721843**		2700858
Balance with Excise Authorities		**69078843**		19892618
Earnest Money/Security Deposits		**12475012**		12324947
		121228951		55325791

	As at 31st March, 2006 Rupees		As at 31st March, 2005 Rupees	
SCHEDULE "L" : CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES				
Sundry Creditors *				
– Raw Material	720649583		505665003	
– Others	149044848	869694431	51598035	557263038
Other Liabilities		63552686		43331790
Advance/Security Deposit received		34495751		10170000
Investor Education and Protection Fund Shall be credit by the following amount namely **				
– Unclaimed Dividend		186395		126066
		967929263		610890894
PROVISIONS				
Provision for leave encashment	2892538		2256055	
Provision for Proposed Dividend	20187886		7920043	
Provision for tax on Proposed Dividend	2831351		1110786	
Provision for Taxation (Net of Payments)	-2414836	23496939	7595586	18882470
		991426202		629773364

* Includes dues to small scale industrial undertaking Rs. NIL (Previous Year NIL)

** No amount is due on March 31, 2006 for credit to Investor Education and protection Fund (Fund). Amount remaining due after adjustement of amounts to be claimed from the Company will be transferred on the respective due dates to Fund

SCHEDULE "M" : MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
Preliminary Expenses	–		26865	
Less : Written off to Profit & Loss Account	–	–	26865	–
Deferred Revenue Expenditure	–		2727335	
Less : Written off to Profit & Loss Account	–	–	2727335	–
GDR Issue Expenses during the year	5746778		–	
Less : Written off to share Premium Account	3812413			
Less : Written off to Deffered Tax Assets	1934365	–	–	–
		–		–

SCHEDULE "N" : OTHER INCOME				
Interest received on Income Tax Refund		–		277920
Dividend- Long Term Investment		43625		23750
Profit on Sale of Investments-Short Term		86325		–
Exchange Fluctuation (Net)		8429922		–
Miscellenous Income		801482		782460
		9361354		1084130

	As at 31st March, 2006 Rupees		As at 31st March, 2005 Rupees	
SCHEDULE "O" : INCREASE/(DECREASE) IN STOCK				
Opening Stock				
– Finished Goods	234661732		222227985	
– Stock in Process	113996075		60397908	
– Scrap	2369049	351026856	728283	283354176
Less : Closing Stock				
– Finished Goods	335323060		234661732	
– Stock in Process	380904518		113996075	
– Scrap	5667504	721895082	2369049	351026856
		370868226		67672680
SCHEDULE "P" : MATERIALS				
Raw Materials Consumed				
– Opening Stock	127011713		20837644	
Add : Purchases	2461554565		1669898577	
	2588566278		1690736221	
Less : Closing Stock	187019528	2401546750	127011713	1563724508
Traded Items				
– Opening Stock	–		1336168	
Add : Purchases	–		4396465	
	–		5732633	
Less: Closing Stock	–	–	–	5732633
		2401546750		1569457141
SCHEDULE "Q" : MANUFACTURING,SELLING & OTHER EXPENESES				
Stores, Spares & Consumables		31786986		19772257
Packing Expenses		72098227		48584570
Job Work Charges		54928062		36760209
Power, Fuel & Lighting		79502555		52570925
Repairs & Maintenance				
– Plant & Machinery	21052708		12273849	
– Building	1871571		2219952	
– Others	5242712	28166991	1955160	16448961
Freight,Handling,Oct. & Insurance (Net)		59221088		35318336
Rebate,Discount,Commission on Sales		40370261		24135463
Rates & Taxes		6298627		4718809
Rent		7884325		4678125
Insurance		5847226		4907443
Travelling & Conveyance		10659772		10457116
Advertisement & Publicity		4423393		1587376
Payments to Auditors				
– Audit Fees	425000		425000	
– Tax Audit	50000		50000	
– In Other Capacity	25000	500000	60000	535000
Loss on sales of Assets (Net)		768605		2895472
Communication Expenses		6139475		4324208
Exchange Fluctuation (Net)		–		571614
Miscellaneous Expenses		25268672		14485201
		433864265		282751085

	As at 31st March, 2006 Rupees		As at 31st March, 2005 Rupees	
SCHEDULE "R" : PAYMENT TO AND PROVISIONS FOR EMPLOYEES				
Salaries,Wages & Others Benefits		**52985645**		37955308
Contribution to Provident & Other Funds		**6028145**		5133321
Welfare Expenses		**3839618**		3781152
		62853408		46869781
SCHEDULE "S" : MANAGERIAL REMUNERATION				
Salaries		**2400000**		1430000
Commission		**14858413**		2297877
Rent		**360000**		480000
Contribution to Provident Fund		**9360**		12480
Perquisites		**131390**		149950
Director's Meeting Fee		**215000**		52000
		17974163		4422307
SCHEDULE "T" : FINANCIAL CHARGES				
Interest				
– Term Loan	**349859**		2868944	
– Working Capital Facilities (Net)	**28989570**		39433216	
– Others	**43290711**	**72630140**	9368272	51670432
Financial Charges & Commission		**21965087**		16858564
		94595227		68528996
SCHEDULE "U" : DEPRECIATION				
On Fixed Assets	**26903909**		19914426	
Less : Transfer from Revaluation Reserve	**–**	**26903909**	57137	19857289
		26903909		19857289

SCHEDULE – "V"

Significant Accounting Policies and Notes on Accounts for the Year ended 31st March, 2006

1. Statement of significant accounting policies

(a) The accounts have been prepared under the historical cost convention except where otherwise stated.

(b) Fixed Assets :

(i) Fixed assets are stated at cost or valuation less accumulated depreciation and impairment loss. The cost includes inward freight and other directly attributable expenses.

(ii) In respect of new projects, all expenses relating to the projects up to the commencement of production, including interest on borrowed loan are capitalised. Financing Cost incurred on General Borrowing used for projects is capitalised at the Weighted average cost. The amount of such borrowing is determined after setting off the amount of internal accruals.

(iii) In accordance with and at the rates specified in Schedule XIV to the Companies Acts, 1956 depreciation is provided by following methods:-

— Written down value method in respect of fixed assets valued up to 31st March 1992 in cable division.

— Straight line method for other fixed assets

(iv) No write off is being made in respect of leasehold land, as the lease is a long lease.

(c) Investments :

Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if, such decline is other than temporary in the opinion of the management .

(d) Inventories :

(i) Finished goods are valued at lower of cost or net realisable value

(ii) Raw materials are valued at cost or net realisable value whichever is lower.

(iii) Stock in Process is valued at lower of cost and net realisable value

(iv) Stores, spares and consumables and packing materials are valued at cost.

(v) Scrap is valued at estimated realisable value.

(vi) Cost of Raw Materials is determined on first in first out (FIFO) basis. Work in process includes raw material costs and allocated production overheads. Cost of finished goods is determined by taking derived material costs and others overheads .

(e) Revenue Recognition :

Sales are accounted for on despatch of goods from the factory to the customers. Sales are net of return and include excise duty wherever directly chargeable from customers, but exclude sales tax.

(f) Excise Duty :

Excise Duty has been accounted on the basis of both payments made in respect of goods cleared as also provision made for goods lying in factory premises. CENVAT credit is accounted on accrual basis on purchases of materials.

(g) Employees/Retirement Benefits :

(i) The Company has taken group gratuity scheme with LIC of India. Contribution payable towards this group gratuity scheme is charged to profit & loss account.

(ii) Liability towards leave encashment on retirement of employees is accounted for as estimated.

(h) Foreign Currency Transactions:

(i) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.

(ii) Foreign currency transactions remaining unsettled at the year end are translated at year end rate . Premium in respect of forward contracts is accounted over the period of contract

(iii) Exchange differences relating to fixed assets are adjusted in the cost of the asset.

(iv) Non monetary foreign currency items are carried at cost.

(i) Reserves:

The difference between depreciation on the revalued value of the asset and depreciation on their historical cost is transferred from Revaluation reserve to Profit & Loss account.

(j) Miscellaneous Expenditure:

(i) Preliminary expenses are being written off over a period of ten years.

(ii) Public issue expenditure are being written off against share premium, net of taxes, in the year of issue.

(k) Taxes on Income :

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(l) Deferred Revenue Expenditure:

Incurred up to 31-03-2003 is amortised in 3 equal instalments over a period of 3 year. Expenditure incurred on & from 1-4-2003 is charged to profit & loss account in that year .

(m) Impairment of Fixed Assets :

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the assets in prior years.

(n) Contingent Liabilities

Contingent liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

2. Contingent Liabilities

a. Unutilised letter of credits Rs. 73,38,400/- (Previous Year Rs.11,70,000/-)
b. Financial Bank Guarantees outstanding Rs. 1,55,49,915/-(Previous Year Rs. 1,86,62,555/-)
c. Outstanding Bills discounted with banks Rs. 21,07,35,922/- (Previous year Rs.6,71,14,620/-).
d. Sales Tax demands under appeal Rs 87,76,964/- (Previous year Rs 28,36,945/-)
e. Income tax demands under appeal in respect of earlier years Rs 8,13,426/- (Previous year Rs. NIL)
f. Excise Demand under appeal in respect of earlier years Rs. 2,35,69,646/- (Previous year Rs 2,35,69,646/-)
g. Claims against the company not acknowledged as debts Rs. 1,00,000/- (Previous year Rs. 1,10,000/-)

3. Estimated amount of contracts remaining to be executed on Capital Account Rs. 16,83,68,000/- (Previous Year Rs. 1,92,19,177/-).

4. Fixed Deposits with banks amounting to Rs 5,98,87,577/- (Previous year Rs. 4,14,03,455/-) are under lien with banks and with Sales Tax Authorities Rs. NIL/- (Previous year Rs. 10,000/-)

5. During the year the Board of Directors of the company has allotted 17,00,000(Seventeen lakhs) Zero Coupon Convertible Warrants on preferential basis. The Warrant holders have option of subscribing one equity share of the company of Rs.10/- each per warrant at a price of Rs. 138/-(Rupees One Hundred Thirty Eight Only) per equity share. any time up to 11th January, 2007. The company has received an amount of Rs. 3,94,60,000/- from the warrant holders pending subscription of equity shares. This amount has been utilized for objects of issue.

6. Till last year company was writing off Share Issue expenditure against share premium over a period of ten years. During the year company has changed its accounting policy and has charged full amount of GDR Issue expenses against share premium net of taxes. This has resulted in increase in deferred tax asset by Rs. 15,47,492/- and deferred tax for the year by Rs. 3,86,873/-and decrease in Share Premium by Rs. 32,37,735/- and " Miscellaneous Expenditure" by Rs. 51,72,100/- .

7. Insurance Premium of Rs. 20,60,550/-(Previous year Rs. 20,60,550/-) on Keyman Insurance Policy has been charged to profit & loss account. Maturity value of such policy will be accounted for on receipt basis.

8. Interest on working capital facilities are net of interest received Rs. 71,43,692./- (Previous year Rs.31,55,085/-)

9 . As per information available with the management no supplier has claimed status of Small Scale Industrial Undertaking (SSI). Hence, dues to 'SSI ' can not be ascertained separately.

10. Global Depository Receipt(GDR) proceeds aggregating Rs. 43,80,97,371/- have been utilized as per objects of the issue in following manner.:

GDR Issue Expenses	Rs. 57,46,778/-
HT Power Cable Project	Rs. 30,44,34,649/-
Long Term Working Capital	Rs. 6,15,37,826/-
Pending utilization in Bank (Net)	Rs. 6,63,78,118/-
Total	Rs. 43,80,97,371/-

11. Amount of Excise Duty deducted from the turnover is relatable to sales made during the year and the amount recognized separately in the statement of profit & loss is related to the difference between the closing stock & opening stock.

12. **Following expenses were capitalized and allocated to fixed assets:**

Particulars	**Year ended 31.03.06 Amount(Rs.)**	**Year ended 31.03.05 Amount(Rs.)**
Bank Charges & Commission	**31,84,177**	–
Interest on Term Loan	**38,73,006**	–
Freight Handling Octroi & Insurance	**65,479**	–
Power Fuel & Lighting	**3,42,786**	–
Travelling & Conveyance	**4,43,124**	–
Communication Expenses	**32,044**	–
Insurance Expenses	**9,022**	–
Store Spares & Consumables	**5,41,053**	–
Medical Expenses	**8,161**	–
Salary	**7,08,742**	–
Staff Welfare	**45,790**	–
Security & Service Charges	**2,62,038**	–
Misc. Expenses	**99,473**	–
	96,14,895	–
Less : Alloted to Fixed Assets	**96,14,895**	–
Total (Net)	**–**	–

13. **Computation of Net Profit in accordance with Section 198 of the companies Act, 1956.**

Particulars	**Year ended 31.03.06 Amount(Rs.)**	**Year ended 31.03.05 Amount (Rs.)**
Net Profit before tax	**33,64,77,658**	12,39,25,433
Add: Director's Remuneration(Excluding PF & meeting Fee)	**1,77,49,803**	43,57,827
Add: Loss on sale of assets (net)	**7,68,605**	28,95,472
Net Profit	**35,49,96,066**	13,11,78,732
Less : Net Profit before tax upto 31st December, 2004 (after adding managerial remuneration)	**–**	7,14,17,780
Net Profit for Managerial Remuneration	**35,49,96,066**	5,97,60,952
Calculation of Director's Remuneration (including commission) @ 5% of the Net Profit for the period.	**1,77,49,803**	29,88,047
Add : Managerial Remuneration upto 31st December, 2004	**–**	13,69,780
Total Managerial Remuneration		
— Excluding Directors Meeting Fees and contribution to Provident & Other Funds	**1,77,49,803**	43,57,827
— Including Directors Meeting Fees and contribution to Provident & Other Funds	**1,79,74,163**	44,22,307

Note :- Since Chairman-cum-Managing Director is entitled to commission from 1st January, 2005, Net Profit for the period since 1st January, 2005 has been calculated after reducing net profit upto 31st December, 2004 as shown by Company in its published result as per listing requirements which were also subject to "Limited Review" by the Auditors.

14. Deferred Tax Assets and Liabilities are attributable to the following items :

	As At 31.03.06 Amount(Rs.)	As At 31.03.05 Amount(Rs.)
Assets		
Provision for unencashed leave	**9,42,202/-**	7,28,124/-
GDR Issue Expenses	**15,47,492/-**	–
Gratuity Contribution Payable	-	9,77,155/-
	24,89,694/-	17,05,279/-
Liabilities		
Depreciation	**6,23,82,963/-**	3,97,30,574/-

15. Earning per share pursuant to Accounting Standard- 20 (AS-20) issued by Institute of Chartered Accountants of India has been calculated as follows:

Particulars	Year ended 31.03.06	Year ended 31.03.05
Profit after taxation (Rs)	**26,00,66,324**	8,38,92,389
Number of equity shares at the beginning of the year	**7920043**	7920043
Add: Weighted average number of equity shares issued on 16.09.2005 (GDR)	**1173310**	–
Weighted average number of equity shares for Basic EPS	**9093353**	7920043
Add: Adjustment for Warrants outstanding convertible in equity shares (Refer note 5 Schedule V)	**1700000**	–
Weighted average number of equity shares for Diluted EPS	**10793353**	7920043
Basic Earning Per Share	**28.60**	10.59
Diluted Earning Per Share	**24.09**	10.59

16. Future lease obligation by way of lease rental as follows:

Due	Total Minimum lease payments outstandings		Future Interest on outstandings		Present value of minimum lease payments	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Within one year	**4696523**	3481172	**685521**	345802	**4011002**	3135370
Later than one year and not later than five years	**5522189**	2508590	**435305**	183592	**5086884**	2324998
More than Five years	**NIL**	NIL	**NIL**	NIL	**NIL**	NIL
Total	**10218712**	5989762	**1120826**	529394	**9097886**	5460368

17. Disclosure pursuant to clause 32 of the Listing Agreement with Stock Exchanges is given below:

a) Loans and Advances in the nature of Loans given to Associates :

Name	As at 31.03.06	Maximum Balance during the year	As at 31.03.05	Maximum Balance during the year
Sunil Gupta	**38,00,000/-**	**66,50,000/-**	66,50,000/-	85,50,000/-

These are security deposits for premises taken on rent by the Company and are adjustable against rent payable as per terms & conditions.

b) Investments by the Loanee in the shares of the Company :

Name	As At 31.03.06		As At 31.03.05	
	No. of Shares	Amount	No. of Shares	Amount
Sunil Gupta	**357334**	**52,67,097/-**	357334	52,67,097/-

Note: These Investment were made by loanee prior to receiving security deposit.

18. Loan & Advance include adjustable security deposit given to a director for premises taken on rent Rs. 38,00,000/- (Previous year Rs.66,50,000) Maximum Balance outstanding during the year Rs. 66,50,000/- (Previous year Rs.85,50,000).

19. Related party Disclosures, as required by Accounting Standard (AS-18), issued by the Institute of Chartered Accountants of India, are given in Annexure-I.

20. Segment information pursuant to Accounting Standard (AS-17) " Segment Reporting" issued by the Institute of Chartered Accountants of India.

a) Information about Primary Business Segments (In Rupees)

Particulars	Cables		Stainless Steel Wire		Unallocated		Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Revenue (Gross)								
External	**2988405884**	2028872965	**436893754**	292377230	–	-	**3425299638**	2321250195
Inter-segment	-	-	-	-	-	-	-	-
Total Revenue	**2988405884**	2028872965	**436893754**	292377230	-	-	**3425299638**	2321250195
Result	-	-	-	-	-	-	-	-
Segment Result	**496311591**	227533062	**11838001**	17964642	-	-	**508149592**	245497704
Unallocated expenditure net of unallocated income	-	-	-	-	**(77206657)**	(53067025)	**(77206657)**	(53067025)
Interest expenses (net)	-	-	-	-	**(94595227)**	(68528996)	**(94595227)**	(68528996)
Profit on Sale of Investment	-	-	-	-	**86325**	-	**86325**	-
Dividend Income	-	-	-	-	**43625**	23750	**43625**	23750
Profit before taxation and exceptional items	**496311591**	227533062	**11838001**	17964642	**(171671934)**	(121572271)	**336477658**	123925433
Exceptional items	-	-	-	-	-	-	-	-
Taxation	-	-	-	-	-	-	**(76411334)**	(40033044)
Net Profit	-	-	-	-	-	-	**260066324**	83892389
Other Information								
Segment Assets	**2308411896**	1115599927	**330037749**	206423610	**172095587**	75738415	**2810545231**	1397761952
Segment Liabilities	**787426920**	499491092	**157307113**	117237990	**873891732**	499905449	**1818625765**	1116634531
Capital expenditure	**470611094**	40080448	**14271790**	6866689	**6990449**	6205123	**491873333**	53152260
GDR Issue Expenses	-	-	-	-	**5746778**	-	**5746778**	-
Deferred Revenue Expenditure	-	-	-	-	-	-	-	-
Depreciation	**17421681**	12180692	**8168274**	7145927	**1313954**	530670	**26903909**	19857289
Non-cash expenses other than depreciation	-	2727335	-	-	-	26865	-	2754200

b) Information about Secondary Business Segment (In Rupees)

Revenue for Geographical market	India		Outside India		Total	
	2005-06	**2004-05**	**2005-06**	**2004-05**	**2005-06**	**2004-05**
External Inter-segment	**3199258678**	2094261637	**226040960**	226988558	**3425299638**	2321250195
Total	**3199258678**	2094261637	**226040960**	226988558	**3425299638**	2321250195
Carrying amount of segment assets	**2809431779**	1397761952	**1113452**	-	**2810545231**	1397761952
Additions to fixed assets	**491165644**	53152260	**707689**	-	**491873333**	53152260

c) Notes :

i) The Company is organised into two main business segments, namely:
- Cables comprising of HT & LT Power Cables , Control and Instrumentation Cables, Winding Wires & Flexible and House Wires
- Stainless Steel Wire cmprising of Stainless Steel Wire.

Segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organisation structure, and the internal financial reporting systems.

ii) Segment Revenue in each of the above domestic business segments primarily includes sales, job work income and export incentives in the respective segments.

Segment Revenue comprising of (in Rupees)	2005-06	2004-05
Sales	**3,413,496,024**	2,302,292,012
Other income excluding interest(net) dividend income	**11,803,614**	18,958,183
Total	**3,425,299,638**	2,321,250,195

iii) The Segment Revenue in the geographical segments considered for disclosure are as follows:
a) Revenue within India includes sales to customers located within India and earnings in India.
b) Revenue outside India includes sales to customers located outside India and earnings outside India.

iv) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

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

(A) Particulars of capacity and production

Particulars	Unit	Licenced Capacity	Installed Capacity*		Actual Production	
			As At 31.03.06	As At 31.03.05	Year Ended 31.03.06	Year Ended 31.03.05
Cables*	Kms.	N.A.	**32000.000**	25000.000	**21735.053**	15409.901
Stainless Steel Wires*	Kgs.	N.A.	**3250000**	2650000	**2509975.190**	1567890.770
Winding, Flexiable & House Wiring	Kms.	N.A.	**100000.000**	100000.000	**20250.782**	17836.599

* Installed capacity has been certified by Managing Director and relied upon by Auditors.

(B) Particulars of Stocks & Sales

Due	Unit	Opening Stock		Closing Stock		Sales (Gross)	
		As At 31.03.06	As At 31.03.05	As At 31.03.06	As At 31.03.05	Year Ended 31.03.06	Year Ended 31.03.05
Cables*	Kms.	**1329.072**	993.263	**1634.208**	1329.072	**21429.319**	15074.092
	Rs.	**174138610**	169528717	**258251878**	174138610	**2643343219**	1912944139
Stainless Steel Wires	Kgs.	**66,964.208**	63259.158	**127960.028**	66,964.208	**2448979.370**	1,564,185.720
	Rs.	**19791775**	6862218	**29144561**	19791775	**423735471**	260,661,639
Winding , Flexiable & House Wiring**	Kms.	**4044.482**	4286.829	**4521.911**	4044.482	**19656.893**	18078.945
	Rs.	**40731347**	44500882	**47926621**	40731347	**296082853**	96812510
Traded Goods	Kgs.	**0**	10008.000	**0**	0	**0**	70023.000
	Rs.	**0**	1336168	**0**	0	**0**	7606573
Miscellaneous	Rs.	**2369049**	728283	**5667504**	2369049	**50334481**	24267151

*Does not include Cable consumption for Captive purposes 0.598 KMS

**Does not include Flexible & House wire consumption for Captive purposes 116.460 KMS

(C) Particualrs of Raw Matarials consumed

Class of Goods	Quantity in (Kgs.)		Value in (Rs.)	
	Year ended 31.03.2006	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2005
Copper	**4409085.170**	3362575.380	**858,277,420**	532165669
PVC & DOP	**8104027.680**	5473275.630	**399,866,051**	262898338
G.I.Wire/S.S.Wire/Strip	**5424867.210**	4043012.300	**207,754,666**	156684409
Aluminium Wire	**5211250.130**	3645258.760	**546,361,688**	347751201
Stainless Steel Rod	**2725831.890**	1279412	**313,731,901**	191716104
Thermocouple Wire/Nikkle	**15065.380**	35046	**16,354,994**	33588158
Others	**N.A**	N.A	**59,200,030**	38920629

(D) Purchase of Trading Goods

Class of Goods	Quantity in (Kgs.)		Value in (Rs.)	
	Year ended 31.03.2006	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2005
S S Wire Rod	**0.000**	60015.000	**-**	4396465

(E) Value of imported and Indigeneous materials consumed

Class of Goods	Percentage		Value in (Rs.)	
	Year ended 31.03.2006	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2005
Materials				
- Indigeneous	**96**	99	**2302267613**	1550564613
- Imported	**4**	1	**99279137**	18892528
	100	100	**2401546750**	1569457141
Stores, Spares & Consumables				
- Indigeneous	**99**	99.7	**31338809**	19710168
- Imported	**1**	0.3	**448177**	62089
	100	100	**31786986**	19772257

(F) Value of Imports on CIF basis

Particulars	Year ended 31.03.06 (Rs.)	Year ended 31.03.05 (Rs.)
Raw Material Purchases	**103955202**	19860330
Machinery	**31295436**	–
Stores, Spares & Consumables	**388372**	62089

(G) Earnings in Foreign Exchange (on Accural Basis)

Particulars	Year ended 31.03.06 (Rs.)	Year ended 31.03.05 (Rs.)
Exports	**226040960**	226988558
Interest received on FDR	**4938594**	–

(H) Expenditure in Foreign Currency (on Accrual Basis)

Particulars	Year ended 31.03.06 (Rs.)	Year ended 31.03.05 (Rs.)
Manufacturing, Selling & Other Expenses		
Power, Fuel & Lighting	**48,626**	-
Freight, Handling, Octroi & Insurance	**293,241**	-
Rebate, Discount, Commision on Sales	**3,372,878**	3,276,883
Rates & Taxes	**124,716**	-
Rent	**1,253,715**	-
Insurance	**20,039**	-
Travelling & Conveyance	**1,639,485**	1,302,790
Advertisement & Publicity	**832,445**	-
Communication Expenses	**160,542**	-
Misecllaneous Expenses	**2,040,296**	875,249
Payment to and Provisions For Employees		
Salary, Wages & Other Benefits	**1,603,558**	-
Welfare Expenses	**199,607**	-
Financial Charges		
Interest on Hire Purchase	**10,595**	-
Bank Charges	**1,793**	-
GDR Issue Expenses	**6,893,103**	-

(I) Remittance in foreign currency on account of dividends:

Particulars		
The year to which dividend relates	2004-05	2003-04
Amounts of dividend remitted	Rs.513552	-
Number of Non -Resident Shareholders/OCBs/FIIs	19	-
Number of Equity Shares	513,552	-

22. Previous Year's figures have been regrouped/ rearranged Where necessary.

As per our Separate report of even date attached

For **JAGDISH CHAND & CO.**
Chartered Accountants

(J. C. GUPTA)
Partner
M.No- 6107

(ANIL GUPTA)
Chairman-cum-Managing Director

(RAJEEV GUPTA)
Executive Director (Finance)

Place : New Delhi
Dated : 11th May , 2006

(KISHORE KUNAL)
Company Secretary

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	51527	State Code :	55
Balance Sheet Date	31.03.2006		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSAND)

Public Issue*	Right Issue
438097	NIL
Bonus Issue	Private Placement
NIL	NIL

* Including Share Premium

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSAND)

Total Liabilities	1819119	Total Assets	1819119
Source of Funds		Paid-up Capital	Share Warant
		100940	39460
		Reserves and Surplus	Secured Loan
		851520	532249
		Unsecured Loans	Deferred Tax
		235057	59893
Application of Funds		Net fixed assets	Investments
		804658	2328
		Net Current assets**	Misc. Expenditure
		1012132	Nil
		Accumulated Losses	
		NIL	

** Net of current liabiliites & provisions

IV. PERFORMANCE OF COMPANY (AMOUNTS IN RS. THOUSAND)

Turnover	3392878	Total Expenditure	3056401
		Profit Before Tax	Profit After Tax
		336478	261585
		Earning Per share	Dividend Rate %
		28.60	20

V. GENERIC NAME OF PRINCIPAL PRODUCT/SERVICES OF COMPANY (AS PER MONETARY TERMS)

Item Code No.	85.44
(ITC Code)	
(Production Description)	CABLES
Item Code No..	72.23
(ITC Code)	
(Production Description)	STAINLESS STEEL WIRE
Item Code No..	85.44
(ITC Code)	
(Production Description)	WINDING WIRE

(ANIL GUPTA)
Chairman-cum-Managing Director

(RAJEEV GUPTA)
Executive Director (Finance)

Place : New Delhi
Dated : 11th May , 2006

(KISHORE KUNAL)
Company Secretary

Annexure-I

"Related party Disclosures", as per Accounting Standard (AS-18), issued by The Institute of Chartered Accountants of India: -

Name of Related Parties :-

i) Associate of the company:
KEI International Ltd. (Subsidiary upto 28-09-03)

ii) Other related parties in the Group where common control exists :
D.N.Gupta & Sons (HUF)
Shri Anil Gupta HUF
KEI Cables Pvt. Ltd.
Projection Financial & Management Consultants Pvt. Ltd.
Subh Laxmi Motels & Inns Pvt. Ltd.
Soubhagya Agency Pvt. Ltd.
Dhan Versha Agency Pvt. Ltd.

iii) Functional Director:
Shri Anil Gupta, Chairman cum Managing Director

iv) Relatives of functional director :
Shri Sunil Gupta (Director)
Smt. Archana Gupta (Director)
Smt. Varsha Gupta
Smt. Sumitra Devi Gupta
Smt. Veena Agarwal

v) Enterprises over which person mentioned in (iv) above are able to exercise significant control :
Shri Sunil Gupta (HUF)
Ashwathama Constructions Pvt. Ltd.

The following transactions were carried out with the related parties in the ordinary course of business.

a) Details relating to parties referred to in items (i), (ii) , (iii),(iv) and (v) above

STATEMENT OF TRANSACTIONS WITH RELATED PARTIES

Particulares	Year	(i)	(ii)	(iii)	(iv)	(v)	Total
Deposits Received during the year	**2005-06**	**-**	**126375000**	**295000**	**662000**	**100000**	**127432000**
	2004-05	1800000	14500000	8915000	3770000	3515564	32500564
Interest paid on deposits received	**2005-06**	**-**	**-**	**-**	**248602**	**109550**	358152
	2004-05	-	-	-	186578	92509	279087
Credit Balance Outstanding as at the year end	**2005-06**	**1828000**	**52940000**	**70000**	**2260000**	**1000000**	**58098000**
	2004-05	1838000	14520000	-	3915000	2900000	23173000
Rent paid for use of assets	**2005-06**	**-**	**-**	**-**	**6420000**	**360000**	**6780000**
	2004-05	-	270000	-	4520000	210000	5000000
Managerial remuneration	**2005-06**	**-**	**-**	**17759163**	**-**	**-**	**17759163**
	2004-05	-	-	4370307	-	-	4370307
Meeting Fee	**2005-06**	**-**	**-**	**-**	**60000**	**-**	**60000**
	2004-05	-	-	-	2000	-	2000
Sale of Fixed Assets (At sale value)	**2005-06**	**-**	**-**	**-**	**-**	**-**	**-**
	2004-05	-	-	-	17500000	350000	17850000
Sale of Goods	**2005-06**	**-**	**-**	**-**	**-**	**-**	**-**
	2004-05	-	-	-	1368	-	1368
Security Deposit given for Premises taken on Rent.	**2005-06**	**-**	**-**	**-**	**-**	**-**	**-**
	2004-05	-	-	-	8550000	-	8550000
Outstanding premises deposit receivable	**2005-06**	**-**	**-**	**-**	**3800000**	**-**	**3800000**
	2004-05	-	-	-	6650000	-	6650000
Dividend paid on Equity	**2005-06**	**-**	**2062275**	**1692786**	**829928**	**314075**	**4899064**
	2004-05	-	-	-	-	-	-

b) Non Financial Transactions :

i) Sh. Anil Gupta has given personal guarantees to banks for company's borrowings.

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2006

(Figures in Rs.)

	2005-06	2004-05
(A) CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax Extra ordinary items	**336477658**	123925433
Adjustments for :		
Profit on sale of Investment	**(86325)**	-
Depreciation	**26903909**	19857289
Dividend Received	**(43625)**	(23750)
Financial Charges	**94595227**	68528996
Interest on Income Tax Refunds	**-**	(277920)
Provision for leave encashment	**636483**	372240
Misc. Expenditure written off	**-**	2754200
(Profit) / Loss on sales of Assets	**768605**	2895472
Operating Profit before working capital changes	**459251932**	218031960
Adjustments for :		
Trade & Other Receivables	**(323181083)**	(297661823)
Inventories	**(480790096)**	(190048834)
Trade & Payables	**357038369**	265996718
Cash Generated from operations	**12319122**	(3681979)
Financial Charges (Net)	**(94595227)**	(68528996)
Direct Taxes paid	**(62619417)**	(28859200)
Cash flow before Extra ordinary items	**(144895522)**	(101070175)
Extra Ordinary Items	-	-
Net Cash from operating activities	**(144895522)**	(101070175)
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Fixed assets and other capital expenditure	**(544491993)**	(61176671)
Investments	**(1988930)**	(70065)
Sale of Fixed Assets	**975500**	18990020
Dividend Received	**43625**	23750
Interest on Income Tax Refunds	**-**	277920
Profit on sale of investment	**86325**	–
Net Cash from investing activities	**(545375473)**	(41955046)

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2006 (Contd...)

(Figures in Rs.)

	2005-06	2004-05
(C) CASH FLOW FROM FINANCIAL ACTIVITIES		
Proceeds from long term borrowings (Net of repayments)	**135535692**	(3508228)
Proceeds from short term borrowings (Net of repayments)	**10100000**	89900000
Finance lease liabilities (Net)	**3644961**	(3850721)
Inter corporate & other deposits (Net of repayments)	**2550262**	36300348
Sales Tax Deferment(Net of repayments)	**(7283452)**	(3457065)
Working capital facilities from banks	**173922959**	29250320
Amounts Received Against Warrants	**39460000**	–
Proceeds from Issue of GDR	**438097371**	–
GDR Issue Expenses	**(5746778)**	–
Dividend paid	**(7920043)**	–
Dividend tax Payable	**(1110786)**	–
Net Cash from Financing Activities	**781250186**	144634654
Net Change in Cash and Cash Equivalents (A+B+C)	**90979191**	1609433
Cash & Cash Equivalents as at 1st April (Opening Balance)	**49782756**	48173323
Cash & Cash Equivalents as at 31st March (Closing Balance)	**140761947**	49782756

Cash and Bank Balance includes Rs.5,98,87,577/- (Previous year Rs. 4,14,13,455/-) held as Margin money / lien against gurantees issued by the Banks/others and balance in unclaimed dividend account Rs. 1,86,395/-(previous year Rs. 1,26,066/-)

Note : Figures in brackets represent cash out flow

As per our Separate report of even date attached

For **JAGDISH CHAND & CO.**
Chartered Accountants

(J. C. GUPTA)
Partner
M.No- 6107

(ANIL GUPTA)
Chairman-cum-Managing Director

(RAJEEV GUPTA)
Executive Director (Finance)

Place : New Delhi
Dated : 11th May , 2006

(KISHORE KUNAL)
Company Secretary

Forward-looking statement

In our report we have disclosed forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words and terms of similar substance in connection with any discussion of future operating or financial performance.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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