



Annual Report & Accounts
2005-2006

THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED

ESTABLISHED 1879



DIRECTORS

Nusli N. Wadia, *Chairman*
Keshub Mahindra
R. N. Tata
R. A. Shah
Dr. H. N. Sethna
S. S. Kelkar
S. Ragothaman
A. K. Hirjee
S. M. Palia (w.e.f. 30.05.06)
Ninu Khanna, **Managing Director** (upto 31.05.06)
P. V. Kuppaswamy, *Jt. Managing Director*
Ness N. Wadia, *Jt. Managing Director*
M. K. Singh, *Executive Director*
Surya Kant Gupta, *Executive Director* (w.e.f 30.05.06)

CHIEF FINANCIAL OFFICER

Govinder Singh

SECRETARY

P. Govindan

VICE-PRESIDENTS/BUSINESS HEAD

Burjor Nariman, *Sr. Vice-President (Corporate Group)*
Dr. S. C. Basu, *Business Head (PSF)*
Rajiv Bhatia, *Head-Operations:Retail Initiative*
R. Chandrasekharan, *Vice-President (Corporate Group)*
S. K. Gupta, *Vice-President (Manufacturing & Commercial)*
Bhagaban Kar, *Asst. Vice-President (PSF Manufacturing)*
R. Mahindru, *Vice-President - Business Development (Shopping Centre)*

GENERAL MANAGERS

A. Bhawsingka, *General Manager - Commercial & Operations*
K. C. Chandani, *General Manager - Engineering*
R. K. Gupta, *General Manager - Marketing*
R. Kapur, *General Manager - Processing*
K. V. Krishnamurthy, *General Manager –Operations*
Nimesh Mehta, *General Manager – Treasury*
B. K. Pandya, *General Manager - Manufacturing*
P. Phadnis, *General Manager - Corporate Affairs*
A. V. Potdar, *General Manager - Personnel & Administration*
V. Shanbhag, *General Manager – Commercial*
R. Sharma, *General Manager (CTS)*
S. K. Tibrewal, *General Manager - Industrial & Wholesale Marketing*

BANKERS

State Bank of India
UTI Bank Ltd.
IDBI Bank Ltd.
State Bank of Hyderabad
State Bank of Patiala
Citibank N. A.
Standard Chartered Bank

ADVOCATES & SOLICITORS

Messrs. Crawford Bayley & Co.
Messrs. Desai & Diwanji
Messrs. Mulla & Mulla and Craigie Blunt & Caroe

AUDITORS

Messrs. A. F. Ferguson & Co.

REGISTERED OFFICE

**Neville House, J. N. Heredia Marg,
 Ballard Estate, Mumbai-400 001.**

| Contents | Page |
|--|-------------|
| Board of Directors | 1 |
| Notice | 2-8 |
| 10 Years' Financial Review | 9 |
| Summarised Balance Sheet and Profit and Loss Account | 10 |
| Distribution of Income | 11 |
| Directors' Report | 12-20 |
| Management Discussion and Analysis | 21-22 |
| Corporate Governance | 23-31 |
| Auditors' Report | 32-35 |
| Balance Sheet | 36 |
| Profit and Loss Account | 37 |
| Schedules to Accounts | 38-66 |
| Cash Flow | 67-68 |

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

NOTICE

The 126th Annual General Meeting of the Members of The Bombay Dyeing & Manufacturing Company Limited will be held at the Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020, on Thursday, 27th July, 2006, at 3.45 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr. R. N. Tata, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Mr. S. S. Kelkar, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Mr. S. Ragothaman, who retires by rotation, and being eligible, offers himself for reappointment.
6. To appoint Messrs. A. F. Ferguson & Co., Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

Special Business:

To consider and, if thought fit, to pass with or without modification the following Resolutions:

7. As an Ordinary Resolution:
"RESOLVED THAT Mr. S. M. Palia be and is hereby appointed as a Director of the Company."
8. As an Ordinary Resolution:
"RESOLVED THAT Mr. S. K. Gupta be and is hereby appointed as a Director of the Company."
9. As an Ordinary Resolution:
 - (A) "RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (the Act), read with Schedule XIII of the Act [including any statutory modification(s) or re-enactment thereof for the time being in force], the Company hereby approves the appointment and the terms of remuneration of Mr. S.K.Gupta as a Whole-time Director designated as Executive Director of the Company for a period of 5 years with effect from 30th May, 2006 upon the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this meeting with liberty and power to the Board of Directors (hereinafter referred to as "the Board" which expression shall also include the Remuneration/Compensation Committee of the Board), in the exercise of its discretion, to grant increments and to alter and vary from time to time the terms and conditions of the said appointment.
 - (B) The Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, proper, expedient or desirable to give effect to this Resolution or to make modification as may be deemed to be in the best interest of the Company."
10. As an Ordinary Resolution:
"RESOLVED THAT in partial modification of the Resolution passed at the 124th Annual General Meeting of the Company held on 23rd July, 2004 and of the terms and conditions of appointment of Mr. P. V. Kuppuswamy as Joint Managing Director of the Company as set out in the Agreement executed between the Company and Mr. P. V. Kuppuswamy on 1st September, 2004, a draft whereof was specifically approved by the said Resolution, and in accordance with the provisions of Sections 198, 269, 310 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act, the Company hereby approves with effect from 1st April, 2006:-
 - (a) the removal of the maximum limit of Rs. 140 lacs per annum stipulated in the Agreement dated 1st September, 2004 for payment of remuneration by way of salary, allowances, commission on profits and/or bonus and perquisites and other benefits and amenities; and
 - (b) revision in the remuneration by way of salary, perquisites and allowances payable to Mr. P. V. Kuppuswamy (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) for the remainder of the tenure of his contract as set out in the Explanatory Statement annexed to the Notice convening this meeting.RESOLVED FURTHER THAT the Board including the Remuneration/Compensation Committee be and is hereby authorized to take all such steps as may be necessary, proper, expedient or desirable to give effect to this Resolution or to make modification as may be deemed to be in the best interest of the Company.
11. As an Ordinary Resolution:
"RESOLVED THAT in partial modification of the Resolution passed at the 124th Annual General Meeting of the Company held on 23rd July, 2004 and of the terms and conditions of appointment of Mr.Ness N.Wadia as Deputy Managing Director of the Company as set out in the Agreement executed between the Company and Mr.Ness N. Wadia on 1st September, 2004, a draft whereof was specifically approved by the said Resolution, and in accordance with the provisions of Sections 198, 269, 310 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act, the Company hereby approves:-



- (a) the removal of the maximum limit of Rs. 80 lacs per annum stipulated in the Agreement dated 1st September, 2004 for payment of remuneration by way of salary, allowances, commission on profits and/or bonus and perquisites and other benefits and amenities effective 1st April, 2005; and
- (b) revision in the remuneration by way of salary, perquisites and allowances payable to Mr. Ness N. Wadia, Deputy Managing Director (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from 1st April, 2006 for the remainder of the tenure of his contract as set out in the Explanatory Statement annexed to the Notice convening this meeting.

RESOLVED FURTHER that the Company hereby approves that Mr. Ness N. Wadia be re-designated as Joint Managing Director with effect from 30th May, 2006 on the same terms and conditions of appointment as set out in the Agreement entered into between the Company and Mr. Ness N. Wadia on 1st September, 2004 as modified by this Resolution.

RESOLVED FURTHER THAT the Board including the Remuneration/Compensation Committee be and is hereby authorized to take all such steps as may be necessary, proper, expedient or desirable to give effect to this Resolution or to make modification as may be deemed to be in the best interest of the Company.

12. As an Ordinary Resolution:

“RESOLVED THAT in partial modification of the Resolution passed at the 125th Annual General Meeting of the Company held on 29th July, 2005 and of the terms and conditions of appointment of Mr. M. K. Singh as Executive Director of the Company as set out in the Agreement executed between the Company and Mr. M. K. Singh on 22nd August, 2005, a draft whereof was specifically approved by the shareholders by the said Resolution, and in accordance with the provisions of Sections 198, 269, 310 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act, the Company hereby approves:-

- (a) the removal of the maximum limit of Rs. 80 lacs per annum stipulated in the Agreement dated 22nd August, 2005 for payment of remuneration by way of salary, allowances, commission on profits and/or bonus and perquisites and other benefits and amenities effective 1st April, 2005; and
- (b) revision in the remuneration by way of salary, perquisites and allowances payable to Mr. M. K. Singh, Executive Director (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from 1st April, 2006 for the remainder of the tenure of his contract as set out in the Explanatory Statement annexed to the Notice convening this meeting.

RESOLVED FURTHER THAT the Board including the Remuneration/Compensation Committee be and is hereby authorized to take all such steps as may be necessary, proper, expedient or desirable to give effect to this Resolution or to make modification as may be deemed to be in the best interest of the Company.

Notes:

- (a) The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, setting out material facts relating to the Special Business at Items 7 to 12 of the Notice as set out above, is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (c) The Register of Members and the Share Transfer Books of the Company will be closed from Thursday, 6th July, 2006 to Thursday, 27th July, 2006 both days inclusive.
- (d) Dividend, if any, that may be declared at the Meeting, will, subject to the provisions of Section 206A of the Companies Act, 1956, be paid on or after 10th August, 2006 to those Shareholders whose names stand on the Register of Members of the Company after giving effect to all valid share transfers lodged with the Registrar & Share Transfer Agents of the Company on or before 5th July, 2006, in respect of shares held in physical form. In respect of shares held in electronic form, the dividend for the year ended 31st March, 2006 will be payable to the beneficial owners of shares as at the closing hours of 5th July, 2006 as per details furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for this purpose.
- (e) Members are requested to notify immediately any change of address:
 - (i) to their Depository Participants (DPs) in respect of their electronic share accounts, and
 - (ii) to the Company's Registrar & Share Transfer Agents, M/s. Sharepro Services (India) Pvt. Ltd. (R & TA), at Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099, or at 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021, in respect of their physical share folios, if any, quoting their folio numbers.
- (f) Members are advised to submit their Electronic Clearing Service (ECS) mandates to the Company's R & TA at either of the aforesaid addresses to facilitate remittance by means of ECS.

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

- (g) Pursuant to the provisions of Section 205A of the Act, dividends for the financial year ended 31st March, 1999 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the respective dates of transfer to the unpaid dividend account of the Company are due for transfer to the Investor Education & Protection Fund (IEPF) on the dates given in the table below:

| Financial Year | Date of Declaration of Dividend | Last date for claiming unpaid dividend | Due date for transfer to IEPF. |
|----------------|---------------------------------|--|--------------------------------|
| 1998-1999 | 23.7.1999 | 22.7.2006 | 12.10.2006 |
| 1999-2000 | 27.4.2000 | 26.4.2007 | 13.7.2007 |
| 2000-2001 | 23.7.2001 | 22.7.2008 | 26.9.2008 |
| 2001-2002 | 13.8.2002 | 12.8.2009 | 19.10.2009 |
| 2002-2003 | 30.7.2003 | 29.7.2010 | 5.10.2010 |
| 2003-2004 | 23.7.2004 | 22.7.2011 | 26.9.2011 |
| 2004-2005 | 29.7.2005 | 28.7.2012 | 4.10.2012 |

Members who have so far not encashed the Dividend Warrants for the above years are advised to submit their claim to the Company's R & TA at either of the aforesaid addresses immediately quoting their folio number/DP ID & Client ID. It may be noted that once the unclaimed dividend is transferred to IEPF as aforesaid, no claim shall lie in respect of such amount by the members.

- (h) Members may avail themselves of the facility of nomination in terms of Section 109A of the Companies Act, 1956 by nominating in the prescribed form a person to whom their shares in the Company shall vest in the event of their death. The prescribed form can be obtained from the Company's Registered office or from its R & TA at either of the aforesaid addresses.
- (i) As required in terms of paragraph VI(A) of Clause 49 of the Listing Agreement, the details of the directors retiring by rotation and eligible for reappointment are furnished below:

Mr. R. N. Tata

Mr. R. N. Tata, 68, is a B.Sc. in Architectural and Structural Engineering of Cornell University, U.S.A. He has also completed an Advanced Management Program at the Graduate School of Business Administration, Harvard University. He has wide and varied experience in business and is the Chairman of several reputed companies in the Tata Group and also Chairman Emeritus of Nelco Limited. He is also on the Central Board of the Reserve Bank of India.

He holds 700 equity shares of the Company.

Outside Directorship: Tata Sons Limited (Chairman), Tata Industries Limited (Chairman), Tata Steel Limited (Chairman), Tata Motors Limited (Chairman), Tata Chemicals Limited (Chairman), The Indian Hotels Company Limited (Chairman), The Tata Power Company Limited (Chairman), Tata Tea Limited (Chairman), Tata Autocomp Systems Limited (Chairman), Tata Consultancy Services Limited (Chairman), Tata Teleservices Limited (Chairman), Tata Teleservices (Maharashtra) Limited (Chairman), Hindustan Aeronautics Limited, Antrix Corporation Limited and 6 foreign companies.

Committee Membership : Remuneration Committee of Tata Sons Limited, Tata Steel Limited, Tata Motors Limited, The Indian Hotels Company Limited, Tata Chemicals Limited, and Tata Autocomp Systems Limited.

Mr. S. S. Kelkar:

Mr. S. S. Kelkar, 67, is a Post Graduate in Commerce and has been associated with the Company for over 34 years and held various positions in the functional area of finance, besides having previous banking experience. He retired as Executive Director of the Company from August, 2001. He is on the Board of Commissioners of PT. Five Star Textile Indonesia.

He holds 7,340 equity shares of the Company.

Outside Directorship : Britannia Industries Limited, Harvard Plantations Limited, Macrofil Investments Limited, Naperol Investments Limited, Nowrosjee Wadia & Sons Limited, Kotak Mahindra Asset Management Company Limited, Placid Plantations Limited, Wadia BSN Limited, Go Airlines (India) Pvt. Limited, and Standard Chartered Trustee Company Pvt. Limited and as an Alternate Director of 2 foreign companies.

Committee Membership : Share Transfer and Shareholders/ Investors Grievance Committee of Britannia Industries Limited and The Bombay Dyeing & Manufacturing Company Limited (Bombay Dyeing), Audit Committee of Bombay Dyeing, Nowrosjee Wadia & Sons Limited and Kotak Mahindra Asset Management Company Limited and Remuneration Committee of Kotak Mahindra Asset Management Company Limited (Chairman).



Mr. S. Ragothaman:

Mr. S. Ragothaman, 60, was appointed as a Nominee of ICICI in September, 1995. After withdrawal of his nomination by ICICI he has been appointed on the Board as an Independent Director. His experience was predominantly with ICICI for 27 years in areas of project advice, risk assessment and financial management. He offers also consultancy services.

He holds 5,000 equity shares of the Company.

Outside Directorship: Ennore Foundries Limited, Shreyas Shipping & Logistics Limited, Southern Iron & Steel Company Limited, Xpro Global Limited, Semam Micro Finance Investment Literacy Empowerment Limited and Xpro India Ltd.

Committee Membership: Remuneration/Compensation Committee of The Bombay Dyeing & Manufacturing Company Limited (Bombay Dyeing), Ennore Foundries Limited (Chairman) and Shreyas Shipping & Logistics Limited, Audit Committee of Bombay Dyeing, Ennore Foundries Limited, Xpro India Limited (Chairman), Southern Iron & Steel Company Limited (Chairman) and Semam Micro Finance Investment Literacy Empowerment Limited (Chairman) and Shreyas Shipping & Logistics Limited and Investor Grievances Committee of Ennore Foundries Limited.

Details in respect of Mr. S. M. Palia and Mr. S. K. Gupta have been furnished at the appropriate places in the Explanatory Statement annexed to the Notice.

By Order of the Board of Directors,
FOR THE BOMBAY DYEING & MFG. CO. LTD.

P. GOVINDAN
Secretary

Mumbai, 30th May, 2006.

Registered Office:

Neville House,
J.N. Heredia Marg,
Ballard Estate,
Mumbai 400 001.
Phone: 22618071

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

ANNEXURE TO NOTICE

Explanatory Statement:

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the Special Business mentioned under items 7 to 12 of the accompanying Notice dated 30th May, 2006.

Item 7

Mr. S. M. Palia was appointed by the Board of Directors (the Board) with effect from 30th May, 2006 as an Additional Director in terms of Section 260 of the Companies Act, 1956 and Article 117 of the Company's Articles of Association. He holds office as a Director only up to the date of this Annual General Meeting but is eligible for re-appointment. As required under Section 257 of the Act, a notice in writing along with the requisite deposit has been received from a member signifying his intention to propose the aforesaid individual as Director of the Company at this Annual General Meeting.

Mr. S. M. Palia, 68, B.Com., LL.B., CAIIB, CIIB (London), is a Development Banker by profession. He was with IDBI from 1964 to 1989 and retired in 1989 as Executive Director. He was advisor to Industrial Bank of Yemen and Industrial Bank of Sudan under World Bank assistance programmes. During the period 1976-77 he was the Managing Director of Kerala Industrial & Technical Consultancy Organisation Ltd. set up to provide consultancy services to micro enterprise and SMEs. He is the Founder & Governing Board Member of Rashtriya Gramin Vikas Nidhi. He is also a Trustee of Bombay Community Public Trust, Mumbai, Janvikas, Ahmedabad, and Godrej Memorial Trust, Mumbai.

Mr. Palia does not hold any shares in the Company.

Outside Directorship: Tata Steel Ltd., GRUH Finance Ltd., Champdany Industries Ltd., Saline Area Vitalisation Enterprises Ltd., Shibir India Ltd., ACC Ltd., Tata Motors Ltd. and AI Champdany Industries Ltd.

Committee Membership: Audit Committee of the Boards of The Bombay Dyeing & Mfg. Co. Ltd., Tata Steel Ltd., ACC Ltd. (Chairman), Gruh Finance Ltd. (Chairman), Shibir India Ltd. (Chairman) and Champdany Industries Ltd., and also Remuneration/Compensation Committee of Gruh Finance Ltd. (Chairman) and Tata Steel Ltd.

No Director other than Mr. Palia is concerned or interested in this Resolution.

The Directors commend the Resolution at Item 7 for approval by the Members.

Item 8

Mr. S. K. Gupta who joined the Company on 31st March, 2006 as President & CEO (Textile Division) was appointed by the Board of Directors (the Board) with effect from 30th May, 2006 as an Additional Director in terms of Section 260 of the Companies Act, 1956 and Article 117 of the Company's Articles of Association. He holds office as a Director only up to the date of this Annual General Meeting but is eligible for re-appointment. As required under Section 257 of the Act, a notice in writing along with the requisite deposit has been received from a member signifying his intention to propose the aforesaid individual as Director of the Company at this Annual General Meeting.

Mr. S. K. Gupta, 55, is a Science Graduate and MBA from Faculty of Management Studies (FMS) University of Delhi and has more than three decades of long experience in the Indian Textile Industry to his credit.

Mr. Gupta handled varied managerial assignments in large companies like Reliance Industries Ltd., Grasim Industries Ltd., etc. Prior to joining the Company, Mr. Gupta had worked with Raymond in various capacities as Executive Director (Marketing & Sales), President (Textiles) and President (Corporate) with key businesses of Textiles, Denim, Shirting and Retail reporting to him. Mr. Gupta brings with him a combination of proven managerial skill and experience of handling a variety of textile products ranging from cotton, art-silk and wollens.

He does not hold any shares in the Company.

He is not a Director in any other company nor is he a member of any Board Committee of any company.

No Director other than Mr. Gupta is concerned or interested in this Resolution.

The Directors commend the Resolution at Item 8 for approval by the Members.

Item 9

Mr. S. K. Gupta who joined the Company on 31st March, 2006 as President & CEO (Textile Division) was appointed as Whole-time Director designated as Executive Director by the Board for a period of 5 years with effect from 30th May, 2006 subject to the approval of the shareholders.

The gist of the material terms and conditions relating to his appointment as Executive Director (ED) are as follows:

- (a) Period of appointment : 5 years from 30th May, 2006
- (b) Functions : Mr. Gupta shall carry out such functions, exercise such powers and perform such duties as the Board shall, from time to time, in their absolute discretion determine and entrust to him.



(c) In consideration of the performance of his duties, Mr. Gupta shall be paid the following remuneration:

A. Remuneration :

Basic Salary, with annual increments effective 1st April, every year, as may be decided by the Board, based on merit and taking into account the Company's performance for the year, upto a maximum of Rs.8,00,000/- per month.

The benefits, perquisites and allowances will be determined by the Board from time to time.

Commission calculated with reference to the net profits of the Company in a particular financial year will be determined by the Board based on performance criteria.

B. Minimum Remuneration :

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of tenure of Mr. Gupta, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified above subject to compliance with the applicable provisions of Schedule XIII to the Act, if and to the extent necessary, with the approval of the Central Government.

(d) The terms and conditions of the said appointment may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to whole-time directors in accordance with Schedule XIII to the Act, or any amendments made hereinafter in this regard.

(e) Mr. Gupta shall not be paid any sitting fees for attending Meetings of the Board or of any Committee thereof.

(f) Mr. Gupta shall be bound by the non-compete and confidentiality provisions as specified in his Agreement.

(g) Mr. Gupta shall cease to be a Director if he ceases to be an employee or vice-versa.

(h) The Company has a right to terminate the Agreement for any misconduct or breach by giving 30 days notice.

(i) Either party shall be entitled to terminate the Agreement by giving not less than six calendar months prior notice in writing in that behalf to the other party, provided that the Company shall be entitled to terminate Mr. Gupta's employment at any time by payment to him of six months basic salary in lieu of such notice.

Your Directors consider the aforesaid remuneration commensurate with the duties and responsibilities of Mr. Gupta.

In compliance with the provisions of Section 309 read with Schedule XIII of the Act, terms of the remuneration specified above are now being placed before the Members in General Meeting for their approval.

Mr. Gupta is concerned or interested in the Resolution at Item 9 as it relates to his appointment.

This may be treated as an abstract of the draft Agreement between the Company and Mr. S. K. Gupta as ED and memorandum of interest pursuant to Section 302 of the Act. The draft Agreement is available for inspection for the shareholders at the Registered Office of the Company during business hours on any working day (except Saturdays, Sundays and Public Holidays).

The Directors commend the Resolution at Item 9 for approval by the Members.

Items 10, 11 & 12

The appointment of Mr. P. V. Kuppuswamy as Joint Managing Director (JMD) and Mr. Ness N. Wadia as Deputy Managing Director (DMD) for 5 years effective 1st June, 2004 and of Mr. M. K. Singh as Executive Director (ED) for 5 years effective 24th July, 2004 was approved by the members at the 124th and 125th Annual General Meetings (AGMs) held on 23rd July, 2004 and 29th July, 2005 respectively.

The Agreements entered into with Mr. P. V. Kuppuswamy and Mr. Ness N. Wadia on 1st September, 2004 and Mr. M. K. Singh on 22nd August, 2005 based on the approval of the Members as aforesaid contain the terms and conditions of their appointment and the remuneration payable to them. The Agreements with Mr. Ness N. Wadia and Mr. M. K. Singh inter alia stipulate a maximum limit of remuneration by way of salary, allowances, commission on profits and/or bonus and perquisites and other benefits and amenities as may be determined by the Board from time to time in accordance with the Rules of the Company at Rs.80 lacs per annum subject always to the overall limits contained in Sections 198 and 309 of the Act. The Agreement with Mr. P. V. Kuppuswamy stipulates the maximum limit at Rs. 140 lacs per annum.

The Remuneration/Compensation Committee and the Board at their meetings held on 30th May, 2006 have determined the commission payable after adoption of the accounts at the ensuing AGM to Mr. Ness N. Wadia and Mr. M. K. Singh at Rs. 60 lacs each inclusive of a one-time special commission of Rs. 40 lacs for the financial year 2005-06. Consequently, the total individual remuneration of Mr. Ness N. Wadia and Mr. M. K. Singh for the financial year 2005-06 would exceed the limit of Rs. 80 lacs stipulated in their respective Agreements.

The Board has re-designated Mr. Ness N. Wadia as Joint Managing Director (JMD) effective 30th May, 2006.

In order to give flexibility to the Remuneration/Compensation Committee and the Board to decide upon the remuneration including perquisites and allowances to be granted to the whole-time directors from time to time, within the overall ceilings prescribed under the Act, the Remuneration/Compensation Committee and the Board have also, at their meetings held on 30th May, 2006, approved revision in the terms of remuneration including perquisites and allowances of Mr. P. V. Kuppuswamy, Mr. Ness N. Wadia and Mr. M. K. Singh for the periods given below subject to the approval of the Members:

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

Mr. P. V. Kuppuswamy, JMD : w.e.f. 01.04.2006 to 31.05.2009
Mr. Ness N. Wadia, JMD : w.e.f. 01.04.2006 to 31.05.2009
Mr. M. K. Singh, ED : w.e.f. 01.04.2006 to 23.07.2009

The revised terms of remuneration are set out below:

A. Remuneration:

Basic salary, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the Company's performance for the year, upto a maximum of Rs.8,00,000 per month.

The benefits, perquisites & allowances will be determined by the Board from time to time.

Commission calculated with reference to the net profits in a particular financial year will be determined by the Board based on performance criteria.

B. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the JMDs/ED, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, benefits, perquisites and allowances as specified above subject to compliance with the applicable provisions of Schedule XIII to the Act, if and to the extent necessary, with the approval of the Central Government.

The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Sections 198, 309 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as amended from time to time.

All the other terms and conditions of appointment of the JMDs/ED would remain unchanged.

The Resolutions at items 10 to 12 seek to give the requisite flexibility to the Board to determine the remuneration payable to the JMDs/ED within the overall ceiling prescribed under the Act by removing the maximum limits stipulated in their individual Agreements. This will allow a certain amount of flexibility to the Remuneration/Compensation Committee and the Board to recognize merit and reward outstanding performance.

The Agreements entered into by the Company on 1st September, 2004 with Mr. P. V. Kuppuswamy and Mr. Ness N. Wadia and on 22nd August, 2005 with Mr. M. K. Singh are available for inspection for the shareholders at the Registered Office of the Company during business hours on any working day (except Saturdays, Sundays and Public Holidays).

In compliance with the provisions of Sections 309 and 310 read with Schedule XIII of the Act, the revised terms of remuneration of the JMDs/ED are now being placed before the Members in general meeting for their approval.

The Directors commend the Resolutions at Items 10 to 12 for approval by the Members.

Mr. P. V. Kuppuswamy, Mr. Ness N. Wadia and Mr. M. K. Singh are concerned or interested in the variation of terms of their appointment covered by the Resolutions at Items 10, 11 & 12 respectively. Mr. Nusli N. Wadia, Chairman, being the relative (as defined under Section 6 of the Act) of Mr. Ness N. Wadia, is deemed to be concerned or interested in the Resolution at item 11.

This may be treated as an abstract under Section 302 of the Act of the revision in the terms of remuneration of the JMDs/ED.

By order of the Board of Directors
FOR THE BOMBAY DYEING & MFG. CO. LTD.
P. GOVINDAN
Secretary

Mumbai, 30th May, 2006

Registered Office:

Neville House,
J. N. Heredia Marg,
Ballard Estate,
Mumbai 400 001.
Phone: 22618071



10 YEARS' FINANCIAL REVIEW

(Rs. in Crores)

| | 2005-2006 | 2004-2005 | 2003-2004 | 2002-2003 | 2001-2002 | 2000-2001 | 1999-2000 | 1998-1999 | 1997-1998 | 1996-1997 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| FINANCIAL POSITION | | | | | | | | | | |
| \Share capital | 38.60 | 38.58 | 38.52 | 39.00 | 39.17 | 41.00 | 41.00 | 41.00 | 41.00 | 40.39 |
| Reserves & Surplus | 426.23 | 303.38 | 347.49 | 314.37 | 294.82 | 615.77 | 628.94 | 612.72 | 638.11 | 643.62 |
| Net Worth : | | | | | | | | | | |
| Total | 464.83 | 341.96 | 386.01 | 353.37 | 333.99 | 656.77 | 669.94 | 653.72 | 679.11 | 684.01 |
| Per Equity | | | | | | | | | | |
| Share of Rs. 10 | 120.42 | 88.59 | 100.26 | 90.61 | 85.00 | 160.00 | 163.00 | 159.00 | 166.00 | 169.00 |
| Borrowings | 558.36 | 354.46 | 362.60 | 380.90 | 292.45 | 597.87 | 602.35 | 667.58 | 655.12 | 626.46 |
| Deferred Tax Liability | 2.60 | 10.64 | 35.90 | 21.77 | 23.03 | - | - | - | - | - |
| Debt Equity Ratio | 0.78 : 1 | 0.25 : 1 | - | 0.01:1 | 0.20:1 | 0.10:1 | 0.03:1 | 0.37:1 | 0.30:1 | 0.24:1 |
| Fixed Assets : | | | | | | | | | | |
| Gross Block | 995.57 | 813.86 | 795.40 | 827.27 | 875.78 | 897.03 | 865.10 | 847.61 | 839.01 | 821.79 |
| depreciation | 596.20 | 622.38 | 573.15 | 573.23 | 578.99 | 550.55 | 507.42 | 456.20 | 405.31 | 354.68 |
| Net Block | 399.37 | 191.48 | 222.25 | 254.04 | 296.79 | 346.48 | 357.68 | 391.41 | 433.70 | 467.11 |
| Investments and Other Assets | 626.43 | 515.58 | 562.26 | 502.00 | 352.68 | 908.16 | 914.61 | 929.89 | 900.53 | 843.36 |
| OPERATING RESULTS | | | | | | | | | | |
| Sales and other | | | | | | | | | | |
| ncome | 1143.64 | 1,172.41 | 1,072.51 | 1,005.37 | 932.04 | 1,042.41 | 1,048.71 | 952.09 | 1,024.14 | 1,133.49 |
| Manufacturing and other Expenses | 1,067.52 | 1,119.35 | 965.52 | 934.61 | 939.07 | 976.45 | 955.66 | 882.05 | 950.97 | 1,050.54 |
| Depreciation | 16.90 | 19.38 | 34.43 | 37.23 | 43.65 | 47.83 | 48.46 | 49.00 | 48.15 | 47.25 |
| Profit before Tax | 59.22 | 33.68 | 72.56 | 33.53 | (50.68) | 18.13 | 44.59 | 21.04 | 25.02 | 35.70 |
| Current taxation | 4.97 | 2.42 | 4.93 | 2.48 | - | - | 1.43 | 0.81 | 2.00 | - |
| Deferred tax credit | (8.04) | 4.70 | 14.13 | (1.26) | 21.62 | | | | | |
| Fringe benefit tax | 0.95 | | | | | | | | | |
| Profit after Tax | 61.34 | 26.56 | 53.50 | 32.31 | (29.06) | 18.13 | 43.16 | 20.23 | 23.02 | 35.70 |
| Earnings per Equity | | | | | | | | | | |
| Share of Rs. 10 | 16 | 7 | 14 | 8 | (7) | 4 | 11 | 5 | 6 | 9 |
| Dividends : | | | | | | | | | | |
| Amount | 22.01 | 17.59 | 17.38 | 13.02 | 7.83 | 9.04 | 13.65 | 13.65 | 15.73 | 15.27 |
| Percentage | 50 | 40 | 40 | 30 | 20 | 20 | 30 | 30 | 35 | 35 |

Notes :

- Capital : Original Rs. 0.63 crore, Bonus Shares Rs. 21.02 crores, conversion of Debentures Rs. 0.83 crore, Global Depository Receipts (GDRs) representing equity shares Rs. 5.51 crores, conversion of equity warrants relating to NCD/SPN Issue Rs. 9.81 crores and conversion of preferential warrants to promoters Rs. 3.20 crores, Equity shares bought back and extinguished upto 31st March, 2004 Rs. 2.55 crores, Equity shares issued under Employees' Stock Option Scheme Rs. 0.15 crores. Average Share Capital for 2005-2006 - Rs. 38.60 crores
- Reserves & surplus include revaluation reserve.
- Debt Equity ratio is on Long Term Debt.
- Sales and other Income include excise duty, sale of Assets etc.
- Dividend amount includes Corporate Dividend Tax on the proposed/interim dividend , @ 10% for 1996-97 and 1997-98, @ 11% (inclusive of surcharge) for 1998-99 and 1999-2000, @ 10.20 % (inclusive of surcharge) for 2000-01, @ 12.81% (inclusive of surcharge) for 2002- 2003 and 2003-2004, @ 14.03% (inclusive of surcharge and education Cess) for 2004-2005 & 2005-06.
- Depreciation includes lease equalisation.

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

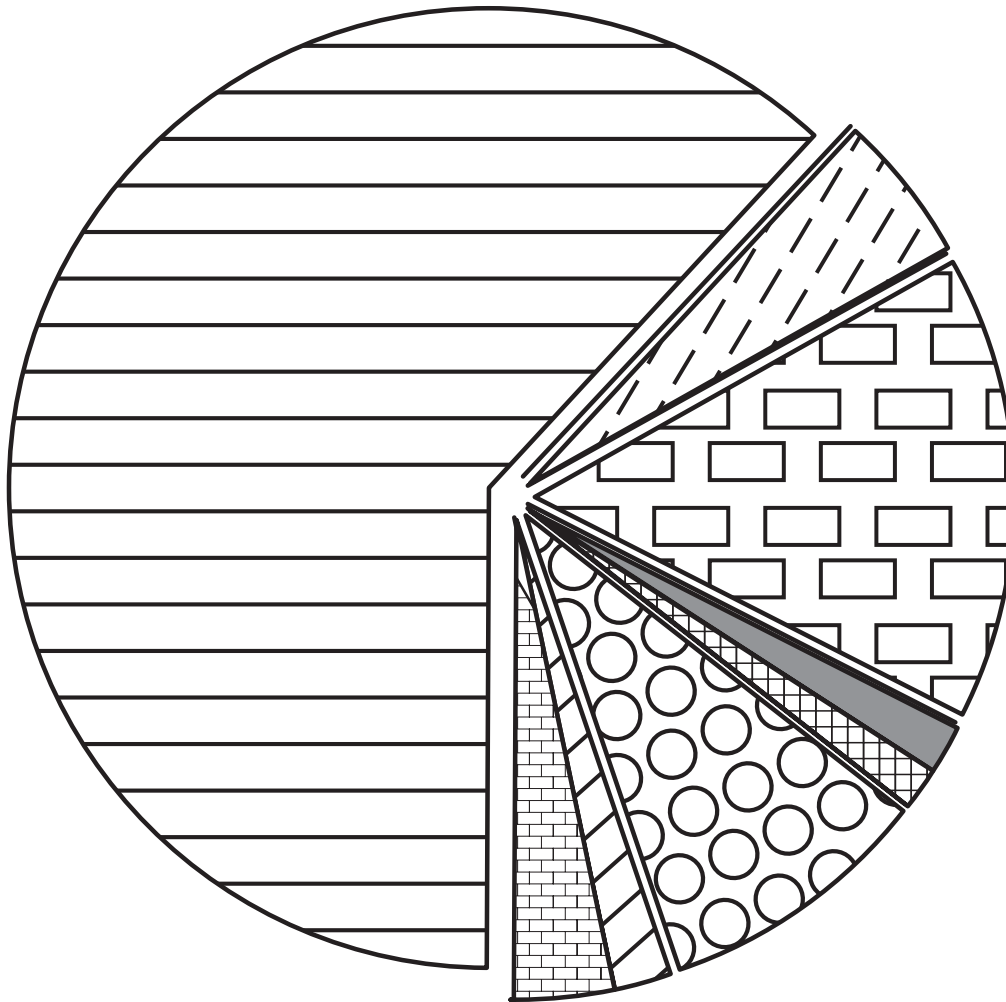
SUMMARISED BALANCE SHEET

| | 31-03-2005 | (Rupees in crores) 31-03-2004 |
|--|------------------------|----------------------------------|
| WHAT THE COMPANY OWNED | | |
| FIXED ASSETS | | |
| Gross block | 813.86 | 795.40 |
| Less : Depreciation | <u>622.38</u> | <u>573.15</u> |
| Net block | 191.48 | 222.25 |
| INVESTMENTS | | |
| In shares and securities | 241.19 | 360.25 |
| OTHER ASSETS | | |
| Excess of "current assets, loans and advances" over "current liabilities and provisions" | <u>274.39</u> | <u>202.01</u> |
| TOTAL ASSETS | <u><u>707.06</u></u> | <u><u>784.51</u></u> |
| WHAT THE COMPANY OWED | | |
| Secured and unsecured loans | 354.46 | 362.60 |
| Deferred tax liability (Net) | 10.64 | 35.90 |
| SHAREHOLDERS' FUNDS | | |
| Share capital - paid up | 38.58 | 38.52 |
| Reserves | <u>303.38</u> | <u>347.49</u> |
| | <u>341.96</u> | <u>386.01</u> |
| TOTAL (CAPITAL EMPLOYED) | <u><u>707.06</u></u> | <u><u>784.51</u></u> |
| SUMMARISED PROFIT AND LOSS ACCOUNT | | |
| WE EARNED FROM | | |
| Sales of our products | 1,145.31 | 1,009.01 |
| Interest, dividends & other income | <u>27.10</u> | <u>63.50</u> |
| | <u><u>1,172.41</u></u> | <u><u>1,072.51</u></u> |
| WE PAID OR PROVIDED FOR | | |
| Raw materials etc. | 737.21 | 546.30 |
| Payments to employees | 55.72 | 65.99 |
| Operating expenses | 194.05 | 241.02 |
| Finance charges | 14.44 | 10.39 |
| Depreciation | 19.38 | 34.43 |
| Excise duty and taxation | 125.05 | 120.88 |
| Dividend & corporate dividend tax | 17.59 | 17.38 |
| Retained earnings/ (excess of expenditure over income) | 8.97 | 36.12 |
| | <u>1,172.41</u> | <u>1,072.51</u> |

Note: Previous year's figures have been regrouped where necessary.



DISTRIBUTION OF INCOME



| | 2005-2006 Amount (Rs. in crores) | % | 2004-2005 Amount (Rs. in crores) | % |
|--|--|----------------------|--|----------------------|
| Raw materials etc. | 709.46 | 62.04 | 724.41 | 61.79 |
| Payments to employees | 54.73 | 4.79 | 55.72 | 4.75 |
| Operating expenses | 180.40 | 15.77 | 205.07 | 17.49 |
| Finance charges | 17.61 | 1.54 | 14.44 | 1.23 |
| Depreciation | 16.90 | 1.48 | 19.38 | 1.65 |
| Excise duty and taxation | 103.20 | 9.02 | 126.83 | 10.82 |
| Dividend & corporate dividend tax | 22.01 | 1.92 | 17.59 | 1.50 |
| Retained earnings | 39.33 | 3.44 | 8.97 | 0.77 |
| | <u>1,143.64</u> | <u>100.00</u> | <u>1,172.41</u> | <u>100.00</u> |

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

DIRECTORS' REPORT TO THE MEMBERS

The Directors hereby present their Report on the business and operations of the Company and the financial accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS:

| | For the year ended 31 st March, 2006 Rupees in Crores | For the Year ended 31 st March, 2005 Rupees in Crores |
|--|--|--|
| GROSS TURNOVER AND OTHER INCOME | 1143.64 | 1172.41 |
| Profit before Finance Costs, Depreciation & Voluntary Retirement Compensation | 95.12 | 67.50 |
| Finance Costs | <u>17.61</u> | <u>14.44</u> |
| Profit before Depreciation & Voluntary Retirement Compensation | 77.51 | 53.06 |
| Depreciation | 16.90 | 19.38 |
| Voluntary Retirement Compensation | <u>1.39</u> | <u>—</u> |
| PROFIT BEFORE TAX | 59.22 | 33.68 |
| Less: Tax (net) | <u>(2.12)</u> | <u>7.12</u> |
| PROFIT AFTER TAX | 61.34 | 26.56 |
| Add: Balance in Profit and Loss Account of Previous Year | 137.71 | 119.00 |
| Investment Allowance Reserve | — | 11.00 |
| Debenture Redemption Reserve | <u>16.25</u> | <u>2.50</u> |
| SURPLUS AVAILABLE FOR APPROPRIATIONS | 215.30 | 159.06 |
| Appropriations to: | | |
| Proposed Dividend | | |
| Final Dividend | 19.30 | 15.43 |
| Corporate Dividend Tax | 2.71 | 2.16 |
| Debenture Redemption Reserve | — | — |
| General Reserve | <u>6.14</u> | <u>3.76</u> |
| Balance carried to Balance Sheet | <u>187.15</u> | <u>137.71</u> |

2. COMPANY RESULTS AND DIVIDEND:

The Company's profits grew by 131% as compared to last year. The increase in the profit is mainly in the Real Estate division. The earnings of the Textile and DMT divisions have on the other hand shown a decline. Falling export volume resulting from fierce international competition consequent upon abolition of quotas and rise in price of finer varieties of cotton have had an adverse impact on the results of the Textile division. The division has chalked out ambitious plans to refurbish the existing retail network and establish new format stores including shop-in-shops in select malls. A state-of-the-art greenfield processing unit is also being established at Ranjangaon near Pune to improve export competitiveness. This is expected to involve an investment of Rs. 189 crores.

The financial performance of the DMT Division suffered a setback on account of unprecedented increase in the international price of oil, lowering of import duties and unfavourable price differential between the prices of DMT and Paraxylene, its major raw material. The implementation of the Rs. 400 crore Polyester Staple Fibre (PSF) Project has progressed substantially and trial production is expected to commence in the third quarter of the current financial year. DMT plant operations have been temporarily suspended effective 6th March, 2006 for tying in the PSF Project being implemented at the same location.

The Supreme Court by its judgment on 7th March, 2006 has clarified the regulatory basis of the development of cotton textile mill lands. Accordingly the Company's Spring Mill land development at Dadar has commenced. Besides a residential segment the first phase of the Spring Mills Project also includes a Town/Shopping Centre development serving Central Mumbai and its residents. The development of Textile Mills at Worli has also commenced in phases in line with the modernization of the textile activity on the property. The Mumbai real estate market is buoyant and the demand for large sized residential units has increased.

Your Directors recommend a dividend of Rs. 5/- per share of Rs.10/- each for the year ended 31st March, 2006, to be paid, if declared by the members at the Annual General Meeting to be held on 27th July, 2006.

3. TEXTILE DIVISION:

Decline in export volume owing to intense price competition in the post-quota period led to a 7% drop in sales turnover of the Division to Rs. 368 crores against Rs. 393 crores of the preceding year. This along with increase in input costs impacted profit margins. Contrary to expectations, cotton prices of finer varieties continue to rule high.



Domestic over-the-counter sales however recorded a 14% jump riding on the success of new product launches and supporting advertising and marketing campaigns. Selection of "Ebony & Ivory" bed and bath marketing campaign from amongst 121 entries across all lifestyle and retail brands with special mention from the IFF jury during "Images Fashion Award Forum 2006", is a testimony to Company's efforts in this direction.

In addition to continuing its focus on new product introductions, the Division has chalked out ambitious plans to refurbish existing retail net-work and establish new format stores including shop-in-shops in select malls, to provide world class shopping experience to its customers.

The following awards were conferred on the Division during the year under review:

- ❖ "Best Brand in the Home Fashion Category" - by Images Fashion Forum (IFF) 2006.
- ❖ "Home and Lifestyle retailer of the year 2005" - instituted by ICICI Bank and KSA Technopak.

To garner greater share of world markets through competitiveness a state-of-the-art greenfield processing unit is being established at Ranjangaon near Pune which will also house some of the critical equipments to be relocated from Mumbai unit for overall consolidation and ease of control. This facility is expected to be operative from the first quarter of the next financial year. Out of a total capex of Rs. 189 crores approved for the purpose, capital expenditure to the extent of Rs. 86 crores has already been committed. Simultaneously down-sizing of existing facilities at Mumbai is also being planned through the voluntary retirement scheme.

In the meantime, the Company is actively engaged in revamping its product design and development activities along with product rationalisation and speedier migration to higher value added made-ups.

4. DMT/PSF DIVISION:

The production and sale of DMT during the year were lower at 1,41,343 tonnes and 1,43,023 tonnes respectively, compared to the previous year. The turnover was Rs.630 crores compared to Rs.745 crores for the previous year. Production was adversely affected due to the collapse of 220 KV HT transmission towers supplying power to the DMT Plant, during the unprecedented rains on 26th July, 2005. The Plant was restarted on 10th August, 2005, on alternative 22 KV grid supply while the 220 KV power was restored only on 21st September, 2005. DMT Plant operations have been suspended from 6th March, 2006 to enable implementation of the Polyester Staple Fibre (PSF) Project located at the same site. This was necessary as, by then, the plant site had received major part of the project equipment and substantial manpower was mobilized for expeditious completion of the PSF project.

A steep fall in the international prices of Paraxylene and DMT in April 2005 resulted in a substantial write-down of inventories both in pipeline and in stock, severely affecting the financial performance of the Division. A reduction of import duty in March 2005 from 20% to 15% (since further reduced to 10% in March 2006) unfavourable price differential between DMT and Paraxylene, its major raw material, as well as production losses during July-September 2005 further aggravated the situation. However, with the commencement of PSF production expected

in the third quarter of the current financial year, the results of the Division are expected to show improvement.

DMT Division continued to excel in various Total Quality Initiatives and received the prestigious "Sword of Honour" from the British Safety Council during the year.

5. REAL ESTATE DIVISION

The Division has commenced the development of the two properties - Spring Mills, Dadar, and Textile Mills, Worli.

The Spring Mills development, planned in phases, consisting of residential, commercial, school segments, etc., was delayed due to the Public Interest Litigation (PIL) filed in February 2005. The PIL had challenged the 2001 amendment to the Development Control Regulation 58, which sets out the framework of the orderly development of land owned by Cotton Textile Mills. Aggrieved by the judgment of the Bombay High Court the Company approached the Supreme Court for relief. In March 2006, the Supreme Court upheld the law and confirmed that the amended Development Control Regulation 58 does not violate any environmental laws. Construction on Spring Mill land has commenced. Besides a residential segment the first phase of the Spring Mills Project also includes a Town/Shopping Centre development serving Central Mumbai and its residents.

The development of Textile Mills, Worli has commenced in phases, in line with the modernisation of the textile activity on the property.

6. TAXATION

The assessment of the Company for the assessment year 2003-2004 has now been completed. The department has raised a demand of Rs.3.53 crores. The Company is contesting the Demand in appeal and expects to succeed. Consequently no further provision in the books of accounts is considered necessary. However, the disputed demand has been disclosed as a contingent liability.

7. FIXED DEPOSITS

The Company has suspended acceptance of fresh deposits and renewal of existing deposits from 1st March, 1999. During the year under review the Company has repaid Rs.0.11 lac to two depositors. Deposits from 20 depositors aggregating to Rs.1.05 lacs were due and payable and despite reminders remained unclaimed for a period of 7 years. This amount has, therefore, been transferred to Government of India administered Investor Education and Protection Fund.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in **Annexure 'A'** to this Report.

9. EMPLOYEE STOCK OPTION SCHEME

Requisite disclosure in respect of the Employee Stock Option Scheme in terms of guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999, has been provided in **Annexure 'B'** to this Report.

The Share Capital of the Company has gone up from Rs.38.58 crores as at 31st March, 2005 to Rs.38.61 crores as at 31st March,

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

2006 consequent upon allotment in 2005 of equity shares following the exercise of stock options granted under the Company's Employee Stock Option Scheme.

10. PERSONNEL

Employees of the Textile Division were paid Bonus as per the provisions of the Bonus Act. An additional 4.17% Ex-gratia payment was made to maintain harmonious industrial relations.

Ex-gratia payment to the employees of the DMT plant, covered by the Payment of Bonus Act, was made as a gesture of goodwill and for maintaining cordial industrial relations.

11. INSURANCE

All the properties including buildings, plant and machinery and stocks have been adequately insured.

12. DIRECTORS

Mr. S. M. Palia and Mr. S. K. Gupta who were appointed as Additional Directors on 30th May, 2006 hold office up to the date of the forthcoming Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 117 of the Articles of Association. Notices have been received by the Company from a member under Section 257 of the Companies Act proposing their appointments as Directors. Mr. S. K. Gupta was also appointed as a Whole-time Director designated as Executive Director for a period of 5 years with effect from 30th May, 2006.

Mr. Ness N. Wadia has been redesignated as Joint Managing Director of the Company effective 30th May, 2006.

During the year under report, Mr. Ninu Khanna resigned as Managing Director and consequently as a Director of the Company and his resignation takes effect from the close of business on 31st May, 2006.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association Mr. R. N. Tata, Mr. S. S. Kelkar and Mr. S. Ragothaman retire by rotation and are eligible for re-appointment.

13. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 (hereinafter referred to as "the Act"), your Directors, based on the representations from the Operating Management, confirm that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure;
- (ii) they have, in selection of the accounting policies consulted the statutory auditors and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the Annual Accounts on a going concern basis.

14. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement a separate report on Corporate Governance and a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance are annexed to the Directors' Report.

15. PARTICULARS OF EMPLOYEES

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31st March, 2006 has been provided in **Annexure 'C'** to this Report.

16. AUDITORS

Members are requested to appoint Messrs. A. F. Ferguson & Co. as Auditors at a remuneration to be fixed by the Board of Directors.

On behalf of the Board of Directors
NUSLI N.WADIA
CHAIRMAN

Mumbai , 30th May, 2006

Registered office

Neville House,
J. N. Heredia Marg,
Ballard Estate,
Mumbai 400 001



ANNEXURE 'A' TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2006.

A. CONSERVATION OF ENERGY :

(a) Energy Conservation Measures taken

Some of the measures your Company had undertaken/ continued to implement during the year under report in the high priority area of energy conservation are given below:

Textile operations

- Effective and controlled operation of humidification and chilling plant.
- Controlling maximum demand and maintenance of power factor.
- Controlled working of tube lights/fans/air-conditioners and switching them off wherever not in use.
- Replacement of conventional tube light chokes with electronic chokes.
- Replacement of old tube light fittings of 5ft.x80 watts with fittings of 4ft.x 40 watts.
- Replacement of old aluminum fans with light weight FRP fans for the humidification plant.
- Switching over to star mode connection instead of delta mode connection for under-loaded electric motors.
- Installation of inverters for waste collection fans for Auto Coner Machines.
- Optimising the settings of pressure of air compressors.
- Regular checking and plugging of air leakages.
- Switching off main electric power supply to machines when not in use.
- Regularly imparting training to staff/workmen in implementing energy saving techniques.

DMT operations

- Power saving by installing energy saving system for lighting transformer, upgrading two 40 watt luminaries with new reflectors and eliminating one tube light, optimisation of pump running hours by providing interlocks, trimming of pump impellers.
- Fuel saving by close monitoring of insulation in plant and by replacement of old condensate header, steam traps and valves.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

Nil

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

Optimisation and control of energy related costs help your Company to remain competitive in both domestic and international markets. Reduction of specific energy consumption by 14.695 KWH/MT equivalent to Rs.18.88 per MT of product DMT and saving of Rs.15.36 lacs in energy cost in Textile Mill.

(d) Total Energy Consumption and Energy Consumption per unit of production in prescribed Form A.

As per 'Form A' attached.

B. TECHNOLOGY ABSORPTION :

Research and Development (R&D)

1. Specific areas in which R & D carried out by the Company

- Process optimisation/Recipe modification in size mixing/introduction of new size mixing, dyes and chemicals for 'cost economy'.
- Process standardization for consistent quality.
- Process Development.
- Product Development.

2. Benefits derived as a result of the above R & D

- Saving in size mixing recipe of Rs. 1.56 lacs p.a.
- Improvement in product marketability and business viability.
- Meeting customer needs and in turn increased customer satisfaction.

3. Future plan of action

- To reduce size cost by stringent process parameters and new development of vendors/recipes.
- To eliminate rejection due to failure in process parameters by modifying the process or recipe.
- To reduce the production cost by developing alternate recipe to improve the business.

4. Expenditure on R & D

Expenditur on R & D during the year under report amounted to Rs. 0.45 crore.

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

- Installation of small cooling towers for control room air conditioners for operation during shut down of the DMT plant.
- Reduction in Paraxylene specific consumption achieved in January and February, 2006 by (i) caustic cleaning of oxidizer, (ii) replacement of top bed of Paraxylene Still to minimize slip of Paraxylene from column bottoms and (iii) modification of Oxidate Stripper level Chamber to improve its performance.
- Implementation of energy conservation projects including provision of voltage optimizing system for lighting transformer, upgradation of two 40 watt luminaries with new reflectors.
- Introduction of a new process 'bio-polishing' to improve 'pilling' and overall performance of fabric.
- Introduction of 'wet on wet' finishing process for increased production and cost reduction.
- Development of a new 'insect repellent' finish for domestic market.
- Introduction of a process by open width route for cotton-polyester sheeting qualities to overcome problems of low gsm and tensile strength.
- Usage of economical pigment dyes in place of costlier vat dyes for dyeing for printed sheeting qualities.
- Introduction of a new auxiliary for washing of deep dyed red shades to overcome problems of unsatisfactory wash fastness.
- Introduction of a new aqueous printing system from BASF for printing 'black on white' designs for sheetings to achieve satisfactory fastness.
- Optimization of machine parameters of production machine to improve performance of fabric.
- Production of towels with more durable fragrance.
- Improvement in the quality of stamping for interlining by developing tracing with the help of in-house CAD system.
- Introduction of a new computerized Dot Roll on interlining machine for improving overall performance of the HDPE Microdot interlining fabric.

2. Benefits derived as a result of the above efforts :

- Cost reduction and faster fabric delivery due to process modification and optimization.
- Cost reduction due to improved packing performance.
- Quality consistency due to standardisation of processes.
- Cost saving of over Rs. 45 lacs in DMT Plant.

3. Information regarding technology imported during the last 5 years:

- (a) Technology imported. –
- (b) Year of import. –
- [c] Has technology been fully absorbed. –
- (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. -

4. FOREIGN EXCHANGE EARNINGS AND OUTGO :

1. Activities relating to exports, initiatives taken to increase exports, development of export markets for products and services and export plans.

During the year selling prices have come under tremendous pressure resulting in reduced margins. However, quota removal has thrown open a lot of volume growth opportunities for the Company's business. To encash these opportunities, huge capacities are currently being built in the subcontinent. The Company's new state-of-the-art plant near Pune will provide a competitive edge to the Company.

| 2. Total foreign exchange used and earned. | Rs in crores. |
|--|---------------|
| Total foreign exchange used | 111.09 |
| Total foreign exchange earnings | 269.63 |

It may be relevant to observe here that the value of import substitution achieved through production of DMT is estimated at Rs.584.79 crores.

On behalf of the Board of Directors

NUSLI N. WADIA
Chairman

Mumbai, 30th May, 2006



FORM 'A'

Form for disclosure of particulars with respect to conservation of energy

| | Production Unit | Current Year | Previous Year |
|---|-----------------|--------------|---------------|
| A. POWER AND FUEL CONSUMPTION | | | |
| 1 Electricity | | | |
| (a) Purchased | | | |
| Unit (KWH in lacs) | | 1036.84 | 1392.88 |
| Total Amount (Rupees in crores) | | 36.08 | 47.92 |
| Rate/Unit (Rupees) | | 3.48 | 3.44 |
| (b) Own Generation (Through Diesel Generator) | | | |
| Unit (KWH in lacs) | | 0.80 | 0.01 |
| Units per Ltr. of Diesel | | 2.91 | 1.13 |
| Cost/Unit (Rupees) | | 12.53 | 23.90 |
| 2 Furnace Oil/L.S.H.S. | | | |
| Quantity (in M. Tons) | | 28945.15 | 31343.75 |
| Total Cost (Rupees in crores) | | 44.66 | 36.22 |
| Average Rate (in Rupees per M.T.) | | 15430.06 | 11555.73 |
| 3 Coal | | | |
| Quantity (in M. Tons) | | – | – |
| Total Cost (Rupees in crores) | | – | – |
| Average Rate (in Rupees per M.T.) | | – | – |
| B. CONSUMPTION PER UNIT OF PRODUCTION | | | |
| 1 Electricity (KWH) | | | |
| Cloth | 1000 Mtrs | 782.04 | 1215.82 |
| Yarn | 100 Kgs | – | – |
| DMT | M.T. | 481.00 | 472.00 |
| 2 Furnace Oil/L.S.H.S.(M.T.) | | | |
| Cloth | 1000 Mtrs | 0.208 | 0.181 |
| DMT | M.T. | 0.138 | 0.137 |
| 3 Coal (M.T.) | | | |
| Cloth | 1000 Mtrs | 0 | 0 |
| DMT | M.T. | 0 | 0 |

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Information required to be disclosed under SEBI (ESOS & ESPS) Guidelines, 1999.

| | | | | |
|---|---|--|------------------------------|------------------------|
| A. (a) Options granted | : | | <u>No. of Options/Shares</u> | |
| | | 2002-03 | : | 70,000 |
| | | 2003-04 | : | 55,000 |
| | | 2004-05 | : | 23,700 |
| | | 2005-06 | : | <u>8,000</u> |
| | | Total | : | <u>1,56,700</u> |
| (b) Pricing formula | : | Rs. 10 per share | | |
| (c) Options vested | : | 1,56,700 Equity Shares | | |
| (d) Options exercised | : | 1,56,700 Equity Shares | | |
| (e) Total number of shares arising as a result of exercise of options. | : | 1,56,700 Equity Shares | | |
| (f) Options lapsed. | : | Nil | | |
| (g) Variation of terms of options | : | Nil | | |
| (h) Money realised by exercise of options. | : | Rs. 15,67,000/- | | |
| (i) Total number of options in force | : | 8,000 Equity Shares | | |
| (j) Employee – wise details of options granted to - | | | | |
| (i) Senior Managerial Personnel | : | | <u>No. of Options/Shares</u> | |
| | | | <u>2005-06</u> | <u>As on 31.3.2005</u> |
| | | Mr. Ninu Khanna | - | 90,200 |
| | | Mr. P. V. Kuppuswamy | 4,400 | 58,500 |
| | | Mr. M. K. Singh | <u>3,600</u> | <u>NIL</u> |
| | | | <u>8,000</u> | <u>1,48,700</u> |
| (ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year. | : | None | | |
| (iii) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant. | : | None | | |
| (k) Diluted Earning per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard AS 20 'Earnings Per Share' | : | Rs. 15.89 | | |
| (l) (i) Method used to calculate employee compensation cost | : | Intrinsic value of stock options | | |
| (ii) the difference between the employee compensation cost calculated by intrinsic value and the employee compensation cost that shall have been recognised if the Company had used the fair value of the options | : | Had the Company used the fair value of the options, the employee compensation cost would have been higher by Rs. 0.11 Lacs | | |
| (iii) impact of this difference on: | | | | |
| (a) profits of the Company | : | Decrease of Rs.0.11 Lacs | | |
| (b) EPS of the Company | : | Nil | | |
| (m) Since exercise price of the options is less than the market price of the stock on the grant date | : | | | |
| (i) weighted-average exercise price of the options | : | Rs.10 per share | | |
| (ii) weighted-average fair value of the options | : | Rs. 142.57 per share | | |
| (n) Description of the method and significant assumptions used during the year to estimate the fair value of options, including the following weighted-average information | : | Black-Scholes Option Pricing Model | | |
| (1) risk-free interest rate | : | 4.87% | | |
| (2) expected life | : | 1 year | | |
| (3) expected volatility | : | 0.03 | | |
| (4) expected dividends, and | : | Rs. 5/- per share | | |
| (5) the price of the underlying share in the market at the time of option grant | : | Rs. 152.10 per share | | |

AUDITORS' REPORT ON EMPLOYEE STOCK OPTION SCHEME

We have examined the books of account and other records maintained by The Bombay Dyeing and Manufacturing Company Limited (the company) for the year ended 31st March, 2006 and on the basis of such examination and the information, explanations and representations given to us, confirm that the company's scheme has been implemented in accordance with the "Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999".

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

Information as per Section 217(2A) of the Companies Act, 1956 as amended, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March 2006.

| Name of the Employee | Designation / Nature of Duties | Remuneration Received | | Qualification | Experience Years | Date of commencement of Employment | Age Years | Last Employment held before joining the Company |
|--|-------------------------------------|-----------------------|---------|---|------------------|------------------------------------|-----------|--|
| | | Gross Rs. | Net Rs. | | | | | |
| A) EMPLOYED THROUGHOUT THE YEAR AND WERE IN RECEIPT OF REMUNERATION IN AGGREGATE OF NOT LESS THAN RS. 24,00,000 PER ANNUM | | | | | | | | |
| Basu S. C. | Business Head [PSF] | 2889658 | 1833807 | B.Sc.Tech M.Sc. [Fibe., Sci.&Techn.] Ph.d. | 29 | 23/03/2005 | 56 | Reliance Industries Ltd. Mumbai |
| Kapur R. | Gen Manager - Processing | 3188983 | 2089590 | B.Tech. [Chemical Engg] | 24 | 27/05/2002 | 46 | Vardhman Spg. & General Mills |
| Khanna N. | Managing Director | 6948967 | 3738358 | M.B.A. PGDM | 28 | 20/05/2002 | 52 | Chief Executive Dabur India Ltd. |
| Kuppuswamy P. V. | Joint Managing Director | 6745349 | 3840037 | B.Sc. (Chem) B.Sc (Chem. Engg.), Post Graduate Diploma of Indian Institute of Petroleum (Petroleum Refining & Petrochemicals) | 38 | 01/08/1979 | 62 | Manager Solvent Alcohol Plant, Nocil |
| Singh G. S. | Chief Financial Officer | 2974608 | 1890657 | B.Com. F.C.A. | 26 | 27/01/2005 | 50 | Chief Operating Officer Garware Polyester Ltd. |
| Singh M. K. | Executive Director | 5905300 | 3508438 | B.Tech. M.B.A. | 27 | 01/07/2004 | 50 | Managing Director Schindler India Ltd. |
| Wadia. N. N. | Deputy Managing Director | 6569305 | 3889506 | M.Sc. | 12 | 01/01/1994 | 35 | - |
| B) EMPLOYED FOR PART OF THE YEAR AND WERE IN RECEIPT OF REMUNERATION AT THE RATE OF NOT LESS THAN RS. 2,00,000 PER MONTH. | | | | | | | | |
| Baria F. S. | Exports Executive | 474792 | 467429 | S.S.C. | 41 | 21/05/1965 | 61 | N/A |
| Bhandari T. S. | Driver | 603657 | 602097 | - | 35 | 05/05/1971 | 57 | N/A |
| Bhatia R. B. | Head-Operation Retail Initiative | 226179 | 196954 | MBA From Monash Mount Elize Business School Melbourne, Australia. | 22 | 06/03/2006 | 45 | Vice President Peninsula Facilities Mangt. |
| Bhawsingka A. B. | Gen.Manager-Commercial & Oper. | 1597577 | 1055576 | B.Com. C.A. | 18 | 10/08/2005 | 43 | P.T.Indorama Synthetic TBK. Indonesia |
| Dhamankar B. G. | Drawer | 441066 | 439924 | - | 44 | 06/09/1962 | 60 | N/A |
| Gaikwad C. R. | Compounder cum Dresser | 836992 | 835378 | - | 38 | 07/05/1968 | 56 | N/A |
| Hardikar M. H. | Chief Operating Officer | 1304803 | 799881 | B.E.(Mech.), M.M.S. | 18 | 25/11/2005 | 44 | N/A |
| Lotankar J. N. | Sr.Asst.Master | 844961 | 840781 | S.S.C. | 38 | 15/11/1967 | 58 | N/A |
| Mayekar H. N. | Rot.Sr.Ret.& Sc.Rep. | 87962 | 87962 | - | 29 | 01/01/1977 | 61 | N/A |
| Mishra B. S. | Sulzer Weaver | 637557 | 637557 | - | 34 | 01/11/1971 | 53 | Girish Dyeing. |
| Mukherjee P. K. | Vice-President (Exports) | 2591078 | 1930325 | B.Tech. D.M.S. | 22 | 27/04/1984 | 57 | P.T.Sumatex Subur Indonesia |
| Naik T. S. | Dyeing Mazdoor | 305223 | 304412 | - | 24 | 22/09/1982 | 59 | N/A |
| Nandagopal S. N. | Gen Manager-Procurement | 596412 | 435489 | Mech.Engg PGD In Business Mgmt From XLRI | 22 | 20/01/2006 | 46 | Al Ghurair Retail LLC, Dubai |
| Nariman B. D. | Sr Vice President (Corporate Group) | 1138325 | 790810 | B.Com., F.C.S. | 32 | 12/12/2005 | 51 | Sr.Vice-President (Legal & Co. Secretary) Indian Hotels Co. Ltd. |
| Nikam N. D. | Knotter Gaiter | 582282 | 582282 | - | 39 | 14/07/1967 | 60 | Edward Textile Mills |
| Parmar. B. B. | Manager -Mech.Maint. | 522398 | 497283 | D.M.E. D.E.E. | 18 | 02/09/1988 | 60 | N/A |
| Pasi R. R. | Mazdoor | 274704 | 274211 | V Std. | 22 | 12/12/1983 | 56 | N/A |
| Patil A. K. | Asst. Store Keeper | 913297 | 909979 | S.S.C | 39 | 01/06/1967 | 56 | N/A |

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

| Name of the Employee | Designation / Nature of Duties | Remuneration Received | | Qualification | Experi- ence Years | Date of commen- cement of Employment | Age Years | Last Employment held before joining the Company |
|----------------------|-----------------------------------|--------------------------|------------|---|--------------------------|---|--------------|---|
| | | Gross Rs. | Net Rs. | | | | | |
| Pawar S. N. | Helper Weaver | 699656 | 699656 | - | 37 | 28/05/1969 | 57 | N/A |
| Salkar V. T. | Knotter Gaiter | 712312 | 712312 | Xth Std | 39 | 18/09/1967 | 58 | N/A |
| Samant S. N. | Dy. Manager (Sulzer) | 565200 | 543949 | S.S.L.C. F.T.C.City & Guilds of London Insti. | 37 | 02/08/1969 | 61 | N/A |
| Sarma R. V. | Gen. Manager (Finance) | 1204400 | 1106990 | M.Com. | 27 | 02/07/1979 | 65 | N/A |
| Sheikh G. J. | Dyeing Mazdoor | 518754 | 517941 | - | 39 | 22/05/1967 | 59 | N/A |
| Shinde S. T. | Monf. Sonf. F/Op. | 548911 | 548007 | - | 39 | 01/12/1966 | 59 | N/A |
| Singh R. | Sulzer Weaver | 84918 | 84918 | Inter Sc. | 23 | 05/01/1983 | 52 | N/A |
| Yadav R. R. | Mazdoor | 531162 | 530473 | - | 39 | 26/09/1967 | 59 | N/A |
| Yadav R. S. | Sulzer Weaver | 674707 | 674707 | - | 37 | 20/09/1969 | 55 | N/A |
| Yadav S. B. | Driver | 609048 | 607202 | - | 34 | 19/11/1971 | 59 | Century Mills |

Notes :

1. Nature of employment whether contractual or otherwise : All appointments are/were contractual.
2. Other Terms & Conditions : All appointments are terminable by one month's / six months' notice as the case may be on either side.
3. Gross remuneration comprises salary, allowances, monetary value of perquisites, Company's contribution to Provident & Superannuation Funds, but excludes contribution to Gratuity Fund on the basis of actuarial valuation, as separate figures are not available.
4. Net remuneration is after tax and is exclusive of Company's contribution to Provident & Superannuation Funds and monetary value of non-cash perquisites.
5. None of the employees mentioned above is a relative of any Director of the Company except Mr. Ness N. Wadia who is related to Mr. Nusli N. Wadia, Chairman of the Company.

On behalf of the Board of Directors

NUSLI N. WADIA
Chairman

Mumbai, 30th May, 2006



MANAGEMENT DISCUSSION AND ANALYSIS

TEXTILE BUSINESS

INDUSTRY STRUCTURE AND DEVELOPMENT

With inherent advantages of low raw-material and manpower cost, cotton textile industry continues to be dominant segment of the Indian economy. It is the largest contributor to the country's export as well as the second largest employer. Though temporarily affected by over-capacity, the textile Industry is poised for significant growth with the shifting of textile manufacturing from high cost western countries to Asian Region and growing demand at home.

OPPORTUNITIES AND THREATS

Though sudden over build-up of capacities in Asian Region including India poses a temporary threat, demand supply position is expected to gradually stabilize and offer enough scope to the Division for leveraging Company's old established equity in the international markets.

Demand for life-style products amongst the burgeoning middle and high income consumers at home continues unabated. Consequently the market for premium home textiles is growing at a rapid pace, largely fueled by the explosive growth in the housing sector, reduction in homeowners' age and high international awareness. Bombay Dyeing, a leader in the Home Fashion Category, synonymous with Bed & Bath products has an edge in terms of exploiting this opportunity.

The Division also visualises considerable growth on the export front as the advantages of a low cost competition accrue to it once the processing facility at Ranjangaon commences operation.

OUTLOOK

Overall outlook appears promising with growing markets fueled by changing consumer lifestyle in India and neighbouring countries.

Shifting of sourcing by developed countries, main consuming centres, to Asian Region offers significant growth prospects to Indian Industry.

Cotton prices are expected to remain steady during the current financial year given the general forecast of a good crop in the ensuing season.

RISKS AND CONCERNS

Uncertain Government policy on DEPB and proposed alternative Draw-back Scheme coupled with sudden capacity expansion are immediate concerns facing the industry.

DMT BUSINESS

INDUSTRY STRUCTURE AND DEVELOPMENT

Bombay Dyeing is the largest producer of DMT in the country and has been a merchant seller of the product since inception. PTA is an alternative raw material to DMT. During the current year, substantial PTA production capacity is being added. Also, large capacities of Polyester Staple Fibre (PSF) and Polyester Filament Yarn (PFY) based on Continuous Polymerization are being added. Hence, the Company has forward integrated into PSF manufacture to convert its entire DMT production. The PSF Plant is expected to come on line in the last quarter of this calendar year. This capacity is expected to represent around 15% of the country's capacity.

OPPORTUNITIES AND THREATS

With the reduction in Excise Duty on PSF from 16% to 8% and reduction in Customs Duty from 15% to 10% in the recent fiscal budget, a major growth thrust is expected to take place in the downstream Textile Industry, with the addition of spinning/weaving/processing capacities to cater to domestic and international customers. Hence, even though PSF supply will outstrip demand in the next couple of years due to commissioning of large capacities this year, in the longer term the entire domestic PSF capacity is expected to be absorbed by the market.

OUTLOOK

The Company's PSF Plant is based on latest technology and is expected to give better performance quality-wise and cost-wise compared to many of the earlier plants. Further, the Plant is built to produce a range of PSF products including Speciality Fibres. The Company hopes to achieve market penetration based on these strengths as well as its strong TQM culture. However in the near future, the Company may have to resort to export markets to ensure sale of its total production.

RISKS & CONCERNS

The import duty on products in the Polyester chain has already come down to almost international levels. Hence, the Company's production has to be very competitive against imported supplies. The major concern in this regard is the spiraling crude oil prices resulting in high prices for Paraxylene, the major raw material, which translates to high cost of PSF. Eventually, the competitiveness of PSF will depend upon cotton prices in India which have been on the downswing in the last two years due to excellent production of cotton crop. In the current year, the prices have started rising marginally and will stabilize when the next crop comes into the market in the last quarter of this year.

REAL ESTATE BUSINESS:

INDUSTRY STRUCTURE AND DEVELOPMENT

Bombay Dyeing's active leadership in resolving the Public Interest Litigation concerning the Cotton Textile Mill Lands has placed the Company in the unique position of having the planned development of the Spring Mills site at Dadar as well as the Textile Mills site at Worli, well publicized in the Real Estate market. This has given the Company an opportunity to set up mixed-use developments of international standards within the island city of Mumbai: the Worli Town Centre and Dadar Town Centre.

The real estate sector has seen Foreign Direct Investment (FDI) starting in the residential, shopping malls, townships, and IT Parks over the year. The growth expectation of 10% per annum anticipated last year is expected to be higher at 20% per annum over the next three years. However, the increasing unit prices of residential apartments of around 30% per annum in Mumbai, are a cause of concern and are not sustainable in the medium term.

The infrastructure in the Mill Land in Mumbai was designed for heavy industrial usage. With the Central Mumbai areas moving from Cotton Textile and the Industrial usages to residential, commercial, retail, services sector, etc. usages, it will have a positive impact on its environment. The Government has taken steps to enhance the transportation infrastructure by setting a target of December 2007 to clear the footpaths and public areas in South and Central Mumbai through the removal of encroachments and implementation of Slum Rehabilitation Schemes.

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

This focused attention, along with the schemes for reconstruction of dilapidated buildings, will permit Central Mumbai to have an environment wherein the commute between the place of work and residence is significantly reduced.

Most international cities renew themselves three to five times in zones over a period of a century. The redevelopment of South and Central Mumbai is overdue, and the developments of the Mill Lands will act as a catalyst to hasten the urban renewal of the Island city.

OPPORTUNITIES & THREATS

The positive economic environment, relatively low inflation and the demand for housing activities present an opportunity to the Company to optimize the development opportunities in the two properties at Worli and Dadar. The delay caused by the Public Interest Litigation (PIL) is now over. However, the steep increase in property prices caused by the shortages over this period indicates an element of caution and is justified. The segments of the mixed-use development proposed and being evaluated should provide income streams to the Company, to screen the Company from the possible slowdown in the increasing prices of commercial and residential real estate in Mumbai.

OUTLOOK

The demand for residential units for sale, and for commercial offices and shopping centres for rent is expected to be strong in the market the company serves. This has resulted in the Company planning to explore the addition of hotel and service apartments on the Worli and Dadar Sites.

The Worli – Bandra Sea Link construction work is progressing well, and once the Trans Harbor Link construction is started, the area of Central Mumbai will be ideally located to take advantage of being at the hub for the redevelopment of Mumbai.

RISKS & CONCERNS

Though the economic risk continues to be limited, as housing and retail demand for office and shopping centres continues to be robustly high, the regulatory risks going forward need to be recognized, as there are many stage wise approvals which need to happen as construction progresses in both Spring Mills, Dadar and Textile Mills, Worli.

SEGMENT-WISE PERFORMANCE

Segment-wise performance together with discussion on financial performance with reference to operational performance has been dealt with in the Directors' Report which should be treated as forming part of this Management Discussion and Analysis.

GENERAL

INTERNAL CONTROLS

The Company has a system of Internal Controls to ensure that all its assets are properly safeguarded and not exposed to risks arising out of unauthorised use or disposal. The Internal Control system is supplemented by a programme of Internal Audits to ensure that the assets are properly accounted for and the business operations are conducted in adherence to laid down policies and procedures.

The Company has an Audit Committee of the Board of Directors which meets regularly to review *inter alia* risk management policies, adequacies of internal controls and the audit findings on the various segments of the business.

HUMAN RESOURCES

Specific need based training and development programs for all levels of employees were imparted in order to optimise the contribution of the employees to the Company's business and operations. Occupational Health Safety and Environmental Management are given utmost importance. As on 31st March, 2006 the employee strength (on permanent rolls) of the Company was 2,266.

RESOURCES AND LIQUIDITY

The Company had very little by way of long term loans as at March 31, 2005. The position, however, underwent a significant change during the current year as the implementation of PSF Project at Patalganga, Textile Project at Ranjangaon and Real Estate development on Spring Mill land progressed. Consequently, the long term loans outstanding as at March 31, 2006 aggregated approximately Rs.300 crores.

The working capital for the Company's businesses is financed mainly by Pre & Post shipment credit as well as by short-term loans from the consortium member banks.

The Company's net current assets as at March 31, 2006 were Rs. 474.85 crores and taking into account its investment portfolio of Rs. 168.02 crores, the Company has a very strong liquidity profile.

CAUTIONARY STATEMENT

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be '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 raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

Mumbai, 30th May, 2006



REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance:

Your Company is fully committed to the principles of good corporate governance. In keeping with this commitment your Company has been upholding fair and ethical business and corporate practices and transparency in its dealings and continuously endeavours to review, strengthen and upgrade its systems and processes so as to bring in transparency and efficiency in its various business segments.

2. Board of Directors:

The Board is headed by the Non-Executive Chairman, Mr. Nusli N. Wadia, and is composed of eminent persons with considerable professional experience in diverse fields and comprises a majority of Non-Executive Directors. Two thirds of its Board consist of Non-Executive Directors and of these the majority are independent Directors. The details are given below :-

| Director | Whether Promoter, Executive, Or Non-Executive /Independent. | No. of outside Directorships held * | No. of Board Committees of other Companies in which a Member. # |
|---------------------|---|-------------------------------------|---|
| Mr. Nusli N. Wadia | Non-Executive Chairman/ Promoter | 9 | Nil |
| Mr. Keshub Mahindra | Non-Executive & Independent | 7 | 1 (Chairman) |
| Mr. R. N. Tata | Non-Executive & Independent | 13 | Nil |
| Mr. R. A. Shah | Non-Executive & Independent | 13 | 7 (Chairman of 3) |
| Dr. H. N. Sethna | Non-Executive & Independent | 4 | 4 (Chairman of 2) |
| Mr. S. S. Kelkar | Non-Executive | 8 | 3 |
| Mr. A. K. Hirjee | Non-Executive | 9 | 5 (Chairman of 2) |
| Mr. S. Ragothaman | Non-Executive & Independent | 6 | 6 (Chairman of 3) |
| Mr. Ninu Khanna | Managing Director (upto 31 st May, 2006) | 1 | Nil |
| Mr.P.V. Kuppuswamy | Jt. Managing Director | 3 | 4 (Chairman of 2) |
| Mr. Ness N. Wadia | Dy. Managing Director | 6 | Nil |
| Mr. M. K.Singh | Executive Director | Nil | Nil |

* Excludes alternate directorship and directorship in foreign companies, private companies and companies governed by Section 25 of the Companies Act, 1956.

Excludes Committees other than Audit Committee and Shareholders/Investors Grievance Committee, and companies other than public limited companies.

With effect from 30th May, 2006 (i) Mr. S. M. Palia has been appointed as a Non-Executive Independent Director, (ii) Mr. S. K. Gupta has been appointed as an Executive Director and (iii) Mr. Ness N. Wadia has been re-designated as Joint Managing Director.

Board Meetings & AGM:

During the year under review, 6 Board Meetings were held, the dates being 14th April, 2005, 8th June, 2005, 29th July, 2005, 26th October, 2005, 23rd November, 2005 and 30th January, 2006.

The AGM was held on 29th July, 2005.

Details of attendance of each Director at the Board Meetings and AGM are given below:-

| Directors. | No. of Board Meetings attended. | Whether attended last AGM. |
|----------------------|---------------------------------|----------------------------|
| Mr. Nusli N. Wadia. | 6 | Yes |
| Mr. Keshub Mahindra. | 6 | Yes |
| Mr. R. N. Tata. | 5 | Yes |
| Mr. R. A. Shah. | 6 | Yes |

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

| Directors. | No. of Board Meetings attended. | Whether attended last AGM. |
|-----------------------|---------------------------------|----------------------------|
| Dr. H. N. Sethna. | 6 | Yes |
| Mr. S. S. Kelkar. | 6 | Yes |
| Mr. A. K. Hirjee | 3 | Yes |
| Mr. S. Ragothaman. | 3 | No |
| Mr. Ninu Khanna | 6 | Yes |
| Mr. P. V. Kuppuswamy. | 6 | Yes |
| Mr. Ness N. Wadia | 6 | Yes |
| Mr. M. K. Singh | 6 | Yes |

3. Board Committees :

The Board has constituted the following Committees of Directors :

(a) Audit Committee:

The Audit Committee consists of the following 4 Non-Executive Directors:-

Mr. R. A. Shah – Chairman

Mr. S. Ragothaman

Mr. S. S. Kelkar

Dr. H. N. Sethna (w.e.f. 6.6.2005)

With effect from 30th May, 2006, Mr. S. M. Palia has been appointed as a member of the Audit Committee.

The Chairman of the Committee, Mr. R. A. Shah, is an independent Director.

The role and terms of reference of the Audit Committee include review of Internal Audit Reports and the Statutory Auditors' Report on the financial statements, general interaction with the internal Auditors and statutory Auditors, selection and establishment of accounting policies, review of financial statements both quarterly and annual before submission to the Board, review of Management discussion and analysis of financial condition and results of operations and review of performance of statutory and internal auditors and adequacy of internal control systems and other matters specified under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

During the year under review, 7 Meetings of the Audit Committee were held, the dates being 14th April, 2005, 8th June, 2005, 28th July, 2005, 24th August, 2005, 28th September, 2005, 26th October, 2005 and 30th January, 2006.

Details of attendance of each member at the Audit Committee Meetings are as follows:-

| Name | No. of Audit Committee Meetings attended. |
|-------------------|---|
| Mr. R. A. Shah | 7 |
| Mr. S. Ragothaman | 3 |
| Mr. S. S. Kelkar | 7 |
| Dr. H. N. Sethna | 6 |

(b) Remuneration/ Compensation Committee:

The Remuneration/ Compensation Committee consists of the following Non-Executive Directors:

Mr. Keshub Mahindra – Chairman

Mr. Nusli N. Wadia

Mr. R. A. Shah

Mr. S. Ragothaman

Mr. A. K. Hirjee

The Chairman of the Committee, Mr. Keshub Mahindra, is an independent Director.

During the year under review, the Remuneration/Compensation Committee met only once on 8th June, 2005. Mr. Keshub Mahindra, Mr. Nusli N. Wadia and Mr. R. A. Shah were present at the Meeting.

Broad terms of reference of the Remuneration/Compensation Committee include recommendation to the Board of salary/perquisites, commission and retirement benefits, finalisation of the perquisites package payable to the Company's Managing/Joint Managing/ Deputy Managing/Executive Directors and administration and superintendence of the Employee Stock Option Scheme.

**Remuneration Policy:**

Payment of remuneration to the Managing/Joint Managing/Deputy Managing/ Executive Directors is governed by the respective Agreements executed between them and the Company. Their Agreements were approved by the Board and except for the Agreement of Mr. S. K. Gupta as Executive Director, by the shareholders. The Agreement of Mr. S. K. Gupta is being placed for approval of the shareholders at the ensuing AGM. Their remuneration structure comprises salary, incentive allowance, commission linked to profits, perquisites and allowances, contribution to provident fund, superannuation and gratuity. The Non-Executive Directors do not draw any remuneration from the Company other than sitting fees and such commission as may be determined by the Board from time to time.

A. Details of remuneration paid to the Managing/Joint Managing/Deputy Managing/Executive Directors during the year 2005-2006 are given below: -

(In Rupees)

| Name | Salary | Benefits* | Commission | Total |
|---|-----------|-----------|------------|------------|
| Mr. Ninu Khanna Managing Director | 26,50,000 | 42,98,967 | Nil | 69,48,967 |
| Mr. P. V. Kuppaswamy, Joint Managing Director. | 26,50,000 | 40,95,349 | Nil | 67,45,349+ |
| Mr. Ness N. Wadia, Deputy Managing Director | 20,30,000 | 30,39,305 | 15,00,000@ | 65,69,305+ |
| Mr. M. K. Singh, Executive Director | 18,17,000 | 40,88,300 | Nil | 59,05,300+ |

*Also includes the Company's contribution to Provident and Superannuation Funds.

@ Relates to the preceding year 2004-05.

+Excludes the amount payable as commission for the year 2005-06 after adoption of accounts by the shareholders at the ensuing AGM, to Mr. P. V. Kuppaswamy (Rs. 14 lakhs), Mr. Ness N. Wadia (Rs. 60 lakhs) and Mr. M. K. Singh (Rs. 60 lakhs).

- Notes: a) The Agreement with the Managing/Joint Managing/Deputy Managing/ Executive Directors is for a period of five years. Either party to the Agreement is entitled to terminate the Agreement by giving not less than six calendar months' prior notice in writing to the other party provided, however, that the Company shall be entitled to terminate the incumbent's employment at any time by payment to him of six months' salary in lieu of such notice.
- b) Payment of remuneration to Mr. Ness N. Wadia and Mr. M. K. Singh in excess of the maximum individual limit of Rs. 80 lakhs per annum is pending approval of members at the ensuing AGM.
- c) The Company has granted stock options to the working Directors in addition to those granted in the previous year, details of which are given in Annexure B to the Directors' Report.

B. Details of payments made to non-Executive Directors during the year 2005-06 are given below: -

| | Sitting Fees (in Rupees) | | | Commission@ | Total No. of Shares held in the Company as on 31st March, 2006 |
|---------------------|--------------------------|-------------------|--|-------------|--|
| | Board Meeting. | Committee Meeting | | | |
| Mr. Nusli N. Wadia | 60,000 | 10,000 | | 7,00,000 | 1,23,350 |
| Mr. Keshub Mahindra | 60,000 | 10,000 | | 1,00,000 | 1,630\ |
| Mr. R. N. Tata | 50,000 | - | | 50,000 | 700 |
| *Mr. R. A. Shah | 60,000 | 80,000 | | 1,50,000 | 300 |
| Dr. H. N. Sethna | 60,000 | 86,000 | | 75,000 | 5,152 |
| Mr. S. Ragothaman | 30,000 | 30,000 | | 1,45,000 | 5,000 |
| Mr. S. S. Kelkar | 60,000 | 1,35,000 | | 1,60,000 | 7,340 |
| Mr. A. K. Hirjee | 30,000 | 59,000 | | 1,35,000 | 760 |

* Mr. R. A. Shah is a senior partner of Crawford Bayley & Co., Solicitors & Advocates, who have professional relationship with the Company. The quantum of professional fees received by Crawford Bayley & Co. from the Company constitutes less than 2% of the total revenues of the legal firm. As per the view of the Board of Directors and also as per the legal opinion received on the subject of independence of Mr. R. A. Shah, the association of the legal firm, Crawford Bayley & Co., with the Company is not material. The professional fees of Rs. 6.11 lakhs paid/accrued to the legal firm during the year are not considered material enough to impinge on the independence of Mr. R. A. Shah.

@ Relates to the preceding year 2004-05.

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

Consolidated provision for Commission to Non-Executive Directors of Rs. 45 lakhs has been made in the Books of Account of 2005-06. Remuneration of Non-Executive Directors by way of commission is determined by the Board within the limits stipulated by the Special Resolution passed at the 124th Annual General Meeting held on 23rd July, 2004. They are paid sitting fees at the rate of Rs. 10,000/- per meeting for attending the meetings of the Board of Directors/Committees thereof except those of the Share Transfer, Shareholders'/ Investors' Grievance and Ethics & Compliance Committee in which case they are paid at the rate of Rs. 1,000/- per meeting attended. No stock options have been granted to Non-Executive Directors.

(c) Share Transfer, Shareholders'/Investors' Grievance and Ethics & Compliance Committee:

This Committee (i) approves and monitors transfers, transmission, splitting and consolidation of securities and issue of duplicate Certificates by the Company, (ii) looks into various issues relating to shareholders including redressal of complaints from shareholders relating to transfer of shares, non-receipt of Balance Sheets, Dividends etc. and (iii) carries out the functions envisaged under the Code of Conduct for Prevention of Insider Trading adopted in terms of Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992. The Committee consisted of 3 Non-Executive Directors and the Managing Director, namely: -

Dr. H. N. Sethna - Non-Executive Director (Chairman)

Mr. Ninu Khanna - Managing Director

Mr. A. K. Hirjee - Non-Executive Director

Mr. S. S. Kelkar - Non-Executive Director

The Committee met 26 times during the year.

(d) Finance Committee:

The Finance Committee consists of the following Directors:

Mr. A. K. Hirjee - Non-Executive Director

Mr. S. S. Kelkar - Non-Executive Director

Mr. Ness N. Wadia - Deputy Managing Director

The terms of reference of this Committee cover (i) Liability Management related to raising of Rupee/Foreign Currency resources both short-term and long-term to meet the funding requirements of the various operating divisions and approval of terms and conditions covering the borrowing programme; (ii) Foreign Exchange Management involving review of the Company's forex policy and providing direction to the Treasury Department with regard to maintenance and covering of open positions; and (iii) Investment Management related to the employment of temporary and/or long-term surpluses of the Company in various securities whether or not traded on the stock exchanges like units of Mutual Funds and providing direction to the Treasury Department on the composition and the turnover of the investment portfolio from time to time.

During the year under review, the Committee met four times on 26th May, 2005, 29th July, 2005, 26th October, 2005 and 30th January, 2006.

Name and designation of Compliance Officer:

Mr. P. Govindan, Company Secretary

No. of shareholders' complaints received during the year : 670

No. of complaints not resolved to the satisfaction of shareholders : Nil

No. of pending share transfers : Nil

4. General Body Meetings :

(a) Location and time where last three AGMs were held:

| Date & Time | Location | Special Resolutions Passed |
|--|--|---|
| 29 th July, 2005, 3.45 p.m. | Birla Matushri Sabhagar, 19, Marine Lines, Mumbai-400020 | Nil. |
| 23 rd July, 2004, 3.45 p.m. | Birla Matushri Sabhagar, 19, Marine Lines, Mumbai-400020 | i) Amendment to Employee Stock Option Scheme (ESOS). ii) Approval for payment of commission to Non-Executive Directors pursuant to Section 309 of the Companies Act, 1956. |
| 30 th July, 2003, 3.45 p.m. | Birla Matushri Sabhagar, 19, Marine Lines, Mumbai-400020 | i) Keeping Registers of Members and of Debenture-holders and their indices, etc. at the office of the Company's Registrar & Share Transfer Agents. ii) Voluntary delisting of equity shares from the Stock Exchanges at Delhi, Kolkata and Madras. |

(b) Whether any Special Resolutions were passed last year through postal ballot :

No.

(c) Whether any special resolution is proposed to be passed through postal ballot this year :

No.



5. Other disclosures :

- (a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large:
Transactions with the related parties are disclosed in Note 12 of Schedule 18 to the financial statements in the Annual Report. However, these transactions are not likely to have any conflict with the Company's interest. The Audit Committee has reviewed these transactions as mandatorily required under Clause 49 of the Listing Agreement.
- (b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
None.
- (c) Risk Management
During the year under review, a detailed exercise on Business Risk Management was carried out covering the entire spectrum of business operations and the Board has been informed about the risk assessment and minimisation procedures as required under Clause 49 of the Listing Agreement. Business risk evaluation and management is an ongoing process within the Company.
- (d) Code of Conduct
The Board of Directors has adopted the Code of Ethics and Business Principles for the Non-executive Directors as also for the employees including whole-time Directors and other Members of Senior Management. The said Code has been communicated to all the Directors and Members of the Senior Management. The Code has also been posted on the Company's website www.bombaydyeing.com.

6. Means of communication :

- (i) Quarterly results :
The unaudited quarterly results are announced within one month from the end of the quarter and the audited annual results within three months from the end of the last quarter as stipulated under the Listing Agreement with the Stock Exchanges.
- (ii) Newspapers wherein results normally published:
The Financial Express – All editions &
Tarun Bharat/ Sagar, Mumbai.
- (iii) Any Website where displayed :
Yes. www.bombaydyeing.com
- (iv) Whether Website also displays official news releases:
Yes. Financial Results and related press releases and distribution of shareholding are displayed on the Website.
- (v) Whether presentations made to institutional investors or to the analysts:
No presentations were made to institutional investors or to the analysts.
- (vi) Management Discussion & Analysis Report :
The Management Discussion & Analysis Report forms a part of the Annual Report.

7. General Shareholder information:

- (a) AGM: Date, time and venue:
27th July, 2006 - 3.45 p.m. at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400020.
- (b) Financial calendar (tentative):

| | | |
|---|---|---|
| Financial reporting for the quarter ending 30th June, 2006 | : | End July, 2006. |
| Financial reporting for the quarter ending 30 th September, 2006 | : | End October, 2006. |
| Financial reporting for the quarter ending 31 st December, 2006 | : | End January, 2007. |
| Financial reporting for the year ending 31 st March, 2007 | : | End May, 2007. |
| Annual General Meeting for the year ending 31 st March, 2007 | : | Last week July/1 st week of August, 2007 |
- (c) Book closure period: 6th July, 2006 to 27th July, 2006 (both days inclusive).
- (d) Dividend payment date : On and from 10th August, 2006.
- (e) Listing on Stock Exchanges : Currently, the Company's securities are listed at :
 1. Bombay Stock Exchange Ltd. (BSE), Mumbai.
 2. National Stock Exchange of India Ltd. (NSE), Mumbai.

The Global Depository Receipts are listed at:

Societe de la Bourse de Luxembourg.

Annual Listing Fee for the year 2006-2007 has been paid to the Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. Listing fee to the Societe de la Bourse de Luxembourg for listing of GDRs has been paid for the calendar year 2006.

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

(f) Stock Code:

Bombay Stock Exchange Ltd. (BSE) : 500020
National Stock Exchange of India Ltd. (NSE) : BOMDYEING

(g) Stock Market Data: Please see Annexure 1

(h) Stock Performance: Please see Annexure 2

(i) Registrar & Transfer Agents:

Sharepro Services (India) Pvt. Ltd., the Company's Registrar and Transfer Agents (R&TA) handle the entire share registry work, both physical and electronic. Accordingly, all documents, transfer deeds, demat requests and other communications in relation thereto should be addressed to the R&TA at its following offices:

Registered Office :
Sharepro Services (India) Pvt. Ltd.,
Unit: Bombay Dyeing
Satam Estate, 3rd floor,
Cardinal Gracious Road,
Chakala, Andheri (East),
Mumbai 400 099.
Tel: 28215168/28329828/28215991/
28347719/28348218
Fax: 28375646
e-mail: sharepro@vsnl.com

Investor Relation Centre :
Sharepro Services (India) Pvt. Ltd.,
Unit: Bombay Dyeing
912, Raheja Centre,
Free Press Journal Road,
Nariman Point,
Mumbai 400 021.
Tel: 22881568/22881569/
22825163/22884527
Fax: 22825484
e-mail: sharepro-services@roltanet.com

(j) Share Transfer System:

Share transfers in physical form are registered and returned within a period of 7 to 15 days from the date of receipt in case documents are complete in all respects. The Share Transfer Committee meets every fortnight. The total number of shares transferred during the year was :

| | No. of Transfers | No. of Shares |
|---------------|------------------|---------------|
| Transfers | 1,405 | 56,223 |
| Transmissions | 58 | 7,492 |
| Total : | <u>1,463</u> | <u>63,715</u> |

(k) Dematerialisation of shares and liquidity:

72.14% of outstanding Equity Shares have been dematerialised up to 31st March, 2006.

| | No. of requests | | | No. of shares | | |
|---------------------------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|
| | As at 31.3.2005 | During 2005-06 | Total 31.3.2006 | As at 31.3.2005 | During 2005-06 | Total 31.3.2006 |
| NSDL | 30,782 | 4,435 | | 2,63,63,206 | 3,83,347 | |
| Less: Interdepository transfers (Net) | | 2,169 | | | 8,98,370 | |
| Add: Allotment of shares under ESOS. | | – | | | 23,700 | |
| | | | <u>33,048</u> | | | <u>2,58,71,883</u> |
| CDSL | 3,126 | 949 | | 9,96,661 | 1,09,613 | |
| Add: Interdepository transfers (Net) | | 196 | | | 8,72,155 | |
| | | | <u>4,271</u> | | | <u>19,78,429</u> |
| | <u>33,908</u> | <u>3,411</u> | <u>37,319</u> | <u>2,73,59,867</u> | <u>4,90,445</u> | <u>2,78,50,312</u> |

Trading in Equity Shares of the Company is permitted only in dematerialised form effective from 29th November, 1999 as per Notification issued by the Securities & Exchange Board of India (SEBI).

(l) Outstanding GDRs/Warrants, Convertible Bonds, conversion date and likely impact on equity.

6,10,245 GDRs were outstanding as at 31st March, 2006, each GDR representing one underlying Equity Share.



(m) (i) Distribution of Shareholding as on 31st March, 2006.

| Group of Shares | No. of Shareholders | No. of Shares held | %age to Total Shares |
|-----------------|---------------------|--------------------|----------------------|
| 1 to 50 | 45,516 | 9,64,679 | 2.50 |
| 51 to 100 | 12,257 | 10,46,390 | 2.71 |
| 101 to 250 | 7,325 | 12,38,243 | 3.21 |
| 251 to 500 | 2,950 | 10,96,733 | 2.84 |
| 501 to 1000 | 1,315 | 9,91,895 | 2.57 |
| 1001 to 5000 | 990 | 20,27,427 | 5.25 |
| 5001 and above | 221 | 3,12,39,903 | 80.92 |
| | <u>70,574</u> | <u>3,86,05,270</u> | <u>100.00</u> |

(ii) Shareholding Pattern as on 31st March, 2006.

| | No. of shares | % |
|------------------------|--------------------|---------------|
| Promoter Group * | 1,66,07,639 | 43.02 |
| Financial Institutions | 43,57,082 | 11.29 |
| Nationalised Banks | 45,586 | 0.12 |
| Mutual Funds | 19,86,117 | 5.14 |
| FII's | 54,93,030 | 14.23 |
| GDR Holders | 6,10,245 | 1.58 |
| Others | 95,05,571 | 24.62 |
| | <u>3,86,05,270</u> | <u>100.00</u> |

*Promoter Group comprises:

Mr. Nusli N. Wadia and his relatives in terms of Section 6 of the Companies Act, 1956, Ms. Diana Claire Wadia, Ms. Elizabeth Anne Guhl, Ms. Bachobai W. Daschkow, Jer Mavis Settlement No. II, Diana Claire Wadia Trust, Nusli Neville Wadia Trust, Nowrosjee Wadia & Sons Limited, The Bombay Burmah Trading Corporation, Limited, National Peroxide Limited, Gherzi Eastern Ltd., Ben Nevis Investments Limited, Macrofil Investments Limited, Jehreen Investments Private Limited, Lochness Investments Private Limited, Nessville Trading Private Limited, Vernilam Investment and Trading Company Limited and its holding Company, and Lotus Viniyog Private Limited, and their subsidiaries and associates.

n) In terms of Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001, the Company has credited during the year ended 31st March, 2006 an aggregate amount of Rs. 15,10,683.78 to the Investor Education and Protection Fund (IEPF).

(o) Plant Locations :

Textile Mill,

New Prabhadevi Road,
Mumbai-400025.
Tel: 24301888
Fax: 24222085.

DMT Plant,

A-1, Patalganga Industrial Area,
Dist. Raigad, Taluka Khalapur,
Maharashtra.
Tel. No.952192 251096/103
Fax No.952192 250263.

Address for correspondence:

For share transfer/dematerialisation of shares/payment of dividend/other queries relating to shares:

Contact M/s. Sharepro Services (India) Pvt. Ltd. at the addresses printed in Sr. No. 7(i) above.

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

For any queries on Annual Report or investors' assistance:

The Company Secretary

OR

The Sr. Manager (Secretarial/Legal),
The Bombay Dyeing & Mfg. Co. Ltd.,
Neville House, J. N. Heredia Marg,
Ballard Estate, Mumbai-400001.
Tel: 22618071
Fax: 22614520.
e-mail: govindan.p@bombaydyeing.com or narayan.venkat@bombaydyeing.com

Non-Mandatory Requirements:

(a) Office of the Chairman of the Board:

The Company defrays the secretarial expenses by the Chairman's Office.

(b) Remuneration Committee:

As stated earlier, the Board has already set up a Remuneration/Compensation Committee. Details regarding composition and scope of the Remuneration/Compensation Committee are given at Item 3(b) above.

(c) Shareholder rights – furnishing of half yearly results:

The Company's half yearly results are published in the newspapers and also posted on its web site and are, therefore, not sent to the shareholders. However, the Company furnishes the quarterly and half yearly results on receipt of a request from the shareholders.

Adoption of other non-mandatory requirements under Clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

Mumbai, 30th May, 2006

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, this is to confirm that all the Members of the Board and the Senior Management have affirmed compliance with the Code of Conduct for the year ended 31st March, 2006.

For The Bombay Dyeing & Mfg. Co. Ltd.

Ninu Khanna
Managing Director

Mumbai, 30th May, 2006

Auditors' certificate to the members of The Bombay Dyeing and Manufacturing Company Limited on compliance of the conditions of corporate governance for the year ended 31st March, 2006, under clause 49 of the listing agreements with relevant stock exchanges.

We have examined the compliance of the conditions of corporate governance by The Bombay Dyeing and Manufacturing Company Limited for the year ended 31st March, 2006, as stipulated in clause 49 of the listing agreements of the said company with relevant stock exchanges (hereinafter referred to as clause 49).

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring 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 and the representations made by the directors and the management, we certify that the company has complied in all material respects with the conditions of corporate governance as stipulated in clause 49.

We 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 A. F. FERGUSON & CO.
Chartered Accountants

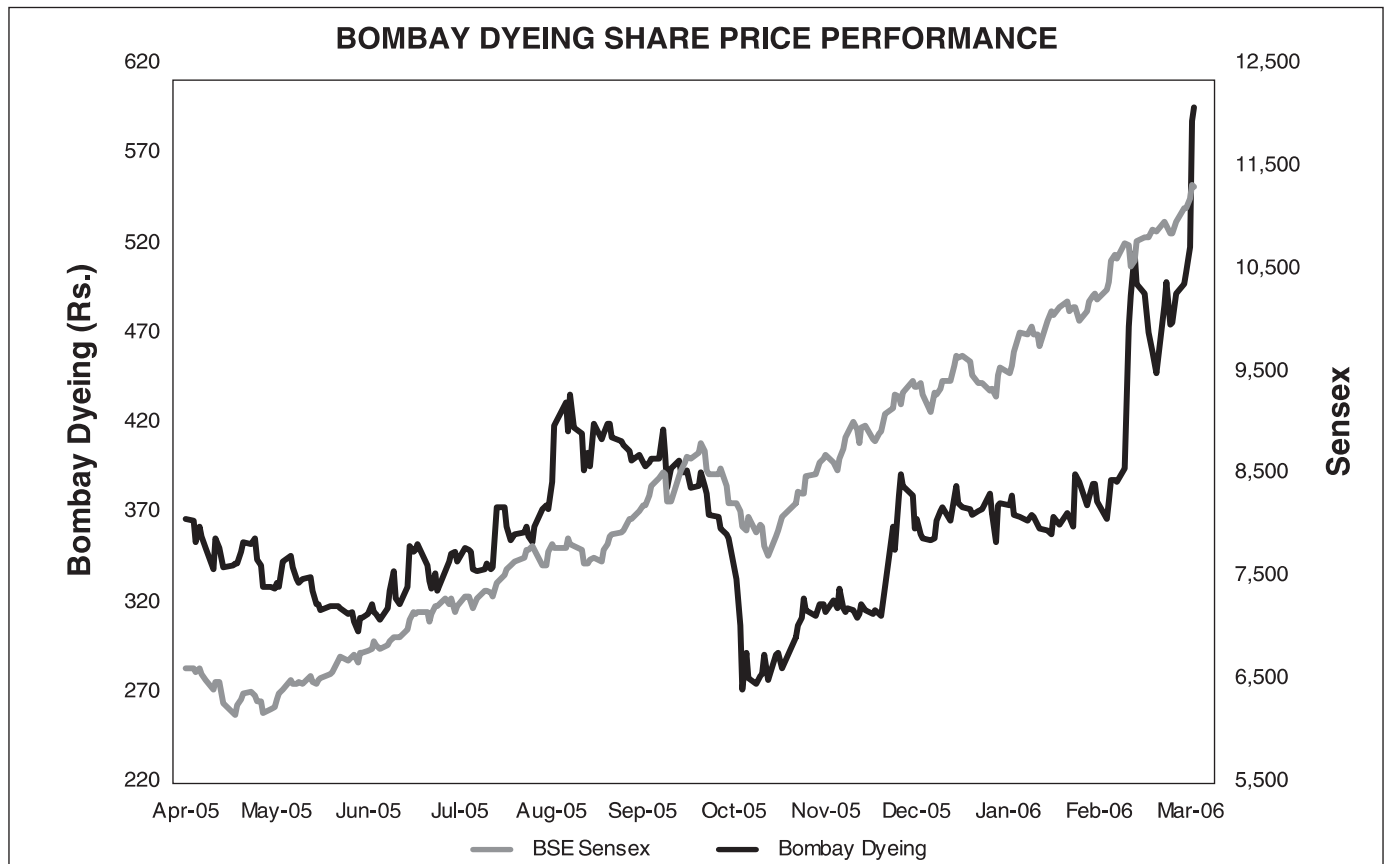
R. K. HIRANANDANI
Partner

Mumbai, 30th May, 2006



STOCK MARKET DATA

| | Month's High Price | | Month's Low Price | | No. of Trades | | No. of Shares Traded | | Value (Rs. in lacs) | |
|-----------|--------------------|--------|-------------------|--------|---------------|--------|----------------------|----------|---------------------|-----------|
| | BSE | NSE | BSE | NSE | BSE | NSE | BSE | NSE | BSE | NSE |
| Apr. 2005 | 385.90 | 386.70 | 289.95 | 325.25 | 112577 | 398170 | 9647966 | 22732977 | 34456.11 | 81252.52 |
| May. 2005 | 354.00 | 353.45 | 309.25 | 309.00 | 43189 | 143117 | 3800702 | 7988165 | 12584.34 | 26452.00 |
| Jun. 2005 | 359.00 | 358.90 | 298.00 | 299.00 | 62175 | 190234 | 5658883 | 11241834 | 18712.88 | 37017.36 |
| Jul. 2005 | 392.00 | 392.30 | 324.10 | 296.00 | 43260 | 139954 | 4400066 | 8692126 | 15910.63 | 31499.07 |
| Aug. 2005 | 444.00 | 442.00 | 352.10 | 351.00 | 50575 | 164149 | 5015711 | 10187368 | 20233.14 | 41083.58 |
| Sep. 2005 | 427.40 | 427.80 | 328.95 | 375.00 | 14356 | 39521 | 994885 | 2250404 | 4023.06 | 9087.64 |
| Oct. 2005 | 396.00 | 396.90 | 260.00 | 260.00 | 31661 | 97299 | 2170539 | 4669637 | 6539.76 | 14070.71 |
| Nov. 2005 | 336.00 | 345.00 | 281.30 | 280.80 | 16169 | 47783 | 890574 | 2028543 | 2792.99 | 6344.87 |
| Dec. 2005 | 395.25 | 394.90 | 308.50 | 310.00 | 50238 | 157764 | 3724918 | 6670312 | 13656.44 | 24387.87 |
| Jan. 2006 | 397.45 | 395.00 | 350.00 | 351.10 | 15363 | 31619 | 904512 | 1361354 | 3394.58 | 5099.76 |
| Feb. 2006 | 411.20 | 411.45 | 323.00 | 355.00 | 28256 | 69702 | 2269330 | 3402031 | 8703.22 | 13032.82 |
| Mar. 2006 | 613.90 | 613.00 | 331.90 | 373.00 | 173206 | 480568 | 12417482 | 23238829 | 63121.41 | 118272.39 |



THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

1. We have audited the attached balance sheet of The Bombay Dyeing and Manufacturing Company 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) on the basis of written representations received from the directors, as on 31st March, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2006;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner
Membership No. 36920

MUMBAI: 30th May, 2006



ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006 (referred to in paragraph 3 of our report of even date)

- (i) (a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A major portion of the assets has been physically verified by the management during the year, which in our opinion is reasonable, having regard to the size of the company and the nature of its assets. To the best of our knowledge, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year are not substantial and therefore the question of reporting on clause 4(i)(c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the said Order) does not arise.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) 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) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The company has given loans to four companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum principal amount involved during the year was Rs. 22.50 crores and the year end balance of such loans was Rs. 7.50 crores. The company has also placed an interest free shareholders' deposit of Rs. 15.22 crores with a joint venture company, as stated in Note 4 on Schedule 18.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which loans have been granted to companies listed in the register maintained under section 301 of the Companies Act, 1956 were not, prima facie, prejudicial to the interest of the company, at the time when the loans were granted.
- (c) As explained to us, in respect of one of the companies, an amount of Rs. 3.50 crores has not been recovered for which a provision has been made in the books of account and the other companies have been regular in repaying the principal amounts as stipulated or as rescheduled, where applicable and have been regular in the payment of interest.
- (d) According to the information and explanations given to us, except for the loan of Rs. 3.50 crores referred in paragraph (iii) (c) above for which a provision has been made in the books of account, there is no overdue amount for more than rupees one lakh.
- (e) According to the information and explanations given to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. In view of the foregoing, the question of reporting on Clauses 4(iii)(f) and 4(iii)(g) of the said Order does not arise.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have generally been so entered.
- (b) According to the information and explanations given to us, transactions in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party have been made at prices which are reasonable having regard to the prevailing market prices or at prices for which similar transactions have been made with other parties, except for transactions where a comparison of prices could not be made since there were no similar transactions with other parties or transactions of a special nature where comparable alternative quotations were not available.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A, 58AA or any other applicable provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed, without carrying out a detailed examination, the books of account maintained by the company pursuant to the Order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the Textile Division and are of the opinion that prima facie the prescribed records have been maintained and the prescribed accounts are in the process of being made up.

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006 (referred to in paragraph 3 of our report of even date) (Contd....)

- (ix) (a) According to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty and other material statutory dues applicable to it have been regularly deposited with the appropriate authorities.

Further, since the Central Government has not yet prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, service tax, sales tax, customs duty and excise duty were in arrears, as at 31st March, 2006, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income-tax, wealth-tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any dispute, except as stated below:

| Sr. no. | Nature of the dues | Amount (Rs. in Crores) | Period to which the amount relates | Forum where dispute is pending |
|---------|--------------------------------------|------------------------|------------------------------------|---|
| 1 | The Income-tax Act, 1961: | | | |
| | Tax Deducted at source | 2.64 | A. Y. 1995-96 | Income Tax Appellate Tribunal, Mumbai |
| 2 | The Wealth-tax Act, 1957: | | | |
| | Wealth Tax | 0.23 | A. Y. 1993-94 to A. Y. 1998-99 | Income Tax Appellate Tribunal, Mumbai |
| 3 | The Customs Act, 1962: | | | |
| | Customs Duty | 0.64 | 1989 | Deputy Commissioner of Customs, Nhava Sheva |
| | Customs Duty | 0.25 | 1997 | Commissioner of Customs (Appeals), Mumbai |
| 4 | The Central Excise Act, 1944: | | | |
| | Excise Duty | 0.36 | 1985-86 to 2003-04 | Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai |
| | Excise Duty | 0.10 | 1989-90 to 1995-96 | Commissioner of Central Excise, Mumbai |
| | Excise Duty | 1.12 | 1995-96 to 2000-01 | Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai |
| | Excise Duty | 0.61 | 1999-00 to 2000-01 | Deputy Commissioner of Central Excise, Mumbai |

- (x) The company does not have any accumulated losses at the end of the financial year. Also, the company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks, financial institutions or debenture holders.
- (xii) In our opinion and according to the information and explanations given to us, the company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares.
- (xiii) The company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the said Order are not applicable to the company.
- (xiv) According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein, where the company is dealing or trading in shares, securities, debentures and other investments, and such securities are held by the company in its own name, except to the extent of the exemption granted under section 49 of the Companies Act, 1956.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interest of the company.



ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006 (referred to in paragraph 3 of our report of even date) (Contd....)

- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been / are being applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the question of reporting on whether the price at which such shares have been issued is prejudicial to the interest of the company does not arise.
- (xix) According to the information and explanations given to us, the company has issued during the year debentures aggregating Rs. 210.00 crores which have been repaid prior to the year end. The security or charge in respect of such debentures had not been created.
- (xx) The company has not raised any money by public issues during the year. Accordingly, the question of disclosure of end use of such monies does not arise.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner
Membership No. 36920

MUMBAI: 30th May, 2006

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

BALANCE SHEET AS AT 31ST MARCH, 2006

| | Schedule No. | Rupees in crores | Rupees in crores | Rupees in crores | AS AT 31ST MARCH, 2005 | | |
|--|-----------------|---------------------|---------------------|---------------------|------------------------|---------------------|---------------------|
| | | | | | Rupees in crores | Rupees in crores | Rupees in crores |
| SOURCES OF FUNDS | | | | | | | |
| SHAREHOLDERS' FUNDS | | | | | | | |
| Share capital | (1) | | 38.60 | | | 38.58 | |
| Reserves and surplus | (2) | | <u>426.23</u> | | | <u>303.38</u> | |
| | | | | 464.83 | | | 341.96 |
| LOAN FUNDS | | | | | | | |
| Secured loans | (3) | | 428.51 | | | 214.52 | |
| Unsecured loans | (4) | | <u>129.86</u> | | | <u>139.94</u> | |
| | | | | 558.37 | | | 354.46 |
| DEFERRED TAX LIABILITY (Net) (see Note 15 on Schedule 18) | | | | <u>2.60</u> | | | <u>10.64</u> |
| TOTAL..... | | | | <u>1025.80</u> | | | <u>707.06</u> |
| APPLICATION OF FUNDS | | | | | | | |
| FIXED ASSETS | | | | | | | |
| Gross block | (5) | | 720.50 | | | 754.47 | |
| Less: Depreciation | | 521.92 | | | 538.87 | | |
| Impairment loss [see Note 17 on Schedule 18] | | <u>74.28</u> | | | <u>83.51</u> | | |
| | | | <u>596.20</u> | | | <u>622.38</u> | |
| Net block | | | 124.30 | | | 132.09 | |
| Capital work-in-progress | | 70.31 | | | 7.83 | | |
| Advances for capital expenditure | | 171.28 | | | 40.07 | | |
| Other expenditure relating to construction | | <u>33.48</u> | | | <u>11.49</u> | | |
| | | | <u>275.07</u> | | | <u>59.39</u> | |
| | | | | 399.37 | | | 191.48 |
| INVESTMENTS | (6) | | | 168.02 | | | 241.19 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | | | | | |
| Inventories | (7) | 211.95 | | | 199.73 | | |
| Sundry debtors | (8) | 158.53 | | | 72.76 | | |
| Cash and bank balances | (9) | 33.34 | | | 5.51 | | |
| Other current assets | (10) | 1.06 | | | 0.10 | | |
| Loans and advances | (11) | <u>153.03</u> | | | <u>111.91</u> | | |
| | | | 557.91 | | | 390.01 | |
| Less: CURRENT LIABILITIES AND PROVISIONS | | | | | | | |
| Liabilities | (12) | 67.50 | | | 74.89 | | |
| Provisions | (13) | <u>37.57</u> | | | <u>40.73</u> | | |
| | | | <u>105.07</u> | | | <u>115.62</u> | |
| NET CURRENT ASSETS | | | | 452.84 | | | 274.39 |
| MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted) | | | | | | | |
| Voluntary retirement compensation | | | | <u>5.57</u> | | | <u>—</u> |
| TOTAL..... | | | | <u>1025.80</u> | | | <u>707.06</u> |
| SIGNIFICANT ACCOUNTING POLICIES | (17) | | | | | | |
| NOTES TO THE ACCOUNTS | (18) | | | | | | |

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner

Mumbai, 30th May, 2006

For and on behalf of the Board of Directors

NUSLI N. WADIA
NINU KHANNA
P. V. KUPPUSWAMY
M. K. SINGH
S.K. GUPTA

GOVINDER SINGH

Chairman
Managing Director
Jt. Managing Director
Executive Director
Executive Director

Chief Financial Officer

Mumbai, 30th May, 2006

K. MAHINDRA
R. A. SHAH
DR. H. N. SETHNA
S. S. KELKAR
R. N. TATA

P. GOVINDAN

Directors

Secretary



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

| | Schedule No. | Rupees in crores | Rupees in crores | 2004-2005 Rupees in crores |
|---|--------------|------------------|------------------|----------------------------|
| INCOME | | | | |
| Gross Sales - Products [see Note 21(a) on Schedule 18] | | 1002.54 | | 1,145.31 |
| Less : Excise Duty | | 105.32 | | 119.71 |
| Net Sales | | 897.22 | | 1,025.60 |
| Revenue from real estate activity [see Note 6 on Schedule 17] | | 115.79 | | - |
| Other Income | (14) | | 1,013.01 | 1,025.60 |
| | | | 25.31 | 27.10 |
| | | | <u>1,038.32</u> | <u>1,052.70</u> |
| EXPENDITURE | | | | |
| Manufacturing and other expenses | (15) | | 944.59 | 985.20 |
| Interest and finance charges | (16) | | 17.61 | 14.44 |
| Depreciation | | | 16.90 | 19.38 |
| | | | <u>979.10</u> | <u>1019.02</u> |
| PROFIT BEFORE TAX | | | 59.22 | 33.68 |
| Less: | | | | |
| Provision for taxation | | | | |
| a. current tax | | 4.97 | | 2.42 |
| b. deferred tax | | (8.04) | | 4.70 |
| | | <u>(3.07)</u> | | <u>7.12</u> |
| c. Fringe benefit tax | | 0.95 | | - |
| | | | <u>(2.12)</u> | <u>7.12</u> |
| PROFIT AFTER TAX | | | 61.34 | 26.56 |
| Add: | | | | |
| Balance in profit and loss account brought forward | | | 137.71 | 119.00 |
| Transferred from investment allowance reserve | | | - | 11.00 |
| Transferred from debenture redemption reserve | | | 16.25 | 2.50 |
| AVAILABLE FOR APPROPRIATIONS | | | 215.30 | 159.06 |
| Less: APPROPRIATIONS | | | | |
| Proposed dividend | | | 19.30 | 15.43 |
| Additional income tax on distributed profits | | | 2.71 | 2.16 |
| General reserve | | | 6.14 | 3.76 |
| | | | <u>28.15</u> | <u>21.35</u> |
| Balance carried to balance sheet | | | <u>187.15</u> | <u>137.71</u> |
| SIGNIFICANT ACCOUNTING POLICIES | (17) | | | |
| NOTES TO THE ACCOUNTS | (18) | | | |
| Earnings per equity share (see Note 14 on Schedule 18) | | | | |
| Basic earnings per equity share (in rupees) | | | 15.89 | 6.89 |
| Diluted earnings per equity share (in rupees) | | | 15.89 | 6.88 |
| Nominal value per equity share (in rupees) | | | 10.00 | 10.00 |

Per our report attached to the Balancesheet

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner

Mumbai, 30th May, 2006

For and on behalf of the Board of Directors

NUSLI N. WADIA
NINU KHANNA
P. V. KUPPUSWAMY
M. K. SINGH
S.K. GUPTA

GOVINDER SINGH

Chairman
Managing Director
Jt. Managing Director
Executive Director
Executive Director

Chief Financial Officer

Mumbai, 30th May, 2006

K. MAHINDRA
R. A. SHAH
DR. H. N. SETHNA
S. S. KELKAR
R. N. TATA

Directors

P. GOVINDAN

Secretary

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

| SCHEDULE 1 | | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|------------------------------|---|---------------------|--|
| SHARE CAPITAL | | | |
| AUTHORISED | | | |
| 5,00,00,000 | shares of Rs. 10 each | 50.00 | 50.00 |
| ISSUED AND SUBSCRIBED | | | |
| 4,10,01,829 | Equity shares of Rs. 10 each fully paid-up (of these, 2,10,23,175 equity shares are allotted as fully paid-up by way of bonus shares by capitalisation of reserves of Rs.20.86 crores and share premium of Rs.0.17 crore) | 41.00 | 41.00 |
| <i>Less:</i> | | | |
| 25,45,259 | Equity shares bought back and extinguished as at the year end in accordance with section 77A of the Companies Act, 1956 | (2.55) | (2.55) |
| <i>Add:</i> | | | |
| 1,48,700 | (2004-2005) 1,25,000) Equity shares issued under Employees' Stock Option Scheme | 0.15 | 0.13 |
| <u>3,86,05,270</u> | (2004-2005) 3,85,81,570) Equity shares of Rs. 10 each fully paid-up | <u>38.60</u> | <u>38.58</u> |

Note:

The Company has granted share options under its Employees' Stock Option Scheme and the number of share options outstanding as at 31st March, 2006 is 8,000, which will vest in June, 2006. (as at 31st March 2005, 23,700 options which have vested in May, 2005)

| SCHEDULE 2 | | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|--|--|---------------------|--|
| RESERVES AND SURPLUS | | | |
| CAPITAL REDEMPTION RESERVE | | | |
| | As per last balance sheet | 2.55 | 2.55 |
| SECURITIES PREMIUM ACCOUNT | | | |
| | As per last balance sheet | 1.37 | 1.03 |
| | <i>Add:</i> Premium on issue of shares under Employees' Stock Option Scheme | 0.34 | 0.34 |
| | | <u>1.71</u> | <u>1.37</u> |
| INVESTMENT ALLOWANCE RESERVE | | | |
| | As per last balance sheet | - | 11.00 |
| | <i>Less:</i> Transferred to profit and loss account | - | (11.00) |
| | | <u>-</u> | <u>-</u> |
| DEBENTURE REDEMPTION RESERVE | | | |
| | As per last balance sheet | 16.25 | 18.75 |
| | <i>Add:</i> Transferred from profit and loss account | - | 16.25 |
| | <i>Less:</i> Transferred to profit and loss account | (16.25) | (18.75) |
| | Net transfer | <u>(16.25)</u> | <u>(2.50)</u> |
| | | <u>-</u> | <u>16.25</u> |
| INVESTMENT RESERVE | | | |
| | As per last balance sheet | 1.31 | 1.31 |
| REVALUATION RESERVE [See Note 6 on Schedule 17] | | | |
| | As per last balance sheet | - | - |
| | <i>Add:</i> Created during the year on conversion of a part of the freehold land from fixed assets into stock-in-trade | 198.34 | - |
| | <i>Less:</i> Released to profit and loss account on entering into agreement for sale of flats | (115.06) | - |
| | | <u>83.28</u> | <u>-</u> |



SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

| | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|---|---------------------|--|
| SCHEDULE 2 (Contd.) | | |
| RESERVES AND SURPLUS (Contd.) | | |
| GENERAL RESERVE | | |
| As per last balance sheet | 143.89 | 193.68 |
| Less: Adjustment for accumulated impairment loss relating to periods prior to 1st April, 2004 | — | (83.51) |
| Add: Change in Deferred tax liability [see Notes 15 and 17 on Schedule 18] | — | 29.96 |
| | — | (53.55) |
| Add: Transferred from profit and loss account | 6.14 | 3.76 |
| | <u>150.03</u> | <u>143.89</u> |
| EMPLOYEE STOCK OPTIONS OUTSTANDING | 0.25 | 0.34 |
| Less: Employee stock option compensation to be written off | (0.05) | (0.04) |
| | <u>0.20</u> | <u>0.30</u> |
| BALANCE IN PROFIT AND LOSS ACCOUNT | 187.15 | 137.71 |
| | <u>426.23</u> | <u>303.38</u> |

| | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|---|---------------------|--|
| SCHEDULE 3 | | |
| SECURED LOANS | | |
| 1. State Bank of India foreign currency corporate loan (repayable in rupee equivalent of foreign currencies at the time of repayment) | 48.71 | 47.75 |
| 2. State Bank of India corporate loan | 100.00 | 18.00 |
| 3. SBI Commercial and International Bank Ltd. corporate loan | 10.00 | 6.00 |
| 4. State Bank of Indore corporate loan | 10.00 | 6.00 |
| 5. State Bank of Mysore corporate loan | 12.00 | — |
| 6. State Bank of Saurashtra corporate loan | 18.00 | — |
| 7. UTI Bank Ltd. term loan | 11.42 | 8.06 |
| 8. UTI Bank Ltd. term loan | 89.83 | — |
| 9. 6.10% Secured Redeemable Non-Convertible Debentures of Rs. 100 each (allotted on 28/03/2005, redeemable on 05/04/2005) | — | 15.00 |
| 10. 6.00% Secured Redeemable Non-Convertible Debentures of Rs. 100 each (allotted on 28/03/2005, redeemable on 24/06/2005) | — | 25.00 |
| 11. 5.95% Secured Redeemable Non-Convertible Debentures of Rs. 100 each (allotted on 29/03/2005, redeemable on 24/06/2005) | — | 25.00 |
| 12. Cash credit, demand loans and packing credit from banks | 128.55 | 63.71 |
| | <u>428.51</u> | <u>214.52</u> |

NOTES:

- A. **Security for item Nos.1 to 6**
First Mortgage/charge on a *pari-passu* basis on the immovable properties of the Company at Spring Mills, Textile Mills and the DMT Division at Patalganga.
- B. **Security for item No.7**
Exclusive hypothecation/charge on the specific fixed assets of the Company at Textile Mills.
- C. **Security for item No.8**
First mortgage/charge on a *pari-passu* basis on the fixed assets of the Company at Spring Mills, Textile Mills and the DMT Division at Patalganga.
- D. **Security for item No.12**
Secured by hypothecation of stocks, book debts and other current assets and a second charge by way of mortgage of the immovable properties of the Company at Spring Mills, Textile Mills and the DMT Division at Patalganga.

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

| | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|---|---------------------|--|
| SCHEDULE 4 | | |
| UNSECURED LOANS | | |
| Term loan (interest free) from SICOM Limited [repayable within a year Rs. Nil (2004-2005 Rs. 0.17 crore)] | — | 0.17 |
| Pre-Shipment Credits in Foreign Currencies from Citibank N.A. (short term) | 1.00 | 13.79 |
| Short term loans from banks (includes Rs. 33.86 crores (2004-2005 Rs.125.98 crores) repayable in rupee equivalent of foreign currencies at the time of repayment) | 128.86 | 125.98 |
| | <u>129.86</u> | <u>139.94</u> |

SCHEDULE 5 FIXED ASSETS

(Rupees in crores)

| | GROSS BLOCK | | | | DEPRECIATION | | | | IMPAIRMENT LOSS | NET BLOCK | |
|--|-------------------------------------|---------------------------|---|-------------------------------------|--------------------------|--------------|--|--------------------------|---|------------------|------------------|
| | Cost or book value as at 31-03-2005 | Additions during the year | Deductions/ adjustments during the year | Cost or book value as at 31-03-2006 | Balance as at 31-03-2005 | For the year | On deductions/ adjustments during the year | Balance as at 31-03-2006 | As at 31-03-2006 (see Note 17 on Schedule 18) | As at 31-03-2006 | As at 31-03-2005 |
| Land – Leasehold | 0.60 | — | — | 0.60 | — | — | — | — | — | 0.60 | 0.60 |
| – Freehold | 2.34 | — | 0.03* | 2.31 | — | — | — | — | — | 2.31 | 2.34 |
| Buildings | 43.31 | 8.92 | 16.95 | 35.28 \$ | 15.72 | 0.81 | 5.50 | 11.03 | 2.93 | 21.32 | 15.43 |
| Plant and machinery | 700.90 | 5.23 | 31.38 | 674.75 | 517.59 | 15.68 | 28.14 | 505.13 | 71.09 | 98.53 | 112.22 |
| Furniture | 3.47 | 0.41 | 0.01 | 3.87 | 2.74 | 0.21 | — | 2.95 | 0.03 | 0.89 | 0.70 |
| Motor vehicles | 3.85 | 0.04 | 0.28 | 3.61 | 2.82 | 0.19 | 0.21 | 2.80 | 0.23 | 0.58 | 0.80 |
| | 754.47 | 14.60 | 48.65 | 720.42 | 538.87 | 16.89 | 33.85 | 521.91 | 74.28 | 124.23 | 132.09 |
| Motor vehicles on finance lease | — | 0.08 | — | 0.08 | — | 0.01 | — | 0.01 | — | 0.07 | — |
| | 754.47 | 14.68 | 48.65 | 720.50 | 538.87 | 16.90 | 33.85 | 521.92 | 74.28 # | 124.30 | 132.09 |
| Previous year | 789.30 | 27.07 | 61.90 | 754.47 | 573.15 | 19.38 | 53.66 | 538.87 | 83.51 | | |
| Capital work-in-progress | | | | | | | | | | 70.31 | 7.83 |
| Advances for capital expenditure | | | | | | | | | | 171.28 | 40.07 |
| Other expenditure relating to construction @ | | | | | | | | | | 33.48 | 11.49 |
| TOTAL | | | | | | | | | | 399.37 | 191.48 |

* Part of the freehold land converted into stock-in-trade [see Note 6 on Schedule 17]

Rs.9.23 crores reversed during the year consequent to relevant assets being scrapped/sold

\$ see Note 18 on Schedule 18

@ Details of other expenditure relating to construction:

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|------------------------|------------------------|
| Real estate | 24.96 | 11.49 |
| Polyester Staple Fibre | 8.52 | — |
| | <u>33.48</u> | <u>11.49</u> |
| Comprising: | | |
| Architect fees, technical and project related consultancy | 5.49 | 2.09 |
| Civil, electrical, contracting, etc. | 1.40 | 0.62 |
| Payments to local agencies | 0.46 | 0.34 |
| Preliminaries and site expenses | 4.94 | 4.05 |
| Legal charges | 5.64 | 0.60 |
| Payments to and provisions for employees | 4.51 | 1.01 |
| Electricity | 0.11 | — |
| Insurance | 0.50 | — |
| Rent | 0.22 | 0.12 |
| Repairs: Building | 0.12 | 0.12 |
| Machinery | 0.04 | 0.03 |
| Others | 0.08 | — |
| Travelling and conveyance | 1.83 | 0.86 |
| Interest on fixed loans | 7.25 | 0.11 |
| Other expenses | 3.67 | 1.54 |
| | <u>36.26</u> | <u>11.49</u> |
| Less: Transferred to stock-in-trade (see Schedule 15) | 2.78 | — |
| | <u>33.48</u> | <u>11.49</u> |



SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

| SCHEDULE 6 INVESTMENTS | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|---|---------------------|--|
| LONG TERM INVESTMENTS (Unquoted fully paid-up) | | |
| A. TRADE INVESTMENTS: | | |
| (a) In Another Country: | | |
| 2,217 Series B shares of U.S. \$ 1,000 each in PT. Five Star Textile Indonesia | 1.59 | 1.59 |
| (b) In India: | | |
| 12,49,010 Equity shares of Rs. 10 each in Proline India Ltd. | 3.75 | 3.75 |
| | 5.34 | 5.34 |
| B. OTHER THAN TRADE: | | |
| <i>Shares, Units, Bonds, Debentures, Commercial Papers and Certificate of Deposits</i> | | |
| <i>Shares:</i> | | |
| 2,15,600 Equity shares of Rs. 100 each in Archway Investment Co. Ltd. | 2.16 | 2.16 |
| - [2004-2005: 9820 Equity shares] of Rs. 10 each in Macrofil Investments Ltd. (sold during the year) | - | 0.01 |
| 88,200 Equity shares of Rs. 100 each in Pentafil Textile Dealers Ltd | 0.88 | 0.88 |
| 100 Shares of Rs. 25 each in Roha Industries Association's Co-operative Consumers Society Ltd. Rs. 2,500 (2004-2005: Rs. 2,500) | - | - |
| 78,400 Equity shares of Rs. 100 each in Scal Services Ltd. | 0.78 | 0.78 |
| <i>Units:</i> | | |
| - [2004-2005: 18,99,484 Units (and 803 fractions)] of Rs. 10 each in Birla Cash Plus Institutional Plan (Dividend - Reinvestment) of Birla Sun Life Mutual Fund.(sold during the year) | - | 2.28 |
| 25,12,562 Units (and 814 fractions) [2004-2005: 41,87,604 Units (and 690 fractions)] of Rs. 10 each in Grindlays Super Saver Income Fund (Investment Plan) (Annual Dividend Option) of Standard Chartered Mutual Fund [16,75,041 Units (and 876 fractions) sold during the year]* | 3.00 | 5.00 |
| - [2004-2005: 90,55,594 Units (and 064 fractions)] of Rs. 10 each in HDFC MF Monthly Income Plan (Short Term - Growth) of HDFC Mutual Fund (sold during the year) | - | 10.00 |
| - [2004-2005: 3,98,08,124 Units (and 839 fractions)] of Rs. 10 each in JM Equity & Derivatives Fund (Growth) of JM Financial Mutual Fund (sold during the year) | - | 39.94 |
| 18,02,711 Units (and 278 fractions) [2004-2005: 36,05,422 Units (and 556 fractions)] of Rs. 10 each in Kotak Bond Regular Plan (Annual Dividend) of Kotak Mahindra Mutual Fund [18,02,711 Units (and 278 fractions) sold during the year] * | 2.50 | 5.00 |
| - [2004-2005: 1,15,90,198 Units (and 499 fractions)] of Rs.10 each in Principal Monthly Income Plan (Quarterly Dividend - Payout) of Principal Mutual Fund (sold during the year) | - | 12.91 |
| <i>Debentures:</i> | | |
| 47,65,000 Zero-Interest Unsecured Fully Convertible Debentures - A Series of Rs.100 each in Archway Investment Co. Ltd. | 47.65 | 47.65 |
| 3,35,000 Fully Convertible Debentures of Rs.100 each in Archway Investment Co. Ltd. (carrying no interest) | 3.35 | 3.35 |
| | 60.32 | 129.96 |
| | 65.66 | 135.30 |
| Less: Provision for diminution in the value of investments | - | 0.37 |
| | 65.66 | 134.93 |

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

| | | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|--|--|---------------------|--|
| SCHEDULE 6 (Contd.) | | | |
| INVESTMENTS (Contd.) | | | |
| CURRENT INVESTMENTS (Fully paid-up, unquoted unless otherwise stated) | | | |
| OTHER THAN TRADE: | | | |
| <i>Units:</i> | | | |
| | - [2004-2005: 1,11,48,520 Units (and 591 fractions)] of Rs. 10 each in Chola Liquid Institutional Plus Plan (Cumulative) of Chola Mutual Fund (sold during the year) | - | 15.00 |
| | - [2004-2005: 38,95,189 Units (and 320 fractions)] of Rs. 10 each in Chola Liquid Institutional Plus Plan (Weekly Dividend) of Chola Mutual Fund (sold during the year). | - | 4.51 |
| 18,87,291 | Units (and 436 fractions) of Rs. 10 each in Can Floating Rate Short Term Growth Fund of Can Bank Mutual Fund @# | 2.01 | - |
| | - [2004-2005: 378 Units (and 780 fractions)] of Rs. 10 each in HDFC Cash Management Fund - Savings Plan (Growth) of HDFC Mutual Fund [2004-2005:Rs.5,222] (sold during the year) | - | - |
| 1,24,43,382 | Units (and 609 fractions) of Rs. 10 each in HDFC Cash Management Fund Call Plan (Growth) of HDFC Mutual Fund @* | 15.00 | - |
| | - [2004-2005: 69,68,369 Units (and 225 fractions)] of Rs. 10 each in HDFC Cash Management Fund - Savings Plus Plan (Growth) of HDFC Mutual Fund (sold during the year) | - | 10.00 |
| 36,30,851 | Units (and 344 fractions) [2004-2005: 1,24,71,137 Units (and 487 fractions)] of Rs. 10 each in JM High Liquidity Fund (Super Institutional Plan-Growth) of JM Financial Mutual Fund [7,25,13,281 Units (and 886 fractions) purchased during the year and 8,13,53,568 Units (and 029 fractions) sold during the year] | 4.00 | 13.00 |
| | - [2004-2005: 1,83,32,141 Units (and 744 fractions)] of Rs.10 each in JM Floater Fund-Short Term Plan (Growth) of JM Financial Mutual Fund (sold during the year) | - | 20.00 |
| | - [2004-2005: 98,77,881 Units (and 815 fractions)] of Rs.10 each in Kotak Floater Short Term Plan (Growth) of Kotak Mahindra Mutual Fund (sold during the year) | - | 10.75 |
| 21,25,925 | Units (and 664 fractions) of Rs.10 each in Kotak Liquid Institutional Premium Plan (Growth) of Kotak Mahindra Mutual Fund @ | 3.00 | - |
| 2,24,15,239 | Units (and 768 fractions) of Rs. 10 each in LIC MF Floating Rate Fund - Short term Plan (Growth) of LIC Mutual Fund @# | 24.92 | - |
| | - [2004-2005: 2,52,52,902 Units (and 684 fractions)] of Rs. 10 each in Principal Cash Management Fund - Liquid Option (Institutional Premium Plan - Growth) of Principal Mutual Fund (sold during the year) | - | 26.00 |
| 45,10,477 | Units (and 840 fractions) of Rs. 10 each in Prudential ICICI FMP - Yearly Growth - Series XXIV 'of Prudential ICICI Mutual Fund @* | 5.00 | - |
| | - [2004-2005: 65,90,550 Units (and 890 fractions)] of Rs. 10 each in Tata Floating Rate Fund Short Term Plan (Growth) of Tata Mutual Fund (sold during the year) | - | 7.00 |
| <i>Bonds:</i> | | | |
| 50 | Bonds of Rs.10,00,000 each in 5.90% National Bank for Agriculture and Rural Development (Quoted) @ | 4.96 | - |
| 250 | Bonds of Rs.10,00,000 each in 7.67% Infrastructure Development Financial Corporation Limited (Quoted) @ | 24.60 | - |
| <i>Certificate of Deposits:</i> | | | |
| 500 | Units of Rs.1,00,000 each in HDFC Bank @ | 4.79 | - |
| 1,000 | Units of Rs.1,00,000 each in ICICI Bank Limited @ | 9.20 | - |
| <i>Commercial Paper:</i> | | | |
| 100 | Units of Rs.5,00,000 each in HDFC Limited @ | 4.88 | - |
| | | 102.36 | 106.26 |
| | | 168.02 | 241.19 |



SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

| SCHEDULE 6 (Contd.) | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|--|---------------------|--|
| INVESTMENTS (Contd.) | | |
| CURRENT INVESTMENTS (Contd.) | | |
| OTHER THAN TRADE: (Contd.) | | |
| Cost less provision for diminution in the value of investments: | | |
| Aggregate amount of quoted investments [Market value Rs. 29.56 crores (2004-2005 : Rs. Nil); includes Rs. 4.96 crores (2004-2005 : Rs. Nil) in respect of which cost has been considered as market value in the absence of transactions] | 29.56 | - |
| Aggregate amount of unquoted investments | 138.46 | 241.19 |
| | <u>168.02</u> | <u>241.19</u> |

Lien has been created on these units in favour of IDBI Bank Ltd. as a security for their guarantee [see Note 2(d) of Schedule 18]

* Lien has been created on these units in favour of Standard Chartered Bank as a security for their guarantee [see Note 2(d) of Schedule 18]

@ Purchased during the year

| Investments purchased and sold/redeemed during the year other than shown above: | Cost of acquisition (Rupees in crores) |
|--|--|
| 46,37,229 Units (and 534 fractions) of Rs. 10 each in ABN AMRO Cash Fund - Institutional Plan (Growth) of ABN AMRO Mutual Fund | 5.00 |
| 47,42,843 Units (and 050 fractions) of Rs. 10 each in ABN AMRO Flexi Debts Fund (Regular Growth) of ABN AMRO Mutual Fund | 5.00 |
| 16,356 Units (and 496 fractions) of Rs. 10 each in Birla Cash Plus - Institutional Plan (Dividend reinvestment) of Birla Sunlife Mutual Fund | 0.02 |
| 13,85,433 Units (and 003 fractions) of Rs. 10 each in Birla Cash Plus - Institutional Plan (Growth) of Birla Sunlife Mutual Fund | 2.50 |
| 2,69,72,369 Units (and 067 fractions) of Rs. 10 each in Birla Bond Plus - Institutional Plan (Growth) of Birla Sunlife Mutual Fund | 34.07 |
| 1,92,51,730 Units (and 902 fractions) of Rs. 10 each in Birla Bond Plus - Institutional Plan (Fortnight Dividend) of Birla Sunlife Mutual Fund | 20.15 |
| 9,47,072 Units (and 835 fractions) of Rs. 10 each in Birla Gilt Plus (Regular Growth) of Birla Sunlife Mutual Fund | 2.00 |
| 1,14,25,019 Units (and 880 fractions) of Rs. 10 each in Birla Cash Plus - Institutional Premium Plan (Growth) of Birla Sunlife Mutual Fund | 12.50 |
| 33,40,236 Units (and 489 fractions) of Rs. 10 each in Chola Liquid Institutional Plus Plan (Cumulative) of Chola Mutual Fund | 4.50 |
| 28,23,514 Units (and 914 fractions) of Rs. 10 each in Cangilt PGS Scheme (Growth) of Canbank Mutual Fund | 5.00 |
| 24,17,117 Units (and 056 fractions) of Rs. 10 each in Cangilt PGS Scheme (Income Plan) of Canbank Mutual Fund | 2.50 |
| 1,34,08,692 Units (and 091 fractions) of Rs. 10 each in Canliquid Fund - Institutional Plan (Growth) of Canbank Mutual Fund | 16.90 |
| 8,44,31,566 Units (and 522 fractions) of Rs. 10 each in Can Floating Rate Short term Growth Fund of Canbank Mutual Fund | 89.59 |
| 1,26,975 Units (and 343 fractions) of Rs. 10 each in Deutsche Insta Cash Plus Fund (Growth Plan) of Deutsche Mutual Fund | 0.15 |
| 5,50,44,194 Units (and 248 fractions) of Rs. 10 each in Deutsche Short Maturity Fund (Growth) of Deutsche Mutual Fund | 63.50 |
| 2,75,83,022 Units (and 600 fractions) of Rs. 10 each in Deutsche Short Maturity Fund (Monthly Dividend Option) of Deutsche Mutual Fund | 28.13 |

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE 6 (Contd.)

INVESTMENTS (Contd.)

Investments purchased and sold/redeemed during the year other than shown above: (Contd.)

| | Cost of acquisition (Rupees in crores) |
|---|--|
| 4,80,031 Units (and 879 fractions) of Rs. 1000 each in DSP Merrill Lynch Liquidity Fund - Institutional Plan (Growth) of DSP Merrill Lynch Mutual Fund | 48.50 |
| 20,27,923 Units (and 673 fractions) of Rs. 10 each in DSP Merrill Lynch Savings Plus Moderate (Growth) of DSP Merrill Lynch Mutual Fund | 2.75 |
| 1,90,87,847 Units (and 738 fractions) of Rs. 10 each in DSP Merrill Lynch Short Term Fund (Growth) of DSP Merrill Lynch Mutual Fund | 22.50 |
| 71,67,568 Units (and 187 fractions) of Rs. 10 each in DSP Merrill Lynch Short Term Fund (Dividend) of DSP Merrill Lynch Mutual Fund | 7.50 |
| 49,66,144 Units (and 562 fractions) of Rs. 10 each in DSP Merrill Lynch G Sec Fund Plan A - Long Duration (Growth) of DSP Merrill Lynch Mutual Fund | 11.00 |
| 47,63,306 Units (and 948 fractions) of Rs. 10 each in DSP Merrill Lynch G Sec Fund Plan A - Long Duration (Dividend) of DSP Merrill Lynch Mutual Fund | 5.50 |
| 38,40,989 Units (and 176 fractions) of Rs. 10 each in FT India Monthly Income Plan - Plan A (Growth) of Franklin Templeton Mutual Fund | 7.00 |
| 13,43,147 Units (and 687 fractions) of Rs. 10 each in Grindlays Cash Fund (Institutional Plan - Plan B: Growth) of Standard Chartered Mutual Fund | 1.71 |
| 2,69,36,087 Units (and 302 fractions) of Rs. 10 each in Grindlays Cash Fund (Super Institutional Plan - Plan C: Growth) of Standard Chartered Mutual Fund | 28.40 |
| 2,58,40,743 Units (and 918 fractions) of Rs. 10 each in HDFC Cash Management Fund - Savings Plus Plan (Weekly Dividend) of HDFC Mutual Fund | 25.88 |
| 4,27,89,020 Units (and 965 fractions) of Rs. 10 each in HDFC Cash Management Fund - Savings Plus Plan (Growth) of HDFC Mutual Fund | 62.19 |
| 1,33,57,074 Units (and 906 fractions) of Rs. 10 each in HDFC Multiple Yield Fund (Growth) of HDFC Mutual Fund | 15.00 |
| 72,66,174 Units (and 504 fractions) of Rs. 10 each in HDFC Multiple Yield Fund (Dividend) of HDFC Mutual Fund | 7.50 |
| 2,22,21,537 Units (and 514 fractions) of Rs. 10 each in HDFC Multiple Yield Fund - Plan 2005 (Growth) of HDFC Mutual Fund | 22.68 |
| 1,47,36,099 Units (and 452 fractions) of Rs. 10 each in HDFC Multiple Yield Fund - Plan 2005 (Dividend) of HDFC Mutual Fund | 15.17 |
| 58,084 Units (and 168 fractions) of Rs. 10 each in HSBC Cash Fund Institutional Plan (Growth) of HSBC Mutual Fund | 0.07 |
| 43,36,898 Units (and 891 fractions) of Rs. 10 each in HSBC Floating rate fund - Short term Plan (Institutional Growth) of HSBC Mutual Fund | 4.50 |
| 1,20,06,222 Units (and 367 fractions) of Rs. 10 each in HSBC Floating rate fund - Long term Plan (Institutional Growth) of HSBC Mutual Fund | 12.50 |
| 1,08,15,379 Units (and 816 fractions) of Rs. 10 each in HSBC Income Fund - Short term Plan (Institutional Growth) of HSBC Mutual Fund | 12.50 |
| 47,03,716 Units (and 887 fractions) of Rs. 10 each in HSBC Income Fund - Short term Plan (Institutional Dividend) of HSBC Mutual Fund | 5.06 |
| 1,65,32,541 Units (and 278 fractions) of Rs. 10 each in ING Vysya Select Debt Fund (Growth) of ING Vyasa Mutual Fund | 17.50 |
| 74,18,837 Units (and 913 fractions) of Rs. 10 each in ING Vysya Select Debt Fund (Quarterly Dividend) of ING Vyasa Mutual Fund | 7.50 |
| 27,454 Units (and 663 fractions) of Rs. 10 each in ING Vysya Liquid Fund (Growth Option) of ING Vyasa Mutual Fund | 0.04 |
| 46,960 Units (and 271 fractions) of Rs. 10 each in JM High Liquidity (Institutional Plan - Growth) of JM Financial Mutual Fund | 0.05 |



SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE 6 (Contd.)

INVESTMENTS (Contd.)

Investments purchased and sold/redeemed during the year other than shown above: (Contd.)

Cost of
acquisition
(Rupees in crores)

| | | |
|--------------|---|--------|
| 47,13,894 | Units (and 058 fractions) of Rs. 10 each in JM Short Term Fund (Institutional Plan - Growth) of JM Financial Mutual Fund | 5.50 |
| 3,55,32,495 | Units (and 801 fractions) of Rs. 10 each in JM Floater Fund - Short Term Plan (Growth) of JM Financial Mutual Fund | 39.25 |
| 2,05,57,909 | Units (and 632 fractions) of Rs.10 each in JM Floater Fund - Long Term Premium Plan (Growth) of JM Financial Mutual Fund | 21.50 |
| 50,39,081 | Units (and 024 fractions) of Rs.10 each in JM Floater Fund - Long Term Premium Plan (Dividend) of JM Financial Mutual Fund | 5.05 |
| 1,60,56,269 | Units (and 723 fractions) of Rs. 10 each in JM Equity & Derivative Fund (Growth) of JM Financial Mutual Fund | 16.50 |
| 3,56,96,748 | Units (and 185 fractions) of Rs. 10 each in Kotak Floater - Short term Plan (Growth) .. of Kotak Mahindra Mutual Fund | 39.10 |
| 8,56,103 | Units (and 524 fractions) of Rs. 10 each in Kotak Income Plus Scheme (Growth) of Kotak Mahindra Mutual Fund | 1.02 |
| 50,00,000 | Units of Rs. 10 each in Kotak Cash Plus (Growth) of Kotak Mahindra Mutual Fund ... | 5.00 |
| 87,82,124 | Units (and 266 fractions) of Rs. 10 each in Kotak Liquid Institutional Premium plan (Growth) of Kotak Mahindra Mutual Fund | 12.08 |
| 82,04,118 | Units (and 467 fractions) of Rs. 10 each in Kotak Bond - Short term Plan (Growth) of Kotak Mahindra Mutual Fund | 10.00 |
| 2,99,15,372 | Units (and 951 fractions) of Rs. 10 each in Kotak Flexi Debt Scheme (Growth) of Kotak Mahindra Mutual Fund | 31.00 |
| 1,49,47,534 | Units (and 155 fractions) of Rs. 10 each in Kotak Flexi Debt Scheme (Dividend) of Kotak Mahindra Mutual Fund | 15.00 |
| 20,00,488 | Units (and 557 fractions) of Rs. 10 each in Kotak Gilt Investment Plan (Growth) of Kotak Mahindra Mutual Fund | 4.50 |
| 4,63,88,486 | Units (and 060 fractions) of Rs. 10 each in LIC MF Floating Rate Fund - Short term plan (Growth) of LIC Mutual Fund | 51.08 |
| 17,24,20,310 | Units (and 932 fractions) of Rs. 10 each in LIC MF Liquid Fund (Growth) of LIC Mutual Fund | 214.84 |
| 8,26,22,256 | Units (and 479 fractions) of Rs. 10 each in Principal Cash Management Fund Liquid Option Institutional Premium Plan (Growth) of Principal Mutual Fund | 87.44 |
| 1,46,76,090 | Units (and 385 fractions) of Rs. 10 each in Principal Floating Rate Fund – Fixed maturity Plan (Institutional Growth) of Principal Mutual Fund | 15.50 |
| 77,35,168 | Units (and 818 fractions) of Rs. 10 each in Principal Floating Rate Fund – Fixed maturity Plan (Institutional Dividend) of Principal Mutual Fund | 7.80 |
| 21,41,674 | Units (and 123 fractions) of Rs. 10 each in Principal Floating Rate Fund – Short maturity Plan (Institutional Growth) of Principal Mutual Fund | 2.25 |
| 9,58,63,758 | Units (and 524 fractions) of Rs. 10 each in Principal Income Fund Short Term - Institutional Plan (Growth) of Principal Mutual Fund | 109.06 |
| 148,23,159 | Units (and 705 fractions) of Rs. 10 each in Principal Income Fund Short Term - Institutional Plan (Monthly Dividend) of Principal Mutual Fund | 15.00 |
| 22,25,180 | Units (and 680 fractions) of Rs. 10 each in Prudential ICICI Monthly Income Plan Cumulative (Growth) of Prudential ICICI Mutual Fund | 3.75 |
| 6,48,64,583 | Units (and 424 fractions) of Rs. 10 each in Prudential ICICI Liquid Plan Institutional Plus (Growth) of Prudential ICICI Mutual Fund | 108.44 |
| 5,71,31,561 | Units (and 411 fractions) of Rs. 10 each in Prudential ICICI Liquid - Super Institutional Plus (Growth) of Prudential ICICI Mutual Fund | 57.53 |

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE 6 (Contd.)

INVESTMENTS (Contd.)

Investments purchased and sold/redeemed during the year other than shown above: (Contd.)

Cost of
acquisition
(Rupees in crores)

| | | |
|--------------|--|--------|
| 13,92,04,222 | Units (and 506 fractions) of Rs. 10 each in Prudential ICICI Short Term Plan (Institutional Growth) of Prudential ICICI Mutual Fund | 180.73 |
| 2,45,66,224 | Units (and 171 fractions) of Rs. 10 each in Prudential ICICI Short Term Plan - Institutional (Monthly Dividend) of Prudential ICICI Mutual Fund | 27.00 |
| 1,40,98,721 | Units (and 446 fractions) of Rs. 10 each in Prudential ICICI Long Term Plan (Institutional Growth) of Prudential ICICI Mutual Fund | 20.00 |
| 96,47,722 | Units (and 306 fractions) of Rs. 10 each in Prudential ICICI Long Term Plan - Institutional (Monthly Dividend) of Prudential ICICI Mutual Fund | 10.12 |
| 6,66,63,627 | Units (and 968 fractions) of Rs. 10 each in SBI Magnum Institutional Income Savings Plan (Growth) of SBI Mutual Fund | 73.25 |
| 21,43,475 | Units (and 689 fractions) of Rs. 10 each in SBI Magnum Insta Cash Fund Liquid Floater Plan (Growth) of SBI Mutual Fund | 2.50 |
| 4,45,79,514 | Units (and 157 fractions) of Rs. 10 each in Standard Chartered Liquidity Manager (Growth) of Standard Chartered Mutual Fund | 44.75 |
| 50,000 | Units of Rs. 1000 each in Standard Chartered Liquidity Manager - Plus (Growth) of Standard Chartered Mutual Fund | 5.00 |
| 97,75,864 | Units (and 695 fractions) of Rs. 10 each in Tata Floating Rate Fund - Short term (Institutional Growth) of Tata Mutual Fund | 10.19 |
| 4,96,842 | Units (and 751 fractions) of Rs. 1000 each in Tata Liquid Super High Investment Fund (Appreciation) of Tata Mutual Fund | 62.16 |
| 6,09,21,266 | Units (and 906 fractions) of Rs. 10 each in Tata Short Term Bond Fund (Growth) of Tata Mutual Fund | 73.92 |
| 60,347 | Units (and 293 fractions) of Rs. 1,000 each in Templeton India Short Term Income Plan (Growth) of Franklin Templeton Mutual Fund | 7.50 |
| 4,03,826 | Units (and 387 fractions) of Rs. 1,000 each in Templeton India Short Term Income Plan (Institutional Growth) of Franklin Templeton Mutual Fund | 40.50 |
| 1,24,879 | Units (and 600 fractions) of Rs. 1,000 each in Templeton India Short Term Income Plan - Institutional (Monthly Dividend) of Franklin Templeton Mutual Fund | 12.52 |
| 8,90,135 | Units (and 078 fractions) of Rs. 10 each in Templeton GSF - Composite Plan (Growth) of Franklin Templeton Mutual Fund | 2.00 |
| 2,44,399 | Units (and 605 fractions) of Rs. 1,000 each in Templeton India Treasury Management Account (Institutional Growth) of Franklin Templeton Mutual Fund | 26.09 |
| 22,905 | Units (and 265 fractions) of Rs. 1000 each in UTI Liquid Cash Plan - Regular (Growth) of UTI Mutual Fund | 2.53 |
| 20,28,314 | Units (and 588 fractions) of Rs. 1000 each in UTI Liquid Cash Plan - Institutional (Growth) of UTI Mutual Fund | 225.85 |
| 6,28,24,293 | Units (and 362 fractions) of Rs. 10 each in UTI Floating Rate Fund Short Term Plan (Growth) of UTI Mutual Fund | 68.85 |
| 31,63,297 | Units (and 162 fractions) of Rs. 10 each in UTI Liquid Fund - Short Term Plan (Growth) of UTI Mutual Fund | 3.50 |
| 300 | Units of Rs.5,00,000 each in Commercial Paper of DSP Merrill Lynch Capital Limited | 14.90 |
| 2,000 | Units of Rs.1,00,000 each in Certificate of Deposits of State Bank of Patiala | 18.42 |



SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

| | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|--|---------------------|--|
| SCHEDULE 7 | | |
| INVENTORIES | | |
| Stores, spare parts and catalysts | 10.73 | 10.20 |
| Stock-in-trade | | |
| Raw materials | 32.65 | 86.23 |
| Work-in-process | 50.42 | 59.15 |
| Finished goods | 27.39 | 43.85 |
| Apartments and undivided share in land | 0.30 | 0.30 |
| Real estate under development [see Note 5(ii)(d) on Schedule 17] | 90.46 | - |
| | <u>201.22</u> | <u>189.53</u> |
| | <u>211.95</u> | <u>199.73</u> |

| | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|---|---------------------|--|
| SCHEDULE 8 | | |
| SUNDRY DEBTORS | | |
| Unsecured, unless otherwise stated | | |
| — Over 6 months: | | |
| Considered good [including secured Rs. Nil (2004-2005 Rs. 0.01 crore)] | 5.18 | 5.26 |
| Considered doubtful | 26.50 | 25.58 |
| | <u>31.68</u> | <u>30.84</u> |
| — Other Debts: | | |
| Considered good [including secured Rs. 0.62 crore (2004-2005 Rs. 0.11 crore)] | 153.35 | 67.50 |
| | <u>153.35</u> | <u>67.50</u> |
| | 185.03 | 98.34 |
| Less: Provision [includes Rs. 20.54 crores (2004-2005 Rs. 21.12 crores) adjusted from securities premium account] | 26.50 | 25.58 |
| | <u>158.53</u> | <u>72.76</u> |

| | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|---|---------------------|--|
| SCHEDULE 9 | | |
| CASH AND BANK BALANCES | | |
| Cash on hand | 0.04 | 0.03 |
| Cheques on hand | 0.16 | 2.28 |
| With scheduled banks on current accounts, margin accounts and fixed deposit accounts [lien has been created on fixed deposits of Rs. 0.77 crore (2004-2005 Rs. Nil)] | 33.14 | 3.20 |
| | <u>33.34</u> | <u>5.51</u> |

| | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|---------------------------------------|---------------------|--|
| SCHEDULE 10 | | |
| OTHER CURRENT ASSETS | | |
| Interest accrued on investments | 0.76 | - |
| Interest accrued on deposits | 0.30 | 0.10 |
| | <u>1.06</u> | <u>0.10</u> |

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006

| SCHEDULE 11 | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|---|---------------------|--|
| LOANS AND ADVANCES | | |
| Unsecured, considered good unless otherwise stated | | |
| Advances recoverable in cash or in kind or for value to be received* | | |
| — Considered good | 83.77 | 53.55 |
| — Considered doubtful | 8.59 | 9.23 |
| | <u>92.36</u> | <u>62.78</u> |
| Deposit with a joint venture company (see Note 4 on Schedule 18) | 15.22 | 15.22 |
| Taxes paid less provisions thereagainst (other than deferred tax and fringe benefit tax) | 31.74 | 28.98 |
| Balances with customs, port trust, etc. on current accounts | 22.30 | 14.16 |
| | 161.62 | 121.14 |
| Less: Provision [includes Rs. 7.02 crores (2004-2005 Rs. 7.66 crores) adjusted from securities premium account] | 8.59 | 9.23 |
| | <u>153.03</u> | <u>111.91</u> |

* of which secured is Rs. 0.53 crore (2004-2005 Rs. 0.49 crore) and also includes:

- (i) inter-corporate deposits Rs. 31.15 crores (2004-2005 Rs. 12.97 crores);
- (ii) due from an officer of the Company Rs. 0.08 crore (2004-2005 Rs. 0.08 crore);
- (iii) Rs. 0.32 crore (2004-2005 Rs. Nil) due from a private company in which some of the directors of the company are directors of which one director is also a member

| SCHEDULE 12 | Rupees in crores | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|--|---------------------|---------------------|--|
| CURRENT LIABILITIES | | | |
| Acceptances | | 0.30 | 0.49 |
| Sundry creditors | | | |
| — Small scale industrial undertakings (see Note 10 on Schedule 18) | 1.13 | | 1.27 |
| — Other than small scale industrial undertakings | <u>57.73</u> | | <u>67.83</u> |
| | | 58.86 | 69.10 |
| Advance payments from customers and others | | 0.79 | 1.16 |
| Unpaid dividends* | | 0.70 | 0.68 |
| Unpaid debenture interest* | | 0.01 | 0.01 |
| Unpaid debenture redemption* | | 0.62 | 0.69 |
| Unpaid matured deposits* | | 0.02 | 0.03 |
| Unpaid interest on deposits* | | 0.02 | 0.03 |
| Unclaimed matured deposits | | - | 0.01 |
| Deposits from selling agents, dealers, customers and others | | 5.61 | 2.12 |
| Interest accrued but not due on loans | | 0.57 | 0.57 |
| | | <u>67.50</u> | <u>74.89</u> |

* Represents warrants, refund orders, etc. issued but not encashed.

Note: There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

| SCHEDULE 13 | Rupees in crores | As at 31st March, 2005 Rupees in crores |
|---|---------------------|--|
| PROVISIONS | | |
| Taxation less payments thereagainst (other than deferred tax and fringe benefit tax) | 13.31 | 13.31 |
| Proposed dividend | 19.30 | 15.43 |
| Additional income-tax on distributed profits | 2.71 | 2.16 |
| Proposed voluntary separation payments adjusted from securities premium account [see Note 5 on Schedule 18] | - | 7.30 |
| Claim in respect of capital related item adjusted from securities premium account | - | 0.09 |
| Leave encashment | 2.25 | 2.44 |
| | <u>37.57</u> | <u>40.73</u> |



SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

| SCHEDULE 14 OTHER INCOME | Rupees in crores | 2004-2005 Rupees in crores |
|---|---------------------|----------------------------------|
| 1. Interest and dividends (gross) | | |
| (a) From non-trade investments: | | |
| — Long term | 0.32 | 2.80 |
| — Current | 0.48 | 0.08 |
| (b) Interest on inter-corporate deposits | 2.77 | 0.64 |
| (c) Interest on income-tax refunds | 0.17 | 0.67 |
| (d) Interest from dealers and others | 0.76 | 1.95 |
| [tax deducted at source Rs. 0.80 crore (2004-2005 Rs. 0.44 crore)] | 4.50 | 6.14 |
| 2. Profit on sale of investments | | |
| — Long term | 0.73 | 0.74 |
| — Current | 7.65 | 3.88 |
| 3. Profit on sale of fixed assets (net) | — | 6.76 |
| 4. Technical know-how fees | 1.03 | 0.93 |
| 5. Lease rental | 2.69 | 2.37 |
| 6. Provision for doubtful debts adjusted from securities premium account in an earlier year, no longer required | 0.58 | — |
| 7. Provisions for claim in respect of capital related item adjusted from securities premium account in an earlier year no longer required | 0.09 | — |
| 8. Provisions no longer required and credit balances written back | — | 0.50 |
| 9. Miscellaneous | 8.04 | 5.78 |
| | 25.31 | 27.10 |

| SCHEDULE 15 MANUFACTURING AND OTHER EXPENSES | Rupees in crores | Rupees in crores | 2004-2005 Rupees in crores |
|--|---------------------|---------------------|----------------------------------|
| 1. Raw materials consumed [net of insurance claim of Rs. 4.97 crores (2004-2005 Rs. Nil)] | | 633.76 | 691.83 |
| 2. Contracted production | | 50.51 | 45.38 |
| | | 684.27 | 737.21 |
| 3. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES | | | |
| Salaries, wages and bonus | 42.45 | | 46.09 |
| Less: Reversal of provision for proposed voluntary separation payments adjusted from securities premium account in an earlier year, in respect of leave encashment (see Note 5 on Schedule 18) | (0.09) | | (0.08) |
| | | 42.36 | 46.01 |
| Workmen and staff welfare expenses | | 2.79 | 3.27 |
| Contribution to gratuity fund | 2.88 | | 1.82 |
| Less: Reversal of provision for proposed voluntary separation payments adjusted from securities premium account in an earlier year (see Note 5 on Schedule 18) | (0.51) | | (1.38) |
| | | 2.37 | 0.44 |
| Contribution to provident and other funds | | 5.83 | 6.00 |
| Voluntary retirement compensation | 13.65 | | 15.74 |
| Less: Reversal of provision for proposed voluntary separation payments adjusted from securities premium account in an earlier year (see Note 5 on Schedule 18) | (6.70) | | (15.74) |
| | 6.95 | | — |
| Less: Carried forward as miscellaneous expenditure (to be written off in subsequent years) (see Note 6 on Schedule 18) | (5.57) | | — |
| | | 1.38 | — |
| | | 54.73 | 55.72 |

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

| SCHEDULE 15 (Contd.) | Rupees in crores | Rupees in crores | 2004-2005 Rupees in crores |
|--|---------------------|---------------------|----------------------------------|
| MANUFACTURING AND OTHER EXPENSES (Contd.) | | | |
| 4. OPERATING AND OTHER EXPENSES | | | |
| Stores, spare parts and catalysts | | 29.93 | 32.04 |
| Oil and coal | | 44.75 | 36.22 |
| Electric energy | | 36.03 | 48.57 |
| Water charges | | 5.80 | 6.44 |
| Excise duty other than relating to sales | | (2.59) | (1.78) |
| Processing charges | | 14.73 | 14.40 |
| Rates and taxes | | 1.26 | 1.09 |
| Brokerage and indenting charges on sales | | 5.98 | 4.31 |
| Freight and forwarding | | 6.06 | 11.92 |
| Advertising | | 11.09 | 8.10 |
| Insurance | | 2.63 | 2.79 |
| Rent | | 5.37 | 5.22 |
| Repairs: Buildings | | 1.74 | 1.22 |
| Machinery | | 4.50 | 4.81 |
| Others | | 1.84 | 1.07 |
| Doubtful advances/bad debts written off | 0.64 | | — |
| Less: Reversal of provision for doubtful advances/debts adjusted from securities premium account in an earlier year | (0.64) | | — |
| Provision for doubtful debts | | 1.50 | — |
| Other expenses | | 23.78 | 27.35 |
| | | <u>194.40</u> | <u>203.77</u> |
| 5. Loss on cancellation of forward foreign exchange contracts (net) | | 0.52 | 0.48 |
| 6. Loss on sale of investments : long term | 1.11 | | 0.23 |
| Less : Provision for diminution in the value of investments no longer required | (0.37) | | — |
| : current | 0.74 | | 0.23 |
| | <u>0.07</u> | | <u>0.22</u> |
| 7. Provision for diminution in the value of investments | | 0.81 | 0.45 |
| 8. Loss on fixed assets scrapped/ sold (net) | 9.67 | | — |
| Less : Reversal of impairment loss [see Note 17 on Schedule 18] | (9.23) | | — |
| | | 0.44 | — |
| Sub-total | | <u>935.17</u> | <u>998.00</u> |
| 9. Less : Insurance claim received on damaged work-in-process and finished goods | | (16.50) | — |
| Sub-total | | <u>918.67</u> | <u>998.00</u> |
| 10. Cost in respect of real estate: | | | |
| Conversion of a part of the freehold land from fixed assets into stock-in-trade | | 198.37 | — |
| on the basis of a market valuation [see Note 6 on Schedule 17] | | | |
| Add: Expenditure relating to construction incurred during the year: | | | |
| Architect fees, technical and project related consultancy | 1.72 | | — |
| Civil, electrical, contracting, etc. | 0.19 | | — |
| Payments to local agencies | 1.22 | | — |
| Preliminaries and site expenses | 0.18 | | — |
| Legal charges | 0.56 | | — |
| Payments to and provisions for employees | 0.47 | | — |
| Electricity | 0.02 | | — |
| Rent | 0.02 | | — |
| Repairs: others | 0.02 | | — |
| Travelling and conveyance | 0.15 | | — |
| Interest on fixed loans | 0.17 | | — |
| Other expenses | 0.38 | | — |
| | | <u>5.10</u> | — |
| Add : Transferred from Schedule 5 - Fixed assets; other expenditure relating to construction | | 2.78 | — |
| Less: Release from revaluation reserve on entering into agreement for sale of flats [see Note 6 on Schedule 17] | | (115.06) | — |
| Less: Closing stock (Real estate under development) | | (90.46) | — |
| | | <u>0.73</u> | — |



SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

| | Rupees in crores | Rupees in crores | 2004-2005 Rupees in crores |
|---|---------------------|---------------------|----------------------------------|
| SCHEDULE 15 (Contd.) | | | |
| MANUFACTURING AND OTHER EXPENSES (Contd.) | | | |
| 11. (INCREASE)/DECREASE IN WORK-IN-PROCESS AND FINISHED GOODS | | | |
| (A) Closing stock | | | |
| (i) Work-in-process | | 50.42 | 59.15 |
| (ii) Finished goods | | 27.39 | 43.85 |
| | | <u>77.81</u> | <u>103.00</u> |
| (B) Opening stock | | | |
| (i) Work-in-process | | 59.15 | 49.69 |
| (ii) Finished goods | | 43.85 | 40.51 |
| | | <u>103.00</u> | <u>90.20</u> |
| | | 25.19 | (12.80) |
| Sub-total | | <u>944.59</u> | <u>985.20</u> |
| 12. COST OF APARTMENTS AND UNDIVIDED SHARE IN LAND SOLD | | | |
| (A) Opening stock | | 0.30 | 0.30 |
| (B) Closing stock | | 0.30 | 0.30 |
| | | <u>—</u> | <u>—</u> |
| | | <u>944.59</u> | <u>985.20</u> |
| <hr/> | | | |
| SCHEDULE 16 | | | |
| INTEREST AND FINANCE CHARGES (see Note 9 on Schedule 18) | | | |
| (a) Interest: | | | |
| – Debentures and other fixed loans | | 12.59 | 9.08 |
| – Others | | 2.77 | 2.08 |
| | | <u>15.36</u> | <u>11.16</u> |
| (b) Other finance charges | | 1.37 | 1.43 |
| Add : Exchange differences on loans - loss | | 0.88 | 1.85 |
| | | <u>2.25</u> | <u>3.28</u> |
| | | <u>17.61</u> | <u>14.44</u> |

THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

SIGNIFICANT ACCOUNTING POLICIES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE 17

- (1) Fixed assets
The gross block of fixed assets is stated at cost of acquisition or construction including any attributable cost of bringing the asset to its working condition for its intended use, net of CENVAT credit. Also see Note 3 below.
- (2) Depreciation
 - (a) Depreciation is provided on the straight line method on machinery and buildings and on the written down value method on other assets, at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of assets of the DMT division.
 - (b) Consequent to the recognition of impairment loss in the previous year as stated in Note 17 on Schedule 18, depreciation on assets of the DMT division is being provided at such rates that would fully depreciate, on the straight line method, the block of assets over its revised balance useful life, estimated at 7 years and 9 months from 1st April, 2004.
- (3) Borrowing costs
Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.
- (4) Investments
 - (i) Long term investments are stated at cost. Provision for diminution is made to recognise a decline, other than temporary, in value of long term investments, where applicable.
 - (ii) Current investments are stated at lower of cost and fair value.
- (5) Inventories
 - (i) Inventories are valued at lower of cost and net realisable value.
 - (ii) Cost is determined as follows:
 - (a) Stores, spare parts and catalysts on the weighted average method.
 - (b) Raw Materials
 - cotton, fibre, cloth & yarn, paraxylene and methanol on the basis of specific identification; and
 - dyes & chemicals and other materials on the weighted average method.
 - (c) Work-in-process and finished goods
Material costs included in the valuation are determined on the basis of the average consumption rates closer to the year end so as to reflect the fairest possible approximation to the costs incurred. Costs of conversion and other costs are determined on the basis of standard costs, adjusted for variances between standard and actual costs, if material. Cost of inventory at retail outlets is determined on the 'retail method', by reducing from the sales value of the inventory, an appropriate percentage of gross margin. Cost of ready finished cloth is determined on the first-in first-out method.
 - (d) Real estate under development
Real estate under development comprises undivided interest in the freehold land at market value, determined at the rate at which it was converted from fixed assets into stock-in-trade and expenditure relating to construction.
- (6) Revenue from real estate activity
The part of the freehold land when converted from fixed assets into stock-in-trade is stated at market value. The difference between the market value and cost of that part of freehold land is credited to revaluation reserve. Revenue arising on sale of undivided interest in the underlying freehold land pertaining to flats, which are yet to be constructed, is accounted when agreement for sale for such flats has been entered into with a corresponding release from revaluation reserve.
- (7) Foreign currency transactions
 - (i) Current assets and current liabilities i.e. items to be received or paid in foreign currencies are stated at the exchange rates prevailing at the year end, except for Pre-Shipment Credit in Foreign Currencies (PCFCs) which have been stated at the amounts received on the date of disbursement, since the PCFCs are liquidated against future export proceeds, at the rate of exchange at which the loans were disbursed. The resultant exchange differences are recorded in the profit and loss account except in respect of fixed assets acquired from countries outside India where such differences are adjusted in the carrying amounts of the respective fixed assets.
 - (ii) The company uses forward foreign exchange contracts to hedge its exposure against movements in foreign exchange rates in order to reduce the risk associated with exchange fluctuations.
 - (iii) Premium or discount on forward foreign exchange contracts are amortised and recognised in the profit and loss account over the period of the contract except in respect of fixed assets acquired from countries outside India where such premium or discount are adjusted in the carrying amounts of the respective fixed assets.
- (8) Retirement benefits
 - (i) Contributions for provident fund and superannuation (based on a percentage of salary) and gratuity (based on an actuarial valuation as at the year end) are made to the respective funds, which are administered by trustees.
 - (ii) Leave encashment liability is accrued based on an actuarial valuation as at the year end.
 - (iii) Voluntary retirement compensation was being charged to the profit and loss account with a corresponding reversal of provision for voluntary separation payments created in an earlier year by adjustment from securities premium account. This year, the excess of the voluntary retirement compensation after reversal of the balance available provision is being written off equally over a period of 5 years [see Note 6 on Schedule 18].
- (9) Employees' Stock Option Scheme
The fair value of options granted under the Employees' Stock Option Scheme has been deferred, to be written off over the vesting period.



NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

SCHEDULE 18

(1) Estimated amount of contracts to be executed on capital account and not provided for as at 31st March, 2006 - Rs. 140.41 crores (31.3.2005 Rs. 360.57 crores).

| | Rupees in crores | 2004-2005 Rupees in crores |
|--|---------------------|----------------------------------|
| (2) Contingent liabilities not provided for: | | |
| (a) Income-tax matters in respect of earlier years under dispute (including interest of Rs. 1.53 crores) [31.3.2005 Rs. 1.10 crores] as follows: | 25.84 | 22.74 |
| (i) Decided in Company's favour by appellate authorities and department in further appeal | 5.66 | 5.66 |
| (ii) Pending in appeal - matters decided against the Company | 20.18 | 17.08 |
| (b) Claims against the Company not acknowledged as debts (with interest thereon) | 7.54 | 10.91 |
| (c) Customs duty on imported raw materials in respect of pending export obligations | 0.08 | 0.08 |
| (d) Counter indemnity for an amount of Rs. 47.65 crores (31.3.2005 Rs.33.62 crores), of which Rs. 19.77 crores (31.3.2005 Rs.33.62 crores) issued in favour of Standard Chartered Bank, Mumbai, which in turn has guaranteed loans granted by Standard Chartered Bank, Indonesia to PT. Five Star Textile Indonesia, (PTFS), a joint venture company and Rs. 27.88 crores (31.3.2005 Rs. Nil) issued in favour of Industrial Development Bank of India Limited, which in turn has guaranteed loans granted by ICICI Bank Limited, Singapore to PTFS. As confirmed by PTFS, the Company has a <i>pari-passu</i> charge on PTFS's machinery, which would cover the aforesaid indemnity amount. | | |
| (3) Expenses appearing in Schedule 15 include: | | |
| (a) Auditors' remuneration (including service tax where applicable)# | | |
| (i) Audit fees | 0.31 | 0.31 |
| (ii) Company law matters Rs. 29,754 (2004-2005 Rs. 29,160) | — | — |
| (iii) Other services # | 0.28 | 0.20 |
| (iv) Reimbursement of out-of-pocket expenses# Rs. 49,114 (2004-2005 Rs. 48,319) | — | — |
| # excludes Rs. 0.17 crore (2004-2005 Rs. Nil) paid for other services and Rs. 7,846 (2004-2005 Rs. Nil) paid as reimbursement of out-of-pocket expenses to a firm of Chartered Accountants where some of the partners are also partners in that firm. | | |
| (b) Directors' remuneration | | |
| (i) Fees | 0.08 | 0.11 |
| (ii) Remuneration to the Managing Director, Joint Managing Director, Deputy Managing Director and the Executive Director (collectively referred to as whole-time directors) [inclusive of estimated monetary value of benefits Rs. 0.17 crore (2004-2005 Rs. 0.07 crore) and commission of Rs.1.34 crores (2004-2005 Rs. 0.15 crore); but excluding contribution to gratuity fund and provision for leave encashment as separate figures are not available] | 3.81@# | 2.12@ |
| (iii) Computation of net profits in accordance with section 309(5) read with section 349 of the Companies Act, 1956: | | |
| Profit before tax as per profit and loss account | 59.22 | 33.68 |
| Add: Whole-time directors' remuneration and commission to other directors ... | 4.26 | 2.28 |
| Loss on sale of investments | 0.81 | 0.45 |
| Provision for diminution in the value of investments | — | 0.37 |
| Provision for doubtful debts | 1.50 | — |
| | 65.79 | 36.78 |

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

**NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (Contd.)**

SCHEDULE 18 (Contd.)

(3) (b) (Contd.)

| | Rupees in crores | Rupees in crores | 2004-2005 Rupees in crores |
|---|---------------------|---------------------|----------------------------------|
| Less: Capital profit on sale of fixed assets | (0.56) | | (2.64) |
| Profit on sale of investments | (8.38) | | (4.62) |
| Provisions adjusted from securities premium account in an earlier year, no longer required | (0.67) | | — |
| | <u>56.18</u> | | <u>29.52</u> |
| (iv) Maximum remuneration payable to whole-time directors at the rate of 10 percent of net profits | 5.62 | | 2.95 |
| (v) (a) Remuneration per section 198 excluding commission | 2.47@ | | 1.97@ |
| (b) Commission to whole-time directors [included in 3(b)(ii) above] | 1.34 | | 0.15 |
| | <u>3.81#</u> | | <u>2.12</u> |
| (vi) Maximum commission payable to other directors at the rate of 1 percent of net profits | 0.56 | | 0.30 |
| Commission to other directors | | 0.45 | 0.16 |
| | | <u>4.34</u> | <u>2.39</u> |

@ excludes options granted under Employees' Stock Option Scheme (ESOS), vested during the year, the fair value of which as at the date of grant of option was Rs. 0.34 crore (2004-2005 Rs. 0.34 crore). The Company has been legally advised that options granted under ESOS would not constitute managerial remuneration. However, even if the fair value of such options were to be includible in managerial remuneration, the aggregate remuneration would be within the overall limits specified in section 198 and section 309 of the Companies Act, 1956.

includes Rs. 0.54 crore subject to approval of the members in ensuing General Meeting.

- (4) Deposit of Rs.15.22 crores (2004-2005 Rs. 15.22 crores) with a joint venture company is a "shareholders' deposit" with PT. Five Star Textile Indonesia (PTFS). This deposit, originally denominated in U.S. \$, was w.e.f. 1st April, 2003 converted to Indian rupees, as approved by the Board of Directors of the Company and by the Board of Commissioner's of PTFS. This deposit was earlier repayable by PTFS after it clears, in full, the term loan availed by it from a consortium of Indian nationalised banks, which was to be effected in installments spread out between 1996 and 2010. During the year 2000-2001, PTFS has prepaid the aforesaid term loan by raising funds through other borrowings subject to annual review and the aforesaid deposit is now repayable by PTFS after these borrowings are eventually repaid or during the year 2010, whichever is earlier.
- (5) (a) The approval of members at the extraordinary general meeting of the Company held on 24th April, 2002 and the sanction by the Honourable High Court of Judicature at Bombay vide its Order dated 6th June, 2002, apart from authorising the utilisation out of the balance standing in the securities premium account for adjusting certain balances, also authorised the utilisation of the said account for proposed voluntary separation payments subject to a maximum of Rs. 70.00 crores. Accordingly, a provision of Rs. 70.00 crores was made in the accounts for the year ended 31st March, 2002, with a corresponding reduction in the securities premium account.
- (b) Apart from adjusting the amounts payable as voluntary retirement compensation with the provision set up as stated in (a) above, the additional liability on account of gratuity and leave encashment arising as a consequence of early voluntary retirement has also been adjusted from the said provision.
- (c) The Company has been legally advised that the term "voluntary" refers to the mode of separation and not the nature of payment and it would be within the terms of the Court Order to adjust such incidental additional liability on account of gratuity and leave encashment from the provision of Rs. 70.00 crores set aside for proposed voluntary separation payments.
- (d) The carrying amount of the aforesaid provision as at the end of the year is Rs. Nil (31.3.2005 Rs. 7.30 crores). This provision would not have met the recognition criteria as specified in Accounting Standard 29 – 'Provisions, Contingent Liabilities and Contingent Assets', subsequently applicable with effect from 1st April, 2004.
An amount of Rs. 7.30 crores (2004-2005 Rs. 17.20 crores) has been utilised during the year as detailed in Schedule 15 – Manufacturing and other expenses.
- (6) As a result of the voluntary retirement compensation now being written off equally over a period of 5 years in the circumstances stated in Note 8(iii) of Schedule 17, the profit after tax is higher by Rs. 3.70 crores.
- (7) Revenue expenditure on research and development charged to the profit and loss account is Rs. 0.45 crore (2004-2005 Rs. 0.36 crore).



NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (Contd.)

SCHEDULE 18 (Contd.)

- (8) The amount of exchange differences (net):
- charged to the profit and loss account is Rs. 3.85 crores (net) (2004-2005 Rs. 2.93 crores) [taking into account loss on cancellation of forward foreign exchange contracts Rs. 0.52 crore (net) (2004-2005 Rs. 0.48 crore) disclosed separately in Schedule 15]
 - in respect of forward foreign exchange contracts, to be recognised in the profit and loss account in the next accounting period is a gain of Rs. 0.04 crore (2004-2005 loss of Rs.0.14 crore).
- (9) Borrowing costs capitalised during the year is Rs. 7.31 crores (2004-2005 Rs. 0.38 crore) of which an amount of Rs.0.17 crore (2004-2005 Rs.Nil) is included in closing stock of real estate under development.
- (10) Names of the small scale industrial undertakings to whom the Company owed any sum which was outstanding for more than 30 days as at the end of the financial year are as under:
N.R.Enterprises , Imetrex Technologies Limited.

(11) Segment Reporting

(i) **Primary Segments — Business Segments**

| | Textile | DMT | Real Estate | Total |
|--|---------------------|--------------------|------------------|----------------------|
| A. REVENUE | | | | |
| 1. Segment revenue — External sales/ Income from operations | 375.28 [406.45] | 531.76 [635.02] | 118.40 [0.47] | 1025.44 [1041.94] |
| 2. Inter-segment revenue | — [—] | — [—] | — [—] | — [—] |
| 3. Total segment revenue | 375.28 [406.45] | 531.76 [635.02] | 118.40 [0.47] | 1025.44 [1041.94] |
| 4. Other Income | | | | 12.88 [10.76] |
| TOTAL | | | | 1038.32 [1052.70] |
| B. RESULT | | | | |
| 1. Segment result/operating profit/(loss) | (17.75) [(0.03)] | (32.15) [36.35] | 113.85 [0.47] | 63.95 [36.79] |
| 2. (a) Interest expenses | | | | 15.36 [11.16] |
| (b) Exchange differences on loans loss | | | 0.88 | [1.85] |
| 3. Other Income | | | | 12.88 [10.76] |
| 4. Other Expenses | | | | 1.37 [0.86] |
| 5. Profit before tax | | | | 59.22 [33.68] |
| 6. Provision for taxation | | | | |
| — current tax | | | | 4.97 [2.42] |
| — deferred tax | | | | (8.04) [4.70] |
| — fringe benefit tax | | | | 0.95 [—] |
| Profit after tax | | | | 61.34 [26.56] |

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

**NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (Contd.)**

SCHEDULE 18 (Contd.)

(11) Segment Reporting (Contd.)

(i) **Primary Segments — Business Segments (Contd.)**

| | Textile | DMT | Real Estate | Total |
|---|-----------------|-----------------|----------------|------------------------|
| C. OTHER INFORMATION | | | | |
| 1. Segment assets | 301.25 | 307.71 | 242.10* | 851.06 |
| (*includes Rs. 83.28 crores on account of revaluation) | <i>[293.94]</i> | <i>[212.64]</i> | <i>[19.98]</i> | <i>[526.56]</i> |
| 2. Other assets | | | | 279.81 |
| | | | | <i>[296.12]</i> |
| 3. Total assets | | | | <u>1130.87</u> |
| | | | | <u><i>[822.68]</i></u> |
| 4. Segment liabilities | 53.30 | 6.22 | 7.95 | 67.47 |
| | <i>[47.78]</i> | <i>[32.52]</i> | <i>[1.88]</i> | <i>[82.18]</i> |
| 5. Other liabilities (including share capital and reserves) | | | | 1063.40 |
| | | | | <i>[740.50]</i> |
| 6. Total liabilities | | | | <u>1130.87</u> |
| | | | | <u><i>[822.68]</i></u> |
| 7. Cost incurred during the year to acquire segment fixed assets | 3.54 | 1.50 | 9.64 | 14.68 |
| | <i>[18.97]</i> | <i>[8.10]</i> | <i>[—]</i> | <i>[27.07]</i> |
| 8. Depreciation | 8.61 | 7.98 | 0.31 | 16.90 |
| | <i>[9.18]</i> | <i>[10.20]</i> | <i>[—]</i> | <i>[19.38]</i> |
| 9. Non-cash expenses other than depreciation — employee stock option compensation written off | 0.02 | 0.13 | 0.09 | 0.24 |
| | <i>[0.28]</i> | <i>[0.19]</i> | <i>[—]</i> | <i>[0.47]</i> |
| — provision for doubtful debts | 1.50 | — | — | 1.50 |
| | <i>[—]</i> | <i>[—]</i> | <i>[—]</i> | <i>[—]</i> |

(ii) **Secondary Segments – Geographical Segments**

| | Domestic | Exports | Total |
|---|-----------------|-----------------|------------------|
| Segment revenue from external customers, based on geographical location of customers | 758.39 | 267.05 | 1025.44 |
| | <i>[811.69]</i> | <i>[230.25]</i> | <i>[1041.94]</i> |

Notes:

- The Company's operating facilities are located in India.
- The operating facilities of the Company are commonly employed for both the domestic and export businesses, hence it is not possible to report segment assets / liabilities by geographic segments.
- The company is in the process of setting up a PSF manufacturing facility as forward integration for its existing DMT manufacturing facility. Accordingly, the segment assets and liabilities of the DMT division include amounts pertaining to the PSF project.
- Corporate expenses have been apportioned between the segments on a reasonable basis.
- Figures in italics and in brackets are the corresponding figures in respect of the previous year.

(12) Related party disclosures:

(a) Names of related parties and nature of relationship:

| | |
|---------------------------|---|
| Associate Companies: | Archway Investment Company Limited Pentafil Textile Dealers Limited Scal Services Limited Nowrosjee Wadia & Sons Limited N. W. Exports Limited |
| Joint Venture Companies: | PT. Five Star Textile Indonesia Proline India Limited |
| Key Management Personnel: | Mr. Ninu Khanna - Managing Director Mr. P.V. Kuppaswamy - Joint Managing Director Mr. Ness Wadia - Deputy Managing Director Mr. M. K. Singh - Executive Director |



NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (Contd.)

SCHEDULE 18 (Contd.)

(12) Related party disclosures (Contd.)

(b) Transactions with related parties

| Nature of transactions | Associate Companies | Joint Venture Companies | (Rs. in crores) Key Management Personnel |
|--|------------------------|----------------------------|--|
| I) Volume of transactions: | | | |
| (i) Inter-Corporate Deposits (ICDs) given - Archway Investment Company Limited | 131.70 (39.32) | — (—) | — (—) |
| (ii) Repayment of ICDs - Archway Investment Company Limited | 108.95 (42.32) | — (—) | — (—) |
| (iii) Interest income on ICDs - Archway Investment Company Limited | 0.60 (0.34) | — (—) | — (—) |
| - Proline India Limited | — (—) | 0.30 (0.24) | — (—) |
| (iv) Expenses incurred on behalf of related parties (reimbursable) - PT. Five Star Textile Indonesia | — (—) | 1.51 (0.78) | — (—) |
| - N. W. Exports Limited | 0.05 (0.04) | — (—) | — (—) |
| - Nowrosjee Wadia & Sons Limited | 0.06 (0.07) | — (—) | — (—) |
| - Scal Services Limited | 0.15 (0.09) | — (—) | — (—) |
| (v) Expenses incurred on behalf of the Company (reimbursable) - N. W. Exports Limited | 1.89 (3.47) | — (—) | — (—) |
| - Nowrosjee Wadia & Sons Limited | 0.46 (1.04) | — (—) | — (—) |
| - Scal Services Limited | 0.36 (0.32) | — (—) | — (—) |
| (vi) Technical know-how fees (income) - PT. Five Star Textile Indonesia | — (—) | 1.03 (0.93) | — (—) |
| -(vii) Remuneration - Mr. Ninu Khanna - Managing Director | — (—) | — (—) | 0.69 (0.61) |
| - Mr. P.V. Kuppaswamy - Joint Managing Director | — (—) | — (—) | 0.82 (0.57) |
| - Mr. Ness Wadia - Deputy Managing Director | — (—) | — (—) | 1.11 (0.59) |
| - Mr. M. K. Singh - Executive Director | — (—) | — (—) | 0.19 (0.35) |

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

**NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (Contd.)**

SCHEDULE 18 (Contd.)

(12) Related party disclosures (Contd.)

| <u>Nature of transactions</u> | <u>Associate Companies</u> | <u>Joint Venture Companies</u> | (Rs. in crores) <u>Key Management Personnel</u> |
|--|--------------------------------|------------------------------------|--|
| I) Volume of transactions (Contd.): | | | |
| (viii) Employee stock option compensation written off | | | |
| - Mr. Ninu Khanna - Managing Director | — (—) | — (—) | 0.02 (0.28) |
| - Mr. P.V. Kuppaswamy - Joint Managing Director | — (—) | — (—) | 0.13 (0.19) |
| - Mr. M.K. Singh - Executive Director | — (—) | — (—) | 0.09 (—) |
| (ix) Guarantee and collaterals | | | |
| - PT. Five Star Textile Indonesia | — (—) | 14.03 (7.89) | — (—) |
| (x) Sale of goods | | | |
| - N. W. Exports Limited | 53.57 (82.41) | — (—) | — (—) |
| - Nowrosjee Wadia & Sons Limited | 9.41 (19.68) | — (—) | — (—) |
| (xi) Revenue from real estate activity | | | |
| - Scal Services Limited | 115.79 (—) | — (—) | — (—) |
| II) Receivable as at year end | | | |
| - Archway Investment Company Limited | 24.50 (1.75) | — (—) | — (—) |
| - N. W. Exports Limited | 13.41 (19.92) | — (—) | — (—) |
| - PT. Five Star Textile Indonesia | — (—) | 6.69 (4.92) | — (—) |
| - Nowrosjee Wadia & Sons Limited | 2.46 (0.84) | — (—) | — (—) |
| - Scal Services Limited | 106.30 (0.04) | — (—) | — (—) |
| - Proline India Limited | — (—) | 4.12 (4.12) | — (—) |
| III) Shareholders' deposit (as at year end) | | | |
| - PT. Five Star Textile Indonesia | — (—) | 15.22 (15.22) | — (—) |
| IV) Guarantee and collaterals (as at year end) | | | |
| - PT. Five Star Textile Indonesia | — (—) | 47.65 (33.62) | — (—) |
| V) Payable as at year end | | | |
| - Mr. P.V. Kuppaswamy - Joint Managing Director | — (—) | — (—) | 0.14 (—) |
| - Mr. Ness Wadia - Deputy Managing Director .. | — (—) | — (—) | 0.60 (0.15) |
| - Mr. M.K. Singh - Executive Director | — (—) | — (—) | 0.60 (—) |

Notes:

- (i) No amounts pertaining to related parties have been provided for as doubtful debts. Also no amounts have been written off or written back during the year.
- (ii) Dividend paid has not been considered by the company as a transaction falling under the purview of Accounting Standard 18 "Related Party Disclosures".
- (iii) Figures in brackets are the corresponding figures in respect of the previous year.



NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (Contd.)

SCHEDULE 18 (Contd.)

(12) Related party disclosures (Contd.)

(c) Additional disclosure as required by the amended clause 32 of the listing agreements with relevant stock exchanges.

| Sr. No. | Name | Nature of transaction | Balance as at 31st March, 2006 Rupees in crores | Maximum amount outstanding during the year Rupees in crores | No. of shares of the Company held by the loanees as at 31st March, 2006 |
|---|--|---|--|--|---|
| A. Loans and advances in the nature of loans to associates | | | | | |
| 1. | Scal Services Ltd. | Investment in equity shares | 0.78 (0.78) | 0.78 (0.78) | — (—) |
| 2. | Archway Investment Company Ltd. | Inter Corporate Deposit | 24.50 (1.75) | 32.40 (14.93) | — (—) |
| | | Investment in equity shares | 2.16 (2.16) | 2.16 (2.16) | — (—) |
| | | Investment in fully convertible debentures (carrying no interest) | 51.00 (51.00) | 51.00 (51.00) | — (—) |
| 3. | Pentafil Textile Dealers Ltd. | Investment in equity shares | 0.88 (0.88) | 0.88 (0.88) | — (—) |
| | | | <u>79.32</u> | <u>87.22</u> | <u>—</u> |
| | | | <u>(56.57)</u> | <u>(69.75)</u> | <u>(—)</u> |
| B. Loans and advances in the nature of loans to companies in which directors are interested. | | | | | |
| 1. | The Bombay Burmah Trading Corp. Ltd. | Security Deposit | 3.00 (3.00) | 3.00 (3.00) | 1,921,543 (1,921,543) |
| 2. | Housing Development Finance Corporation Ltd. | Inter Corporate Deposit | — (—) | 5.00 (—) | — (—) |
| 3. | Citurgia Biochemicals Ltd. | Inter Corporate Deposit * | 3.50 (3.50) | 3.50 (3.50) | — (—) |
| 4. | PT. Five Star Textile Indonesia | Shareholders' Deposit | 15.22 (15.22) | 15.22 (15.22) | — (—) |
| 5. | Proline India Limited | Inter Corporate Deposit | 4.00 (4.00) | 4.00 (4.00) | — (—) |
| 6. | Larsen & Toubro Finance Limited | Inter Corporate Deposit | — (—) | 10.00 (—) | — (—) |
| | | | <u>25.72</u> | <u>40.72</u> | <u>1,921,543</u> |
| | | | <u>(25.72)</u> | <u>(25.72)</u> | <u>(1,921,543)</u> |

* Provision made during the year 2002-03.

C. Loans and advances in the nature of loans where there is: (i) repayment beyond seven years or (ii) no interest or interest below section 372A of the Companies Act, 1956, other than referred in A2 and B4 above.

| | | | |
|----------------------|----------------|----------------|------------------|
| Employee Loans | 0.79 (0.71) | 1.11 (0.76) | 6,618 (6,618) |
|----------------------|----------------|----------------|------------------|

(13) (a) The Company has taken certain motor vehicles on operating lease. The particulars in respect of such leases are as follows:

| | As at 31st March, 2006 (Rupees in crores) | As at 31st March, 2005 (Rupees in crores) |
|---|--|--|
| (i) Total of minimum lease payments | | |
| Total of minimum lease payments for a period: | | |
| - not later than one year | 0.20 | — |
| - later than one year but not later than five years | 0.67 | — |
| (ii) Lease payments recognised in the statement of profit and loss for the year | 0.06 | — |
| (iii) The lease agreements are for a period of four years. | | |

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

**NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (Contd.)**

SCHEDULE 18 (Contd.)

(13) (b) The Company has taken a motor vehicle on finance lease. The particulars in respect of such lease are as follows:

(i) Motor vehicle acquired under finance lease during the year has been disclosed separately in Schedule 5. The net carrying amount as at balance sheet date is Rs. 0.07 crore (Rs.2004-2005 Nil)

| | As at 31st March, 2006 (Rupees in crores) | As at 31st March, 2005 (Rupees in crores) |
|---|--|--|
| (ii) Total of minimum lease payments | 0.08 | - |
| Total of minimum lease payments for a period: | | |
| - not later than one year | 0.02 | - |
| - later than one year but not later than five years | 0.06 | - |
| (iii) Present value of minimum lease payments payable | 0.06 | - |
| Present value of minimum lease payments payable for a period: | | |
| - not later than one year | 0.01 | - |
| - later than one year but not later than five years | 0.05 | - |
| (iv) The lease agreements are for a period of four years. | | |

(14) Earnings Per equity Share:

| | Rupees in crores | 2004-05 Rupees in crores |
|---|-----------------------------|-----------------------------|
| (i) Profit computation for both basic and diluted earnings per equity share of Rs. 10 each | | |
| Net profit as per profit and loss account available for equity shareholders | 61.34 | 26.56 |
| | <u>No. of equity shares</u> | <u>No. of equity shares</u> |
| (ii) Weighted average number of equity shares for earnings per equity share | | |
| (a) For basic earnings per equity share | 3,85,98,907 | 3,85,50,077 |
| (b) For diluted earnings per equity share | | |
| No. of equity shares for basic earnings per equity share as per (ii) (a) | 3,85,98,907 | 3,85,50,077 |
| Add: Weighted average outstanding employee stock options deemed to be issued for no consideration | 11,857 | 49,125 |
| No. of equity shares for diluted earnings per equity share | 3,86,10,764 | 3,85,99,202 |
| (iii) Earnings per equity share | | |
| Basic (in Rupees) | 15.89 | 6.89 |
| Diluted (in Rupees) | 15.89 | 6.88 |

(15) Deferred taxes:

| Nature of timing difference | Deferred tax (liability)/asset as at 1st April, 2005 Rupees in crores | Credit/(charge) for the year Rupees in crores | Deferred tax (liability)/asset as at 31st March, 2006 Rupees in crores |
|--|---|--|--|
| (a) Deferred tax liabilities | | | |
| - Depreciation | (54.43) | 5.01 | (19.46) |
| Less : Adjustment for impairment loss as on 1 st April, 2004 | 29.96 | - | - |
| Sub-total | <u>(24.47)</u> | <u>5.01</u> | <u>(19.46)</u> |
| (b) Deferred tax assets | | | |
| - Unabsorbed depreciation under the Income-tax Act, 1961, recognised in view of timing difference in (a) above | 12.53 | 2.74 | 15.27 |
| - Item covered under section 43B | 0.37 | (0.14) | 0.23 |
| - Provision for doubtful debts and advances | 0.93 | 0.43 | 1.36 |
| Sub-total | <u>13.83</u> | <u>3.03</u> | <u>16.86</u> |
| Net amount | <u>(10.64)</u> | <u>(8.04)</u> | <u>(2.60)</u> |



- 16) The Company has the following joint ventures as on 31st March, 2006 and its proportionate share in the assets, liabilities, income and expenditure of the respective joint venture companies is given below:

(Rupees in crores)

| Name of the joint venture company | Percentage of holding | Assets | Liabilities | Contingent liabilities | Capital commitment | Income | Expenditure |
|---|-----------------------|-----------------------|-----------------------------|------------------------|--------------------|--|------------------|
| As at 31st March, 2006 | | | | | | For the year ended 31st March, 2006 | |
| (a) Proline India Ltd. (incorporated in India) | 49% | 7.44 (5.77) | 3.99 (3.13) [#] | 0.01 (0.01) | — (—) | 13.80 (10.64) | 12.99 (10.43) |
| As at 31st December, 2005*§ | | | | | | For the year ended 31st December, 2005*§ | |
| (b) PT. Five Star Textile Indonesia, (PTFS) (Incorporated in Indonesia) | 33.89% | 13.65 @ (22.43) | 23.02 ^ (16.45) | — (—) | — (—) | 5.47 (9.25) | 12.56 (13.12) |

* per unaudited figures as advised by PTFS.

net after deducting shareholders funds.

@ excludes stockholders' equity (capital deficiency).

^ excludes shareholders' deposit considered by PTFS as promoters' funds and included in stockholders' equity.

§ translated using the closing rate.

§ translated using the average monthly closing rate.

Also see notes 2(d) and 4 above.

- (17) (a) During the previous year, in accordance with the Accounting Standard on Impairment of Assets (AS 28), the Company had recognised impairment losses as at 1st April, 2004: (i) of Rs. 74.47 crores in the DMT division, a cash generating unit and a reportable segment; and (ii) of Rs. 9.04 crores on an individual asset in the textile division, a reportable segment; aggregate Rs. 83.51 crores, by a corresponding adjustment to general reserve, pursuant to the transitional provisions of the said Standard.
- (b) During the year, impairment losses aggregating Rs. 9.23 crores including Rs. 9.04 crores in respect of building in the textile division have been reversed consequent to the relevant fixed assets being scrapped / sold.
- (18) Buildings (see Schedule 5 – Fixed assets) include residential flats at Roha of a cost of Rs. 0.13 crore held for disposal, the net book value in respect of which is Rs. 0.05 crore.
- (19) During the year 2000-2001, pursuant to the scheme of amalgamation between Scal Investments Limited (SIL) and the Company, sanctioned by the jurisdictional court on 20th April, 2001, the assets, liabilities and reserves of SIL had been transferred to and vested in the Company with effect from 1st October, 2000. The Company is taking necessary steps for securing transfer of some of the assets and liabilities in the name of the Company.
- (20) Derivative Instruments:
- (i) The following are the outstanding Forward Foreign Exchange Contracts entered into by the Company as on 31st March, 2006:

| Currency | Amount in foreign currency | Buy/Sell | Cross Currency |
|----------|----------------------------|----------|----------------|
| Euro | 2,32,800 | Sell | USD |
| Euro | 17,500 | Sell | INR |
| USD | 58,34,366 | Sell | INR |
| GBP | 2,23,814 | Sell | INR |
| GBP | 5,95,560 | Sell | USD |
| USD | 19,05,497 | Buy | INR |
| Euro | 21,23,856 | Buy | USD |

These Forward Foreign Exchange Contracts are entered into for hedging purposes and not for speculation purposes.

- (ii) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

(a) Amounts receivable in foreign currency – USD 6,35,659.

(b) Amounts payable in foreign currency – USD 1,69,18,602, GBP 15,340, Euro 1,487, SGD 34,310 and AED 11,997.

Previous year's figures have not been disclosed since the above disclosures became mandatory in respect of accounting periods ending on or after 31st March, 2006.

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

**NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (Contd.)**

SCHEDULE 18 (Contd.)

(21) ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3 AND 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

| | Quantity | Rupees in crores | 2004-2005 Quantity | Rupees in crores |
|---|---------------------|--|-----------------------|--|
| (a) TURNOVER | | | | |
| Cloth | 472.19 Lac mts. | 363.24 | 505.38 Lac mts. | 382.93 |
| Yarn | 1.05 Lac kgs. | 0.77 | 1.63 Lac kgs. | 1.85 |
| DMT | 1,43,023.55 M. tons | 623.17 | 1,62,504.45 M. tons | 739.77 |
| Wastes | 5.79 Lac kgs. | 1.43 | 15.18 Lac kgs. | 3.98 |
| By-Products | | 2.31 | | 2.38 |
| Export Incentive | | 11.62 | | 14.40 |
| | | <u>1002.54</u> | | <u>1145.31</u> |
| (b) RAW MATERIALS CONSUMED | | | | |
| Cotton | 26.48 Lac kgs. | 14.60 | 80.91 Lac kgs. | 56.41 |
| Fibre | 2.69 Lac kgs. | 1.82 | 4.14 Lac kgs. | 2.90 |
| Yarn purchased and consumed | 49.32 Lac kgs. | 63.94 | 9.60 Lac kgs. | 14.19 |
| Grey Cloth | 183.54 Lac Mts. | 80.00 | 257.17 Lac Mts. | 111.84 |
| Dyes and chemicals | 36.99 Lac kgs. | 14.45 | 40.91 Lac kgs. | 15.85 |
| Paraxylene | 87,200.22 M. tons | 381.97 | 98,907.95 M. tons | 402.36 |
| Methanol | 53,730.34 M. tons | 76.98 | 60,790.96 M. tons | 88.28 |
| | | <u>633.76</u> | | <u>691.83</u> |
| (c) OPENING STOCK OF FINISHED GOODS | | | | |
| Cloth | 53.57 Lac mts. | 34.54 | 37.35 Lac mts. | 24.48 |
| DMT | 1,947.90 M. tons | 9.27 | 4,242.13 M. tons | 15.90 |
| Wastes | 0.27 Lac kgs. | 0.04 | 0.53 Lac kgs. | 0.13 |
| | | <u>43.85</u> | | <u>40.51</u> |
| (d) CLOSING STOCK OF FINISHED GOODS | | | | |
| Cloth | 36.84 Lac mts. | 26.00 | 53.57 Lac mts. | 34.54 |
| DMT | 267.80 M. tons | 1.29 | 1,947.90 M. tons | 9.27 |
| Wastes | 1.01 Lac kgs. | 0.10 | 0.27 Lac kgs. | 0.04 |
| | | <u>27.39</u> | | <u>43.85</u> |
| (e) LICENSED CAPACITY | | | | |
| | Quantity | | 2004-05 Quantity | |
| Production capacity @ : | 2,35,132 | Spindles | 2,35,132 | Spindles |
| | 3,826 | Looms | 3,826 | Looms |
| | 246 | M.tons non woven fabrics per annum | 246 | M.tons non woven fabrics per annum |
| Production of DMT is exempt from the licensing requirements by virtue of Notification No.477(E) of 25-07-1991 | | | | |
| Processing capacity @ : | 933.00 | Lac mts. cloth per annum | 933.00 | Lac mts. cloth per annum |
| | 2,000 | M.tons yarn per annum | 2,000 | M.tons yarn per annum |

@ As per registration certificates.



NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (Contd.)

SCHEDULE 18 (Contd.)

(21) ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3 AND 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956. (Contd.)

| | Quantity | | 2004-05 Quantity | |
|---|---------------------|-----------------------------|--------------------------------|-----------------------------|
| (f) INSTALLED CAPACITY (as certified by the Management and accepted by the Auditors without verification) as at the year end. | | | | |
| Production capacity : | 52,200 | Spindles | 57,392 | Spindles |
| | 516 | Looms | 519 | Looms |
| | 1,65,000 | M.tons DMT per annum | 1,65,000 | M.tons DMT per annum |
| Processing capacity : | 933 | Lac mts. cloth per annum | 933 | Lac mts. cloth per annum |
| | 864 | M.tons Yarn per annum | 864 | M.tons Yarn per annum |
| (g) PACKED PRODUCTION | | | | |
| Cloth | 455.46 | Lac mts. | 521.60 | Lac mts. |
| Yarn | 1.05 | Lac kgs. | 1.63 | Lac kgs. |
| DMT | 1,41,343.45 | M. tons | 1,60,210.22 | M. tons |
| Wastes | 6.53 | Lac kgs. | 14.92 | Lac kgs. |
| | Rupees in crores | | 2004-05 Rupees in crores | |
| (h) CIF VALUE OF IMPORTS OF | | | | |
| (i) Raw materials | 93.14 | | 256.28 | |
| (ii) Stores, spare parts and catalysts | 2.31 | | 3.25 | |
| (iii) Capital goods | 1.10 | | 15.28 | |
| (i) EXPENDITURE IN FOREIGN CURRENCY (Disclosure on payment basis) | | | | |
| (i) Travelling expenses | 1.74 | | 1.34 | |
| (ii) Interest | 10.22 | | 6.01 | |
| (iii) Other expenditure | 2.58 | | 2.00 | |
| (j) CONSUMPTION | | % | | % |
| Imported raw materials, spare parts and components | 146.09 | 22.01 | 220.95 | 30.52 |
| Indigenous raw materials, spare parts and components | 517.60 | 77.99 | 502.92 | 69.48 |
| | <u>663.69</u> | <u>100.00</u> | <u>723.87</u> | <u>100.00</u> |

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

**NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2006 AND THE
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE (Contd.)**

SCHEDULE 18 (Contd.)

(21) ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3 AND 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956. (Contd.)

| | Rupees in crores | 2004-05 Rupees in crores |
|--|---------------------|--------------------------------|
| (k) REMITTANCES IN FOREIGN CURRENCIES | | |
| Remittance in foreign currencies on account of dividend to one non-resident shareholder, the depository for the GDR holders : | | |
| (i) on 6,28,595 equity shares, dividend for 2004-2005 | 0.25 | — |
| (ii) on 7,31,025 equity shares, dividend for 2003-2004 | — | 0.29 |
| Apart from the above, the Company has not made any remittance in foreign currencies on account of dividends and does not have information as to the extent to which remittances in foreign currencies on account of dividends have been made by or on behalf of the other non-resident shareholders. The particulars of dividends paid to such non-resident shareholders are as under: | | |
| (i) number of non-resident shareholders : 375 (2004-2005 : 275) | | |
| (ii) on 81,31,838 shares, dividend for 2004-2005 | 3.25 | — |
| (iii) on 83,13,587 shares, dividend for 2003-2004 | — | 3.33 |
| (l) EARNINGS IN FOREIGN EXCHANGE | | |
| (i) Export of goods calculated on FOB basis | 102.41 | 79.33 |
| (ii) Reimbursement of insurance and freight on exports | 2.58 | 2.97 |
| (iii) Local sales for exports | 163.61 | 149.99 |
| (v) Technical know-how fees | 1.03 | 0.93 |

(22) Previous year's figures have been regrouped where necessary.

| | | | | |
|---|--|--|---|---|
| <p>Per our report attached</p> <p>For A. F. FERGUSON & CO. <i>Chartered Accountants</i></p> <p>R. K. HIRANANDANI <i>Partner</i></p> <p>Mumbai, 30th May, 2006</p> | <p>For and on behalf of the Board of Directors</p> <p>NUSLI N. WADIA NINU KHANNA P. V. KUPPUSWAMY M. K. SINGH S.K. GUPTA</p> <p>GOVINDER SINGH</p> | <p><i>Chairman</i></p> <p><i>Managing Director</i></p> <p><i>Jt. Managing Director</i></p> <p><i>Executive Director</i></p> <p><i>Executive Director</i></p> <p><i>Chief Financial Officer</i></p> <p>Mumbai, 30th May, 2006</p> | <p>K. MAHINDRA R. A. SHAH DR. H. N. SETHNA S. S. KELKAR R. N. TATA</p> <p>P. GOVINDAN</p> | <p>} <i>Directors</i></p> <p>} <i>Secretary</i></p> |
|---|--|--|---|---|



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

I. Registration Details

Registration No.

State Code

Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Bonus Issue

Employee Stock Option Scheme

Rights Issue

Private Placements

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

Total Liabilities

Sources of Funds

Paid-up Capital

Secured Loans

Deferred Tax Liability (net)

Total Assets

Reserves and Surplus

Unsecured Loans

Application of Funds

Net Fixed Assets

Net Current Assets

Accumulated Losses

Investments

Miscellaneous Expenditure

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

Turnover

Profit/Loss before tax

(+ for profit, - for loss)

Basic earnings per equity share in Rs.

Total Expenditure

Profit/Loss after tax

Dividend Rate %

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (contd.)

ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 (contd.)

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

| | |
|-----------------------------|--|
| Item Code No. (ITC Code) | 2 9 1 7 3 7 . 0 0 |
| Product Description | D I M E T H Y L T E R E P H T H A L A T E (D M T) |
| Item Code No. (ITC Code) | 6 3 0 4 9 2 . 0 5 |
| Product Description | C O T T O N M A D E U P S |
| Item Code No. (ITC Code) | 5 2 0 8 3 1 . 0 0 |
| Product Description | C O T T O N P R O C E S S E D L O N G L E N G T H |

Per our report attached

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner

Mumbai, 30th May, 2006

For and on behalf of the Board of Directors

NUSLI N. WADIA *Chairman*
NINU KHANNA *Managing Director*
P. V. KUPPUSWAMY *Jt. Managing Director*
M. K. SINGH *Executive Director*
S.K. GUPTA *Executive Director*

GOVINDER SINGH *Chief Financial Officer*

Mumbai, 30th May, 2006

K. MAHINDRA
R. A. SHAH
DR. H. N. SETHNA
S. S. KELKAR
R. N. TATA
P. GOVINDAN

} *Directors*
Secretary



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

| | 2005-2006 | | 2004-2005 | |
|---|---------------|------------------------|---------------|-----------------------|
| | Rs. in crores | Rs. in crores | Rs. in crores | Rs. in crores |
| A. CASH FLOW FROM OPERATING ACTIVITIES: | | | | |
| NET PROFIT BEFORE TAX | | 59.22 | | 33.68 |
| Adjusted for | | | | |
| Depreciation | 16.90 | | 19.38 | |
| Foreign exchange loss/(gain) (net) - unrealised | 1.59 | | (2.09) | |
| Profit on sale of investments | (8.38) | | (4.62) | |
| Loss on sale of investments | 1.18 | | 0.45 | |
| Dividend/interest income | (4.33) | | (5.47) | |
| Profit on sale of fixed assets (net) | - | | (6.76) | |
| Loss on sale of fixed assets (net) | 0.44 | | - | |
| Interest and other finance charges [without adjusting (Rs.0.96) crore (2004-2005 Rs.2.15 crores) representing unrealised foreign exchange (loss)/ gain] | 16.65 | | 16.59 | |
| Provisions adjusted from securities premium account in an earlier year, no longer required | (0.67) | | - | |
| Provision for doubtful debts | 1.50 | | - | |
| (Reversal of provision)/provision for diminution in value of investments | (0.37) | | 0.37 | |
| (Reversal of provision)/provision for leave encashment | (0.19) | | 0.13 | |
| Employees stock option compensation written off | 0.24 | | 0.47 | |
| | | <u>24.56</u> | | <u>18.45</u> |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES AND OTHER ADJUSTMENTS | | 83.78 | | 52.13 |
| Changes in | | | | |
| Trade and other receivables | (125.31) | | (12.46) | |
| Inventories | 74.01 | | (31.86) | |
| Trade payables | (7.84) | | (12.54) | |
| Proposed voluntary separation payments | (7.30) | | (17.20) | |
| Other adjustments | | | | |
| Voluntary retirement compensation (to the extent not written off or adjusted) | (5.57) | | - | |
| | | <u>(72.01)</u> | | <u>(74.06)</u> |
| CASH GENERATED FROM OPERATIONS | | 11.77 | | (21.93) |
| Direct taxes (paid) (net) | | (8.68) | | (3.52) |
| NET CASH FROM/(USED IN) OPERATING ACTIVITIES (a) | | <u>3.09</u> | | <u>(25.45)</u> |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | | | |
| Purchase of fixed assets | | (225.46) | | (79.55) |
| Sale of fixed assets | | 5.31 | | 14.82 |
| Purchase of investments | | (2620.08) | | (1935.43) |
| Sale of investments | | 2700.82 | | 2058.29 |
| Dividend received | | 0.50 | | 3.66 |
| Interest received | | 3.06 | | 2.66 |
| NET CASH (USED IN)/FROM INVESTING ACTIVITIES (b) | | <u>(135.85)</u> | | <u>64.45</u> |

**THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED**

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

| | 2005-2006 | | 2004-2005 | |
|--|---------------|---------------|---------------|----------------|
| | Rs. in crores | Rs. in crores | Rs. in crores | Rs. in crores |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | | | |
| Proceeds from borrowings | | 574.56 | | 837.78 |
| Repayment of borrowings | | (437.28) | | (858.13) |
| Increase in demand loan, cash credit and packing credit | | 64.84 | | 14.21 |
| Issue of equity shares under Employees' stock option scheme | | 0.02 | | 0.06 |
| Interest and other finance charges paid | | (23.98) | | (16.96) |
| Dividend paid (including corporate dividend tax) | | (17.57) | | (17.29) |
| NET CASH FROM/(USED IN) FINANCING ACTIVITIES (c) | | <u>160.59</u> | | <u>(40.33)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS(a + b + c) | | 27.83 | | (1.33) |
| CASH AND CASH EQUIVALENTS AS AT THE COMMENCEMENT OF THE YEAR, COMPRISING: | | | | |
| Cash on hand | 0.03 | | 0.03 | |
| Cheques on hand | 2.28 | | 1.93 | |
| Balances with scheduled banks on current accounts, margin accounts and fixed deposit accounts | 3.20 | | 4.88 | |
| | | <u>5.51</u> | | <u>6.84</u> |
| CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR, COMPRISING: | | | | |
| Cash on hand | 0.04 | | 0.03 | |
| Cheques on hand | 0.16 | | 2.28 | |
| Balances with scheduled banks on current accounts, margin accounts and fixed deposit accounts [lien has been created on fixed deposits of Rs.0.77 crore (2004-2005 Rs. Nil)] | 33.14 | | 3.20 | |
| | | <u>33.34</u> | | <u>5.51</u> |
| NET INCREASE/(DECREASE) AS DISCLOSED ABOVE | | <u>27.83</u> | | <u>(1.33)</u> |

Notes: 1. Figures in brackets are outflows/deductions.

2. Previous year's figures have been regrouped where necessary.

Per our report attached to the Balancesheet

For A. F. FERGUSON & CO.
Chartered Accountants

R. K. HIRANANDANI
Partner

Mumbai, 30th May, 2006

For and on behalf of the Board of Directors

NUSLI N. WADIA
NINU KHANNA
P. V. KUPPUSWAMY
M. K. SINGH
S.K. GUPTA

GOVINDER SINGH

Chairman
Managing Director
Jt. Managing Director
Executive Director
Executive Director

Chief Financial Officer

Mumbai, 30th May, 2006

K. MAHINDRA
R. A. SHAH
DR. H. N. SETHNA
S. S. KELKAR
R. N. TATA

P. GOVINDAN
Secretary

Book-Post



BOMBAY DYEING

Bring style home

If undelivered please return to:

Sharepro Services (India) Pvt. Ltd.

Satam Estate, 3rd Floor,
Cardinal Gracious Road,
Chakala, Andheri (East),
Mumbai 400 099.
Phone : 022 - 2821 5168