75 years of Bajaj Hindusthan
WITH BLESSINGS FROM BAPU

bajaj hindusthan ltd.

Seventy Fifth Annual Report 2005-06

"Jamnalalji is the man of the people – a fisher of men who had the knack of gathering people around him and inspiring them with his idealism."

-Mahatma Gandhi

Words of praise indeed, from the man who inspired a nation.

One of Gandhiji's most ardent disciples, Jamnalal Bajaj believed in simple living and high thinking. His work among Harijans and underprivileged sections of society exemplifies his lifelong commitment to Gandhian ideals.

Today, as we celebrate 75 years of Bajaj Hindusthan, we are proud to trace our roots to India's freedom struggle. Our first plant opened in the Terai region of Uttar Pradesh, with active support and encouragement from Gandhiji himself. To facilitate self-sufficiency in sugar production, Hindusthan Sugar Mills Ltd. was established in 1931.

Over the decades, the Company morphed into the present day Bajaj Hindusthan, a colossus that has emerged undisputed leader in the field of sugar production in India.

From our humble roots in the villages of UP, to a global presence in markets around the world, we have put India on the world map.

From gaon to global... Bapu would be proud.

Shri Kamalnayan Bajaj

Shri Jamnalal Bajaj

Shri Ramkrishna Bajaj

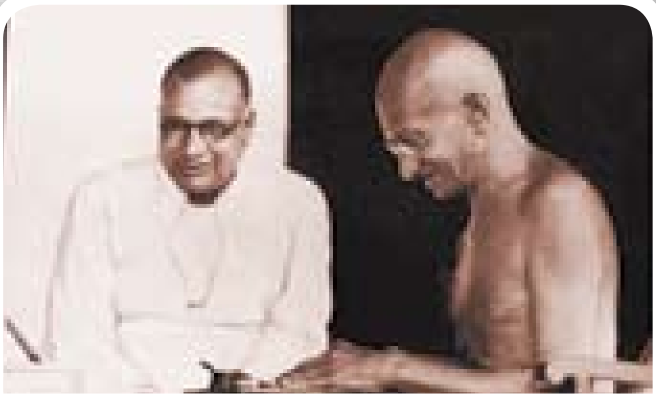
Jamnalal Bajaj

The Gandhian Capitalist - 1889 – 1942

Jamnalal Bajaj was an extraordinary man living in extraordinary times.

From an early age, destiny carved out a unique role for young Jamnalal. At the age of five, he was adopted by Shri Bachhraj Bajaj, a wealthy merchant in Wardha. Throughout his life, he was a staunch follower of Mahatma Gandhi. When he was just 18 years old, Jamnalal renounced his wealth to Bachhrajji and wrote a letter to this effect to the merchant.

But Jamnalal was also an astute businessman. He was the founding father of the present-day Bajaj Group of companies. However, his business interests were the means to a larger and holistic end. Very active during India's freedom struggle, Jamnalal was a philanthropist who delighted in donating most of his wealth for worthy causes.



Shri Jamnalal Bajaj with Mahatma Gandhi at Bajajwadi, Wardha

Jamnalal established Bachhraj Factories, Bachhraj & Company, Hindusthan Sugar Mills (now Bajaj Hindusthan Ltd), Hindusthan Housing and Mukand Iron & Steel. Today, each of these companies has grown into a mega-enterprise in its own right. It was Jamnalal's foresight in picking the right business at the right time that generated phenomenal growth.

From the beginning, Jamnalal was always more involved in social and philanthropic activities rather than business. He first met Mahatma Gandhi in 1915 after the latter's return from South Africa. Soon thereafter, Jamnalal began to assist in Gandhiji's activities. He became increasingly involved, and committed to, the Mahatma's programmes and India's freedom struggle.

Jamnalal was elected Treasurer of the Congress party in 1920. From the very beginning, Jamnalalji was in search of a spiritual mentor. He was delighted that, in Gandhi, he found precisely such a holistic and spiritual philosopher and a wise counsellor. In 1920, Jamnalal requested Gandhi to consider him as his own son. Gandhi found the request overwhelming and irresistible. He promptly agreed to his disciple's request.

Jamnalal had the rare distinction of being regarded by Gandhi as his own protege. This showed Gandhi's affection for the young Jamnalal. But more importantly, it also demonstrated the Mahatma's appreciation of the qualities that the young Jamnalal displayed in his personal, social and business life. When Gandhi said that "Wealthy men should become trustees of their wealth for the common good," he had Jamnalal mainly in mind.

In 1920, Jamnalal took part in the Swadeshi movement and in the movement for eradication of untouchability. In 1928, he opened the doors of his family temple, the Lakshmi Narayan Mandir at Wardha, to all, including Harijans. It was the very first temple in India to welcome Harijans. This temple will celebrate its centenary year in 2008. Jamnalal made Wardha the centre for Gandhi's economic and social development programmes. He established the Satyagraha Ashram

Smt. Jankidevi Bajaj with Shri Jamnalal Bajaj in Wardha in 1921. He brought Vinoba Bhave to the Wardha Ashram to nurture it into a national institution.

Jamnalal similarly established the Gandhi Seva Sangh in 1924 to assist families of committed Gandhian workers who participated in the Satyagraha movement.

In 1936, Gandhi wanted to shift to a rural habitat. Jamnalal then offered a large piece of his land in Segaon to house his Ashram. Gandhi changed the name of the village to Sevagram and lived there till 1945.

Bajajwadi in Wardha became a guest house and a favoured rendezvous of eminent national leaders visiting Wardha to meet Gandhi. The meetings of the Congress Working Committee were also frequently held there. The famous Quit India resolution was adopted by the Congress Working Committee at its meeting in Bajajwadi in July 1942.

Jamnalalji was thus the main pillar of strength to Gandhi. Gandhi himself admitted that "It was an easy thing for me to rely on Jamnalal to carry out my wishes. No one has identified himself so much with every one of my activities as he". In fact, Jamnalal liberally assisted worthy causes as a matter of duty.

Shri Jamnalal Bajaj with Maulana Azad and Sardar Patel at Bajajwadi, Wardha

When Jamnalal expired in 1942, Gandhi wrote in the newspaper 'Harijan': "Whenever I wrote of wealthy men becoming the trustees of their wealth for the common good, I always had this merchant prince principally in mind".

In sum, Jamnalal Bajaj was a 'Seth' and a 'Sadhak', a businessman and a spiritual leader at the same time. He was a man of the people. His head was sometimes in the clouds, but his feet were always on the ground.

Kamalnayan Bajaj

The Consolidator - 1915 – 1972

Kamalnayan Bajaj, the eldest son of Jamnalal Bajaj, started shouldering family responsibilities from an early age. After completing his education in Cambridge University in England, Kamalnayan returned to India to assist his father Jamnalal, both in business and in social service.

During India's freedom struggle, Kamalnayan interestingly chose not to court arrest. His purpose was to keep himself free to help those actively engaged in the freedom movement. Keenly conscious of the legacy of his reputed family that he had to carry forward, Kamalnayan once wrote to his father, that "It is no joke to be the son of a big man."

Kamalnayan was a man of strict principles, which he never swerved from. He had earmarked a large portion of the income from his family business for public causes and social service programmes, the mantle of all of which he had inherited from his father. He always had a sense of a larger social mission, transcending the dictates of business and the bottom line.

An astute businessman, Kamalnayan envisaged immense potential in India for manufactured textiles. But he did not pursue the profit in that business because of the firm commitment of the Bajaj family to khadi, inspired by Mahatma Gandhi. Clearly expounding his philosophy and his perspective, Kamalnayan observed, "The various industries I am connected with should generate profit. But if any move on our part goes against national interests, I would condemn it and would not be party to it, even if it meant a loss in the bargain."

Every new business venture that Kamalnayan got into, eloquently testified to his legendary business acumen. With tremendous foresight and a spirit of zestful enterprise, Kamalnayan acquired ailing industrial units and then miraculously turned them around. He went on to expand the business by branching into manufacture of scooter, three-wheeler, cement, alloy casting and electricals.

In 1954, Kamalnayan took over active management of the erstwhile Radio Lamps Works Ltd. (renamed as Bajaj Electricals Ltd. in 1960), which was mainly into the business of manufacturing lamps. By 1963, Bajaj Electricals had gone into the marketing of new products like domestic and

Shri Kamalnayan & Shri Ramkrishna with Pandit Jawaharlal Nehru at Bajajwadi

Shri Kamalnayan Bajaj with Pandit Jawaharlal Nehru

industrial appliances, Rotaflex and plastic shades, fluorescent tubes, fans, wires and cables, and electrical accessories. After initially pursuing the business of importing and selling two-wheeler as well as three-wheeler, Kamalnayan established Bajaj Tempo Ltd., for manufacturing three-wheeler delivery vans in collaboration with a German firm in 1958. Within a year, in 1959, Bajaj Auto obtained license for manufacturing two and three-wheeler in India. Bajaj Auto's tie-up with Piaggio for the manufacture of scooters launched a two-wheeler revolution in India.

Besides being an insightful businessman, Kamalnayan was also a philanthropist driven by the passion for serving society at large. He was elected thrice as a member of the Lok Sabha between 1957–1971 from Wardha constituency in Maharashtra. Kamalnayan Bajaj passed away in May 1972 at the age of 57.

Ramkrishna Bajaj

The Bridge - 1924 – 1994

Ramkrishna Bajaj was the younger son of Jamnalal. He became the patriarch of the Bajaj family after the demise of his elder brother Kamalnayan Bajaj in 1972.

Ramkrishna looked to Kamalnayan as his mentor. In addition to shouldering business responsibilities, Ramkrishna's energies were largely directed towards the social service and social welfare programmes of the Bajaj Group. He was of the firm conviction that he could make an impactful and meaningful contribution to the community through social work.

Shri Ramkrishna Bajaj with Smt. Indira Gandhi

As a child and a teenager, Ramkrishna was brought up under the direct supervision of Mahatma Gandhi. When Gandhiji initiated the Quit India Movement in 1942, Ramkrishna was hardly nineteen. Earlier he had courted imprisonment with the permission of the Mahatma. In 1942, there was no need for him to court arrest. He was a wanted man and was quickly arrested and sent to jail. He spent about three years in jail, where he studied politics, economics, literature and the humanities in general.

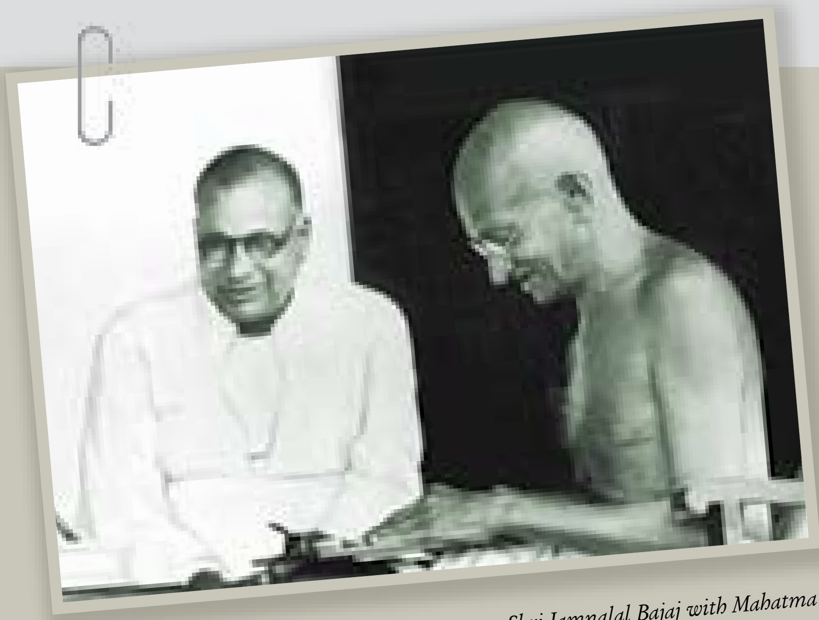
Decades before even the contours of the concept of Corporate Governance were beginning to be vaguely glimpsed, Ramkrishna was a founder trustee of the Council of Fair Business Practices (CFBP). The other Founder Trustees included people of the eminence of Mr. J.R.D.Tata.

Ramkrishna's advocacy of self-regulation for business proved especially difficult for the business community to absorb. But for all that Ramkrishna has been held in very high regard by the business and industrial community for his probity and sense of fair play. The esteem in which he was held was clearly reflected in his choice as, first the President of Maharashtra Chamber of Commerce and subsequently of the Indian Merchants Chamber and the prestigious all-India body, the Federation of Indian Chambers of Commerce and Industry (FICCI).

Ramkrishna had a flair and panache for working with youth. He was elected as the Chairman of World Assembly for Youth (India) in 1961. He also held the office of the Managing Trustee of the Indian Youth Centres Trust, which conceived and created the Vishwa Yuvak Kendra in 1968, a trail-blazing organisation in youth development.

Ever the benevolent patriarch, Ramkrishna Bajaj passed away in 1994.

Shri Ramkrishna Bajaj with Shri Rajiv Gandhi



Shri Jamnalal Bajaj with Mahatma Gandhi

Almost a century after Gandhiji made this famous observation, it still holds true. To embrace rural India in our economic reforms is to empower ourselves as a nation.

At Bajaj Hindusthan, we have always believed in seeding progress at the grassroot level. We adopt villages in remote regions of Uttar Pradesh to form a larger Bajaj Hindusthan parivaar. Today, over 2 million people are within our fold. We work hand-in-hand with kisaans to improve yields and enhance production.

It shows. We have doubled capacity in just one year, making us the world's 5th largest producer of sugar.

New greenfield and brownfield expansions are set to boost production levels to an unprecedented 100,000 tonnes crushing per day (TCD). That's almost twice the production capacity of our nearest rival.

Our environment-friendly focus has led to market leadership in the production of ethanol, a bio fuel extracted from cane alcohol.

Another area of diversification is the manufacture of medium density fibre board and particle board, derived from cane pulp.

From our rural roots to global recognition, we've come a long way.

It's time to celebrate 75.

"The soul of India lives in the villages."

- Mahatma Gandhi

75 years
bonding a nation
together.

Our first sugar mill at Golagokarannath, U.P, marked Jamnalal Bajaj's entry into industry

Green revolution for food

The green revolution of the sixties and seventies ushered an era of plenty. Rationed sugar became a thing of the past. Today, decades of perseverance has paid off and India has a huge surplus in sugar. For us, success could not be sweeter.

Now, a green revolution for fuel - ethanol

Now, we are on the threshold of yet another green revolution. This time it's not about food, but fuel. Clean, green fuel that is derived from plant sources like sugarcane. Apart from its eco-friendly advantages, there is a huge, untapped commercial opportunity for ethanol.

Once again, Bajaj Hindusthan leads the way. We are India's largest producer of ethanol, an automotive fuel that reduces consumption of gasoline. Ethanol-producing countries such as Brazil and Sweden have cut their crude oil needs significantly. We believe India can do the same. And move towards self-sufficiency in oil and gas imports.

In an ever-changing world, our agricultural roots and down-to-earth approach may not appear "futuristic". However, as Gandhiji said, "in nature's books, the debits are always equal to the credits".

With ethanol, nature has given us a head start on the credit side.

"We may utilize the gifts of nature just as we choose,
but in her books the debits are always equal to the credits."

- Mahatma Gandhi

75 years
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Commemoration stamp of Shri Jamnalal Bajaj in the year 1970

While corporate social responsibility is a relatively new concept the world over, at Bajaj Hindusthan it is a way of life. We believe corporate social responsibility is hardwired in our DNA.

During the initial years, Jamnalal Bajaj distributed company profits among farmers who worked in the cane fields. As our efforts paid off, rural communities prospered. Our business philosophy built roads. Schools. Hospitals. And continues to build the lives of millions of kisaan families.

Several new initiatives are underway in accordance with global best practices. These include areas of environment, health and safety (EHS). Green belt development and clean development mechanisms for carbon credits are some of the projects we are actively developing.

For us, inclusive growth is growth that looks beyond corporate profits and bottom lines. It’s the little things that count.

“You must be the change you want to see in the world.”

- Mahatma Gandhi

75 years bonding a nation together.

Corporate Social Responsibility (CSR) is built into our DNA in BHL

Today the whole world espouses the cause of Corporate Social Responsibility (CSR). We in Bajaj Hindusthan Ltd. (BHL) can therefore look back with a sense of fulfillment and justifiable pride. BHL's inclusive business model has always encompassed social welfare in a holistic sense. CSR is an ethic that permeates every layer of BHL's corporate structure. CSR is built into BHL's DNA.

It was the profound conviction of our farsighted founder, Jamnalal Bajaj, that the wealth of a business enterprise was bequeathed to it in sacred trust by society. The mission and mandate of the business organisation was to deploy this wealth for the social good. The essence of this trusteeship, a concept firmly anchored on Gandhian philosophy, has always been the guiding principle for business management in BHL.

This guiding philosophy has, if anything, only grown stronger and firmer today in BHL. While BHL has emerged as India's Number One Sugar Company and one of the top sugar companies in the world, We in BHL are deeply and humbly conscious of our social commitment. Our sense of responsibility for India's rural poor is always uppermost in our minds.

The institutionalisation of BHL's Corporate Social Responsibilty (CSR) initiatives

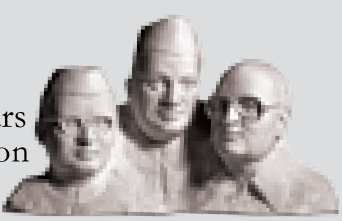
BHL's deep-rooted commitment, to contribute its mite to the social weal, has intensified even more under the helmsmanship of Mr. Kushagra Bajaj as Chief Executive. While Bajaj Hindusthan is increasingly attaining global scales and standards in sugar production, the basic impulse and inspiration for growth still comes from the Company's native habitat and heartland – which is rural Uttar Pradesh. BHL strives to think globally, but its setting and backdrop are still that of the UP 'gaon'. The Company's primary roots and relationships are still with the farmers and villagers of UP.

BHL's Chief Executive, Mr. Kushagra Bajaj, is inspired by the mission of harmonising the Company's business objectives with a larger social and developmental mission – to enhance the quality of life of millions of farmers, particularly in the areas where BHL has an established presence.

BHL's sugar manufacturing plants, spanning virtually all of Uttar Pradesh, touch the lives of over two million farmers. These farmers are the extended family of the Company.

Under a 'No Profit No Loss' programme, BHL arranges to distribute high quality seeds, insecticides and pesticides to these sugarcane farmers. The Company also regularly conducts programmes to educate farmers to minimise the use of toxic chemicals and prudently leverage the benefits of mechanisation and technology. To enable farmers judiciously optimise their earnings, BHL helps make credit facilities and ATM kiosks available through branches of the State Bank of India and Oriental Bank of Commerce in all its units.

75 years bonding a nation together.



Several BHL locations provide nearby farmers with treated and spent water for irrigation. The Company conducts frequent and popular workshops for farmer associations and samitis to educate sugarcane growers about new developments in sugarcane farming techniques, improved seed varieties, and the cane crushing schedule for the next season.

BHL's community outreach initiative extends to socio-economic and infrastructure development. The Company has constructed roads and bridges to link local villages. All over, BHL helps serve local communities with the establishment of banks, schools, post offices and petrol pumps.

In fact, the Bajaj Hindusthan unit at Kinauni in western UP has set up a BSNL mobile tower within the factory premises, to facilitate the creation of a local communication network. A number of mobile companies in the area are now trying to hook up to the same network!

Around all manufacturing locations, BHL's tree plantation programmes steadfastly strive to go beyond merely ensuring the protection of the environment. They consistently and enthusiastically endeavour to enrich it.

The Institution of Environment, Health and Safety (EHS) Systems

BHL's Integrated Environment Management Systems and Occupational Health and Safety (ISO 14001 & OHSAS 18001) standards are in advanced stages of implementation.

Systemised training, loss prevention, conservation of natural resources, zero discharge, creation of comprehensive contractor manuals, house-keeping, the creation of wealth from waste, the preparation and fine-tuning of on-site-emergency plans, community awareness drives, work permit systems, ferti-irrigation, EHS auditing for sustenance of systems, green belt development, and the institution of Clean Development Mechanisms (CDM) for carbon credits are some of the important initiatives that BHL has launched, in accordance with global best practices.

In the coming years, BHL's aim is to reduce dust, gases and noise pollution to the lowest possible levels, while striving, at the same time, to enhance the quality of the workplace environment. This is the critically important face of our effort, in BHL, to elevate the quality of every *kisaan's* life.

Highlights

- India's largest producer of sugar and ethanol, with global size and scale
- PAN-U.P. presence
- Turnover up by 74% to Rs.14,868 million
- Net profit up by 36% to Rs.1,908 million
- Production commences in three new sugar plants with aggregate capacity of 26000 TCD in 2006
- Four new sugar plants with aggregate capacity of 41000 TCD and three new distilleries with aggregate capacity of 640 kilolitres per day underway
- Value added medium density fibre board (MDF)/ particle board (PB) project on schedule

Vision to Mission

To be the leader in each of our chosen business areas.

As a leader, create an organisation that sets benchmarks and standards for others to emulate and create wealth for all our stakeholders through ethical and socially responsible businesss practices.

Contents

Board of Directors

Shishir Bajaj
Chairman & Managing Director (Promoter)

I. D. Mittal
Chief Executive Director

D. S. Mehta
Non-Executive Director

Niraj Bajaj
Non-Executive Director (Promoter)

M. L. Apte
Non-Executive Director (Independent)

Suresh A. Kotak
Non-Executive Director (Independent)

R. V. Ruia
Non-Executive Director (Independent)

D. K. Shukla
Non-Executive Director (Independent)
(Representing Life Insurance Corporation of India)

75 years
bonding a nation
together.

Chairman's Letter

Dear Shareholders,

The completion of 75 years is a very poignant moment and milestone in the life and history of Bajaj Hindusthan Ltd. (BHL). What heightens the poignance further is that my grandfather, Shri Jamnalal Bajaj, who founded the Company way back in 1931, was a disciple, confidante, protégé and adopted fifth son of Mahatma Gandhi. Shri Jamnalalji had initially registered the Company as 'Hindusthan Sugar Mills Ltd'. The organisation was rechristened as Bajaj Hindusthan Ltd. in 1988.

For Shri Jamnalalji, the institution of this Company, and the establishment of its first sugar mill, also in 1931, in Golagokarannath in the Lakhimpur Kheri district in the Terai region of Uttar Pradesh, was more than just an investment in industry. It was an economic contribution to Indian society. What rankled Shri Jamnalalji's mind was that there were barely 30 sugar mills then in India. The country was therefore industrially and economically backward. Shri Jamnalalji did not consider himself an industrialist and an entrepreneur. He viewed himself as a trustee of the larger social good, true to the tenets of Mahatma Gandhi's faith.

When Shri Jamnalalji expired, Gandhi wrote an obituary tribute in the newspaper 'Harijan': "Whenever I wrote of wealthy men becoming the trustees of their wealth for the common good, I always had this merchant prince principally in mind".

Long before the concept of Corporate Social Responsibility (CSR) even vaguely began to evolve and take shape, BHL had started to live by the canons of responsible corporate and social citizenship. Decades before the principles of corporate transparence and corporate ethics were bandied about, here was a Company that dared to be a torch-bearer, a trail-blazer and an exemplar of some of the highest values of corporate morality.

Paying the sugarcane farmer on time and in full for the purchase of sugarcane was one of the most important guiding principles that BHL has always striven hard to live by. The organisation has also consistently endeavoured to contribute to creating and strengthening the physical and social infrastructure in the vicinity of each of its sugar mills. It has built roads, culverts and bridges in the neighbourhood of every one of its 10 sugar mills.

As a matter of organisational policy and philosophy, the Company builds, and takes care of the upkeep of, critical physical infrastructure up to a radius of 15 kms. around each sugar mill. BHL Units provide farmers with subsidised, high-yielding and disease-resistant sugarcane seeds, besides high quality fertilisers and pesticides. Several BHL Units supply farmers in the neighbourhood with treated and spent water for irrigation.

On the operational side, all the 10 sugar mills of BHL commenced their sugarcane crushing operations for the ensuing sugar season from November 1, 2006. Currently all these 10 mills together have the capacity of 95,000 tonnes of cane crushing per day (TCD). It is estimated that, during the 2006-07 sugar season, India will achieve a record production of 23.5 million tonnes of sugar. With the projection of a similar bumper international sugarcane harvest and significantly increased sugar production in 2006-07, sugar prices have been depressed for some time now, both in the world market and in India.

The depression in the sugar market sentiment is expected to last till the end of 2007. The ban that the Government of India has imposed on sugar exports from the country has further dampened the already dispirited sugar market. However, the Government of India is expected to lift the ban any time now. Should that happen, there is a possibility of India being able to export over 1.5 million tonnes of sugar by September 2007, i.e., over the entire ensuing sugar season of 2006-07.

The strategic growth of BHL's sugar business has enabled the Company to regularly interface and interact with over 2.2 million members of the agricultural community in rural India almost every day. BHL's agricultural and rural network is the largest among all Indian companies. This network will only grow faster in the coming years with BHL's strategic plans for farsighted growth and expansion in its core sugar business.

The Company's rapidly expanding business portfolio and diversified cashflow streams should increasingly protect the organisation in the coming years from the business cycles and fluctuating fortunes intrinsic to the Indian and international sugar industry.

The strategic expansion and diversification of the Bajaj Hindusthan Group into the manufacture of ethanol, the clean and green automotive fuel of the future, industrial alcohol for the chemical industry, and Medium Density Fibre Board (MDF) and Particle Board (PB) to replace invaluable timber in the construction and furniture industries, and the co-generation of power will enable BHL derive continuously increasing value from its by-products.

As with any commodity business, it is imperative to have a cost and volume perspective as these are the only factors that can inherently be controlled by companies. I am happy to state that BHL has truly adopted this tenet and has emerged as the predominant player in the domestic sugar and ethanol business.

Our growth would not have been possible without the unstinting support of all our shareholders, the die-hard attitude of every BHL employee and the courage to dream the impossible and make it a reality.

In this Platinum Jubilee Year, I thank each and everyone who has contributed to making BHL what it is and also reiterate that our business conduct will always be guided by the principles and standards set by its founder, my grandfather, Shri Jamnalal Bajaj.

Warm regards,

SHISHIR BAJAJ
Chairman & Managing Director

CEO Speak

Dear Stakeholders,

While BHL has posted the highest profits ever in its history in this year, personally, I feel the year was disastrous for the Company. Despite nearly doubling production, we were not able to meet expectations.

Three main factors have contributed to our below par performance.

1. The ban on sugar exports imposed by the Government of India which have had a deleterious impact on domestic sugar prices
2. Lower recovery due to agro-climatic conditions
3. The higher price that we had to pay for sugarcane

The ban on sugar exports has caused irreparable damage to the industry. I apprehend that the vast majority of players will incur cash losses.

While the first two factors are largely beyond our control, we had to bear the margin pressure due to increased costs and lower realisation. However, I wish to point out that without our expansion and amortisation of costs over larger volumes, our performance would have been even worse.

In the short term, I do not expect any radical improvement in the domestic market situation, especially in the light of the continued ban on sugar exports and the historic production of around 23 million tonnes of sugar. Current market prices are below the cost of production of several marginal players who will find it increasingly difficult to continue operations. Similarly, the global situation is also tenuous, with eight of the top 10 sugar-manufacturing nations producing at their historic peaks.

BHL's focus therefore, will be on costs. I have already instituted several measures to optimally utilise our resources. I am personally monitoring these cost control initiatives on a continual basis.

On the positive side, the ethanol programme is in place. As the largest ethanol producer in India, we are likely to benefit the most. I also expect a significant improvement in sugar recovery this year. While I believe the coming 12 months will test our mettle, I am firmly convinced of the strategic wisdom of our expansion plans and I am satisfied with the progress made so far.

After the commissioning of three new sugar plants in UP – in Barkhera, Kumbarkhera and Gagnauli, – BHL has now attained the capacity to crush 95,000 tonnes of sugarcane in a day (TCD), beginning from this new sugar season of 2006-07. The Company has already started the construction of three more greenfield sugar plants, all again in UP, through its subsidiary, Bajaj Hindusthan Sugar and Industries Limited (BHSIL). These new plants are scheduled to be commissioned at the beginning of the 2007-08 sugar season.

I am sure that with our expanded capacities, we will generate substantial cash flows in the coming year. With the implementation of our ongoing expansion plans, we will grow nearly ten-fold i.e. from 14,000 TCD to 136,000 TCD. The next up-cycle will see BHL generating profits and free cash flows of a significantly larger magnitude.

Our Medium Density Fibre Board (MDF) project is progressing well and should add significantly to the profitability of the BHL group. I strongly believe that this venture has immense potential and will be a real money spinner in the years to come.

On the international arena, BHL has set up a subsidiary, Bajaj Internacional Participações Ltda, in Brazil, the world's largest sugar producing country. The subsidiary is exploring all possible business and growth opportunities in the Brazilian sugar industry. We have made progress in this direction albeit at a slow pace.

In conclusion, I wish to point out that, how well we perform over the next two years will broadly determine how good we are as a Company. It is only the test of fire that makes the finest steel. Only the truly resilient take adversity in their stride, learn from it and emerge stronger as we will.

Yours sincerely,

KUSHAGRA NAYAN BAJAJ
Chief Executive

Chief Executive Director's Communiqué

Dear Stakeholders,

BHL's growth over the last three to four years has been rapid. It has become India's Number One Sugar Company with globally scaled up capacities. It will be appropriate and educative, therefore, to identify the key factors behind BHL's business success in its area of core competence, the manufacture of sugar.

BHL strives to consistently build, maintain, refine and sharpen its cost-competitiveness by constantly scaling up its businesses. The revered founder of the Bajaj Group, Shri Jamnalal Bajaj, set up the first sugar mill in Golagokarannath in Uttar Pradesh in 1932. The unit started its operations in that year itself with a capacity to crush 400 tonnes of sugarcane in a day – 400 TCD (tonnes crushed per day). By consistently scaling up capacity, the Gola Unit has today attained a capacity of 13,000 TCD.

BHL set up its second sugar factory in 1972 in Palia Kalan in eastern UP with a capacity of 1,400 TCD. With a constant focus on continuous strategic expansion, BHL Palia's total sugarcane crushing capacity has now touched 11,000 TCD.

BHL has constantly endeavoured to strike the right balance between professional decentralisation and delegation of powers and responsibilities, on the one hand, and a sense of ownership and involvement on the other. The Company is quick to respond and to take decisions. After operating only one or two sugar mills for over 70 years, BHL was able to put up and start the Kinauni sugar plant in UP in a historical record time of seven and a half months. This is as compared to the sugar industry norm of a gestation time of 18 to 24 months for the construction and commissioning of a new sugar mill.

We in the Bajaj Hindusthan Group have successfully built upon these core strengths in the formulation and implementation of our growth strategy over the last three years. This is borne out by the fact that we have grown from two sugar plants in 2003 to ten today. In the space of just one year, between 2004-05 and 2005-06, the sugarcane crushing capacity of the Company has increased from 53,000 TCD to 89,000 TCD. Simultaneously, its distillery capacities have been ramped up from 160 kilo litres per day (klpd), as between the Gola and Palia plants, to 320 klpd, including the new 160 klpd distillery set up in Kinauni. Foreseeing a buoyant demand for alcohol in the domestic chemical market, BHL is raising its distillery capacity further to 640 klpd during 2006-07.

Under the auspices of our subsidiary, Bajaj Hindusthan Sugar & Industries Limited (BHSIL, formerly 'The Pratappur Sugar & Industries Ltd.'), three more new sugar units are scheduled to commence production in the sugar season 2007-08. That will boost the cane crushing capacity of this subsidiary nearly seven-fold from the current 6,000 TCD to 40,000 TCD. This subsidiary Company will also add, alongside, a capacity to distil 160 kilo litres of alcohol per day.

BHL's expansion has set industry benchmarks. 7,000 TCD plants have become the de facto norm. BHL was the first Company to set up a plant of this capacity in India. BHL's active presence across important areas of cane cultivation in Uttar Pradesh has led to a silent and total revolution in rural UP. For the first time ever, farmers are being paid in full and on time for their sugarcane, enhancing their income and improving their living standards.

To derive greater and fuller economic value from sugar, and at the same time diversify into new sources of business revenue, BHL is venturing into related products like ethanol and bagasse-based Medium Density Fibre Boards and Particle Boards. These are pioneering initiatives in India. These additional and alternative earning streams will increasingly contribute to BHL's bottom line.

One of the key elements of BHL's success in the coming years will be the organisation's ability to absorb and internalise the learnings from the core sugar business and appropriately adapt them to the new businesses that we are entering into and growing in.

There is an ancient Greek saying that art is long and time is fleeting. But one of BHL's unique abilities has been to abridge this learning curve. It is this same rare ability that the Company's new businesses will put to test.

Yours sincerely,

ISHWAR DAYAL MITTAL
Chief Executive Director

Directors' Report

Introduction

Your Directors have pleasure in presenting their Seventy-fifth annual report and the audited statement of accounts for the year ended September 30, 2006.

The Company achieved a 71% increase in turnover to Rs. 15229.2 million and growth a 36% in net profit at Rs. 1908.3 million. The summarised results are presented below.

Financial Results

	2005-06 (Rs. Million)	2004-05 (Rs. Million)
Sales and other income	**14867.50**	8548.02
Gross profit before interest, depreciation and extraordinary items	**3504.15**	2187.80
Interest	**(21.48)**	132.06
Depreciation	**723.94**	350.95
Profit before tax	**2801.69**	1704.79
Provision for taxation (including Fringe Benefit Tax)	**322.90**	271.80
Provision for deferred tax	**846.26**	29.10
Profit after tax	**1908.33**	1403.89
Disposable surplus after adjustments	**2049.22**	1688.61
Transfer to contingency reserve	**–**	70.00
Transfer to general reserve	**500.00**	1400.00
Transfer to debenture redemption reserve	**1187.50**	–
Proposed dividend	**84.84**	59.77
Tax on dividend	**11.90**	8.38
Balance carried to balance sheet	**264.98**	150.46

Dividend

The Board of Directors of the Company recommend for consideration of shareholders at the Annual General Meeting payment of a dividend of 60% (Re. 0.60 per share) on 14,14,07,111 equity shares of the face value of Re. 1/- each that have been allotted up to December 28, 2006 (being the date this Directors' report) and any further equity shares, that may be allotted by the Company on conversion of foreign currency convertible bonds prior to the book closure fixed for the purpose of dividend entitlement for the year ended September 30, 2006. The dividend paid during the last year was 50% (Re. 0.50 per share) on 11,95,37,940 equity shares of the face value of Re. 1 each.

Subsidiaries

Bajaj Hindusthan Sugar and Industries Limited (formerly The Pratappur Sugar & Industries Limited)

In August, 2005, BHL entered into an agreement to purchase 19,80,000 equity shares of the face value of Rs. 10/- per share, constituting 55% of the total paid-up capital of the erstwhile The Pratappur Sugar & Industries Ltd.,(PSIL) from its earlier promoters (Kanoria Group) at a price of Rs. 55 per share at an aggregate value of Rs. 108.90 million.

BHL also made an open offer for acquiring up to 20% of the paid-up equity share capital of the Company from public pursuant to the provision of SEBI (Substantial Acquisition and Takeovers) Regulations, 1997, at a price of Rs. 263.50 per share.

Under the said open offer, BHL received an aggregate of 173,027 equity shares of the face value of Rs. 10/- per share, constituting 4.81% of the paid-up equity share capital of the Company and paid Rs. 10.99 million.

On completion of the Open Offer formalities, BHL took over the management of Company in December 2005. An action plan was drawn up for improving the quality, productivity, cane management and other operational efficiencies. It is expected that with improvement in productivity, quality, operational parameters, cost reduction and cane management Pratappur would be able to perform better in coming years.

Upon completion of all the formalities by BHL, the 55% shares bought out from Kanoria Group that were kept in a Escrow Account were transferred to Bajaj Hindusthan increasing its shareholding in the Company to 59.81%. Consequently the PSIL has become a subsidiary of BHL with effect from 29th April 2006.

To reflect this association with Bajaj Hindusthan Limited, PSIL at the Extraordinary General Meeting held on June 19, 2006 passed a resolution for change its name to BAJAJ HINDUSTHAN SUGAR AND INDUSTRIES LIMITED.

BHL has initiated substantial expansion of sugar manufacturing capacities of BHSIL by way of expanding the capacity of existing plant at Pratappur from 3200 TCD to 6000 TCD and also by establishing three greenfield plants in Uttar Pradesh – 7000 TCD plant at Rudauli in Basti District, 12,000 TCD plant at Utraula in Balrampur District and 15,000 TCD plant at Kunderki in Gonda District, aggregating to 34,000 TCD. Production at existing plant at Pratappur with the expanded capacity of 6000 TCD was commenced in November 2006. Project work on all the three new plants is progressing as per the schedule and all these plants are expected to become operational by October/November 2007. With this, BHSIL will have sugar capacity of 40,000 TCD and would be able to increase sugar production to around 0.60 million tonnes sugar per annum.

The increased sugar capacity will generate higher quantity of by-product Molasses. The Company, therefore, is setting up a Distillery with capacity of 160 KL per day in Rudauli in Basti District of Uttar Pradesh with facility to manufacture Ethanol. This new Distillery is expected to become operational by April 2007.

The aggregate capital expenditure for the above stated expansion in sugar capacity and setting of distillery is estimated to be Rs. 12,300 million of this BHL has committed equity infusion up to a sum of Rs. 3,300 million. A further sum of Rs. 3,000 million approx is proposed to be funded thru equity and remaining Rs. 6,000 million thru debt.

Bajaj Eco-Tec Products Limited

In its endeavour to add value to its by-products, the Company has narrowed down on use of bagasse to manufacture Particle Boards and Medium Density Fibre Boards. Such diversification would allow BHL to explore new growth opportunities while leveraging its managerial and operational skill and efficiencies to capitalise on new opportunities in the sector.

To implement MDF and PB project BHL has set up 100% subsidiary Bajaj Eco-Tec Products Limited, and to meet the financial commitment BHL has also invested Rs.17,54,50,000 by way of 9,90,000 equity shares of face value Rs. 10 at a price of Rs. 100 (comprising Rs. 90 as premium) and 7,645,000 – 7% Redeemable Cumulative Preference shares of face value Rs. 10 each.

Bajaj Hindusthan Holdings Private Limited

Bajaj Hindusthan Holdings Private Limited (BHHPL) was incorporated as a wholly owned subsidiary of your Company for the purpose of undertaking and carrying on Non-banking Financial Business. Such Non-banking Financial Business can be undertaken and carried on by any company only after it obtains the Certificate of Registration under the provisions of Section 45-1A of the RBI Act, 1934. Pending receipt of the said Certificate of Registration from the Reserve Bank of India, BHHPL could not commence the intended business till date. The Company is following up for the same to be issued at the earliest.

Future Growth Plans: Expansion & New Projects

1) Expansion Plan:

Bajaj Hindusthan (BHL) has further strengthened its premier position in the domestic sugar and ethanol sectors. During the year, BHL augmented its sugar capacity by 36,000 TCD by setting up three new plants and brown field expansion at four of its existing plants. In addition, two new distilleries each of 160,000 litres per day are also under construction. With this, BHL will have a sugar capacity of 89,000 TCD and alcohol capacity of 640,000 litres per day during 2006-07 crushing season. One more plant of 7,000 TCD will become operational in 2007-08.

2) Bajaj Internacional Participações Ltda . (Brazilian subsidiary)

The sugar industry is expected to play an increasingly important role in meeting traditional demand not only as a food source but more importantly to meet emerging demand as an energy source for use as 'clean fuel' in automobiles.

Having established itself as the largest sugar & alcohol producer in India, Bajaj Hindusthan envisions internationalizing its operations to capture the growing opportunities in the global sugar industry.

BHL has embarked on an ambitious plan to expand business operations in Brazil, given Brazil's natural & strategic advantages in the sector. Brazil is already the world's largest and lowest cost producer of sugar & alcohol as well as the largest exporter of sugar and ethanol in the world. Brazil controls more than 45% of the global trade in the sector. The Brazilian sugar industry also contributes 2% of Brazil's GDP. The sugar industry in Brazil has undergone major reforms over the years, and, in 1999, it was completely decontrolled and is now no longer subject to any form of regulation. The sector has been attracting a lot of interest and investments from leading MNCs and funds.

A beginning has been made with BHL incorporating a Brazilian subsidiary, "Bajaj Internacional Participações Ltda" in October 2006. BHL is working closely with leading investment banks to assist in the search and evaluation of potential targets for acquisition. This would enable BHL to establish a presence in the domestic & international sugar and ethanol markets and compete for global leadership. This would also be another first for Indian sugar from BHL.

3) Particle Board & Medium Density Fibre Board

It has been a continuous endeavour of the Company to add value to its by-products. BHL commenced the value addition process through the forward integration into the manufacture of industrial alcohol & ethanol, from molasses. The Company have been looking for similar value addition for bagasse, its other by-product. Besides embarking upon co-generation as one such value proposition from bagasse, the Company narrowed down on manufacture of Particle Board (PB) & Medium Density Fibre Boards (MDF), considered as second and third generation substitutes for both, wood and plywood. PB & MDF are made from wood and agrowastes, and provide effective substitute for wood and timber. PB & MDF have the durability, look, texture, richness and feel of a seasoned-treated timber, with excellent machine ability and application properties, making it a perfect substitute for solid timber. Today PB & MDF are widely used for making panel boards and for interior decoration in houses, offices, hotels and restaurants. PB & MDF are also being used for making doors, windows, domestic and office furniture.

With the demand for PB and MDF in the country increasing rapidly in last couple of years, today a large portion, about 50% of PB requirements and about 85% of MDF requirements, are being met through imports.

India is the second largest producer of sugar in the world, and abundant quantity of sugarcane bagasse is available for possible value-addition. The technology for making PB & MDF from sugarcane bagasse was developed in Europe, long ago. All tests confirm that the quality of bagasse based PB & MDF Board is at par with the quality of PB & MDF made from wood or wood-waste.

India therefore has a huge potential to manufacture PB & MDF from sugarcane bagasse. Besides, meeting its own requirements, India can also become a potential source for supplying PB & MDF to the whole world.

Listed below are some of the benefits that bagasse based PB & MDF would confer on the nation and environment at large:

- Save Precious Foreign Exchange – A large portion of present demand is being met from Imports. Being import substitution project, the country will be able to save substantial foreign exchange.
- Conservation of Forests – Utilisation of Bagasse in manufacture of boards will save large number of trees from being cut every year to meet the ever increasing demand for wood and plywood.
- Save & Improve Environment – Higher forest cover, induces higher rainfall and also reduces carbon dioxide levels in the atmosphere, an Eco-friendly Project, in true sense.
- More Efficient and Beneficial Utilisation of Bagasse – Value Addition to Bagasse is more than 50 Times Higher, when Bagasse is used for manufacture of boards, instead of Co-generation.
- Additional Jobs in Rural Areas – Bagasse based plants will naturally be set up close to sugar factories and since sugar factories are generally located in rural areas, additional jobs will be created in rural areas. Besides, it will also arrest migration of people from rural areas to urban areas, and in turn reduce the pressure on infrastructure in urban areas.

With abundant availability of captive bagasse, BHL has embarked upon a major project to manufacture Particle Boards & Medium Density Fibre Boards from bagasse. The project has been undertaken thru Bajaj Eco-Tec Products Limited (BEPL), a wholly owned subsidiary of BHL.

BEPL has commenced the project of setting up 3 plants, one PB plant having a capacity of 50,000 m^3 per annum, and two MDF plants, each having a capacity of 80,000 m^3 per annum. Each of these 3 plants have been strategically located in 3 different regions of U.P., so as to effectively utilize, region–wise surplus bagasse available from BHL's sugar units, minimize transportation costs and in the process achieve economies of scale and operations.

The Company intends to manufacture the following range of products:

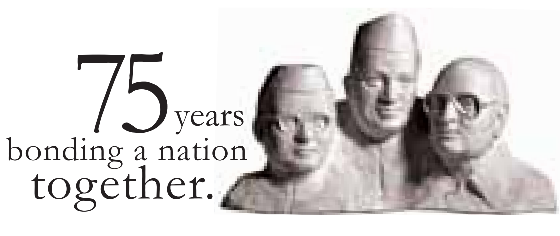
a) Plain & Pre-laminated Particle Board

b) Plain & Pre-laminated MDF Board

c) Plain & Pre-laminated High Density Fibre Board

d) Laminated Flooring

The total investment in these 3 plants is estimated to be around Rs. 2400 million and all 3 plants are expected to be operational by November 2007.



Environmental protection and pollution control

As required by pollution control laws, the Company has already submitted environmental statement for the year 2005-06 to the U.P. State Pollution Control Board.

Waste Water Management:-

- We are usually operating our E.T.P. one month prior to the start of our Crushing Season to achieve desired MLSS.
- To achieve waste water consumption @ 100 Litre / Ton of cane crushed there is a very good recycling system working efficiently to recycle all used water of the plant.
- To achieve zero discharge of treated effluent we are using it for Ferti- irrigation at our own agriculture land and nearby farmers. In case, if Ferti-irrigation demand is not there, then are diverting it this treated effluent to one Lagoon (cap 4500 KL). We are also recycling this treated effluent in plant for make up requirement which in turn reduces some ground water requirement.

Emission Control:-

At present we operate 4-nos. High-Pressure Boilers of capacity 80 T/hr. (1-no.), 70 T/hr (2-nos.) and 50 T/hr (1-no.). Out of these boilers there is ESP (Electro-Static-Precipitator) with 80T/hr capacity boiler; there are Wet scrubber for both 70 T /hr capacity boilers and there is Multi-cyclone for 50 T/hr capacity boiler (Wet scrubber to this boiler is under procurement). Ave. SPM level is in between 100-50 ppm.

Green - Belt:-

In view of eco-friendly steps we have developed green - belts all around our Factory, Cane Yard, Distillery and Colony as well. Apart from these Green - belts we have taken up plantation of 8708 nos. of 14 types of plant (including Eucalyptus to Sheesham & Sheesham; Neem, Bargad, Arjun to Gulmohar & Ashok and Mango & Grapes followed by different types of flowers) all around our Factory, ETP, Cane Yard, Colony, Distillery, School ground & Rail center during Financial Year 2005-06. (Ref: Letter No. 3677/ 2006 dated 25/07/2006 to D.I.C., Lakhimpur, Kheri & D.M. Lakhimpur Kheri). The plantation target is achieved more than as per letter till date. All efforts are being taken to further increase this plantation.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

The relevant data regarding the above is given in the Annexure – I hereto and forms part of this report.

Particulars of employees

As required under the provision of sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, particulars of employees are set out in the annexure to the Directors' Report. However, as per provision of Section 219 (1) (b) (iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders excluding the aforesaid information. Any shareholder desirous of obtaining the same may write to the Company Secretary at the registered office of the Company.

Fixed deposits

Fixed deposits accepted from shareholders and public stood at 16.96 million as at September 30, 2006 as against Rs. 19.86 million in the previous year. There were no unclaimed deposits as at September 30, 2006.

Directors

Mr. D.K. Shukla and Mr. I.D. Mittal, directors of the Company, will retire by rotation and being eligible, offers themselves for re-appointment.

Directors' responsibility statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, as amended, with respect to the directors' responsibility statement, it is hereby confirmed:

(i) that in preparation of accounts for the financial year ended September 30, 2006, the applicable accounting standards have been followed along with proper explanation relating to the material departures;

(ii) that the directors of the Company have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at September 30, 2006 and of the profit of the Company for the year ended September 30, 2006;

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

(iv) that the directors of the Company have prepared the accounts of the Company for the financial year ended September 30, 2006 on going concern basis.

Corporate governance

Bajaj Hindusthan has continued its quest to follow the best corporate governance practices towards building trust amongst shareholders, employees, customers, suppliers (including farmers) and diverse stakeholders on four key elements of corporate governance – transparency, fairness, disclosure and accountability.

Management discussion and analysis report forms part of this report. The report on corporate governance with separate section on shareholder's information along with the certificate from statutory auditors in this regard has also been incorporated in this Annual Report.

Auditors

M/s. Dalal & Shah, auditors of the Company will retire at the ensuing annual general meeting of the Company and are eligible for re-appointment. Shareholders are requested to re-appoint the auditors and fix their remuneration. The Company has received Government orders for conduct of the audit of cost accounts for both of its products – sugar and industrial alcohol – maintained by the Company. M/s. B.J.D. Nanabhoy & Co., Cost Accountants, Mumbai have been appointed as cost auditors to conduct the said audits. Necessary government approval in this regard is being obtained.

Industrial relations

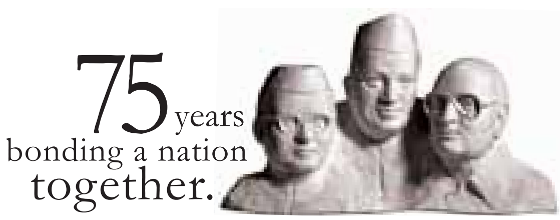
The industrial relations have been cordial at all the plants of the Company.

The directors express their appreciation of the sincere co-operation and assistance of state and central government authorities, bankers, customers and suppliers as well as all of the Company's employees.

For and on behalf of the Board of Directors

Mumbai, **SHISHIR BAJAJ**

December 28, 2006 Chairman & Managing Director



ANNEXURE-I to Directors' Report for the year ended September 30, 2006

Disclosure of particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under the Companies Act (disclosure of particulars in the report of Board of Directors) Rules, 1988

A. Conservation of energy

1. Use of Mittal's designed Molasses Cooler to bring down final molasses temperature received from Process. Therefore no deterioration in reducing sugars.
2. Use of surplus vapour condensate to heat make up DM water by PHE
3. Use of Direct Contact Heater (DCH) for heating Un-sulphured Syrup
4. Use of soft water in cooling tower for circulation water of DG sets and recycling the same.
5. Installation of VMF pumps at Spray & Pan-Quad injection pump
6. Ventilators in Power House
7. Installation of 12 MW condensing Triveni Turbine Work under process (Cogeneration)

B. Technology absorption

Efforts made in technology absorption are given in prescribed Form – B attached.

C. Foreign exchange earnings and outgo

a) Activities relating to exports; initiative taken to increase exports; development of new export markets for products and services; and export plans:

None

b) Total foreign exchange used and earned:

For the year ended September 30	2006 (Rs. Million)	2005 (Rs. Million)
Used	**265.03**	148.96
Earned	**220.06**	8.33

FORM-A

Disclosure of particulars with respect to conservation of energy (To the extent applicable)

For the year ended September 30		2006	2005
A. Power and Fuel Consumption:			
Electricity			
a) Purchased			
Unit	000 KWH	494	420
Total amount	Rs. million	1.95	1.36
Rate/Unit	Rs./KWH	3.94	3.24
b) Own generation through diesel generator			
Unit	000 KWH	8105	4870
Unit per liter of Diesel Oil	KWH/LTR	3.33	3.15
Total amount	Rs. million	80.87	39.92
Rate/Unit	Rs./KWH	9.98	8.20
c) Own generation through steam turbine			
Unit	000 KWH	2,21,719	1,08,575
Total amount	Rs. million	Not applicable, as steam is generated by use of own bagasse	Not applicable, as steam is generated by use of own bagasse
Rate/Unit	Rs./KWH		
B. Consumption per unit of production:			
Electricity (KWH/ million quintal of sugar)	Industry Standard No standard has been fixed	30.94	28.72

FORM-B

Disclosure of particulars with respect to technology absorption
(To the extent applicable)

A. Research and Development (R&D)

Under Sugarcane Research & Development, the activities of 2005-2006 were accelerated as under:

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

a) Micro propagation of sugarcane seeds through hessian bag single bud tillering process.

b) Multiple ratooning i.e. instead of one ratoon now farmers are taking 2 to 3 ratoon

c) Frontline demonstrations on various techniques of sugarcane production.

d) Bio-manure production.

e) Thermo-therapy of sugarcane through MHAT plant.

f) Multiplication of high sugared varieties.

g) Propagated drip irrigation system in sugarcane fields and produced cane 200 Tonnes/Hectare instead of 120 Tonnes/Hectare.

h) Mechanization of sugarcane planting, inter-culture operations and fertilizer application.

i) Replacement of old and deteriorating varieties with new and high yielding ones.

j) Facilitate to agricultural implements & input.

k) Where our distilleries are situated ferti-irrigation is done by treated affluent up to 20% of total affluent generated as per norms of UPPCB by laying several kilometers of underground pipe line in the fields of growers free of cost. By adopting these methods 10% additional growth of cane is achieved. This also results in additional yield of 10% to 30% without using any other fertilizers.

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

a) Increase in yield of sugarcane crop resulted in higher availability of raw materials.

b) Incidence of pest and disease minimised to produce healthy crops.

c) Several new high sugared varieties introduced and seed material reached to the farmers for seed multiplication and commercial cultivation.

d) Reduction in cost of fertilizer applications by using organic manure and bio-fertilizers to cane growers.

e) Supply of early maturing varieties increased in all the plants.

f) Number of farmers adopted improved cultural practices as a result of extension services by the Company.

g) Irrigation facilities increased in the area. (Drip irrigation promoted and accepted by farmers)

h) Minimizing wastage of water – thus saving water and electricity

3. Future plan of actions

a) Replacement of old and deteriorating varieties with new and high yielding ones.

b) Technology development for low-lying water logged area.

c) Mechanization of sugarcane planting, inter-culture operations and fertilizer application.

d) Integrated nutrient management studies.

e) Wider use of organic manure.

f) Development of drainage system for drainage of rain and flood water and rain water harvesting.

g) Rejuvenation of inter connected / link roads to better approach.

4. Expenditure on R&D

For the year ended September 30	**2006 (Rs. Million)**	2005 (Rs. Million)
a) Capital	**Nil**	Nil
b) Recurring	**Nil**	Nil
c) Total	**Nil**	Nil
d) Total R&D expenditure as a percentage of total turnover	**N.A.**	N.A.

B. Technology absorption, adaptation and innovation

1.	Efforts in brief, made towards technology absorption, adaptation and innovation	None
2.	Benefit derived as a result of the efforts	Not applicable
3.	Information regarding technology imported during the last 5 years:	
	a) Technology imported	None
	b) Year of import	Not applicable
	c) Has technology been fully absorbed	Not applicable
	d) If not fully absorbed, areas where this has not taken place, reason therefore, and future plans of action:	Not applicable

Corporate Governance Report

(Pursuant to Clause 49 of the Listing Agreement entered with the Stock Exchanges)

Corporate Governance

Company's philosophy on code of corporate governance

Right from the inception of the Bajaj Group, Bajaj family members have been practising the basic values of good corporate governance. Talking about the founder of the Bajaj Group, Shri Jamnalal Bajaj, Mahatma Gandhi once observed, "Wealthy men should become trustees of their wealth for the common good". Both the sons of Shri Jamnalal Bajaj - Shri Kamalnayan Bajaj and Shri Ramkrishna Bajaj, - lived by the philosophy and principles of fairplay throughout their lives. They became lasting sources of inspiration for their worthy successors to become similar shining examples of conduct of business in accordance with certain basic values and ethics.

We in Bajaj Hindusthan Ltd. (BHL) follow the best corporate governance practices aimed at maximising value for shareholders, while ensuring fairness to all segments of stakeholders - customers, employees, investors, vendors, state and central governments, and society at large. Ensuring total transparency in operations and inspiring the confidence and trust of stakeholders in the way we manage the company are of paramount importance to us in BHL. Both the promoters and managers at BHL constantly strive to function as sacred trustees on behalf of every shareholder, large or small. For BHL, corporate governance is basic to the corporate conduct of business. The traditional values of honesty, integrity, customer-orientation and an abiding commitment to service have struck deep roots across the organisation.

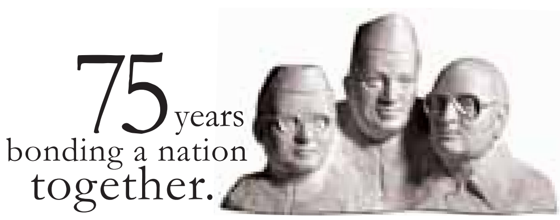
With globalisation, economies around the world are now integrating ever faster. Global capital today is free to move wherever the regulatory environment guarantees the safety and security of investments, and where the economic, political, legal, and judicial systems are stable and sound. A company that follows the highest degree of transparency and the best principles of corporate governance will therefore irresistibly attract world-class investors.

A good and visionary leadership is critical to the practice of good corporate governance. Leaders in BHL consistently strive to dare, dream big and make sacrifices. They are people of impeccable integrity who are committed to certain basic values in the management of business and are prepared to walk the talk. Good corporate governance standards have enabled BHL build and sustain its reputation for quality and also attract and retain the best and brightest talents.

Building trust and confidence requires an environment that places a high premium on ethics, fairness, transparency, courage and justice. We, at BHL encourage this. The cyclical nature of our major business is well understood by our investors. They know that there will be boom times and there will be lean times. We at BHL constantly endeavour to communicate clearly and completely with them. We strive to be open and honest with them in all our dealings.

The philosophy and practice of Corporate Governance in Bajaj Hindusthan is reflected in the following principles and policies followed by the Company management:

- Compliance beyond just the letter of the law, but reaching out to the true spirit of the law
- The protection of the rights and interests of all stakeholders



- Equality in treating all shareholders – the organisation is always keenly conscious of its role as a trustee of shareholders capital
- Transparency in all business dealings and transactions
- Timely disclosure of all relevant and accurate information
- Truthful internal and external communication
- Clear distinction between personal conveniences and corporate resources
- Strategic guidance and effective monitoring by the Board of Directors
- The accountability of the Board of Directors to the Company and its shareholders

Board of Directors

Composition

The Board of Directors consists of 8 directors. Two of the directors are executive directors, and the remaining 6 are non-executive directors. The executive directors consist of one Executive Chairman and Managing Director and one Chief Executive Director. 2 of the 8 directors belong to the promoter group, 1 executive and 1 non-executive.

According to Clause 49 of the Listing Agreement, if the Chairman is an Executive Chairman, at least half the Board should consist of non-executive directors and also at least half of the Board shall comprise of independent directors. In the case of Bajaj Hindusthan, three-fourths of its directors are non-executive. 4 out of the 6 non-executive directors are independent directors, which is equal to one-half of the total size of the Board. The Board of Directors of Bajaj Hindusthan therefore has a healthy blend of executive and non-executive directors, and consequently ensures the desired level of independence in functioning and decision-making. Moreover, all the non-executive directors are eminent professionals, and bring the wealth of their professional expertise and experience to the management of the Company (See Table 1).

TABLE 1: Composition of the Board of Directors during 2005-06

Name	Position	Age (years)	Directorship Tenure (years)	Relationship with other Director
Mr. Shishir Bajaj	Promoter/ Executive	59	20	Cousin of Mr. Niraj Bajaj
Mr. Niraj Bajaj	Promoter/ Non-Executive	52	7	Cousin of Mr. Shishir Bajaj
Mr. D. S. Mehta*	Non-Promoter/ Non-Executive	70	20	-
Mr. M. L. Apte	Independent	74	36	-
Mr. R. V. Ruia	Independent	46	5	-
Mr. D. K. Shukla	Independent (Representative for LIC)	64	7	-
Mr. Suresh A. Kotak	Independent	74	4	-
Mr. I. D. Mittal	Non-Promoter/ Executive	61	4	-

* Whole time director of Bajaj Auto Limited (A promoter group company).

During the year, the composition of the Board of Directors of the Company has remained unchanged.

Outside directorship and membership of Board Committees

Details of the number of directorships held in other public limited companies and committee positions held by Directors of Bajaj Hindusthan is summarised in Table 2.

TABLE 2: Directorship in other companies/ committee position as at September 30, 2006

Name	Directorship	Committee Membership			Committee Chairmanship		
	In all other companies	In listed public companies	In unlisted public companies	Total	In listed public companies	In unlisted public companies	Total
Mr. Shishir Bajaj	10	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Niraj Bajaj	19	1	Nil	1	Nil	Nil	Nil
Mr. D. S. Mehta	13	6	Nil	6	Nil	Nil	Nil
Mr. M. L. Apte	11	7	Nil	7	Nil	Nil	Nil
Mr. R. V. Ruia	8	Nil	Nil	Nil	Nil	Nil	Nil
Mr. Suresh A. Kotak	11	Nil	Nil	Nil	Nil	Nil	Nil
Mr. D. K. Shukla	-	Nil	Nil	Nil	Nil	Nil	Nil
Mr. I. D. Mittal	-	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

1. Private limited companies, foreign companies and companies under Section 25 have been excluded for the purposes of calculating committee position.
2. Memberships in only Audit Committee and Shareholders' Grievances Committee have been considered for committee positions as per the Listing Agreement.

None of the directors of Bajaj Hindusthan is a member in more than 10 committees and is not a Chairman in more than 5 committees across all companies in which he is a Director.

Membership term

As per statutory requirements, at least two-third of the Board should consist of retiring directors. Of these, one-third is required to retire every year by rotation and, if eligible, may seek re-appointment by shareholders. 7 out of the 8 directors of Bajaj Hindusthan are such retiring directors.

Responsibilities of the Chairman and Chief Executive

Presently, the Company has a Chairman and Managing Director – Mr. Shishir Bajaj and a Chief Executive – Mr. Kushagra Nayan Bajaj at the helm of affairs. There are clear demarcations of responsibility and authority between the two.

- The Chairman and Managing Director is responsible for monitoring Bajaj Hindusthan's core management team in transforming the Company into a global, world-class organisation. He also interacts with global thought-leaders to enhance the leadership position of Bajaj Hindusthan. As Chairman of the Board, he is also responsible for all Board matters.

- The Chief Executive is responsible for corporate strategy, brand equity, planning, external contacts and other management matters. He is also responsible for achieving the annual business plan, taking new initiatives, acquisitions and investments.

The Chairman, Chief Executive, Chief Executive Director and the senior management provide periodic reports to the Board on their responsibilities, performance and targets.

Pecuniary relationship and transactions of non-executive directors with Bajaj Hindusthan

The register of contracts maintained by the Company according to the provisions of Section 301 of the Companies Act, 1956, contains records of the transactions entered into with the above company. The register is signed by all the Directors present during the respective Board Meetings held from time to time.

Board procedures

Board Meetings

During the financial year 2005-06, the Board met 10 times. (See Table 3)

TABLE 3: Board meetings

Date of Board Meeting	Duration of gap from previous Board Meeting	Maximum gap permitted as per Clause 49
04 October 2005	36 days	120 days
25 October 2005	21 days	
12 December 2005	48 days	
20 January 2006	39 days	
20 March 2006	60 days	
21 April 2006	32 days	
02 May 2006	11 days	
17 May 2006	15 days	
21 July 2006	65 days	
04 September 2006	45 days	

The maximum time gap between any two meetings is much less compared to the mandated requirement of not more than 4 months in Clause 49. The dates of the meetings were decided well in advance.

Attendance record of directors

The details of attendance of directors out of 10 Board meetings held during the financial year 2005-06 and at the last annual general meeting held on March 28, 2006 are depicted in Table 4.

TABLE 4: Attendance record of directors during 2005-06

Name	Position	Board Meetings held	Board Meetings attended	Whether attended last AGM on March 28, 2006
Mr. Shishir Bajaj	Promoter/ Executive	10	7	Yes
Mr. Niraj Bajaj	Promoter/ Non-Executive	10	9	No
Mr. D. S. Mehta	Non-Promoter/ Non-Executive	10	7	Yes
Mr. M. L. Apte	Independent	10	10	Yes
Mr. R. V. Ruia	Independent	10	8	Yes
Mr. D. K. Shukla	Independent	10	9	Yes
Mr. Suresh A. Kotak	Independent	10	9	Yes
Mr. I. D. Mittal	Non-Promoter/ Executive	10	1	Yes

Information supplied to the Board

The Board of Bajaj Hindusthan has complete access to any information within the Company and to any employee of the Company. At the meetings, the Board is provided with all the relevant information on important matters affecting the working of the Company as well as all the related details that require deliberation by the members of the Board.

Comprehensive information regularly provided to the Board, inter alia, include:

(i) Annual operating plans, budgets and updates

(ii) Production, sales and financial performance statistics

(iii) Expansion plans, capital expenditure budgets and updates

(iv) Plantwise operational review

(v) Quarterly financial results with segmentwise information

(vi) Minutes of meetings of audit, remuneration, shareholders' and investors' grievance, and management committees as well as the abstract of the circular resolutions passed

(vii) General notices of interest

(viii) Staff matters, including senior appointments

(ix) Materially important legal proceedings by or against the Company

(x) Share transfer and dematerialisation compliance

(xi) Significant developments relating to labour relations and human resource relations

(xii) Voluntary retirement schemes

(xiii) Fatal or serious accidents or mishaps, any material effluent or pollution problems

(xiv) Details of foreign exchange exposure and steps taken by management to limit the risk of adverse rate movement

(xv) Details of acquisition plans

(xvi) Information technology strategies and related investments

(xvii) Legal compliances reporting system and

(xviii) Insider trading related disclosure procedures and such other matters.

Board Committees

Currently, the Board has 5 committees (See Table 5)

TABLE 5: Board Committees

Committee	Members (Position)
Audit Committee	Mr. R.V. Ruia, Chairman (Non-Executive, Independent) Mr. D. S. Mehta (Non-Executive)(upto 12.12.2005) Mr. Suresh A. Kotak (Non-Executive, Independent) (w.e.f 12.12.2005) Mr. D. K. Shukla (Non-Executive, Independent)
Remuneration Committee	Mr. D. S. Mehta, Chairman (Non-Executive) Mr. M. L. Apte (Non-Executive, Independent) Mr. Suresh A. Kotak (Non-Executive, Independent) Mr. D. K. Shukla (Non-Executive, Independent)
Shareholders' & Investors' Grievance Committee	Mr. R.V. Ruia, Chairman (Non-Executive, Independent) Mr. Shishir Bajaj (Chairman & Managing Director) Mr. D. S. Mehta (Non-Executive)
Share Transfer Committee	Mr. Shishir Bajaj, Chairman (Chairman & Managing Director) Mr. D. S. Mehta (Non-Executive)
Management Committee	Mr. Shishir Bajaj, Chairman (Chairman & Managing Director) Mr. D. S. Mehta (Non-Executive) Mr. I. D. Mittal (Chief Executive Director) Mr. R.V. Ruia (Non-Executive, Independent)
GDR Committee	Mr. Shishir Bajaj, Chairman (Chairman & Managing Director) Mr. Suresh A.Kotak (Non- Executive, Independent) Mr. D.K.Shukla (Non Executive, Independent) Mr. I.D.Mittal (Chief Executive Director)

The Board is responsible for the constituting, assigning, co-opting and fixing of terms of service for committee members of various committees. The Chairman of the Board, in consultation with the company secretary of the Company and the committee Chairman, determines the frequency and duration of the committee meetings. Recommendations of the committees are submitted to the full Board for approval. The quorum for meetings is either two members or one-third of the members of the committees, whichever is higher. In case all the above committees of Bajaj Hindusthan, two members constitute the quorum.

Audit Committee

Constitution and composition

The Audit Committee in Bajaj Hindusthan was constituted long back in 1989. The scope and terms of reference and working of the Audit Committee is constantly reviewed and appropriate changes are made from time to time for greater effectiveness of the committee. Presently, these confirms to the requirements of Clause 49 and Section 292A of the Companies Act, 1956.

Meetings, attendance and topics discussed

The Audit Committee met 6 times during the year on the following dates –

Date of Audit Committee Meetings	Duration of meeting
25 October 2005	25 minutes
12 December 2005	30 minutes
20 January 2006	20 minutes
20 March 2006	5 minutes
21 April 2006	30 minutes
21 July 2006	25 minutes

The attendance of each Committee Member is provided in Table 6.

TABLE 6: Attendance record at the meetings of the Audit Committee of Directors during financial year 2005-06

Name of Committee Members	Position	Meetings held	Meetings attended
Mr. R.V. Ruia, Chairman	(Non-Executive, Independent)	6	4
Mr. D. S. Mehta*	(Non-Executive)	6	2
Mr. Suresh A. Kotak**	(Non-Executive, Independent)	6	4
Mr. D. K. Shukla (Representing Life Insurance Corporation of India)	(Non-Executive, Independent)	6	6

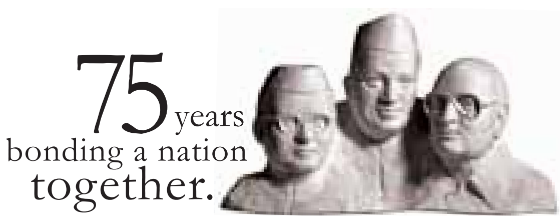
* Ceased to be a member with effect from December 12, 2005

** Appointed as a member with effect from December 12, 2005

All the above members possess sound knowledge of accounts, audit and finance.

Mr. Shishir Bajaj, Chairman and Managing Director, is a permanent invitee to the Audit Committee meetings. In addition, the head of the Finance and Internal Audit function, representatives of statutory auditors and other executives as are considered necessary, generally attended these meetings. The Company Secretary acted as the Secretary to the Audit Committee.

The term of reference of Audit Committee are quite comprehensive and include all that is mandated under Clause 49 and Section 292A of the Companies Act, 1956. The committee focused its attention on overseeing and monitoring the financial reporting system within the Company, considering quarterly, half-yearly and annual financial results of the Company and submitting its observations to the Board of Directors before its adoption by the Board, review of annual budgets, annual internal audit plans, legal compliance reporting system, implementation of the Enterprise Resource Planning (ERP) package, review of internal control system, audit methodology and process, major accounting policies and practices, compliance with accounting standards, risk management and risk disclosure policy. The Audit Committee also continued to advise the management on areas where greater internal control and internal audit focus was needed and on new areas to be taken up for audit. These were based on the Committee's discussions and review of the observations of the reports submitted by the Company's Internal Audit Department on systems and controls, cost control measures and statutory compliance in various functional areas.



Remuneration Committee

The remuneration committee was constituted in 2003 with the following terms of reference:

a. To determine the Company's policy on remuneration to executive directors and their relatives working in the Company, including pension rights and compensation payments.

b. To approve the remuneration payable to all managerial personnel (under the Companies Act, 1956) including the executive directors.

Shareholders' & Investors' Grievance Committee

The Shareholders' and Investors' Grievance Committee was constituted in 2003 by the Board for a speedy disposal of all grievance/complaints relating to shareholders/Investors. Reference to this committee has been made by SEBI in Clause 49 of the Listing Agreements.

The committee specifically looks into the redressing of shareholder and investor complaints on matters relating to transfer of shares, non-receipt of annual report, non-receipt of declared dividends etc. In addition, the committee advises on matters which can facilitate better investor services and relations.

Mr. Pradeep Parakh, Vice President & Company Secretary is designated as the compliance officer. During the year under review, complaints were received from shareholders/investors, all of which were replied/ resolved to the satisfaction of the shareholders/investors. None out of the above letters/complaints received for revalidation of dividend warrants were outstanding as at September 30, 2006.

Meetings and attendance

During the year under review, the Shareholders' & Investors' Grievance Committee met thrice. The attendance of each Committee Member is provided in Table 7.

TABLE 7: Attendance record at the meetings of the Shareholders' and Investors' Grievance Committee of Directors during financial year 2005-06 :

Name of Committee Members	Position	Meetings Held	Meetings Attended
Mr. R.V. Ruia, Chairman	(Non-Executive Independent)	3	3
Mr. Shishir Bajaj	(Chairman & Managing Director)	3	3
Mr. D.S. Mehta	(Non-Executive)	3	2

Remuneration to Directors

Remuneration of Non-executive Directors

Non-executive directors were paid a sitting fee of Rs. 4,000/- per meeting up to 15th May 2006 for every meeting of the Board or committee attended by them. With effect from 17th May 2006 the sitting fees were revised to Rs.10,000/- for every meeting of Board and Rs. 5,000/- for every meeting of committee attended by Directors. The details of sitting fee paid to non-executive directors during financial year 2005-06 are provided in Table 8.

Remuneration of Executive Directors

The executive directors – Mr. Shishir Bajaj and Mr. I. D. Mittal were paid remuneration as per their respective terms of appointment as approved by the shareholders.

On his retirement, Mr. Shishir Bajaj is entitled to superannuation benefits payable in the form of an annuity from the Life Insurance Corporation of India and these form part of the perquisites approved for him. Mr. I. D. Mittal is not entitled to superannuation benefits. No pension is paid by the Company to any of the Directors.

Bajaj Hindusthan has no stock option plans and hence, such instrument does not form part of the remuneration package payable to any executive director and/or non-executive director. During the period under review, none of the directors was paid any performance-linked incentive. The Company did not advance any loans to any of the executive and/or non-executive directors during the period under review.

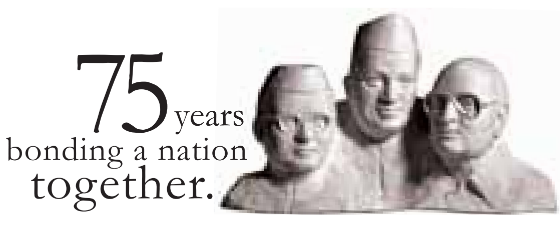
The details of remuneration paid to the directors of the Company are given in Table 8.

TABLE 8: Remuneration of Directors during financial year 2005-06 :

Name of Directors	Relationship with other directors	Salary	Commission	Sitting fees	Total	Notice period
			Rupees			
Mr. Shishir Bajaj, Chairman & Managing Director	Cousin of Mr. Niraj Bajaj	18,59,927	12,00,000	N.A.	30,59,927	NIL
Mr. Niraj Bajaj	Cousin of Mr. Shishir Bajaj	-	-	54,000	54,000	N.A.
Mr. D. S. Mehta	-	-	-	1,80,000	1,80,000	N.A.
Mr. M. L. Apte	-	-	-	58,000	58,000	N.A.
Mr. R. V. Ruia	-	-	-	2,22,000	2,22,000	N.A.
Mr. D. K. Shukla	-	-	-	91,000	91,000	N.A.
Mr. Suresh A. Kotak	-	-	-	1,03,000	1,03,000	N.A.
Mr. I. D. Mittal, Chief Executive Director	-	1,39,82,400	N.A.	N.A.	1,39,82,400	3 months

Note: The term of executive directors is for a period of 5 years from the respective date of appointment. The Company does not have any service contract with any of the directors.

Mr. Kushagra Nayan Bajaj, son of Mr. Shishir Bajaj continued as Chief Executive during the period under review. During the period under review, Mr. Kushagra Nayan Bajaj was paid Rs. 8,55,235 as salary, including monetary/ non-monetary perquisites in accordance with the terms of remuneration approved by the shareholders at the 74th annual general meeting held on March 28, 2006 and requisite approval pursuant to Section 314 of the Companies Act, 1956 has been obtained from the Central Government in this regard.



Management Discussion and Analysis

Management discussion and analysis report is given in a separate section forming part of the Directors' Report in this annual report.

Steps for Prevention of Insider Trading Practices

In compliance of the SEBI (Prevention of Insider Trading) Regulations as recently amended in 2002, the Company has issued a comprehensive set of guidelines advising and cautioning management staff and other relevant business associates on the procedure to be followed while dealing in equity shares of Bajaj Hindusthan and disclosure requirements in this regard. Company believes that 'The Code of Internal Procedure and Conduct' and 'The Code of Corporate Disclosure Policies' framed by it in this regard will help in ensuring compliance of the amended SEBI regulations.

Material Disclosures and Compliance

All material transactions entered into with related parties have been disclosed in this corporate governance report. There were no transactions of material value with related parties viz. promoters, directors or the management, their subsidiaries or relatives having potential conflict with interests of Company.

Details of Non-compliance

There were no instances of non-compliance of any matter related to the capital markets during the last three years. No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets.

Information to Shareholders

General information of shareholders' interest is set out in a separate section titled "Shareholder information".

Auditors' Certificate on Corporate Governance

The Company has obtained the certificate from the auditors of the Company regarding compliance with the provisions relating to corporate governance laid down in Clause 49 of the Listing Agreement with the stock exchanges. This certificate is annexed to the Directors' Report for the year 2005-06 and will be sent to the stock exchanges, along with the annual report to be filed by the Company.

Report on Corporate Governance

This section, read together with the information given in the sections entitled (i) Management discussion and analysis and (ii) Shareholders information constitute a detailed compliance report on corporate governance during the financial year 2005-06.

Shareholder Information

Information on general body meetings

Date, Time and Venue of 75th AGM : Friday, March 30, 2007, 11.00 A.M.
at Y.B. Chavan Centre, General Jagannath Bhosale Marg,
Mumbai - 400 021.

The last three Annual General Meetings (AGM) of the Company were held on the following date, time and venue (See Table 9).

TABLE 9 : Date, Time and Venue of Annual General Meetings held:

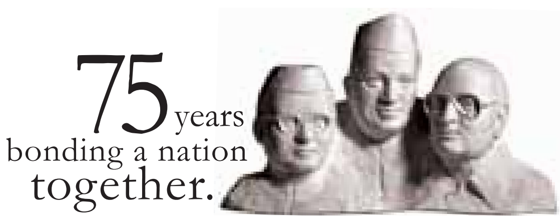
AGM	Day, Date & Time	Venue
72nd AGM	Thursday, 25th March 2004 at 11.00 A.M.	Kamalnayan Bajaj Hall, Bajaj Bhawan, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai - 400 021
73rd AGM	Thursday, 31st March 2005 at 11.00 A.M.	
74th AGM	Tuesday, 28th March 2006 at 11.00 AM	

The summary of important resolutions passed at the last Annual General Meeting and status of implementation thereof is reported below: -

Subject matter of the resolutions	Status of implementation
1. Revision in the remuneration of Mr. I D Mittal	Implemented
2. Re-appointment of Mr. Kushagra Nayan Bajaj as Chief Executive with effect from 20.08.2006, being consider as an office or place of profit pursuant to Section 314 of the Companies Act, 1956	All the formalities with regard to application to the Central Government (Ministry of Company Affairs) were complied with and approval for the same has been accorded.
3 Enhancement in the limit of Investment by FII from 49% to 75% of the paid-up capital	Implemented

Financial calendar

Financial Year 2006-07	:	October 1, 2006 to September 30, 2007
Audited Annual Results for the year ended September 30, 2006	:	December 28, 2006
Mailing of Annual Report	:	First week of March 2007
Unaudited first quarter financial results	:	Last week of January 2007
Unaudited second quarter financial results	:	Last week of April 2007
Unaudited third quarter financial results	:	Last week of July 2007



Dividend announcement

The Board of Directors of the Company has recommended a dividend of 60% (Re. 0.60 per share) on the equity share of the face value of Re. 1/- each for the financial year 2005-06, subject to approval by the shareholders of the Company at the forthcoming Annual General Meeting.

Dividend paid in the previous year was 50% (Re. 0.50 per share) on the equity share of the face value of Re. 1/- each.

Dates of book closure: March 17, 2007 to March 30, 2007 (both days inclusive)

Date of dividend payment: On or after March 30, 2007 but within the statutory time limit of 30 days

The dividend on equity shares of the Company as recommended by the Board of Directors of the Company, upon declaration by the shareholders at the forthcoming Annual General Meeting, will be paid on or after March 30, 2007 as under:

a) To all those beneficial owners in respect of the shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (India) Limited as of the close of business hours on Friday, March 16, 2007; and

b) To all those shareholders in respect of the shares held in physical form after giving effect to the valid transfers in respect of the shares lodged with the Company on or before the close of business hours on Friday, March 16, 2007.

Payment of dividend

Dividend will be paid by account payee/non-negotiable instrument or through Electronic Clearing Service (ECS) as notified by the SEBI through the stock exchanges. The Company has already written to all the shareholders setting out in detail the procedure to be followed for availing this facility, however the response was not encouraging. In view of the advantages of receiving dividend through ECS, shareholders are requested to opt for this mode. The details of action required to be taken by shareholders in this regard are outlined in the notice of the annual general meeting. For further clarifications or additional details, shareholders may please contact the Company. The declared dividend is usually paid by the Company within three working days.

Unclaimed dividends

Unclaimed dividend up to 1994-95 were transferred to the General Revenue Account of the Central Government. Those who have not encashed their dividend warrants for the period prior to and including 1994-95 are requested to claim the amount from Registrar of Companies - Maharashtra, CGO Building, 2nd Floor, "A" Wing, Opp. Police Commissioner's Office, C.B.D. Belapur, Navi Mumbai – 400 614.

In view of amended Section 205-C of the Companies Act, 1956, followed by the issue of Investor Education & Protection Fund (Awareness and Protection of Investors) Rules, any money transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to a fund called Investor Education and Protection Fund (the fund) set up by the Central Government.

Accordingly, unpaid / unclaimed dividends for the years 1997-98 and 1998-99 were transferred by the Company to the said fund in 2005 and 2006 respectively. This would be followed by the transfer of the amounts of unpaid / unclaimed dividends every year in respect of dividends for subsequent years. No claims shall lie thereafter against the fund or the Company in respect of such amounts transferred. Shareholders are therefore requested to verify their records and send claims, if any, for the relevant years from 1999-00 onwards, before the respective amounts become due for transfer to the fund. The details of unclaimed dividend are as under:-

Year	No. of shareholders	Amount (Rs.)	Due date of transfer to Investor Protection Fund
1999-2000	6277	317,819	May 14, 2007
2000-2001	4109	250,529	August 19, 2008
2001-2002	3010	275,772	March 17, 2010
2002-2003	3038	259,239	March 24, 2011
2003-2004	3467	352,885	March 30, 2012
2004-2005	3581	348,087	March 27, 2013

Information on directors being appointed/re-appointed

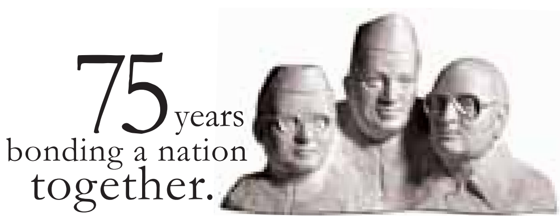
Mr. D.K. Shukla and Mr. I.D. Mittal will be retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

The brief profiles of Mr. D.K. Shukla and Mr. I.D. Mittal along with particulars of their directorship and committee memberships are as under:

Name of Director	Brief Resume & Functional Expertise	Appointment/ Re-appointment	Directorship held in other Companies	Committee positions held in other Companies
Mr. D.K. Shukla	A member of Board of Directors since 2001, serves as a representative for the Life Insurance Corporation of India (LIC) where he was previously a Director of personnel	Re-appointment on retirement by rotation	None	None
Mr. I.D. Mittal	A member of Board of Directors since 2002. Mr. Mittal has a diploma in Mechanical Engineering from Roorky University and has over 38 years of experience in India's Sugar Industry	Re-appointment on retirement by rotation	None	None

Communication to shareholders

The Company has published its quarterly, half-yearly and annual results in all the editions of The Economic Times (English) and Maharashtra Times (vernacular), Mumbai. Quarterly results were sent to the Stock Exchanges immediately after the Board approved them. The financial results and other relevant information are regularly and promptly updated on the web site of the Company www.bajajhindusthan.com. The half-yearly report on financial and other operational performance was sent to each household of shareholders.



The Company also files the following information on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by the National Informatics Centre (NIC), online as stipulated by SEBI:

a) Full version of the annual report including the Balance Sheet, the Profit and Loss Account, the Directors' Report and Auditors' Report, cash flow statement and quarterly financial results including segmentwise results.

b) Corporate governance report

c) Shareholding pattern statement

Share transfer

The power to approve share transfer/transmission as well as the dematerialisation/ rematerialisation has been delegated to Mr. Shishir Bajaj, Chairman & Managing Director and in his absence to Mr. D. S. Mehta, Director of the Company. All physical transfers as well as requests for dematerialisation/ rematerialisation are processed in fortnightly cycles.

Messrs Sharepro Services, as the registrars and share transfer agents of Bajaj Hindusthan, handle all share transfers and related processes. They provide the entire range of services to the shareholders of the Company relating to share transfer, change of address or mandate, and dividend. The electronic connectivity with both the depositories - National Securities Depository Limited and Central Depository Services (India) Limited – is also handled by M/s. Sharepro Services.

Registrar and Transfer Agent

Bajaj Hindusthan has appointed M/s. Sharepro Services as its registrar or share transfer agent. All work relating to physical transfer, transmission, splitting of share certificates, dematerialisation and rematerialisation is done by the share transfer agent.

Share transfer system

Share transfers received by the Company are registered within 15 days from the date of receipt in most of the cases, provided the documents are complete in all respects.

The numbers of shares transferred in physical category during the year 2005-06 was 42,930 as compared to 3,44,790 shares in 2004-05.

Dematerialisation of shares

During the year 2005-06 a total shares of 7,57,602 were dematerialised as compared to 37,57,599 shares during the year 2004-05. The distribution of shares in physical and electronic modes as at September 30, 2006 and September 30, 2005 (See Table 10).

TABLE 10: Shares held in physical and electronic mode :

Categories	Position as at September 30, 2006		Position as at September 30, 2005		New Equity Shares issued during the year consequent to GDR and FCCB Issue		Shares Dematerialised during financial year 2005-06	
	No. of Shares	% to total shareholding	No. of Shares	% to total shareholding	No. of Shares	% to total shareholding	No. of Shares	% to total shareholding
Physical	48528044	34.32	53218456	45.75	18500000	73.78	23190412	16.40
Demat:								
NSDL	89913009	63.58	61885022	53.20	6573400	26.22	21454587	15.17
CDSL	2966058	2.10	1230233	1.05	Nil	Nil	1735825	1.23
Sub-total	92879067	65.68	63115255	54.25	6573400	26.22	23190412	16.40
Total	**141407111**	**100.00**	**116333711**	**100.00**	**25073400**	**100**	**-**	**-**

Listing on stock exchanges and stock codes

The Company's equity shares are listed and traded on the following stock exchanges:

Name	Address	Stock Code	Reuters Code
Bombay Stock Exchange Ltd. (BSE)	1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	500032	BJHN.BO
The National Stock Exchange of India Ltd. (NSE)	Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai 400 051	BAJAJHIND	BJHN.NS

The ISIN Number of Company's Equity Shares (of face value of Re.1/- per share) for NSDL & CDSL: INE306A01021

The Company's GDRs and Foreign Currency Convertible Bonds (FCCBs) are listed and traded on the following stock exchanges:

Name	Address	Stock Code
Bourse de Luxembourg	BP 165 L-2011 Luxembourg Seige social 11, avenue de la Porte – Neuve	GDR: US05710P2039 Bonds: USY0547CAA46
London Stock Exchange	10 Patemoster Square London EC4M 7LS	GDR: US05710P4019

Company has paid listing fees for the Financial Year 2005-06 to all the stock exchanges where its securities are listed.

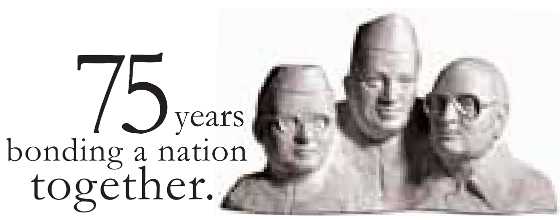
Market price data

Equity Shares

The details of high/low market price of the equity shares of the Company at Bombay Stock Exchange Ltd., Mumbai and at The National Stock Exchange of India Limited during the last financial year are provided hereunder (See Table 11).

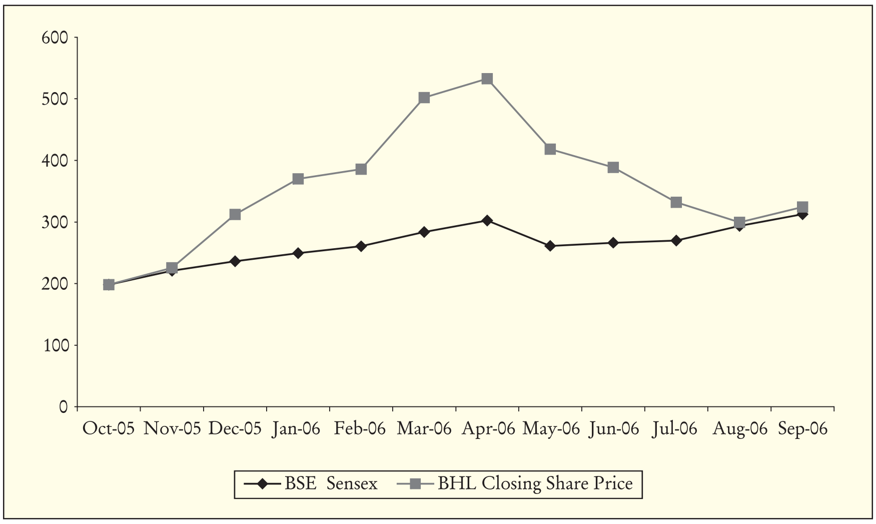
TABLE 11: Monthly high/low Market Price of Equity Shares of Bajaj Hindusthan during financial year 2005-06:

Month	Quotation at Bombay Stock Exchange Ltd., Mumbai (BSE)			Quotation at National Stock Exchange (NSE)		
	HIGH FV Re.1	LOW FV Re.1	CLOSING FV Re.1	HIGH FV Re.1	LOW FV Re.1	CLOSING FV Re.1
Oct-2005	227.35	180.10	198.30	228.10	181.20	197.15
Nov-2005	232.50	195.00	225.85	233.00	195.00	227.30
Dec-2005	316.00	219.00	312.25	340.00	218.60	312.25
Jan-2006	401.25	300.00	370.20	395.00	308.50	370.25
Feb-2006	404.90	351.00	385.85	404.95	350.00	385.55
Mar-2006	514.20	384.00	501.95	514.60	384.10	504.45
Apr-2006	568.80	476.00	532.70	569.90	450.00	534.50
May-2006	551.90	355.50	418.10	551.95	354.90	423.35
Jun-2006	463.50	240.55	388.75	467.00	240.10	392.60
Jul –2006	417.00	329.05	332.20	415.00	330.00	332.10
Aug-2006	405.00	298.00	299.65	404.80	298.25	300.30
Sep-2006	345.00	259.00	324.55	344.50	293.05	324.10



The comparable movements of Bajaj Hindusthan's shares against the broad based namely BSE Sensex, during the year ended September 30, 2006 is depicted in Chart A.

CHART A: Relative Performance of Bajaj Hindusthan's shares versus BSE Sensex:



Distribution of shareholding

The shareholding distribution as at September 30, 2006 (See Table 12)

TABLE 12: Shareholding distribution as at September 30, 2006:

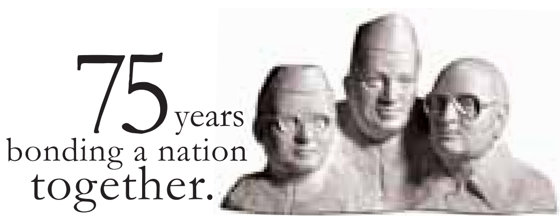
Category	No. of Folios	%	No. of Shares	% of Capital
Less than 1000	58075	95.71	6829641	4.83
1001 to 2000	1094	1.80	1667562	1.18
2001 to 3000	402	0.66	1033189	0.73
3001 to 4000	182	0.30	645264	.0.46
4001 to 5000	161	0.27	761682	0.54
5001 to 10000	279	0.46	2071083	1.46
10001 and above	483	0.80	128398690	90.80
TOTAL	**60676**	**100.00**	**141407111**	**100.00**

Shareholding pattern

Table 13 gives the shareholding pattern of the Company as at September 30, 2006.

TABLE 13: Shareholding pattern as at September 30, 2006:

Category	No. of Shares	Percentage	Total No. of Shares	Percentage
A. Promoters' Holding				
1. Indian Promoters			5,33,23,532	37.71
Bachharaj & Company Limited	3,46,96,250	24.54		
Bajaj Auto Limited	85,60,532	6.05		
Jamnalal Sons Private Limited	51,93,590	3.67		
Employees Welfare Funds of Bajaj Group Companies	18,78,570	1.33		
Family Holdings	29,94,590	2.12		
2. Foreign Promoters			—	—
Sub-Total			5,33,23,532	37.71
B. Non-Promoters' Holding				
1. Institutional Investors			4,26,25,314	30.14
Janus Overseas Fund	58,07,259	4.11		
Citibank N.A. New York NYADR Department (GDR)	41,76,898	2.95		
Life Insurance Corporation of India	29,57,632	2.09		
Deutsche Securities Mauritius Limited	28,80,549	2.04		
Janus Mercury Fund	22,18,943	1.57		
Morgan Stanley and Co. International Co. Ltd.	22,06,376	1.56		
International Growth Portfolio	22,02,743	1.56		
HSBC Global Investments Funds Mauritius Ltd.	14,47,677	1.02		
Others	1,87,27,237	13.24		
2. Others – Indian			4,45,77,766	31.53
Maharashtra Scooters Limited	12,55,000	0.89		
Pittie Group	66,11,400	4.67		
Others	3,67,11,366	25.96		
3. NRIs/OCBs			8,77,898	0.62
Sub-Total				
GRAND TOTAL			**14,14,07,111**	**100.00**



Investor services

The Company under the overall supervision of Mr. Pradeep Parakh, Vice President & Company Secretary is committed to provide efficient and timely services to its shareholders. Till July 2004 all the share transfers and related process were being conducted in-house. Since August 2004, the Company has appointed M/s. Sharepro Services as its registrars and share transfer agents for rendering the entire range of services to the shareholders of the Company to provide the entire range of services in regard to share transfer, change of address, change of mandate, dividend etc. The electronic connectivity with both the depositories - National Securities Depository Limited and Central Depository Services (India) Limited – was also shifted to M/s. Sharepro Services as against the earlier arrangements made with the connectivity by group company Bajaj Auto Limited with these depositories.

Outstanding GDRs or warrants or any convertible instrument, conversion dates and likely impact on equity

Pursuant to resolution passed by the members in 73rd Annual General Meeting, the Company come out with its first issue of Global Depository Receipts (GDRs) of USD 60 Millions and Foreign Currency Convertible Bonds (FCCBs) of USD 50 Millions. Company came out with its second issue in February 2006 of Global Depository Receipts (GDRs) of USD 150.220 Millions and Foreign Currency Convertible Bonds (FCCBs) of USD 120 Millions.

During the year under review Company has received conversion notice from holders of FCCBs for converting FCCBs into Shares / GDRs as per terms and conditions of FCCBs. The details of GDRs/ FCCBs issued and converted during the financial year and outstanding as on September 30, 2006 are given in Table 14 and 15 respectively.

TABLE 14: GDRs issued and converted into equity shares during 2005-06 and outstanding as at September 30, 2006:

Particulars	Nos.
Outstanding GDRs as on September 30, 2005	1390890
GDRs issued during the year	18500000
GDRs issued upon conversion of FCCBs	Nil
Total GDRs Issued	19890890
GDRs converted into shares during the year	15713992
Outstanding GDRs as on September 30, 2006	**4176898**

TABLE 15: FCCBs issued and converted into shares/ GDRs during 2005-06 and outstanding as at September 30, 2006:

Particulars	Value of Bonds in US$	Nos.
Outstanding FCCBs as on September 30, 2006	22200000	22200
FCCBs issued during the year	120000000	120000
Total FCCBs issued	**142200000**	**142200**
FCCBs converted into GDRs	NIL	NIL
FCCBs converted into Shares	22700000	22700
Total FCCBs converted into GDRs/ shares during the year	22700000	22700
Outstanding FCCBs as on September 30, 2006	**119500000**	**119500**

Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of death of all the registered shareholder/s. The prescribed form for such nomination can be obtained from the Company. Nomination facility in respect of shares held in electronic form is also available with depository participant (DP) as per the bye-laws and business rules applicable to NSDL and CDSL.

Plant locations

Sugar Mills

1. Golagokarannath, District Lakhimpur Kheri, Uttar Pradesh
2. Palia Kalan, District Lakhimpur Kheri, Uttar Pradesh
3. Kinauni, District Meerut, Uttar Pradesh
4. Thana Bhawan, District Muzaffarnagar, Uttar Pradesh
5. Budhana, District Muzaffarnagar, Uttar Pradesh
6. Bilai, District Bijnor, Uttar Pradesh

Distillery

1. Golagokarannath, District Lakhimpur Kheri, Uttar Pradesh
2. Palia Kalan, District Lakhimpur Kheri, Uttar Pradesh
3. Kinauni, District Meerut, Uttar Pradesh

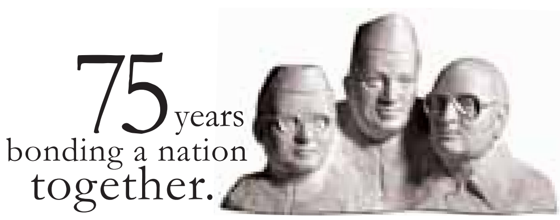
Address for correspondence

Investors and shareholders can correspond with

1) The Company at the following address:
   Secretarial Department
   Bajaj Hindusthan Limited
   Bajaj Bhawan, 2nd Floor, Jamnalal Bajaj Marg, 226 Nariman Point, Mumbai - 400 021
   Tel: (9122) 22049056 • Fax: (9122) 22048681
   E-mail: investors@bajajhindusthan.com • Website: www.bajajhindusthan.com
   AND/OR

2) The Registrars and Share Transfer Agents of the Company – M/s. Sharepro Services at their following address:-

By Post/ Courier/ Hand Delivery	By Hand Delivery
M/s Sharepro Services	M/s Sharepro Services
Unit : Bajaj Hindusthan Limited	Unit : Bajaj Hindusthan Limited
Satam Estate, 3rd Floor, Above Bank of Baroda	912 Raheja Centre
Cardinal Gracious Road, Chakala,	Free Press Journal Road
Andheri (East), Mumbai – 400 099	Nariman Point, Mumbai – 400 021
Tel. No.: 022 2821 5168, 2832 9828, 2821 5991,	Tel. No.: 022 22881568/ 69, 2282 5163, 2288 4527
2834 7719, 2834 8218	Fax No.: 022 2282 5484
Fax No.: 022 2837 5646 Email: sharepro@vsnl.com	Email: sharepro_services@roltanet.com



Certificate

To the Members of

BAJAJ HINDUSTHAN LIMITED
MUMBAI

We have examined the compliance of the conditions of Corporate Governance by BAJAJ HINDUSTHAN LIMITED for the year ended 30th September 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company, with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we state that, based on the records maintained by the Company, there were no investor grievances remaining unattended/pending for more than 30 days as on 30th September, 2006.

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

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner
Membership No.37310

Mumbai,

December 28, 2006

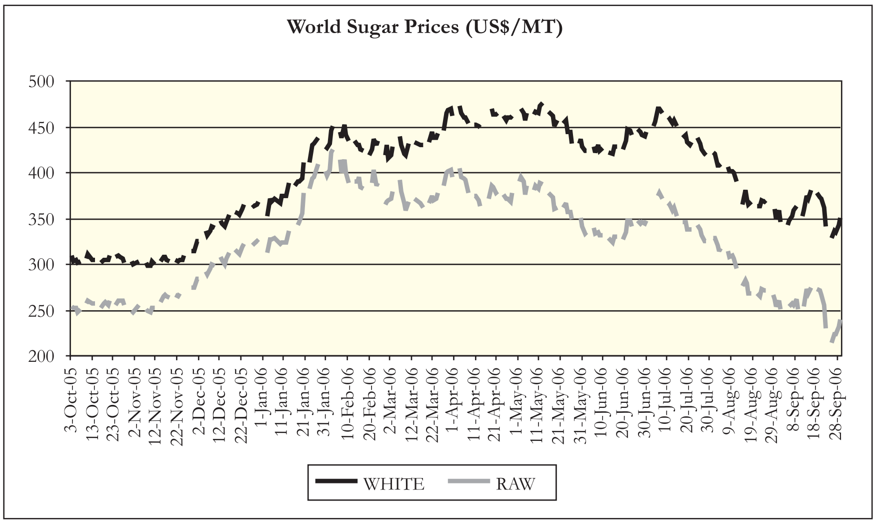
Management Discussion and Analysis

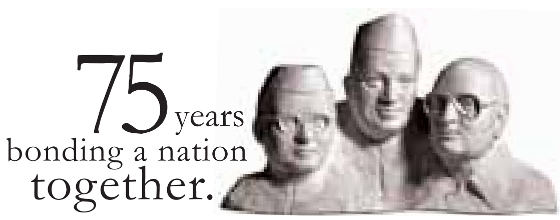
I. Global Scenario – From Euphoria to Reality

The calendar year 2006 can be clearly characterised in two halves. The first six months from October to March was marked by firm sugar prices and the ethanol euphoria. This very rapidly deteriorated with falling sugar prices and the confirmation that after six years there would be a sugar surplus mainly driven by production increases in Brazil and India, two of the largest producers of sugar.

In the initial half of the year, domestic ethanol prices in Brazil soared due to non-availability. The attractive prices prompted sugar producers to advance their crushing by over two months in order to take advantage of the ethanol prices. As the domestic ethanol prices softened, Brazil started using more of its cane for sugar manufacture. This was also prompted by the decline in mandatory blending from 25% to 20%. This resulted in increased supply of raws causing an accelerated decline in raw prices. On the other hand, the decline of EU white exports in the traded sugar market caused white prices to remain very firm and the raw-white premiums soared to unsustainable levels of over US$130/MT.

The situation corrected itself quite quickly with a downward correction in white prices and a marginal rise in raw prices. The initial euphoria had ended and the reality of surplus sugar has dawned.



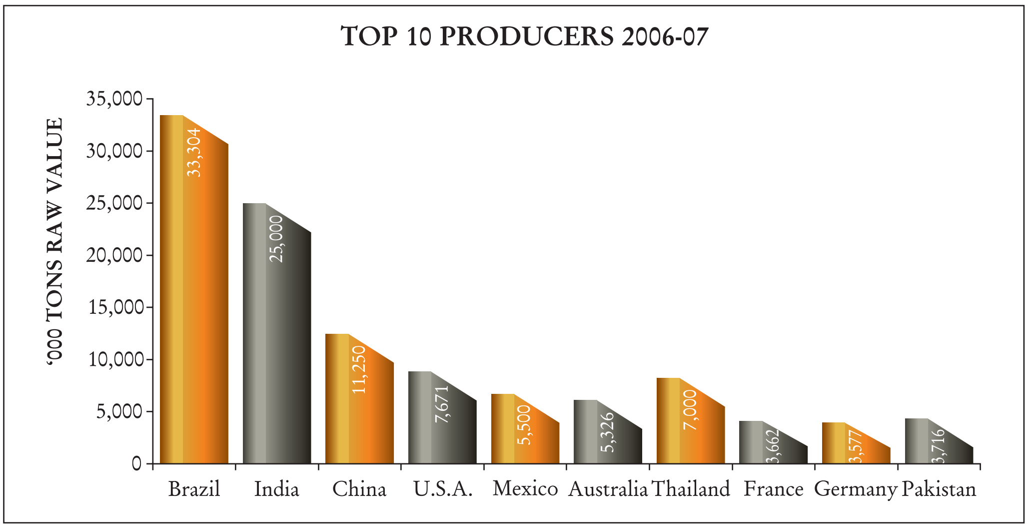


Further, it is for the first time in over a decade that the world is experiencing concurrent peak production by most of the top sugar production countries with the exception of Australia and the EU countries.

(Million Tonnes Raw Value)

Country	2006-07 E Production	% of Total	2005-06 Production	% of Total	Growth %
Brazil	33,303.6	20.8%	31,103.2	20.6%	7.1%
India	25,000.0	15.6%	20,870.0	13.8%	19.8%
China	11,250.2	7.0%	9,582.6	6.3%	17.4%
U.S.A.	7,671.0	4.8%	6,740.0	4.5%	13.8%
Mexico	5,500.0	3.4%	5,467.8	3.6%	0.6%
Australia	5,326.4	3.3%	6,436.7	4.3%	-17.2%
Thailand	7,000.0	4.4%	5,160.0	3.4%	35.7%
France	3,662.0	2.3%	4,549.0	3.0%	-19.5%
Germany	3,577.0	2.2%	4,400.0	2.9%	-18.7%
Pakistan	3,716.0	2.3%	2,823.0	1.9%	31.6%
Russia	3,291.2	2.1%	2,788.5	1.8%	18.0%
Indonesia	2,590.9	1.6%	2,489.1	1.6%	4.1%
South Africa	2,469.0	1.5%	2,396.7	1.6%	3.0%
Columbia	2,394.7	1.5%	2,378.5	1.6%	0.7%
Turkey	2,181.0	1.4%	2,238.1	1.5%	-2.6%
Others	41,074.9	25.7%	41,736.9	27.6%	-1.6%
WORLD TOTAL	**160,007.9**	**100.0%**	**151,160.1**	**100.0%**	**5.9%**

Source: F.O. Licht's International Sugar and Sweetener Report



The following table illustrates the world sugar balance

WORLD SUGAR BALANCE

OCTOBER/SEPTEMBER

(Million Tonnes Raw Value)

	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02	2000/01
Opening Stocks	64.19	60.14	66.53	67.88	58.88	58.86	58.33
Production	160.01	151.16	140.91	143.56	150.40	138.29	132.99
Imports	48.09	51.97	50.67	49.00	48.18	44.94	43.98
Consumption	148.28	145.40	144.14	141.48	139.78	134.47	131.08
Exports	51.36	53.68	53.83	52.43	49.80	48.73	45.35
Closing Stocks	72.64	64.19	60.14	66.53	67.88	58.88	58.86
Stocks as % of Consumption	48.99%	44.14%	41.72%	47.02%	48.56%	43.79%	44.90%

Source: F.O. Licht's International Sugar and Sweetener Report

It is noteworthy that world production has increased by a phenomenal 10.2 million tonnes in 2005/06 and is further expected to increase by another 8.8 million tonnes in 2006/07. Naturally, the world stock to consumption ratio is expected to increase sharply to the level in 2002/03. This will be a dampener to any sharp increase in sugar prices over the next year or so.

On the consumption front, it has long been recognised by economists that the following factors are the key determinants:

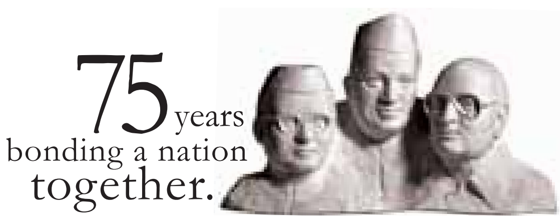
a. population growth
b. per capita incomes
c. sugar price and alternative sweeteners
d. availability
e. consumer preferences
f. technological advances and
g. government policies

Population growth and per capita incomes are the most important determinants and calculations have shown that population growth explains almost 85% of the increase in off take.

Consumption has shown different patterns in the developing and the developed world. In several developed economies, per capita uptake has already ceased due to availability of alternative sweeteners, fears that sugar consumption is deleterious to health and changes in lifestyles.

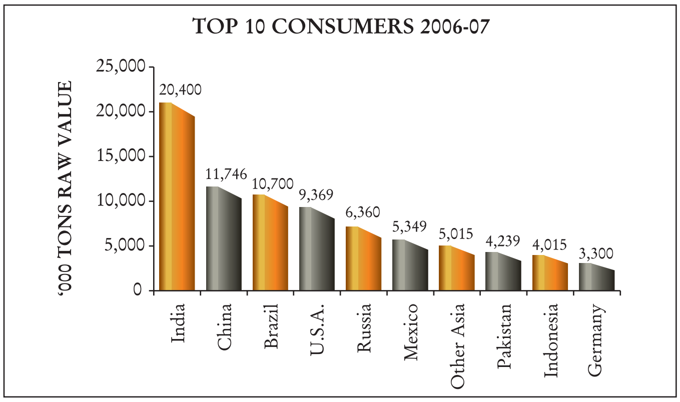
On the other hand, sugar has continued to be a controlled and hence subsidised staple food in many economies. In such countries, very high per capita usage levels have been registered. Amongst the developing nations, demand patterns have reflected the economic progress and improving standard of living.

In the EU 25 group, consumption has grown by around 1% with periods of declines as well. Russia is the main consumer in the non-EU group and accounts for almost half of the consumption in this region. Africa continues to have the lowest per capita consumption and it is only in the recent past that there has been some signs of improvement. North and Central American consumption is dominated by the USA and Mexico. The demand in the USA is



saturated and is in fact declining with increased usage of High Fructose Corn Syrup (HFCS). About 60% of south American consumption is accounted by Brazil where consumption has grown by 3% per annum. Argentina and Columbia the other large Latin American markets have shown volatile patterns.

Asia is the mainstay of world sugar consumption even though per capita consumption has increased only by 1.6% CAGR over the past decade. In absolute terms the increase is 2.8% confirming the fact that population rise has had a predominant role to play rather than changes in dietary habits.



India the largest consumer of sugar is witnessing a healthy 4% growth while growth has recently exploded in China. However, the Chinese market is very price sensitive and sustained growth of a million tonnes per annum may be premature as the Chinese will replace sugar with starch based sweeteners due to its availability and attractive price. Pakistan, Indonesia and Thailand account for the other major Asian users. Pakistan has witnessed a growth of over 3.3% in consumption while there has been a decline in Japan.

Irrefutably, Asia will drive global sugar consumption and the world's most populous nations viz. China and India will be the fulcrum of world sugar consumption.

The following table details expected global consumption patterns:

World Sugar Consumption ('000 T Raw Value)				
Region	**2006**	**2010**	**2015**	**2020**
European Union	17,751	17,870	17,920	17,980
Russia	6,360	6,121	5,821	5,535
Ukraine	2,277	2,224	2,169	2,115
Turkey	2,046	1,954	1,948	1,942
Other Non EU Europe	2,901	3,333	3,735	4,129
TOTAL EUROPE	**31,335**	**31,502**	**31,593**	**31,701**
Africa	13,840	15,505	17,407	19,309
USA	9,369	9,331	9,480	9,628
Mexico	5,349	5,583	5,864	6,084
Other North and Central America	4,571	5,649	6,531	7,474
TOTAL N & C AMERICA	**19,289**	**20,563**	**21,875**	**23,186**
Brazil	10,700	11,577	12,622	13,667
Other South America	6,757	7,297	7,859	8,421
TOTAL SOUTH AMERICA	**17,457**	**18,874**	**20,481**	**22,088**
India	20,400	23,102	26,006	28,910
China	11,746	13,819	16,130	18,441
Pakistan	4,239	4,894	5,594	6,295
Indonesia	4,015	4,483	4,979	5,475
Japan	2,326	2,307	2,243	2,178
Thailand	2,199	2,457	2,729	3,002
Iran	2,120	2,234	2,394	2,553
Other Asia	14,882	16,253	17,821	19,389
TOTAL ASIA	**61,926**	**69,549**	**77,896**	**86,243**
OCEANIA	**1,553**	**1,696**	**1,859**	**2,023**
WORLD TOTAL	**145,400**	**157,689**	**171,111**	**184,550**

Source: F.O. Licht's International Sugar and Sweetener Report

What does all this mean for the global sugar industry structure and prices?

In order to fully comprehend the dynamics and to speculate on what lies in the future, one has to understand the structural developments and the permanent changes that have happened to the sugar industry.

Future price behaviour and trade will be driven by:

a. The demise of the EU as a sugar exporter

b. Supply side concentration and

c. Ethanol

Sugar is one of the most volatile commodities in the world characterised by long troughs followed by short sharp peaks. The nature of assets and perennial nature of sugarcane prevented quick response to changes in international prices. This factor remains. Political factors were another major influence that prevented global changes from percolating through the system. What has changed since then is that since the last price boom in 1980s there have been no major rallies. The reason for this stable behaviour is the collapse of the Soviet Union and the dissolution of the Comecon which made Cuba a virtual non-entity in the world sugar trade. Further, from 1986, agricultural products came within the ambit of General Agreement on Tariffs and Trade (GATT) with commitments on market access, domestic support and export subsidies.

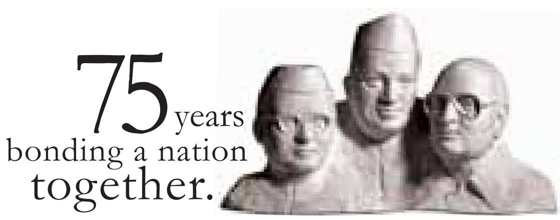
Liberalisation processes have accelerated around the world since the 90s and both sugar producers and consumers have become more exposed to world market values. The current reality is to hold surpluses when returns do not cover production costs. This singular factor has led to a high degree of price stability.

The emergence of sugar substitutes in developed economies and health related consumption worries have had their say as well. Asia which is mainly a developing region has become the mainstay of global sugar and the remarkable speed of production responses to price changes has also lent its mite towards providing price stability.

The EU sugar reform process is the biggest structural change in the global sugar market. The WTO panel ruling limiting EU exports to 1.4 million tonnes is a key development. The EU aim is to limit production to its own demand i.e. around 16 million tonnes. This would mean that EU white exports of 5-6 million tonnes would reduce to almost zero by 2010. This will immediately impact white prices, cause increased volatility and have an impact on the white premiums. White premiums which reflected production surpluses and price protection would now be ruled by refining costs and the era of destination refineries is soon emerging. It is a foregone conclusion that Brazil will fill a substantial part of the gap left by the EU. The ability to supply the world and its already dominant position in the global trade makes Brazil the most important from a supply side perspective and Asia the key to supporting demand. It is therefore, reasonable to conclude that trough prices will be determined by the Brazilian cost of production, the behaviour of the Real vis-à-vis the US Dollar.

To add to the complexity is the emergence of ethanol as a permanent competitor against sugar for the same raw material sugarcane. Rising oil prices, the geo-political situation of the oil producing nations and the need for mitigating energy risks have prompted several governments to promote bio-fuels usage in a big way. It is even politically beneficial as it provides support to domestic agriculture and has environmental implications. Brazil and the USA lead in the usage of ethanol as an automotive fuel and the success of the Brazilian blending programme is well documented.

This has prompted a frenzy of expansions in ethanol production in Brazil as well as the USA wherein corn is the raw material. Brazil as the largest producer, user and exporter of ethanol holds the key. The ethanol angle has provided flexibility to Brazilian producers and the ability to switch from sugar to ethanol and vice versa has added



another dimension. In fact these are countercyclical thereby adds substantial stability to prices of both as production responses of both would be very quick to any change in global prices. Thus, sugar price peaks as seen in the mid-1970s are a thing of the past.

Sugar prices are being inextricably linked to oil prices. On the one hand, ethanol would protect against a price collapse unless oil prices plunge and if they do, sugar prices would have prolonged periods of weakness till readjustments on the production side come into play and demand starts to provide support on a global basis.

II. Indian Scenario – Mirrors Global Sentiments

Demand-Supply Balance

The domestic scenario too has mirrored the global sentiments starting with euphoria and sinking down to despair due to a variety of reasons. Primary amongst them is the strong crop recovery and the expected bumper production at around 23 million tonnes in 2006-07. Further, the government imposed ban on exports since June 2006 has caused irreparable damage to the industry with sharply declining prices during the latter half of the year.

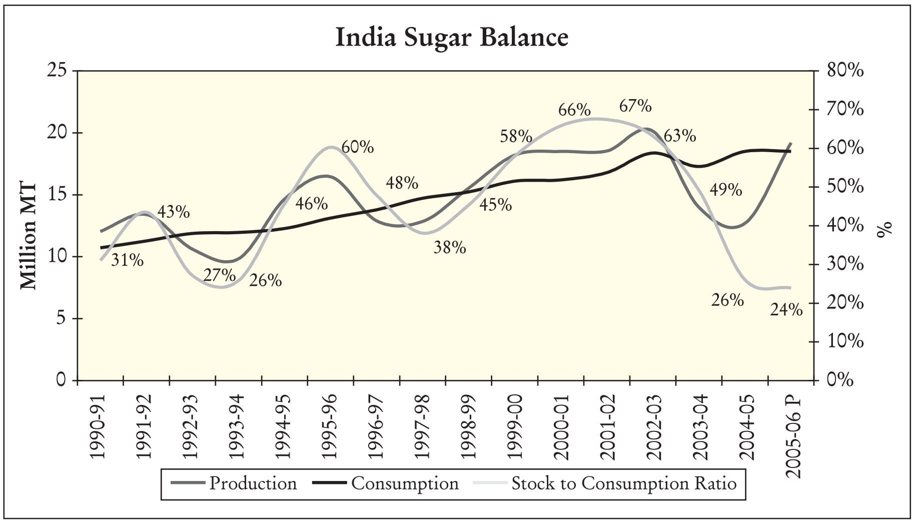
After two consecutive years of low sugar production, sugar prices had increased and India continued to draw down on its inventories. Increased sugar prices meant timely payment to farmers and the attractive remuneration for cane prompted increased planting and sugar production jumped 51% to 19.2 million tonnes in 2005-06 compared to 12.7 million tonnes in 2004-05. The increase of 6.5 million tonnes is also the highest ever recorded in any single year in India. The maximum increase was recorded by Maharashtra as indicated in the table below. Maharashtra and Uttar Pradesh together accounted for 57% of the total sugar production in India.

What is pertinent is that the increase was due to much higher conversion of sugarcane to sugar and relatively lower diversion to artisan sugars viz. gur and jaggery. Area under cane increased only by 16% from 3.66 million hectares in 2004-05 to 4.25 million hectares in 2005-06. Here again increase was mainly in Maharashtra and Uttar Pradesh.

Statewise Production of Sugar ('000 Tonnes)

States	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Uttar Pradesh	4,084	3,922	3,729	4,555	4,755	5,260	5,651	4,551	5,037	5,784
Maharashtra	3,445	3,847	5,338	6,503	6,705	5,613	6,219	3,175	2,217	5,197
Tamil Nadu	1,050	1,229	1,730	1,720	1,781	1,839	1,644	941	1,126	2,100
Gujarat	967	889	1,025	1,141	1,073	1,055	1,252	1,066	797	1,168
Karnataka	871	959	1,372	1,576	1,605	1,550	1,868	1,116	1,040	1,950
Andhra Pradesh	772	782	1,113	1,182	1,022	1,048	1,210	886	982	1,236
Punjab	613	331	311	421	496	593	586	390	315	338
Haryana	490	382	403	477	586	624	635	582	400	409
Bihar	362	297	258	368	288	342	408	274	254	422
Madhya Pradesh	86	68	82	103	93	73	71	110	82	112
Uttaranchal	-	-	-	-	-	444	498	387	381	426
Others (Assam, Kerala, Orissa, Rajasthan, etc.)	165	149	178	154	115	86	98	68	60	58
Total	**12,905**	**12,855**	**15,539**	**18,200**	**18,519**	**18,527**	**20,140**	**13,546**	**12,691**	**19,200**

The following chart indicates the sugar balance in India.

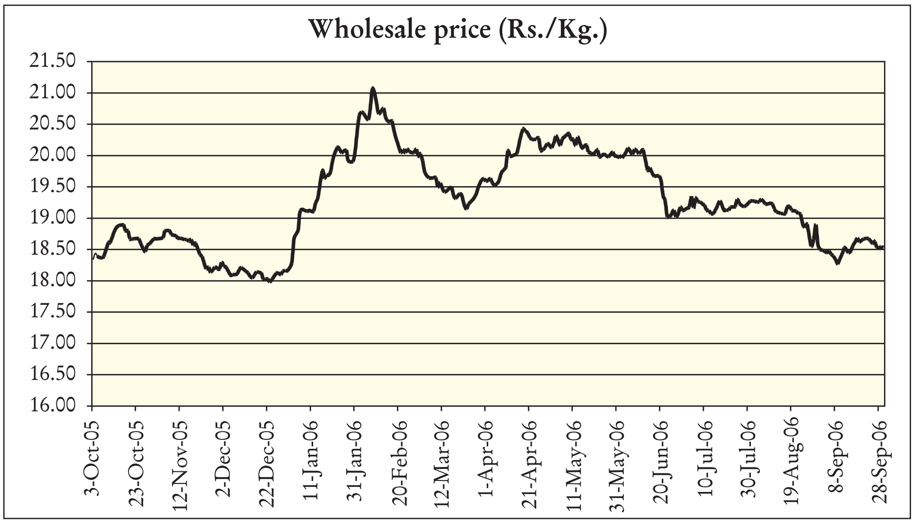


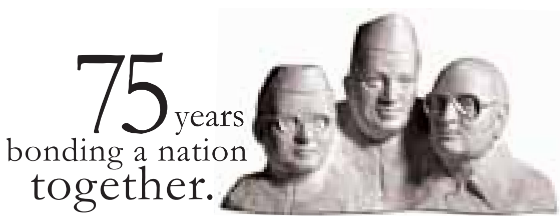
Source: ISMA

The substantial increase in sugar production enabled India export around 1.1 million tonnes which largely helped maintain the balance. These exports were done primarily by coast based sugar mills under their Advance Licence Scheme (ALS) obligations. With the exports and consumption at 18.5 million tonnes, the stock to consumption ratio declined marginally from 26% in 2004-05 to 24% during 2005-06. This is the optimum level. Any further increase would have a deleterious impact on sugar prices.

Sugar Prices

The demand-supply balance translated into stable wholesale sugar prices during the first half of the year at around Rs. 18.50 per kilogram (Delhi). Prices increased to Rs. 21 per kilogram by February 2006 and remained at these levels till May 2006. The Central Government fearing further price spirals and in a bid to reign in inflation (sugar has a disproportionate weight in the wholesale price index at 3.63) imposed a ban on sugar exports in June 2006 and at the same time allowed duty free imports of white sugar. This acted as an effective dampener and prices started declining steadily thereafter and receded back to Rs. 18.5 per kilogram. The wholesale price behaviour is indicated in the chart below.





Wholesale sugar prices have weakened even further since September 2006 and are currently ruling at around Rs. 15.5 per kilogram. In Maharashtra prices are even lower and are at around Rs. 13.5 per kilogram. At this price, most of the mills would incur cash losses.

Sugarcane prices

While sugar prices were remunerative, sugarcane costs especially for Uttar Pradesh based sugar mills increased substantially. SAP for 2004-05 was Rs. 1,070 per tonne which increased to Rs. 1,150 per tonne for 2005-06 and Rs. 1,250 per tonne for 2006-07. However, with large capacity augmentation especially by the Company and other West UP based mills, there was apprehension about adequate availability of cane. Fearing paucity, sugar mills not only commenced crushing a month early but also started paying incentives to farmers to source cane. This had two severe implications. Sugar recovery declined to below 10% as a result of crushing immature cane further effective cane cost increased to over Rs. 1,250 per tonne. Thus, at an effective recovery of say 9.5%, the cost of cane translated to Rs. 13.15 per kilogram of sugar. Coupled with decline in average realisations post the imposition of the export ban, margins of sugar companies were inexorably squeezed.

Impact of the export ban

The imposition of the export ban has caused irreparable damage to the domestic sugar industry. Sugar producers have completely lost out on the opportunity to take advantage of the rise in international prices during the period June to August 2006 wherein international prices were ruling at over US$ 410 per MT. The ban has resulted in a lost opportunity and at the same time pushed domestic prices to levels where most of the industry would incur losses. At current international price of US$ 340 per MT, it does not make much economic sense to export. Considering the fact that India had the capability to export around 2 million tonnes the notional loss to the industry is US$140 million i.e. Rs. 6.3 billion. Especially at a time when the industry is reviving and showing signs of consolidation, this is a very major setback.

Prospects

While 2005-06 saw the rebound of cane crop and increased sugar production, it also meant additional planting. With crushing capacity augmentation especially in Uttar Pradesh and the revival of most of the mills in the co-operative sector, India is likely to reach a historic peak production of 22.5 to 23 million tonnes in 2006-07 driven by Maharashtra and Uttar Pradesh each at around 7 million tonnes. With consumption at around 19.5 million tonnes, India is likely to add around 2.5 million tonnes to inventory after considering exports of 1 million tonnes under the ALS commitment. Given the current surplus situation in the international markets, any move by India to export would further dampen international prices.

The sugar balance is indicated below:

Sugar balance (million MT)

Details	2004-05	2005-06 P	2006-07E
Opening Stock	8.50	4.83	4.43
Production	12.69	19.20	23.00
Imports	2.14	-	
Total Availability	23.33	24.03	27.43
Consumption	18.50	18.50	19.50
Exports	0.00	1.10	1.00
Total Off Take	18.50	19.60	20.50
Closing Stock	4.83	4.43	6.93
Stock to Consumption Ratio	26%	24%	36%

36% stock to consumption ratio is quite high and will act as a dampener to any upward price movement and will, in fact, depress prices further. Should India fail to export the 1 million tonne, stock to consumption ratio would be even higher at 41%. This can potentially give rise to mounting losses, delayed payment to farmers and escalating sugarcane arrears.

Uttar Pradesh Sugar Policy

In 2005, the Uttar Pradesh state government announced an incentive policy to promote and attract investments in the sugar sector. The salient features are indicated below:

1. Fixed Concessions

- Capital subsidy @ 10% of capital investment
- Remission in stamp duty and registration charges on land purchase

2. Variable Concessions Depending on Production

- Cane transportation expenses – re-imbursement
- Cane society commission – re-imbursement
- Cane purchase tax – exemption
- Entry tax on sugar – exemption
- Sugar transportation expenses – re-imbursement
- Administrative charges on molasses – exemption
- Trade tax on molasses – exemption

3. Eligibility Criteria

- Minimum capital investment of Rs. 3.50 billion by 31st March, 2008
- Commercial production to commence by 31st March, 2008
- Direct employment of at least 1,000 persons

The overall concession will be limited to the extent of new investments made and will be available for a period of 10 years in case investments are above Rs. 5 billion and for 5 years if investment is over Rs. 3.5 billion.

The policy has sparked a spate of investments in the sugar industry and crushing capacities are likely to increase at a rapid pace in Uttar Pradesh. The following table summarises the capacity additions.

Crushing Capacities in Uttar Pradesh

	2003-04	2004-05	2005-06	2006-07
Total Mills in Uttar Pradesh	120	122	131	150
Running Mills in Uttar Pradesh	101	106	114	134
New Mills in Uttar Pradesh	1	2	9	18
Total TCD of Running Mills	395,579	421,329	496,229	705,729
Increase		25,750	74,900	209,500
Total Mills–Private	55	57	67	85
Running Mills	52	55	64	85
Total Mills–Corporation	33	33	33	33
Running Mills	22	23	22	22
Total Mills–Co.-operative	28	28	28	28
Running Mills	27	28	28	28
Total TCD of 18 New Mills in 06-07				121,500

This would mean that at an average crushing of 150 days at 90% capacity Uttar Pradesh would produce an additional 2.8 million tonnes of sugar. However, given the current sugar scenario it remains to be seen how much of the planned capacity augmentation actually takes place.

Sugarcane Price

The Uttar Pradesh state government has declared a SAP of Rs. 1,250 for 2006-07 season. Given the abundance of cane, it is unlikely that mills will require to use financial inducements to source cane. Further, crushing commenced only in November 2006 which meant cane of optimal maturity and therefore, it is expected that recoveries should be above 10% for the industry as a whole.

As a consequence, the net price of sugarcane per kilogram of sugar would relatively be lower than last year for those mills who are able to increase recoveries. This is a positive and would cushion the impact of lower realisations to some extent.

Ethanol Blending

After considerable delay, the Central Government has mandated a 5% ethanol blending across the country. Unlike in the past, the oil manufacturing companies have agreed to long term contracts. The price has been fixed at Rs. 21.50 per litre relative to the earlier Rs. 18.75 per litre. This incremental realisation will benefit the integrated sugar companies who have distillation facilities as well.

India's ethanol demand is indicated below:

(Million Ltrs.)

Year	Petrol Demand	Ethanol at 5%	Ethanol at 10%
2006-07 P	12,964	627	1,254
2007-08 P	15,188	734	1,469
2008-09 P	16,441	795	1,590
2009-10 P	18,081	874	1,748
2010-11 P	19,603	948	1,896

Source: CRISINFAC

Given India's sugarcane availability and the increased crushing capacities, the sugar industry would comfortably meet the 5% blend requirements even after considering the demand of the chemical industry and the potable alcohol industry.

Unlike in the past, there is more certainty of continuance of the blending programme due to the prospects of good availability of sugarcane and the incremental distillation capacities that are under way especially in Uttar Pradesh.

Given the high cost of sugarcane in India, it is not economical to make ethanol from sugarcane juice directly as is done in Brazil. India would continue to use molasses as the preferred raw material for manufacture of ethanol.

What is needed?

Decontrol

Sugar is the second largest agro-processing industry in India after textiles. The industry pays around Rs. 300 billion directly to over 50 million farmers. Given its importance and size, the government has exercised control over the industry in several forms through control over sugarcane purchases, quota system and release mechanism and insistence of subsidised sugar for the economically weaker sections. However, in the present context, many of these have become archaic, redundant and in fact counter-productive. For example, imposition of 10% levy quota and the monthly release mechanism have ceased to have any meaningful control implications.

The liberalisation process has had several positives and many of the sectors which were under complete control have been freed and have actually thrived post decontrol. For any industry to prosper, a level playing field and rational government policies are the key prerequisites. Several other industries in India have prospered post the liberalisation programme and the accelerated privatisation adopted by the government. Cement, telecom, power, mining, oil and gas, media are some of the notable examples. These industries have also been able to attract huge amounts of capital following their partial and or total decontrol and consumers got the benefits of easy availability of product/services and at most competitive price.

Sugar is no exception. With demand increasing at over a million tonnes every year, the industry sorely needs investments if India is to be able to maintain its self-sufficiency. The government has several times in the past talked about decontrol of the sugar industry but that has not happened.

Given the large size of the industry and its constituents, partial decontrol is meaningless. One cannot expect to have decontrol over production and sales while there is control over cane the primary raw material.

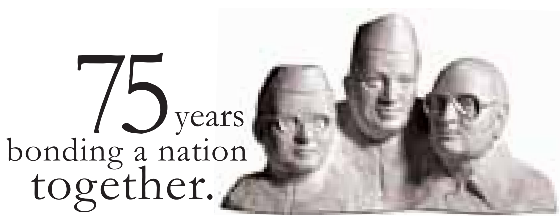
Given the current situation vis-à-vis sugar production and price, the structure of the industry and the emergence of private players as the predominant force, the time is ripe for decontrol. The industry has in the last three years attracted investments and there exists sufficient production capability to meet domestic requirements. Farmers have largely benefited in terms of attractive remuneration for cane and today India is in a position to export into the world markets.

It is well known that agriculture's contribution to the GDP needs to be increased. The sugar industry is perhaps best positioned to achieve this objective. However, this can happen only with decontrol.

WPI anomaly

Sugar has a disproportionate weight in the Wholesale Price Index (WPI) and therefore, often clouds rational policy decisions. The top twenty items by weightage in the WPI basket is presented below:

	1993-94 Series	1981-82 Series
Milk	4.36708	1.96
Sugar	**3.61883**	**2.013**
Cotton Yarn (Hanks Cones)	3.02271	1.232
Rice	2.44907	3.685
Elec.(Industry)	2.16918	0.825
Urea N Content	2.15577	0.992
High Speed Diesel Oil	2.02034	2.154
Elec.(Agriculture)	1.94557	0.317
Liquefied Petroleum Gas	1.83731	0.677
Portland Cement	1.73105	
Non Coking Coal	1.3967	0.798
Wheat	1.38408	2.248
Raw Cotton	1.35674	1.335
Beverages, Tobacco & Tobacco Products	1.33912	2.149
Sugarcane	**1.30493**	**2.706**
Bars And Rods	1.24088	0.955
Deoiled Cake	1.04074	0.079
Groundnut Seed	1.02883	1.296
Footwear Western Type	1.01933	0.353
Polyester Yarn	0.9632	



It seems rather incongruous that sugar has the second highest weight in the entire basket and is ranked higher than rice, wheat, diesel or even iron and steel. Obviously there is an anomaly. The average expenditure on sugar even at Rs. 20 per kilogram is Rs. 30 per month for an individual i.e 1.06% of monthly expenditure. But its weightage is equal to the weightage of tea, coffee, vegetables, fruits and spices put together.

Its weight is almost equal to the total weight of iron and steel at 3.63. On the other hand, sugarcane weightage at 1.30 is also erroneous when one looks at the price behaviour of sugarcane and sugar.

Apprehensive of the impact on inflation given the supposedly high weight of sugar, the Government has sought to control the industry even more rigorously. The imposition of the export ban is another example. In fact, sugar is one of the most price inelastic commodities in India and the impact on the common man is very marginal. There is clearly an immediate need to correct this anomaly as well so that policy decisions are not jaundiced by the improper weight in the WPI.

In conclusion

2005-06 saw the rebound of sugar production in India and the trend is likely to continue in 2006-07 as well. India's inventories are likely to burgeon and this will mitigate any price increases. The ethanol blending programme will benefit the larger players who have integrated facilities and will, to some extent, cushion the impact of lower sugar prices. The situation can be exacerbated if India is unable to export its excess production given the weak international prices as well.

Current sugar prices will result in several of the marginal players incurring cash losses and this can lead to delayed cane payments as well.

Several of the capacity augmentation plans are also likely to be put on hold or abandoned altogether. 2006-07 will be characterized by lower sugar prices and profit growth of companies will only be driven by volume growth.

Bajaj Hindusthan's position

Sugar and Ethanol

Bajaj Hindusthan (BHL) has further strengthened its premier position in the domestic sugar and ethanol sectors. During the year, BHL augmented its sugar capacity by 36,000 TCD by setting up three new plants and brown field expansion at four of its existing plants. In addition, two new distilleries each of 160,000 litres per day are also under construction. With this, BHL will have a sugar capacity of 89,000 TCD and alcohol capacity of 640,000 litres per day for the 2006-07 crushing season. One more plant of 7,000 TCD will become operational in 2007-08.

Capacity of its subsidiary – Bajaj Hindusthan Sugar & Industries Limited (BHSIL) was also augmented from 3,200 TCD to 6,000 TCD and another distillery of 160,000 litres is under construction. In aggregate, the group will have a sugar capacity of 95,000 TCD and alcohol capacity of 800,000 litres per day for the 2006-07 crushing season.

In addition, BHSIL is setting up three more plants in east UP which will raise its capacity to 40,000 TCD. Thus, by 2007-08, the group will have an aggregate sugar capacity of 136,000 TCD and alcohol capacity of 800,000 litres per day. The following table details individual plant capacities.

	SUGAR (TCD)			ETHANOL (KL/DAY)			CO-GEN (MW)
Location	Existing Capacity	New Project Expansion	TOTAL	Existing Capacity	New Project Expansion	TOTAL	
IN BHL							
Golagokarannath (Lakhimpur)	13,000		13,000	100		100	
Palia Kalan (Lakhimpur)	11,000		11,000	60		60	10
Kinauni (Meerut)	8,000		4,000	12,000	160	160	10
Thanabhawan (Muzaffarnagar)	7,000	2,000	9,000			-	10
Budhana (Muzaffarnagar)	7,000	2,000	9,000			-	20
Bilai (Bijnor)	7,000	2,000	9,000			-	10
Barkheda (Pilibhit)		7,000	7,000			-	10
Khambarkheda (Lakhimpur)		10,000	10,000		160	160	10
Maqsoodpur (Shahjanpur)		7,000	7,000			-	
Gagnauli (Sahranpur)		9,000	9,000		160	160	10
TOTAL	**53,000**	**43,000**	**96,000**	**320**	**320**	**640**	**90**
IN SUBSIDIARY BHSIL							
Pratappur (Deoria)	3,200	2,800	6,000				
Rudauli (Basti)		7,000	7,000		160	160	
Kunderki (Gonda)		15,000	15,000				
Utraula (Balrampur)		12,000	12,000				
TOTAL	**3,200**	**36,800**	**40,000**	**-**	**160**	**160**	**-**
TOTAL GROUP	**56,200**	**79,800**	**136,000**	**320**	**480**	**800**	**90**

Figures in this annual report represent crushing capacity of 53,000 TCD

For FY 2007, BHL will have an effective sugar capacity of 89,000 TCD and BHSIL will have a capacity of 6,000 TCD and for FY 2008 the total sugar capacity would aggregate 136,000 TCD. BHL's production estimates assuming a normal season is detailed below:

Details	Unit	Normal Crushing
Crushing capacity	TCD	89,000
Crushing duration	Days	150
Average available capacity (%)	%	90%
Sugarcane crushed	MT	12,015,000
Sugar Recovery	%	10
Sugar Production	MT	1,200,000

Particle Board (PB) & Medium Density Fibre Board (MDF) Project

It has been a continuous endeavour of the Company to add value to its by-products. BHL commenced the value addition process through forward integration into the manufacture of industrial alcohol and ethanol from molasses. The Company has been looking for similar value addition for bagasse, the other by-product. Besides embarking upon co-generation as one such value proposition from bagasse, BHL has also been looking for manufacturing other value added products from bagasse, and in the process have narrowed down on manufacture of Particle Board (PB) & Medium Density Fibre Board (MDF).

Particle Boards and Medium Density Fibre Boards are second and third generation substitutes for both, wood and plywood. PB & MDF are made from wood and agro-wastes and provides effective substitute for wood and timber, and hence regarded as "Engineered Wood". PB & MDF have the durability, look, texture, richness and feel of a seasoned-treated timber, with excellent machine ability and application properties, making it a perfect substitute for solid timber. Today PB & MDF are widely used for making panel boards and for interior decoration in houses, offices, hotels and restaurants. PB & MDF are also being used for making doors, windows, kitchen and office cabinets, drawers, tables, chairs and all other types of furniture.

With the demand for PB and MDF in the country increasing rapidly in last couple of years, today a large portion, about 50% of PB requirements and about 85% of MDF requirements, are being met through imports.

Although PB & MDF can be made from agro-waste, all across the world, PB & MDF are generally made from wood or wood-waste. This directly or indirectly puts pressure on forests and in turn, on the environment. It is, therefore, desirable or rather essential that PB & MDF are made from raw materials that are not based on wood and instead use agro-waste, something which is being generated every year. The technology for making PB & MDF from sugarcane bagasse has already been developed in Europe a long time ago and the quality of PB & MDF Boards made from sugarcane bagasse is very good.

India is also the second largest producer of sugar in the world, and a large quantity of sugarcane bagasse is available every year with the sugar mills. India therefore has a huge potential to manufacture PB & MDF from sugarcane bagasse. Besides, meeting its own requirements, India can also become a potential source for supplying PB & MDF to the whole world.

The project is being implemented by Bajaj Eco-Tec Products Limited (BEPL), a wholly owned subsidiary of BHL. Accordingly, BEPL is setting up 3 plants, one PB plant having a capacity of 50,000 m^3 per annum, and two MDF plants, each having a capacity of 80,000 m^3 per annum. The PB plant is being set up at Kinauni, District Meerut in West U.P., and the MDF plants are being set up at Palia Kalan, District Lakhimpur Kheri in Central U.P. and Kunderki, District Gonda in East U.P. Each of these 3 plants have been strategically located in 3 different regions of U.P., so as to effectively utilise, region-wise surplus bagasse available from BHL's sugar units, minimize transportation costs and in the process achieve economies of scale and operations. Land at all the 3 sites has been purchased and construction is under progress. Machinery orders have already been placed with manufacturers in Europe and China.

The Company intends to manufacture the following range of products:

- Plain & Pre-laminated Particle Board
- Plain & Pre-laminated MDF Board
- Plain & Pre-laminated High Density Fibre Board
- Laminated Flooring

The total investment in these 3 plants is estimated to be around Rs. 2.400 billion and all 3 plants are expected to be operational by November 2007. The project is being funded by Rs. 1 billion equity contribution by BHL and external debt of Rs. 1.4 billion which will be raised in BEPL.

Risks and concerns

Sugar industry is typically cyclical and primarily faces the following risks: -

a. Raw material risks

Sugarcane is the principal raw material used for the production of sugar. Our business depends on the availability of sugarcane and any shortage of sugarcane may adversely affect our results of operations. A variety of factors beyond our control may contribute to a shortage of sugarcane in any given harvest period. Some of the main factors that could contribute to a shortage of sugarcane are set forth below: -

i. Farmers are not required to grow sugarcane and may cultivate other crops.

ii. Sugarcane grown within our reserved area may be sold to manufacturers of jaggery and khandsari instead of us.

iii. Adverse weather conditions, crop disease and certain sugarcane crop varieties grown by farmers may adversely affect sugarcane crop yields and sugar recovery rates for any given harvest.

iv. The State government of Uttar Pradesh annually declares the sugarcane procurement price where our mills are located which is known as the State Advisory Price (“SAP”). The SAP is a minimum price we must pay sugarcane growers for sugarcane. We may be adversely affected by rising sugarcane prices, particularly in the event of a decrease in the price of sugar.

The Company has sought to mitigate raw material availability risk by diversifying into multiple locations within Uttar Pradesh and at the same time has an impeccable record of cordial relationship with farmers and timely payments to farmers.

b. Sugar price risk

The market price for our products may be affected by general economic conditions. The prices we are able to obtain for the sugar that we produce depend largely on prevailing market prices in India. Fluctuations in demand and supply and as a result, the price of our products, occur for various reasons, including:

1) changes in the availability and price of our primary raw material, sugarcane;

2) variances in the production capacities of our competitors; and

3) the availability of substitutes for the sugar products that we produce.

Sugar production in India is currently at low levels while consumer demand continues to rise because of population growth and a shift away from traditional sweeteners such as gur and khandsari to sugar. Stronger demand may result in higher prices for sugar. Profitable sugar manufacturers may make prompt payments to farmers who may in turn, switch to cultivating sugarcane rather than other crops which have become relatively less profitable. An increase in sugarcane cultivation may lead to an increase in sugar production and a subsequent reduction in sugar prices which may materially and adversely affect our results of operation and our financial condition.

The prices we are able to obtain for the sugar that we produce depend largely on prevailing market prices. These market conditions, both domestically and internationally, are beyond our control.

The wholesale price of sugar has a significant impact on our profits. Like other agricultural commodities, sugar is subject to price fluctuations resulting from weather, natural disasters, domestic and foreign trade policies, shifts in supply and demand and other factors beyond our control. In addition, approximately 15% to 30% of total worldwide sugar production is traded on exchanges and is thus subject to speculation, which could affect the price of sugar worldwide and our results of operations. As a result, any prolonged decrease in sugar prices could have a material adverse effect on our Company and our results of operations.

The Company has addressed this issue to an extent with its expansion plans whereby, the Company has become the largest sugar producer in India by far with an overall share of over 20% of the Uttar Pradesh production, which would enable for better pricing power while reducing costs.

c. **Regulatory Risk**

i. **Environmental risks**

We are subject to environmental regulations and may be exposed to liability as a result of our handling of hazardous materials and potential costs for environmental compliance.

ii. **Government policies related risks**

We operate in a regulated environment and Central and State government policies and regulations affecting the agricultural sector and related industries could adversely affect our operations and our profitability. Our ethanol business is highly dependent on Government policy. Sugarcane price is controlled by the state government and is generally increased every year. This is a systemic risk, which cannot be alleviated unless the industry is completely decontrolled.

Risks specific to Bajaj Hindusthan

As part of our business strategy, we are rapidly expanding our operations by setting up new sugar mills, acquiring existing sugar mills, etc. Our expansion strategy exposes us to a number of risks. Cost and time over-run, delay in commencement of operations, etc., may adversely affect our financial condition and results of operations.

Any material liabilities associated with any future acquisition could adversely affect our reputation and results of operations and reduce the benefits of the acquisition. The due diligence we conduct in connection with an acquisition, and any contractual guarantees or indemnities that we receive from sellers of acquired assets, may not be sufficient to protect us from, or compensate us for, actual liabilities.

Internal control systems and their adequacy

The Company has in place adequate systems of internal control to reasonably safeguard its assets against loss through unauthorised use. A comprehensive system of internal controls employed by the Company ensures optimal use of the resources available at its disposal. Internal audits and checks are an ongoing process within the Company.

The internal audit department has looked into various areas of the Company with following primary objectives:

- To ensure critical examination of reasons that supports the maintenance of problems and offer alternative solutions to overcome the same.
- To identify shortcomings that are potentially damaging and adversely affecting the Company's operations and profitability.
- To review systems and procedures in purchase, capital investments and routine operations
- To ensure the compliance of Company policies and procedures
- To develop cost effective approach to work
- To identify non-performing assets and suggesting the procedure for its disposal
- Any other assignments provided by the management

The internal audit department submits its reports to the management outlining its findings and an analytical review of the functional area looked into and providing practical solutions for the problems observed during the conduct of the internal audit.

Human resources

In Bajaj Hindusthan Ltd., our people are our most invaluable resources. BHL strongly believes that its people are the most sustainable and invincible sources of competitive business advantage. The organisation cherishes its association and relationship with every single and valuable member of an inspired Team of Bajaj Hindusthan.

The Company creates an enabling and energising environment which motivates all Team Members to collectively strive to achieve the mission of creating an institution that sets benchmarks and standards for others to emulate and create wealth for all stakeholders through ethical and socially responsible business practices.

To help and back up the Company's aggressive growth strategy and consequent business plans, BHL has significantly expanded its human resource capital over the last one year, to enable the organisation grow faster and glow better.

Some of the salient HR Best Practices that Bajaj Hindusthan has evolved, systemised and implemented include:

- Assessment of the job satisfaction level among employees through regular employee satisfaction surveys conducted by an external agency. The Company follows upon the insight gained through these surveys through over customised and focused HR initiatives.
- The successful launching of an Employee Suggestion Scheme "AAPKE VICHAR" in all units and offices. To create and enhance, an awareness of this scheme, a workshop of all unit HR representative was organised at Noida office. The aim was to enhance the involvement of all employees, encourage hidden talent through wider participation and improve internal systems and processes.
- To improve the performance of average workers in the new plants, the HR Department launched a "Mentor Scheme". Under this scheme, every officer in middle management category is assigned a few average workers. The officer has to mentor the workers to enable them to continuously enhance their performance. The HR function then organises the conduct of periodic follow up interviews and discussions with these workers to review their skills and personality.

Bajaj Hindusthan is keenly alive to the fact that continually accelerating the learning process within the organisation is critical to anticipate and meet the emerging challenges of an increasingly globalising and intensly competitive business environment. The process of acquiring, managing, leveraging and appropriately adapting and applying knowledge is becoming increasingly integral to business success.

BHL's learning initiatives and training programmes are meticulously designed and carefully conducted, after keenly ascertaining and analysing emerging organisational and business needs. A need-based training calendar has been designed at all the units. This mainly comprises Training on Safety, House keeping, Fire Fighting, Communication skills and Team building. The Company has also initiated ISO 14001 & OHSAS 18001 certification process. The requisite training for these have been imparted to all concerned employees. The Company conducts interactive employee induction porgrammes for all new employees.

During the year under review, 810 employees across the Company participated in these Training Programmes, spending a total of 558 man-days.

The industrial relations scenario in all the plant and locations of the Company is very cordial. The smooth functioning of every BHL Unit, and the fact that there has been no loss of man-days in any BHL location due to labour unrest over the last 18 years, bears eloquent testimony to the harmonious work atmosphere across the Company.

BHL's financial performance has been consistently robust and among the best in the Indian sugar industry. BHL is today, therefore, the most sought-after Company to work for in the Indian sugar industry. Given the Company's transparent and open door work culture, and the shared and infectious enthusiasm in realising the Company's Vision and Mission, Bajaj Hindusthan is all set to become the best, the single largest and the most preferred employer in the Indian sugar industry.

Financial Analysis

Overview

During the financial year 2005-06, the Company commissioned three new plants of 7000 TCD each in western UP and a 160 KLPD distillery at Kinauni. With commissioning of three new plants and a distillery, the total crushing capacity of the Company increased to 53,000 TCD making it the largest sugar manufacturing company in the Country. The total distillation capacity increased to 320 KLPD. The capacity of these three plants have been enhanced to 9000 TCD each.

With a view to consolidate its position in the industry during the previous year the Company started work at four more greenfield sugar plant sites. Out of four plants, three plants have already been commissioned during November 2006 and one will get commissioned during October 2007. Two new distilleries of 160 KLPD each, are expected to be commissioned by March 2007. On completion of projects in hand, the Company will have cane-crushing capacity of 96,000 TCD and distillation capacity of 640 KLPD.

Keeping in mind the large requirement of raw material, cane development work and replacement of cane varieties, with high sugar content varieties is being done to ensure full feed for the plants as well as better recovery of sugar. Other areas like cane procurement and management, plant maintenance, manufacturing process, cost of manufacturing, overheads, borrowing cost, etc are being fine-tuned further to achieve better efficiencies, healthy margins and to maintain the leadership position of the Company in the industry and prepare the Company to look for next level of growth.

After low production for two consecutive years, the Country's sugar production during the season 2005-06 increased to 19.20 million MT against 12.7 million MT during 2004-05. Despite having 51% increase in production and expectation of better production in season 2006-07 the Government of India banned the export of sugar in July 2006. The imposition of ban, at a time when the industry was expecting reduction in controls, had adverse effect and sugar prices started declining from July 2006 onwards.

TABLE 1: Production

	Unit	2005-06	2004-05	Increase/ (Decrease)
Sugar *	Tonnes	728,524	396,487	84 %
Industrial Alcohol	Kilolitres	64,751	28,270	129 %

*excluding trial production 21,671 MT (PY 37,468MT)

All the units, 6 sugar plants and 3 distilleries operated satisfactorily. The simultaneous commissioning of three new sugar plants (21,000 TCD) was a record in the history of Indian Sugar industry. This proves the inherent strength of the Company and its capability to grow further.

Uttar Pradesh was the largest producer of sugar in the Country and produced 5.784 million MT of sugar or over 30% of the country's production. The Company's share in UP's production was approx 13% and on all India level basis its share was 3.9%. In view of substantial capacity addition, the Company's market share is expected to increase substantially in the coming years.

TABLE 2: Cane crushing and sugar recovery

		2005-06	2004-05
Cane Crushing (Million MT)			
Gola	Central UP	**2.007**	1.862
Palia	Central UP	**1.642**	1.533
Kinauni	West UP	**1.191**	0.907
Thanabhawan *	West UP	**0.888**	-
Budhana *	West UP	**0.924**	-
Bilai *	West UP	**0.952**	-
Total		**7.604**	**4.302**
Sugar Recovery (%)			
Gola		**10.64**	10.43
Palia		**9.96**	9.69
Kinauni		**9.27**	10.06
Thanabhawan		**9.32**	-
Budhana		**9.08**	-
Bilai		**10.10**	-
Total		**9.87**	**10.09**

Figures include trial run crushing.

* Units commissioned during 2005-06

Due to late rains and unfavourable climatic conditions in most parts of western UP, the quality of cane deteriorated and resulted in lower recovery of sugar in factories located in western UP. As a result, the overall recovery of the Company was lower by 0.22% as compared to the previous year. The initial trends of current season 2006-07 indicate that the recovery in western UP should be better this year.

Results of operations

In the beginning of the season, the State Government increased the SAP of sugar from Rs. 107 per quintal to Rs. 115 per quintal, which is higher by approx 30% (considering average recovery of 10%) as compared to SMP of the Central Government Rs. 79.50 per quintal at 9% base recovery. The realisation of sugar and by-products in the beginning was normal and the industry was expecting to close the season on comfortable note. However, despite better than expected production of the season 2005-06 and softening of the prices in the local market after end of the season, in the beginning of July 2006 the Central Government banned the export of sugar from the country. The imposition of ban at a time when inventory and price situation was quite normal as well as anticipation of good production during forthcoming season 2006-07 had negative impact on the market prices of sugar. As a result of this, coupled with lower recovery in western UP due to adverse climatic conditions and payment of incentives to the farmers in a part of the state the overall profits of the Company, after charging depreciation and providing for tax, have been impacted.

TABLE 3: Summarised Financial Results

Rs. Million

Particulars	**2005-06**	2004-05	Increase (Decrease) %
Revenue	**14867.50**	8548.02	73.9
Earning before interest depreciation and tax (EBIDTA)	**3504.15**	2187.80	60.2
Interest	**(21.48)**	132.06	
Cash Profits	**3525.63**	2055.74	71.5
Depreciation	**723.94**	350.95	106.3
Profit Before Tax	**2801.69**	1704.79	64.3
Current and Deferred Tax	**893.36**	300.90	196.9
Profit After Tax	**1908.33**	1403.89	35.9
Basic Earning per share (Rs.)	**14.27**	14.61	(2.3)
Diluted Earning per share (Rs.)	**14.27**	14.34	(0.5)

Turnover

Increase in the revenue of the Company was mainly due to higher volume of sugar and industrial alcohol sales during the year.

Analysis of sales

During the year the Company sold 7,20,798 MT of sugar as against 4,57,998 MT during the previous year and sold 67,480 KL of Alcohol as against 25,939 KL during the previous year. Sugar sales volumes were higher by 57% and Alcohol sales volumes were higher by 160%.

Product-wise sales quantity, value and per unit realisation details are given in Table 4.

TABLE 4: Sales revenue

		2005 -06			2004 -05		
	Unit	**Qty**	**Value Rs. Million**	**Realisation* Rs. per unit**	Qty	Value Rs. Million	Realisation* Rs. per unit
Sugar	Tonnes	**720,798**	**13293.20**	**18,442**	457,998	8022.21	17,516
Alcohol	Kilolitres	**67,480**	**1462.44**	**21,672**	25,939	592.45	22,840
Molasses	Tonnes	**103,439**	**312.95**	**3,025**	55,967	205.05	3,664

* Including excise

Out of total sales, approx 10% of sugar quantity sold to certain parties against permits issued by the Government and remaining 90% being free sale sugar, sold in the domestic market through a network of agents.

Industrial Alcohol was sold in the local market to direct to end users, mainly alcohol based chemical plants and some quantity was exported. Ethanol sales were made to oil companies, who use it for blending with gasoline.

Other Income

Other income for the year was Rs. 395.10 million against Rs. 86.82 million during the previous year. The major component of other income are Lease and management fees of Rs. 140.66 million and gain on foreign currency transactions Rs. 162.35 million. The balance amount has been received against sale of scrap generated and miscellaneous items.

The sale of Bagasse and Press Mud for the year Rs 200.61 million (previous year Rs. 94.89 million) has been considered as product revenue and accordingly re-grouped and shown as other item under product sales.

Other expenses

Other expenses during the year were, Rs. 1,352.70 million against Rs. 748.72 million during the previous year. The 80% increase in other expenses is because of increase in consumption of stores, spares & packing materials and other manufacturing expenses for achieving higher level of production. The increase of other expenses matches with 84% increase in production of sugar and 129% increase in production of Industrial Alcohol.

Earnings Before Interest, Depreciation, Tax and Amortisation (EBIDTA)

The EBIDTA margins for the year were 23.57% as against 25.59% achieved during the previous year. The fall in EBIDTA margins to net revenue was mainly because of overall increase in cost of raw material (increase in SAP from Rs. 107 to Rs. 115 per quintal by the State Government and payment of incentives to the farmers in a part of the state) and lower than normal recovery in western Uttar Pradesh. The ban on exports kept the sugar prices under pressure during the latter part of the year and because of all these, the overall margin was lower by 2.02%. Considering further increase in SAP by the State Government from Rs. 115 per quintal to Rs. 125 per quintal, expected good production during the season 2006-07 and restrictions on free exports, which is keeping the sugar prices under pressure in the local market, the margins are expected to remain under pressure.

Interest

Due to issue of GDRs of USD 150 million and Zero coupon FCCBs of USD 120 million in January 2006 the Company ended the year with net interest income of Rs. 21.48 million. Keeping in mind the rising interest rates and requirement of working capital, for substantial higher volumes, during the current year all efforts are being made to optimise the requirement and cost of working capital borrowings.

Depreciation

The depreciation charge for year increased from Rs. 350.95 million to Rs. 723.94 million due to commissioning of three new units of 7,000 TCD each, commissioning of a distillery of 160 KLPD and capital expenses incurred for optimising the manufacturing capacity at Kinauni.

Provision for Tax

The effective tax rate, including provision for deferred tax and fringe benefit tax, for the year was 31.88% as against 17.65% during the previous year.

Balance Sheet

The summarised Balance Sheet as at September 30, 2006 is as under:

TABLE 5 - Summarised Balance Sheet

Rs. Million

As at September 30	2006	2005
Source of Funds		
Shareholder's Funds		
Capital	**141.41**	116.33
Reserve and Surplus	**13641.99**	6026.09
Sub-Total	**13783.40**	6142.42
Loan Funds	**15060.83**	5100.36
Deferred Tax Liability (Net)	**1299.62**	453.36
Total	**30143.85**	11696.14
Application of Funds		
Fixed Assets, Net Block	**22365.61**	10797.36
Investments	**2058.10**	50.66
Current Assets, Loans & Advances	**9418.34**	1823.00
Less: Current Liabilities & Provisions	**3698.20**	974.88
Net Current Assets	**5720.14**	848.12
Total	**30143.85**	11696.14

Share capital

Pursuant to issue of Global Depositary Receipts (GDRs) of US$ 150.220 Million in January 2006 the Company allotted 18,500,000 GDRs representing one underlying fully paid Equity Share of the face value of Re. 1/- per share at a price of US$ 8.12 per GDRs equivalent to Rs. 358 per share. These newly allotted Equity Shares rank pari passu in all respects with the existing paid-up Equity Shares.

Simultaneously, the Company also issued Zero Coupon Foreign Currency Convertible Bonds (FCCBs) due 2011 amounting to US$ 120 million, convertible at the option of the bondholder into Equity Share/GDR, at an initial price of Rs. 465.40 per share. Of the above, upto September 30, 2006, FCCBs aggregating US$ 0.50 Million have been converted into 47,357 Equity Shares.

As a result of above GDRs issue, conversion of balance amount of 1st FCCBs and part conversion of 2nd FCCBs, the paid-up equity share capital increased from Rs. 116.33 Million to Rs. 141.41 Million.

Reserves and surplus

Healthy earnings for the year and issue of equity shares at premium pursuant to issue of GDRs and upon conversion of FCCBs during the year resulted in additions to the reserves and surplus by Rs. 7615.90 million. On account of issue of GDRs at premium and conversion of FCCBs into Equity Shares/GDRs at premium, provision for premium on redemption of 2nd FCCBs issue out of securities premium, charging of issue expenses and reversal of provision for premium on redemption of 1st FCCBs issue, the Securities Premium account has increased by Rs. 5713.60 million.

Out of the disposable profit of the year, Debenture Redemption Reserve of Rs. 1187.50 million has been created and Rs. 500 million has been transferred to General Reserve. Investment Allowance Reserve (Utilised) Rs. 26.50 million, no longer required, has been transferred to General Reserve. The balance amount in Profit & Loss Account after payment of dividend and other statutory transfers has been carried forward to next financial year.

Secured loans

During the year, a new term loan amounting to Rs. 609.00 million was taken to part finance brown field expansion of sugar capacity, new distilleries at two locations and co-generation of power. Repayment of term loans during the year was Rs. 100.00 million. The net increase in term loans during the year was Rs. 509.00 million. There was a decrease of Rs. 127.67 million in other secured loans. All the borrowings have been contracted at competitive rates.

Operating working capital

Despite huge volume growth, systematic liquidation of inventory and close monitoring of receivables has helped the Company to limit the overall working capital requirement. Closing working capital utilisation was Rs. 959.56 million against Rs. 757.14 million at the close of previous year, an increase of Rs. 202.42 million.

Unsecured loans

There was an increase of Rs. 9276.72 million in unsecured loans at the end of the year. The major portion of this is because of increase in FCCBs by Rs. 4529.63 million and increase in short term debentures by Rs. 4450 million. The debentures were issued, to meet short-term requirement of funds. Fixed deposit scheme has been discontinued and the amount is being paid on maturity.

Fixed assets

The increase in net fixed assets of Rs. 11,568.25 million is on account of setting up of three new sugar plants and a distillery (already commissioned in 2005-06), further capital expenses for three new sugar plants, two distilleries and brown field expansion of capacity of 4 newly set up sugar plants after providing depreciation for the year.

Investments

During the year, the Company acquired 59.81% equity of Bajaj Hindusthan Sugar and Industries Ltd. (formerly The Pratappur Sugar & Industries Ltd.) at a cost of Rs. 121.89 million. The capacity of this Company, which was 3200 TCD at the time of acquisition, is being enhanced to 6000 TCD and further cane crushing capacity of 34000 TCD and a distillery of 160 KLPD is being set up by this Company. To part finance capital expenditure of approx Rs. 12500 million, the Company has committed a sum of Rs. 3300 million and a sum of Rs. 1710 million has been invested by way of subscription of 3,800,000 warrants to be converted into equity shares of face value of Re. 1 at a price of Rs. 50 (incl premium of Rs. 49). The balance amount is to be invested during 2006-07, as per the requirement of the subsidiary.

The Company has decided to manufacture environment friendly Bagasse based Medium Density & High Density Fibre Board and Particle Board. The project at three locations is being implemented by its wholly owned subsidiary company known as Bajaj Eco-Tec Products Ltd at a total cost of Rs. 2400 million. The Company has committed a sum of Rs. 1000 million for this project and upto 30th September 2006 invested Rs. 99.10 millon towards allotment of 1,000,000 equity shares and Rs. 76.45 million towards subscription of 7% Redeemable Preference Shares of this subsidiary. The balance amount is to be invested during 2006-07, as per the requirement of the subsidiary.

Inventories

Sugar inventory at the end of the year was equivalent to 22 days of sales quantity as compared to 11.3 days sales and Alcohol inventory at the end of year was equivalent to 19 days sales as compared to 92 days sales quantity. In view of expected volume growth, the inventory liquidation is monitored very closely and the Company does not foresee any difficulty in selling the products manufactured by it.

Debtors

The debtors at the end of the year were equivalent to 15 days of sales as compared to 8 days of sales during the previous year. Efforts are being made to keep debtors in single digit.

Significant non-recurring income, expenditure and other items

Income

Surplus on sale of assets Rs. 0.12 million and net gain on foreign currency transactions Rs. 162.35 million were of non-recurring nature.

Expenditure

Loss on sale of investments and loss on sale assets sold / discarded Rs. 36.79 million were of non-recurring nature.

Contingent liabilities

The status of contingent liabilities as at September 30, 2006 has been reviewed by the management and in view of favourable legal position no provision has been considered necessary. Efforts are being made for speedy settlement of pending cases.

Control measures for cane procurement

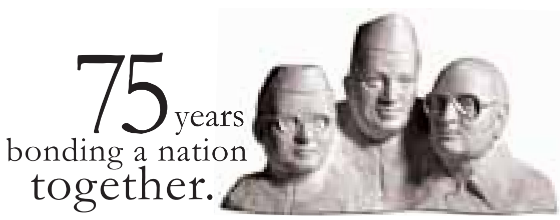
Besides smooth functioning of plants, timely and regular procurement of sugarcane is the most important activity for the Company. Continuous efforts are being made to ensure systematic indenting, procurement and crushing of cane. The regular supply of cane also depends upon regular flow of payment to the farmers for which the Company has good reputation in the industry. Though the current systems are adequate, as a matter of routine, these systems are being reviewed by the senior management team from time to time and corrective measures as required are taken to ensure smooth flow of cane.

Ratio Analysis

TABLE 7- A : Key Profitability Ratios

Particulars	**2005-06**	2004-05
PBDIT / Sales (%)	**24.2**	25.9
PAT / Sales (%)	**13.2**	16.6
PAT / Net Worth (%) (ROE)	**13.9**	22.9

Crushing performance of all the new units was satisfactory but due to increase in raw material cost, below normal recovery of sugar in western UP due to adverse climatic conditions and suppressed selling prices during the second half of the financial year PBDIT to Sales ratio was lower by 1.7%. As a result of above and proportionate higher charge of manpower cost, depreciation charge and increase effective income tax rate PAT to sales ratio was lower by 3.4%. Pressure on net profit due to above mentioned reasons coupled with substantial increase in equity and net



worth upon conversion of remaining FCCBs out of 1st issue and second issue of GDRs of USD 150 million during January 2006 brought down PAT to New Worth ratio from 22.9% to 13.9%.

Considering substantial expansion of crushing capacity and expected commissioning of additional distillation capacity by March 2007, the Return on Equity is expected to improve in coming years.

TABLE 7- B : Key Capitalisation Ratios

Particulars	2005 - 06	2004 - 05
Total Debt / Equity Ratio	**1.09**	0.83
Long-Term Debt / Equity Ratio	**0.65**	0.66
Total Outside Liabilities / Total Net Worth	**1.36**	0.99
Total Fixed Assets / Total Net Worth	**1.62**	1.76
Net Fixed Assets / Turnover	**1.55**	1.28

Due to funding of substantial capital expenditure, already implemented as well as under implementation, the total debt to equity ratio increased from 0.83 to 1.09 and total outside liabilities to net worth ratio increased from 0.99 to 1.36. There was limited increase in Long-term debt but due to raising of funds by way of GDRs during the year, long-term debt to equity ratio remained close to previous year's level. Net fixed assets include fair amount of asset due for commissioning in November 06 and March 07 hence, net fixed assets to turnover ratio at the end of year was high at 1.55 as against 1.28 at the end of previous year. In view of assets becoming productive in 2006-07, this ratio is expected to come down.

TABLE 7- C : Interest Coverage Ratios

Particulars	2005 - 06	2004 - 05
PBDIT / Finance Costs		
(Interest coverage)	**7.0**	14.4
PBIT / Finance Costs	**5.6**	12.1

Despite, part funding of, capital expenses by way of borrowings the coverage ratios remained healthy for the year. Though interest rates are hardening but since most of the required funds have already been raised we do not anticipate major variation in these ratios.

TABLE 7- D : Liquidity Ratios

Particulars	2005 - 06	2004 – 05
Current Ratio	**2**	1.1
Inventory Turnaround Days	**21**	46
Receivables (days gross Sales)	**15**	8
Creditors (days cost of Sales)	**19**	14

Constant monitoring of receivables and systematic liquidation of inventory has helped in maintaining liquidity ratios at respectable levels. Creditors are being paid as per negotiated terms.

TABLE 7- E : Earning and Dividend Ratios

Particulars	2005 - 06	2004 - 05
Dividend %	**60**	50
Dividend payout ratio (%)	**5**	5
Basic Earnings per share (EPS – Rs)	**14.27**	14.61

Despite substantial increase in equity capital, due to issue of GDRs in January 2006, the earnings per share for the year remained at Rs.14.27 as against Rs. 14.61 during the previous year.

Operations

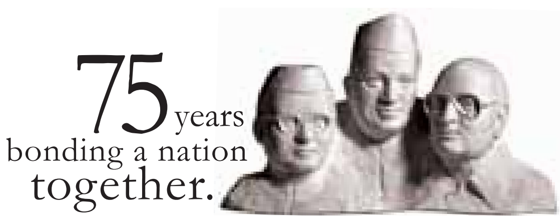
Sugar Division

Crushing details of plants during the year 2005-06 are given in Table 8.

TABLE 8 : Production Summary

		Season 2005-06	Season 2004-05
a)	Gola Unit		
	Sugarcane crushed (Million Tonnes)	**2.007**	1.862
	Recovery (%)	**10.64**	10.43
	Sugar Production (Tonnes)	**213,516**	194,261
b)	Palia Unit		
	Sugarcane crushed (Million Tonnes)	**1.642**	1.533
	Recovery (%)	**9.96**	9.69
	Sugar Production (Tonnes)	**163,473**	148,480
c)	Kinauni Unit		
	Sugarcane crushed (Million Tonnes)	**1.191**	0.907
	Recovery (%)	**9.27**	10.06
	Sugar Production (Tonnes)	**110,342**	91,231
d)	Thanabhawan Unit		
	Sugarcane crushed (Million Tonnes)	**0.888**	-
	Recovery (%)	**9.32**	-
	Sugar Production (Tonnes)	**82,771**	-
e)	Budhana Unit		
	Sugarcane crushed (Million Tonnes)	**0.924**	-
	Recovery (%)	**9.08**	-
	Sugar Production (Tonnes)	**83,944**	-
f)	Bilai Unit		
	Sugarcane crushed (Million Tonnes)	**0.952**	-
	Recovery (%)	**10.10**	-
	Sugar Production (Tonnes)	**96.130**	-

(Crushing & sugar production figures are inclusive of trial run)



Distillery Division

The distillery division produced 64,751 kilolitres of industrial alcohol (including Ethanol) against 28,270 kilolitres in previous year. Sales aggregated at 67,480 kilolitres against 25,939 kilolitres in the previous year.

In value terms, sale of industrial alcohol (including Ethanol) during the year 2005-06 was Rs. 1462.44 million as against Rs. 592.45 million in the previous year.

Accounting Policies

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles in India. The management of Bajaj Hindusthan Limited accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates/judgements used in preparation of these statements. The estimates and/or judgements have been made on a consistent, reasonable and prudent basis to reflect true and fair picture of the state of affairs and profit of the Company.

Cautionary/Futuristic Statements

Statements in the management discussion and analysis report describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable laws and regulations and futuristic in nature. Actual performance may differ materially from those either expressed or implied. Such statements represent intentions of the management and the efforts put in to realise certain goals. The success in realising these depends on various factors both internal and external. Investors, therefore, are requested to make their own independent judgements before taking any investment decisions.

CEO / CFO Certification

The Board of Directors,
Bajaj Hindusthan Limited,
Mumbai.

Re: Financial Statements for the year 2005-06 – Certification by CEO and CFO

We, Shishir Bajaj, Chairman & Managing Director and K.K. Kumbhat, President (Finance), of Bajaj Hindusthan Limited, on the basis of the review of the financial statements and the cash flow statement for the financial year ending September 30, 2006 and to the best of our knowledge and belief, hereby certify that:-

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transaction entered into by the Company during the year ended September 30, 2006 which are fraudulent, illegal or violative of the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
5. We further certify that:-
   (a) there have been no significant changes in internal control during this year
   (b) there have been no significant changes in accounting policies during this year
   (c) there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems.

Shishir Bajaj
Chairman & Managing Director

K.K. Kumbhat
President (Finance)

Mumbai,
December 28, 2006

Report of the Auditors to the Members

We have audited the attached Balance Sheet of **BAJAJ HINDUSTHAN LIMITED,** as at 30th September, 2006, Profit and Loss Account annexed thereto and also the Cash Flow Statement of the Company for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), (as amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act,1956, we annex hereto a Statement on the matters specified in paragraph 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:-
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
   (c) The Balance Sheet and Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the books of account of the Company;
   (d) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable;
   (e) On the basis of the written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th September, 2006, from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
      (a) in the case of the Balance Sheet, of the state of the affairs of the Company as at 30th September, 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 Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner
Membership No. 37310

Mumbai,
December 28, 2006.

Annexure referred to in paragraph 2 of the Auditor's Report of even date on the accounts for the year ended 30th September, 2006 of **Bajaj Hindusthan Limited**

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:-

i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Additions and deductions made during the year as per Company's practice, will be entered in the said records during the current year (i.e. 2006-2007). As explained to us, *fixed assets (including certain assets given on lease in an earlier year, in respect of which lease period has expired on 30.11.98 and the said assets are lying with the Lessee) have not been physically verified by the Management this year also and as such discrepancy, if any, could not be ascertained;*

   As per the information and explanation given to us on our enquiries the disposal of assets during the year were not substantial so as to have an impact on the operations of the Company, or affect its going concern;

ii) (a) As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year and/or at the close of the year;

   (b) As explained to us, the procedures of physical verification of the inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;

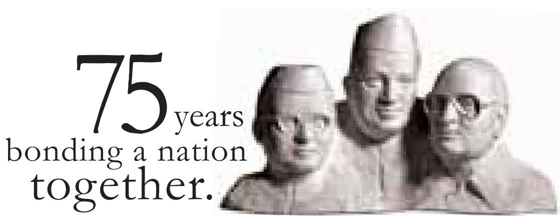
   (c) According to the inventory records produced to us for our verification, we are of the opinion that the Company is maintaining proper records of its inventory. Further, discrepancies noticed on physical verification of inventories, if any, referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;

iii) The Company had taken loan from a company listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions were, in our opinion not prejudicial to the interest of the Company. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, except on current account to its subsidiary, the rate of interest and terms and conditions were not prima facie prejudicial to the interest of the Company. The outstanding dues as at the year end from Subsidiary Company amounted Rs. 1061.55 million.

iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and for the sale of goods. There was no sale of services during the year. During the course of our audit, no major weaknesses in internal control had come to our notice;

v) (a) On the basis of the audit procedures applied by us, and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, the contracts or arrangements that need to be entered into the register required to be maintained under Section 301 of the Companies Act, 1956 have been so entered;

   (b) The transactions so entered, aggregating in excess of Rs. 500,000/- in respect of each party during the year, have been, in our opinion, as per the information and explanation given to us, made at prices,



which are reasonable, having regard to the prevailing market prices available with the Company for such transactions or prices at which transactions for similar goods have been made with other parties at the relevant time;

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

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

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

ix) (a) According to the records of the Company, the Company has been generally regular in depositing with statutory authorities, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess were outstanding, at the year end for a period of more than six months from the date they became payable.

(b) On the basis of our examination of the documents and records of the Company and the information and explanations given to us upon our inquiries in this regard, disputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty and Excise Duty / Cess not deposited with the appropriate authorities are as follows:

Sr. No.	STATUTES	FORUMS BEFORE WHOM PENDING				TOTAL
		Commissioner Appeals Rs.	Tribunal Rs.	High Court Rs.	Supreme Court Rs.	Rs.
1	Sales Tax	13663	929091	15073480	-	16016234
2	Income Tax	12721887	-	-	-	12721887
3	Wealth Tax	-	-	-	-	-
4	Customs Duty	-	-	-	-	-
5	Excise Duty	16364884	1282872	3834864	-	21482620

x) Based on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

xi) All investments held by the Company at the close of the year are held in its own name.

xii) The Company has not given any guarantee for loans taken by others from banks or financial institutions except that it has given corporate guarantee on behalf of Bajaj Eco-Tec Products Limited, a wholly owned subsidiary towards credit facility availed by the latter, the terms and conditions whereof are not prejudicial to the interest of the Company.

xiii) Based on the information and explanations given to us by the management the term loans were applied for the purpose for which the loans were obtained.

xiv) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we report that no funds on short-term basis have been used for long-term investment.

xv) In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report. Accordingly, provisions of clause (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable.

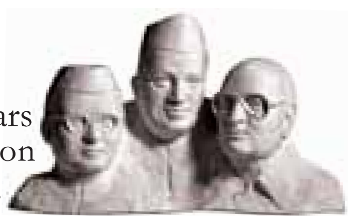
xvi) As per the information and explanation given to us on our enquiries in this behalf, there were no frauds on or by the Company has been noticed or reported during the year.

In view of the nature of activities carried on by the Company clause no. (xiii) of CARO, 2003 is not applicable to the Company. Further in view of the absence of conditions pre-requisite to the reporting requirement of clauses (x), (xii), (xviii), (xix), and (xx) the said clauses are, at present, not applicable.

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner
Membership No. 37310

Mumbai,
December 28, 2006.



Balance Sheet as at September 30, 2006

	Schedule	Rs. Million	As at Sept. 30, 2006 Rs. Million	As at Sept. 30, 2005 Rs. Million
I. Sources of Funds:				
Shareholders' Funds				
Capital	1	141.41		116.33
Reserves & Surplus	2	13,545.25		6,026.09
			13,686.66	6,142.42
Loan Funds				
Secured Loans	3	4,401.65		3,817.90
Unsecured Loans	4	10,659.18		1,282.46
			15,060.83	5,100.36
Deferred Tax (Net)	5		1,299.62	453.36
Total			30,047.11	11,696.14
II. Application of Funds:				
Fixed Assets	6			
Gross Block		25,084.18		12,786.28
Less: Depreciation		2,718.57		1,988.92
Net Block			22,365.61	10,797.36
Investments	7		2,058.10	50.66
Current Assets, Loans & Advances	8			
Inventories		1,223.85		555.46
Sundry Debtors		618.56		178.62
Cash & Bank Balances		2,233.12		58.43
Loans & Advances		5,342.81		1,030.49
		9,418.34		1,823.00
Less: Current Liabilities & Provisions	9			
Current Liabilities		1,820.37		549.75
Provisions		1,974.57		425.13
		3,794.94		974.88
Net Current Assets			5,623.40	848.12
Total			30,047.11	11,696.14
Notes forming part of the accounts	16			

As per our attached report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner
M. No. 37310
Mumbai,
December 28, 2006

Shishir Bajaj
Chairman & Managing Director

I. D. Mittal
Chief Executive Director

Pradeep Parakh
Vice President &
Company Secretary

D. S. Mehta
Suresh A. Kotak
M. L. Apte
R. V. Ruia
D. K. Shukla
Directors

Profit & Loss Account for the year ended September 30, 2006

	Schedule	Rs. Million	2005-2006 Rs. Million	2004-2005 Rs. Million
Income:				
Gross Sales (Including Duty Draw Back Rs.18.36 million)			15,269.20	8,914.60
Less: Excise Duty			796.80	453.40
Net Sales			14,472.40	8,461.20
Other Income	10		395.10	86.82
			14,867.50	8,548.02
Expenditure:				
Materials	11		9,514.46	4,609.42
Manpower Cost	12		565.99	297.02
Other Expenses	13		1,352.70	748.72
Interest & Finance charges (Net)	14		(21.48)	132.06
Depreciation			723.94	350.95
(Increase) / Decrease in Stocks	15		(69.80)	705.06
			12,065.81	6,843.23
Profit for the year before Taxation			2,801.69	1,704.79
Less: Provision forTaxation:				
Current Tax		312.60		267.40
Deferred Tax (Refer Note No. 10)		846.26		29.10
Wealth Tax		0.80		1.00
Fringe Benefit Tax		9.50		3.40
		1,169.16		300.90
Less: MAT credit entitlement		275.80		-
			893.36	300.90
Profit for the year			1,908.33	1,403.89
Add: Balance Brought Forward		150.46		61.32
Dividend paid on conversion of FCCBs		(10.54)		-
Corporate Dividend Tax on Dividend paid		(1.48)		-
Debenture Redemption Reserve no longer required		-		225.00
Excess tax provision written back		5.99	144.43	0.47
			2,052.76	1,690.68
Transfers to:				
Reserve for construction of Molasses Storage Tanks			3.54	2.07
Reserve for Contingencies			-	70.00
General Reserve			500.00	1,400.00
Debenture Redemption Reserve			1,187.50	-
Proposed Dividend			84.84	59.77
Corporate Dividend Tax on Proposed Dividend			11.90	8.38
Balance carried to Balance Sheet			264.98	150.46
Basic Earning per Share:				
Net Profit			1,908.33	1,403.89
Weighted Average No. of Shares			133,702,948	96,083,579
Basic Earning per Share in Rupees (Nominal Value Re 1 per Share)			14.27	14.61
Diluted Earning per Share:				
Net Profit			1,908.33	1,403.89
Weighted Average No. of Shares			133,702,948	97,871,537
Diluted Earning per Share in Rupees (Nominal Value Re 1 per Share)			14.27	14.34
Notes forming part of the accounts	16			

As per our attached report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner
M. No. 37310
Mumbai,
December 28, 2006

Shishir Bajaj
Chairman & Managing Director

I. D. Mittal
Chief Executive Director

Pradeep Parakh
Vice President &
Company Secretary

D. S. Mehta
Suresh A. Kotak
M. L. Apte
R. V. Ruia
D. K. Shukla
Directors

75 years
bonding a nation
together.

Schedules Forming Part of Accounts

Schedules 1 to 16 annexed to and forming part of the Balance Sheet as at September 30, 2006 and Profit and Loss Account for the year ended on that date.

		As at Sept. 30, 2006	As at Sept. 30, 2005
	Rs. Million	Rs. Million	Rs. Million
Schedule 1 - Capital			
Authorised:			
300,000,000 Equity Shares of Re. 1/- each.	300.00		300.00
500,000,000 Unclassified Shares of Re. 1/- each.	500.00		500.00
		800.00	800.00
Issued, Subscribed & Paid-up:			
141,407,111 (116,333,711) Equity Shares of Re. 1/- each.		**141.41**	116.33
(Refer Note No. 15)		**141.41**	116.33

Of the above shares 53,100,000 Equity Shares were allotted as fully paid Bonus Shares by way of Capitalisation of Reserves.

Schedule 2 - Reserves and Surplus

	As at Oct. 01, 2005	Additions	Deductions	As at Sept. 30, 2006	As at Sept. 30, 2005
Capital Redemption Reserve	0.50	-	-	0.50	0.50
Investment Allowance Reserve (Utilised) @	26.50	-	26.50	-	26.50
Contingency Reserve	100.00	-	-	100.00	100.00
Securities Premium*	3,489.50	7,824.42	2,110.82	**9,203.10**	3,489.50
General Reserve	2,239.49	526.50	-	**2,765.99**	2,239.49
Debenture Redemption Reserve	-	1,187.50	-	**1,187.50**	-
Reserve for Molasses Storage Tanks	19.64	3.54	-	**23.18**	19.64
Balance as per Profit & Loss Account	150.46	114.52	-	**264.98**	150.46
	6,026.09	9,656.48	2,137.32	**13,545.25**	6,026.09

@ Investment Allowance Reserve (Utilised) has been transferred to General Reserve.

* Additions to Securities Premium represent a) Premium on issue of GDR II Rs. 6,604.50 Million, b) Premium on conversion of Foreign Currency Convertible Bonds (FCCBs) Rs. 978.06 Million and c) Reversal of Provision for Premium on redemption of FCCBs Rs. 241.86 Million. Deductions represent Provision for Premium on redemption of FCCBs Rs. 1,844.18 Million and issue expenses of Rs. 266.64 Million.

Schedule 3 - Secured Loans

	As at Sept. 30, 2006	As at Sept. 30, 2005
Working Capital Loan from Banks	**959.56**	757.14
Term Loan from Banks	**3,309.00**	2,800.00
Term Loan from others	**121.97**	243.95
Others	**11.12**	16.81
	4,401.65	3,817.90

	As at Sept. 30, 2006 Rs. Million	As at Sept. 30, 2005 Rs. Million

Notes:

1. Working capital loans from Banks are secured, on first pari passu charge basis, by hypothecation of inventories, book debts and other receivables. Further secured/ to be secured, on a second pari passu charge basis, by hypothecation of the whole of movable fixed assets and properties and also secured/ to be secured, on a second pari passu charge basis, by mortgage on the whole of immovable fixed assets and properties of the Company. Documentation for mortgage in respect of certain loans is under finalisation.
2. Term loans from Banks and Others are secured, on first pari passu charge basis, by hypothecation of the whole of the present and future movable fixed assets and properties including plant and machinery, tools and accessories of the Company and also secured/ to be secured, on first pari passu charge basis, by mortgage (by deposit of title deeds) on the whole of immovable fixed assets and properties. Further secured, on second pari passu charge basis, by hypothecation of all the present and future current assets of the Company including inventories, book-debts and other receivables. Documentation for mortgage in respect of certain term loans is under finalisation.
3. Other loans are secured against specific vehicles taken on hire purchase.

Schedule 4 - Unsecured Loans

	As at Sept. 30, 2006	As at Sept. 30, 2005
Short Term Debentures	**4,750.00**	300.00
Zero Coupon Foreign Currency Convertible Bonds (FCCBs) (Refer Note No. 15)	**5,492.22**	962.59
Short Term Loan from a bank	**400.00**	-
Fixed Deposits	**16.96**	19.87
	10,659.18	1,282.46

(Short Term Debentures of Rs. 16,500 million issued and redeemed during the year)

Schedule 5 - Deferred Tax Liability

	As at Oct. 01, 2005	Additions	Deductions	As at Sept. 30, 2006	As at Sept. 30, 2005
Deferred Tax Liability	453.36	846.26	-	**1,299.62**	453.36
				1,299.62	453.36

Schedule 6 - Fixed Assets (Rs. Million)

DESCRIPTION		GROSS BLOCK (AT COST/BOOK VALUE)				DEPRECIATION				NET BLOCK	
Sr. No.	**Particulars**	**As at Oct. 1, 2005**	**Additions**	**Deduction & Adjustments**	**As at Sept. 30, 2006**	**Upto Oct. 1, 2005**	**This Year**	**Deduction & Adjustments**	**Upto Sept. 30, 2006**	**As at Sept. 30, 2006**	**As at Sept. 30, 2005**
1.	Land	443.36	169.28	16.33	**596.31**	-	-	-	**-**	596.31	443.36
2.	Buildings	654.91	1,442.04	76.15	**2,020.80**	157.28	94.51	-	**251.79**	1,769.01	497.63
3.	Plant & Machinery	4,446.84	4,647.04	432.19	**8,661.69**	1,362.68	486.92	2.98	**1,846.62**	6,815.07	3,084.16
4.	Furniture, Fixtures & Office Equipments	206.98	119.44	0.57	**325.85**	89.89	50.34	0.03	**140.20**	185.65	117.09
5.	Vehicles	134.10	70.48	3.75	**200.83**	53.55	30.27	2.55	**81.27**	119.56	80.55
6.	Railway Siding & Light Railways	1.97	-	-	**1.97**	1.87	0.01	-	**1.88**	0.09	0.10
7.	Weighing Scales & Weigh Bridges	61.10	108.51	10.10	**159.51**	25.48	16.29	0.09	**41.68**	117.83	35.62
8.	Electrical Fittings	67.87	308.73	24.87	**351.73**	19.96	37.95	-	**57.91**	293.82	47.91
9.	Leased Assets:										
	a. Distillery Division:										
	- Land	4.76	-	-	**4.76**	-	-	-	**-**	4.76	4.76
	- Buildings	28.49	-	-	**28.49**	2.35	1.53	-	**3.88**	24.61	26.14
	- Plant & Machinery	235.88	-	-	**235.88**	17.45	16.42	-	**33.87**	202.01	218.43
	- Furniture, Fixtures & Office Equipments	0.82	-	-	**0.82**	0.40	0.12	-	**0.52**	0.30	0.42
	- Electrical Fittings	8.07	-	-	**8.07**	1.32	0.94	-	**2.26**	5.81	6.75
	b. Cement Division										
	- Plant & Machinery	256.69	-	-	**256.69**	256.69	-	-	**256.69**	-	-
	Total	**6,551.84**	**6,865.52**	**563.96**	**12,853.40**	**1,988.92**	**735.30**	**5.65**	**2,718.57**	**10,134.83**	**4,562.92**
	Previous Year Total	4,083.40	2,479.55	11.11	6,551.84	1,636.75	361.82	9.65	1,988.92	4,562.92	2,446.65
10.	Capital Work in progress	6,234.44	12,481.67	6,485.33	**12,230.78**	-	-	-	-	12,230.78	6,234.44
	Total	**12,786.28**	**19,347.19**	**7,049.29**	**25,084.18**	**1,988.92**	**735.30**	**5.65**	**2,718.57**	**22,365.61**	**10,797.36**
	Previous Year Total	5,869.42	9,128.01	2,211.15	12,786.28	1,636.75	361.82	9.65	1,988.92	10,797.36	

Note: (i) Building includes an amount of Rs. 500 being value of 10 shares of Rs. 50/- each in a co-operative society.

(ii) Deduction & Adjustments include Rs. 551.47 million received on account of Capital Subsidy under Sugar Promotion Policy.

(iii) The assets of Distillery Division at Palia Kalan were leased w.e.f. 30th May, 2006.

(iv) Capital work-in-progress includes following:

Capital Work in Progress:	**As at Oct. 1, 2005**	**For the Year**	**Capitalised**	**As at Sept. 30, 2006**
Advance to Suppliers / Contractors	1,347.74	459.24	52.88	**1,754.10**
Plant & Machinery / Civil work in progress	4,341.71	10,932.04	5,709.55	**9,564.20**
Preoperative Expenses *				
Manpower Cost	134.28	218.25	146.71	**205.82**
Power and Fuel	2.73	35.75	21.76	**16.72**
Rent	6.53	6.82	6.89	**6.46**
Rates and Taxes	0.62	1.60	1.55	**0.67**
Repairs - others	1.11	4.59	2.36	**3.34**
Insurance	5.92	23.29	11.86	**17.35**
Miscellaneous Expenses	139.79	298.39	253.48	**184.70**
Interest	237.08	488.35	260.35	**465.08**
Finance Charges	7.25	1.99	6.38	**2.86**
Depreciation	9.68	11.36	11.56	**9.48**
Sub-Total Preoperative Expenses	544.99	1,090.39	722.90	**912.48**
Total	6,234.44	12,481.67	6,485.33	**12,230.78**

*Includes Trial run expenses/loss:

Raw Material cost	378.31
Manpower cost	17.02
Stores, Spares and Packing Materials consumed	23.65
Power and Fuel	9.43
Repairs	6.99
Miscellaneous Expenses	50.09
Interest	26.00
Total Expenses	511.49
Less: Income during Trial Run:	
Sale	2.37
Other Income	0.06
Stock out of Trial Run	406.92
Total Income	409.35
Net Trial Run Expenses/Loss	102.14

	As at Sept. 30, 2006 Rs. Million	As at Sept. 30, 2005 Rs. Million
Schedule 7 - Investments (At Cost)		
Long Term Investments:		
A. Other than Trade		
Quoted, Fully Paid Equity Shares:		
48,000 (48,000) Shares of Bajaj Auto Ltd. of Rs. 10/- each	**0.32**	0.32
9,750 (9,750) Shares of Mukand Ltd. of Rs. 10/- each	**0.32**	0.32
Quoted, Fully Paid Preference Shares		
2,437 (2,437) 0.01% Cumulative Redeemable Preference Shares of Mukand Ltd. of Rs. 10/- each	**0.02**	0.02
B. Trade		
In Subsidiary Companies:		
Quoted, Fully Paid Equity Shares:		
21,530,270 (-) Shares of Bajaj Hindusthan Sugar and Industries Ltd. of Re. 1/- each	**121.89**	-
Unquoted Fully Paid Equity Shares:		
5,000,000 (5,000,000) Shares of Bajaj Hindusthan Holdings Pvt. Ltd. of Rs. 10/- each	**50.00**	50.00
1,000,000 (-) Shares of Bajaj Eco-Tec Products Ltd. of Rs. 10/- each.	**99.10**	-
Unquoted Fully Paid Preference Shares:		
7,645,000 (-) 7% Redeemable Cumulative Non Convertible Preference Shares of Bajaj Eco-Tec Products Ltd. of Rs. 10/- each	**76.45**	-
Unquoted Investments in Warrants:		
3,800,000 (-) Convertible Warrants of Bajaj Hindusthan Sugar and Industries Ltd. of Rs. 500/- each, Rs. 450/- paid-up.	**1,710.00**	-
In Others:*		
Unquoted Fully Paid Equity Shares:		
1,148,400 (1,148,400) Shares of Bajaj Ebiz Pvt. Ltd. of Rs. 10/- each	**11.48**	11.48
5,000 (5,000) Shares of Esugarindia Clearing Corporation Ltd. of Rs. 10/- each	**0.05**	0.05
	2,069.63	62.19
*Less: Provision for diminution in value of investments	**11.53**	11.53
	2,058.10	50.66

	Book Value as at		Market Value as at	
	Sept. 30, 2006	Sept. 30, 2005	**Sept. 30, 2006**	Sept. 30, 2005
Quoted Investments	**122.55**	0.66	**1,107.17**	82.21
Unquoted Investments	**1,935.55**	50.00	**-**	-
	2,058.10	50.66	**1,107.17**	82.21

Following Investments were purchased and sold during the year:

Name of the Company	Face Value/NAV	No. of Shares/Units	Cost (Rs. Million)
Equity Shares:			
Balrampur Chini Mills Ltd.	1	385,786	73.98
Mutual Funds:			
Reliance Liquidity Fund - Growth Option	10.4562	19,127,408	200.00

75 years bonding a nation together.

	Rs. Million	As at Sept. 30, 2006 Rs. Million	As at Sept. 30, 2005 Rs. Million
Schedule 8 - Current Assets, Loans & Advances			
Current Assets :			
(a) Inventories (As certified by the Management)			
(i) Stores, Spare Parts and Packing Materials		**422.90**	237.23
(ii) Raw Material		**0.53**	2.43
(iii) Finished Stock		**708.28**	229.20
(iv) By-Product		**92.14**	86.60
		1,223.85	555.46
(b) Sundry Debtors (Unsecured, considered good unless otherwise stated)			
Debts outstanding for a period exceeding six months			
Good		**4.99**	-
Doubtful	**1.99**		1.99
Less: Provision	**(1.99)**		(1.99)
		-	-
Other Debts		**613.57**	178.62
		618.56	178.62
(c) Cash and Bank Balances			
Cash on hand (including cheques & drafts Rs.95.98 Million, Previous year Rs.21.39 Million)		**109.78**	25.77
Balance with Scheduled Banks:			
(i) In Current Accounts		**759.16**	23.39
(ii) In Fixed Deposits (Including interest accrued Rs. 2.20 Million, Previous year Rs.0.21 Million)		**1,363.13**	8.59
Balance with Non Scheduled Banks		**1.05**	0.68
		2,233.12	58.43
c/f.........		**4,075.53**	792.51

	As at Sept. 30, 2006	Maximum balance during the year
i) District Cooperative Bank Limited	**0.53**	**40.96**
	(0.65)	(34.00)
ii) Urban Cooperative Bank Limited	**0.38**	**15.45**
	(0.02)	(0.08)
iii) Zila Sahkari Bank Limited	**0.01**	**0.01**
	(0.01)	(0.01)
iv) UP Gramin Bank	**0.08**	**3.25**
	(0.00)	(0.00)
v) Vidur Gramin Bank Ltd	**0.05**	**0.61**
	(0.00)	(0.00)

	Rs. Million	As at Sept. 30, 2006 Rs. Million	As at Sept. 30, 2005 Rs. Million
b/f.........		**4,075.53**	792.51
Loans and Advances:			
(d) Loans and Advances (Unsecured, considered good unless otherwise stated)			
Bajaj Hindusthan Sugar and Industries Ltd. (Subsidiary Company)		**1,061.55**	-
(Maximum debit balance during the year Rs. 1,554.18 Million, previous year Rs. Nil)			
Other Companies		**946.01**	-
Other Company - Doubtful	**22.91**		22.91
Less: Provision	**22.91**		22.91
		-	-
Deposits / payments for acquisition of a body corporate		**-**	192.24
Advances recoverable in cash or in kind or for value to be received		**1,594.83**	245.09
Includes Rs. Nil (Previous year Rs. 0.02 Million) due from an officer of the Company. Maximum Balance Rs. 0.02 Million (Previous year Rs. 0.03 Million)			
Deposits #		**72.51**	68.69
Balance with Excise Department including Cenvat credits		**1,073.22**	524.47
Advance payments of Tax (including tax deducted at source) (Net of Provision for Taxation)		**594.69**	-
		5,342.81	1,030.49
		9,418.34	1,823.00

Includes National Savings Certificate of the face value of Rs. 0.028 Million (Previous year Rs. 0.011 Million) and Pass books of Post Office Savings Bank Account having an aggregate balance of Rs. 0.118 Million (Previous year Rs. 0.048 Million) pledged with Government Authorities.

	As at Sept. 30, 2006 Rs. Million	As at Sept. 30, 2005 Rs. Million
Schedule 9 - Current Liabilities and Provisions		
A. Current Liabilities:		
Sundry Creditors (Including Capital Suppliers Rs. 1113.97 Million, Previous year Rs. 247.31. Million)	**1,728.69**	513.70
Outstanding Dues and Interest thereon of Small Scale Industrial Undertakings and or Ancillary Industrial Suppliers is Rs. Nil (Previous year Rs. Nil).		
Unclaimed Redeemed Preference Share Capital	**0.02**	0.02
Interest Accrued but not due	**20.06**	18.56
Deposits from Stockists and others	**69.54**	15.39
Investor Education & Protection Fund shall be credited by the following: (Amounts to be transferred to said fund shall be determined on the respective due dates)		
Unclaimed Dividend	**2.06**	2.08
	1,820.37	549.75
B. Provisions:		
For Leave Encashment	**33.65**	19.19
For Taxation (Net of Advance payments of Tax)	**-**	95.93
For premium on redemption of FCCBs	**1,844.18**	241.86
Proposed Dividend	**84.84**	59.77
Corporate Dividend Tax	**11.90**	8.38
	1,974.57	425.13
	3,794.94	974.88

	Rs. Million	2005-2006 Rs. Million	2004-2005 Rs. Million
Schedule 10 - Other Income			
Dividend		**2.69**	1.20
Surplus on Sale of Assets		**0.12**	20.10
Lease and Management Fees		**140.66**	-
Gain/Loss Due to Foreign Exchange		**162.35**	6.55
Scrap Sales		**44.66**	9.28
Miscellaneous Receipts		**44.62**	49.69
		395.10	86.82
Schedule 11 - Cost of Raw Materials Consumed			
Opening Stock*		**5.53**	0.62
Purchases		**9,509.46**	4,611.23
		9,514.99	4,611.85
Less: Closing Stock		**0.53**	2.43
		9,514.46	4,609.42
* Includes Rs. 3.10 Million out of trial run production.			
Schedule 12 - Manpower Cost			
Salaries & Wages		**493.97**	252.95
Contribution to Provident and other funds and schemes		**47.33**	29.85
Employee's Welfare Expenses		**24.69**	14.22
		565.99	297.02
Schedule 13 - Other Expenses			
Stores, Spares and Packing Materials consumed		**533.40**	248.23
Power and Fuel		**98.79**	57.91
Rent		**14.87**	12.08
Rates and Taxes		**0.47**	0.29
Repairs:			
Building	**22.48**		15.17
Machinery	**250.34**		142.69
Others	**54.47**		25.69
		327.29	183.55
Payment to Auditors for:			
Audit fees	**1.20**		1.20
Tax audit fees	**0.15**		0.07
Certification work *	**0.52**		0.40
Out of pocket expenses	**0.16**		0.18
		2.03	1.85
Payment to Cost Auditor (Cost Audit Fees)		**0.08**	0.06
Insurance		**40.40**	11.34
Selling Commission		**54.49**	26.35
Selling & Distribution		**121.24**	116.83
Director fees		**0.71**	0.44
Donations		**0.79**	0.81
Miscellaneous Expenses		**121.35**	88.00
Loss on sale of investment		**35.90**	-
Loss on Assets Sold / Discarded		**0.89**	0.98
		1,352.70	748.72

* Excludes Rs.1.00 Million towards GDRs/ FCCBs issue related fees debited to Securities Premium account.

Schedule 14 - Interest and Finance Charges (Net)

	Rs. Million	2005-2006 Rs. Million	2004-2005 Rs. Million
Interest:			
Term Loans		221.00	57.01
Debentures		54.67	29.21
Working Capital Loans		118.14	35.52
Fixed Deposits		1.47	1.53
Others		92.93	23.81
		488.21	147.08
Less: Interest Income Gross (Tax deducted Rs. 99.70 Million, Previous year Rs. 2.19 Million)			
On Others		521.97	20.12
		521.97	20.12
		(33.76)	126.96
Add: Finance charges		12.28	5.10
		(21.48)	132.06

Schedule 15 - (Increase)/Decrease in Stocks

	Rs. Million	2005-2006 Rs. Million	2004-2005 Rs. Million
Opening Stock:*			
Finished Goods	565.30		983.65
Materials in process	42.21		10.84
By-product	115.21		27.64
		722.72	1,022.13
Less: Closing Stock:			
Finished Goods	708.28		229.20
Materials in process	-		-
By-product	92.14		86.60
		800.42	315.80
		(77.70)	706.33
(Add)/Less: Excise Duty on Increase/Decrease in stocks of Finished Goods		7.90	(1.27)
		(69.80)	705.06
* Includes out of trial production:			
Finished Goods		336.10	346.58
Materials in process		42.21	10.84
By-product		28.61	15.48
		406.92	372.90

Schedule 16 - Notes forming part of the Accounts

		2005-2006 Rs. Million	2004-2005 Rs. Million
1.	Contingent Liabilities not provided for: In respect of disputed demands/claims against the Company not acknowledged as debts:		
	(i) Central Excise matters	**21.48**	20.71
	(ii) Sales Tax matters	**16.02**	16.09
	(iii) Other Claims	**72.63**	78.48
	(iv) Income-tax matters	**12.72**	7.63
	(v) The Company has furnished corporate guarantee of Rs. 480 Million to a bank on behalf of Bajaj Eco-Tec Products Ltd., wholly owned subsidiary for credit facility given against which the outstanding balance as at the year end is Rs. Nil.		
2	(a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances).	**3,222.63**	4,839.59
	(b) Lease Rental Income:		
	- Not later than one year	**19.20**	-
	- Later than one year but not later than five years	**70.40**	-
	- Later than five years	**-**	-

3. Raw Materials Consumed (Indigenous):

	2005-2006		2004-2005	
	M. Tonnes	**Rs. Million**	M. Tonnes	Rs. Million
i. Sugarcane	**7,313,762**	**9,399.83**	3,881,976	4,542.22
ii. Molasses (Internal transfer)	**279,841**	**112.42**	122,710	66.54
iii. Others		**2.21**		0.66
		9,514.46		4,609.42

4. Value of imported and indigenous spare parts & components and percentage to the total consumption:

	2005-2006		2004-2005	
	Rs. Million	**Percentage**	Rs. Million	Percentage
i. Spare Parts & Components (Indigenous)	**188.63**	**99.10**	83.23	100.00
ii. Spare Parts & Components (Imported)	**1.71**	**0.90**	-	-

5. Managerial Remuneration:

(a) Computation of Managing Director's Commission:	**2005-2006** **Rs. Million**	**Rs. Million**
Profit as per Profit & Loss Account		**1,908.33**
Add: (i) Managing Director's remuneration	**3.06**	
(ii) Executive Director's remuneration	**13.98**	
(iii) Provision for Taxation (net)	**322.90**	
(iv) Deferred Tax (Net)	**846.26**	
(v) Loss on Assets Sold	**0.89**	**1,187.09**
		3,095.42
Less: (i) Surplus on sale of Assets		**0.12**
Less: (ii) MAT credit entitlement		**275.80**
Profit on which commission is payable		**2,819.50**
Managing Director's commission @ 1% on above		**28.19**
Maximum commission as determined by the Board of Directors		**1.20**

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(b) The Profit & Loss Account includes payments and provisions on account of remuneration to Managing Director and Executive Director as under:

Rs. Million

		Chairman & Managing Director	Chief Executive Director*	**Total**
1.	Salary, etc.	**1.20**	**11.92**	**13.12**
		(1.20)	(11.39)	(12.59)
2.	Commission	**1.20**	**-**	**1.20**
		(1.20)	-	(1.20)
3.	Contribution to Provident Fund, Superannuation & Gratuity Schemes	**0.37**	**1.34**	**1.71**
		(0.37)	(1.23)	(1.60)
4.	Other Perquisites	**0.23**	**0.72**	**0.95**
		(0.62)	(0.77)	(1.39)
5.	Provision for Gratuity	**0.06**	**-**	**0.06**
		(0.06)	(0.00)	(0.06)
Total		**3.06**	**13.98**	**17.04**
		(3.45)	(13.39)	(16.84)

* Does not include contribution to gratuity fund as separate figure is not available.

6.	Earnings in Foreign Exchange:		
	(i) Export of goods on F.O.B. basis	**113.90**	-
	(ii) Interest	**106.16**	8.33
7.	Expenditure in Foreign Currency:		
	(i) Interest	**14.18**	14.05
	(ii) Travelling Expenses	**2.09**	2.56
	(iii) Others	**248.76**	132.35

8. The disclosures in respect of Related Parties as required under Accounting Standard 18 (AS18) 'Related Party Disclosures' is stated herein below / set out in a separate statement annexed hereto.

a) Related parties and relationships for which disclosure is required under AS18:

A. Holding & Subsidiary Companies
Subsidiary Companies:
Bajaj Hindusthan Holdings Private Ltd. (Wholly owned)
Bajaj Eco-Tec Products Ltd. (Wholly owned)
Bajaj Hindusthan Sugar and Industries Ltd.

B. Associates and Joint Ventures
Bajaj E-biz Private Ltd. – Associate

C. Directors and their relatives
Mr. Shishir Bajaj - Chairman & Managing Director (Also key management personnel)
Mr. Niraj Bajaj - Non Executive Director
Mr. Kushagra Nayan Bajaj - Son of Mr. Shishir Bajaj
Mrs. Sureshtha Mittal - Wife of Mr. I. D. Mittal

D. Key Management Personnel
Mr. I. D. Mittal - Chief Executive Director

E. Enterprises over which any person described in (C) or (D) above is able to exercise significant influence

1. Bajaj Allianz Life Insurance Co. Ltd.
2. Bachhraj & Co. Pvt. Ltd.
3. Bachhraj Factories Pvt. Ltd.
4. Bajaj Allianz General Insurance Co. Ltd.
5. Bajaj Auto Finance Ltd.
6. Bajaj Auto Holdings Ltd.
7. Bajaj Auto Ltd.
8. Bajaj Electricals Ltd.
9. Bajaj International Pvt. Ltd.
10. Bajaj Sevashram Pvt. Ltd.
11. Bajaj Consumer Care Limited
12. Baroda Industries Pvt. Ltd.
13. EsugarIndia Ltd.
14. EsugarIndia Clearing Corporation Ltd.

15. Hercules Hoists Ltd.
16. Hind Musafir Agency Ltd.
17. Hind Rectifiers Ltd.
18. Hindusthan Housing Co. Ltd.
19. Hospet Steels Ltd.
20. Jamnalal Sons Pvt. Ltd.
21. Jeewan Ltd.
22. Kalyani Mukand Ltd.
23. Kamalnayan Investments & Trading Pvt. Ltd.
24. Kaycee Industries Ltd.
25. Madhur Securities Pvt. Ltd.
26. Maharashtra Scooters Ltd.
27. Mukand Engineers Ltd.
28. Mukand Global Finance Ltd.
29. Mukand International Ltd.
30. Mukand Ltd.
31. Niraj Holdings Pvt. Ltd.
32. Rahul Securities Pvt. Ltd.
33. Shekhar Holdings Pvt. Ltd.
34. Sikkim Janseva Pratisthan Pvt. Ltd.
35. Jamnalal Bajaj Seva Trust
36. Anant Trading Co.
37. Kushagra Trading Co.
38. Bajaj Trading Co.
39. Bachhraj Trading Co.

b) Disclosure as required under AS-18 in respect of Related Party Transactions:

Rs. Million

Transactions	Subsidiary	Directors	Relatives of Directors	Key Management Personnel	Relatives of Key Management Personnel	Enterprises described in (E) above	**Total**
I. Transaction during the year							
Purchase of Goods	-	-	-	-	-	0.65	0.65
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(1.14)	(1.14)
Sale of Goods	0.59	-	-	-	-	-	0.59
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Rendering of Services	-	-	-	-	-	10.70	10.70
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(6.36)	(6.36)
Interest paid	-	-	-	-	-	1.71	1.71
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Loans taken repaid	-	-	-	-	-	150.00	150.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Remuneration	-	-	-	17.04	2.57	-	19.61
	(0.00)	(0.00)	(0.00)	(16.84)	(2.44)	(0.00)	(19.28)
Dividends received	-	-	-	-	-	1.92	1.92
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(1.20)	(1.20)
Sitting fees paid	-	0.71	-	-	-	-	0.71
	(0.00)	(0.44)	(0.00)	(0.00)	(0.00)	(0.00)	(0.44)
Investment made	2,007.44	-	-	-	-	-	2,007.44
	(50.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(50.00)
II. Amounts Outstanding at the Balance Sheet date							
Deposits Outstanding	-	-	-	-	-	0.97	0.97
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.90)	(0.90)

Notes:

1. Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.
2. No amount has been written off or written back during the year in respect of debts due from or to related parties.

9. Segment Information:

The Company has identified its Business Segments as its Primary Reportable Segments comprising of Sugar Division and Distillery Division.

Primary Segment Information:

Particulars	2005-2006 Rs. Million	2004-2005 Rs. Million
1. Segment Revenue		
a. Sugar	**13,775.37**	8,223.01
b. Distillery	**1,343.73**	567.28
Total	**15,119.10**	8,790.29
Less: Inter- segment Revenue	**558.27**	250.28
Net Sales / Income from Operations	**14,560.83**	8,540.01
2. Segment Results (Profit (+)/ Loss(-) before tax and interest)		
a. Sugar	**2,140.10**	1,724.45
b. Distillery	**333.44**	104.39
Total	**2,473.54**	1,828.84
Less: Interest (Net)	**(21.48)**	132.06
Add: Other un-allocable income net of un-allocable expenditure	**306.67**	8.01
Total Profit before Tax	**2,801.69**	1,704.79
3. Capital Employed:		
Segment Assets:		
a. Sugar	**24,180.95**	11,255.46
b. Distillery	**2,274.87**	957.92
Total	**26,455.82**	12,213.38
Add: Unallocated Corporate Assets	**7,386.23**	457.64
Total Assets	**33,842.05**	12,671.02
Segment Liabilities:		
a. Sugar	**2,001.13**	1,116.79
b. Distillery	**89.33**	100.83
Total	**2,090.46**	1,217.62
Add: Unallocated Corporate Liabilities	**16,765.31**	4,857.62
Total Liabilities	**18,855.77**	6,075.24
4. Capital Expenditure:		
a. Sugar	**11,005.35**	6,361.65
b. Distillery	**1,173.11**	473.55
c. Unallocated	**131.93**	92.77
Total	**12,310.39**	6,927.97

Particulars	2005-2006 Rs. Million	2004-2005 Rs. Million
5. Depreciation:		
a. Sugar	**630.97**	312.31
b. Distillery	**62.85**	25.51
c. Unallocated	**30.12**	13.13
Total	**723.94**	350.95
6. Non Cash Expenditure other than Depreciation:		
a. Sugar	**Nil**	Nil
b. Distillery	**Nil**	Nil
Total	**Nil**	Nil

Other disclosure:

1. The Company caters mostly to Indian markets and as such there are no reportable geographical segments. All the assets are also located in India.
2. Segments have been identified in line with the Accounting Standard - 17 "Segment Reporting" taking into account the organisation structure as well as differing risks and returns.
3. The Segment Revenue, Results, Assets and Liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
4. The segment performance has been worked out after attributing the realisable value of inter segment transfer of material. Figures have been regrouped/ rearranged/ recasted wherever necessary.

10. Deferred Taxation:

Rs. Million

	Opening Balance	During the year	Closing Balance
Deferred Tax Liabilities:			
Depreciation	735.90	846.02	1,581.92
Total	**735.90**	**846.02**	**1,581.92**
Deferred Tax Assets:			
Compensation under Voluntary Retirement Scheme	6.08	(5.11)	0.97
Provision for leave encashment	6.46	4.87	11.33
Carry Forward of unabsorbed Depreciation	270.00	-	270.00
Total	**282.54**	**(0.24)**	**282.30**
Net Deferred Tax Liability	**453.36**	**846.26**	**1,299.62**

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11. Detailed Quantitative Information:

Sr. No.	Products	Licensed Capacity	Installed (Capacity as certified by the management)	Opening Stock As at 1-Oct-05		Production	Reprocessing Loss/ Shortage	Sales		**Closing Stock As at Sept. 30, 2006**	
				Quantity	Value	Quantity	Quantity	Quantity	Value	Quantity	Value
			TCD	M.Tonnes	Rs. Million	M.Tonnes	M.Tonnes	M.Tonnes	Rs. Million	M.Tonnes	Rs. Million
1.	**Sugar**	Not Applicable	**53,000** (31,000)	**35,812** (75,742)	**526.70** (967.16)	**728,524** (396,487)	**120** (90)	**720,798** (457,998)	**13,293.20** (8,022.21)	**43,418** (14,141)	**692.71** (190.60)
		Kilo Litres	KL/Per Day	Kilo Litres		Kilo Litres	Kilo Litres	Kilo Litres		Kilo Litres	
2.	**Alcohol**	**91,000** (43,000) per annum	**320#** (160)	**6,373** (4,175)	**38.60** (16.49)	**64,751** (28,270)	**189** (133)	**67,480** (25,939)	**1,462.44** (592.45)	**3,455** (6,373)	**15.57** (38.60)
	By Products			M.Tonnes		M.Tonnes	M.Tonnes	M.Tonnes		M.Tonnes	
3.	**Molasses**	Not Applicable	Not Applicable	**37,228** (19,101)	**115.21** (27.64)	**378,989** (183,722)	**4** -	**381,623*** (178,596)	**312.95** (205.05)	**34,590** (24,227)	**92.14** (86.60)
4.	Others	Not Applicable	Not Applicable						**200.61** (94.89)		
	Total				**680.51** (1,011.29)				**15,269.20** (8,914.60)		**800.42** (315.80)

Notes:

1 Above particulars do not include trial run production and sales of new units, as below:

Production:	Qty. (MT)	Rs. Million
Sugar	21,671	-
Molasses	13,744	-
Sale:		
Molasses	743	2.37

2 Opening stock includes trial run production of new units as below:

Opening Stock:		
Sugar	21,671	336.10
Molasses	13,001	28.61

*3 Includes inter unit transfer 279,135 MT (Previous year 122,629 MT), out of which 951 MT has been sold from Palia Distillery.

#4 Installed capacity of alcohol includes 60 KL given on lease w.e.f. 30th May, 2006.

5 Figures for previous year are shown in brackets.

		2005-2006 Rs. Million	2004-2005 Rs. Million
12.	C.I.F. value of imports:		
	(i) Components and Spare Parts;	**4.44**	1.06
	(ii) Capital Goods;	**-**	3.70
13.	Weighted Average Number of Equity Shares for Diluted EPS:		
	Number of Equity Shares as on date	**133,702,948**	96,083,579
	Add: Potential equity shares on exercise of option of FCCB	**-**	1,787,958
	Weighted Average Number of Equity Shares for Diluted EPS	**133,702,948**	97,871,537

14. Pursuant to a share purchase agreement, 55% management shareholding of Equity Share Capital of Bajaj Hindusthan Sugar and Industries Ltd. (BHSIL) formerly The Pratappur Sugar & Industries Limited (a listed company having installed capacity of 3200 TCD sugar plant) was acquired by the Company from its erstwhile promoters. Further, the Company has received equity shares representing 4.81% shares under an Open Offer made in compliance of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 consequent to the above referred agreement. All the shares lying in the Escrow Account have since been transferred in the name of the Company and present shareholding of the Company in BHSIL has become 59.81% making BHSIL one of its subsidiary company.

15. The Company concluded its second Global Depositary Receipts (GDRs) issue of US$ 150.220 million in February 2006 and allotted 18,500,000 GDR @ US$ 8.12 per GDR, each representing one fully paid Equity Share of Re. 1/- per share at a price of Rs. 358.00 per share, ranking pari passu in all respects with the existing paid up Equity Shares - resulting in an increase in the paid-up equity share capital by Rs.18.50 million and increase in share premium account by Rs. 6604.50Tmillion.

    Simultaneously, the Company also issued Zero Coupon Foreign Currency Convertible Bonds (FCCB) due 2011 amounting to US$ 120 million, convertible at the option of the bondholder into Equity Share/ GDR, at an initial price of Rs. 465.40 per share.

    Out of the Zero Coupon Foreign Currency Convertible Bonds (FCCBs) due 2010 amounting to US$ 50 million issued by the Company in May 2005, FCCBs aggregating US$ 22.20 million have been converted into 65,26,043 Equity Shares of face value of Re.1/- each at a conversion price of Rs.147.50 per share between October 1, 2005 to September 30, 2006. These newly allotted Equity Shares, rank pari passu in all respects with the existing paid up Equity Shares of the Company.

    Out of the Zero Coupon Foreign Currency Convertible Bonds (FCCBs) due 2011 amounting to US$ 120 million issued by the Company in February 2006, FCCBs aggregating US$ 0.50 million have been converted into 47,357 Equity Shares of face value of Re.1/- each at a conversion price of Rs.465.40 per share between April 1, 2006 to September 30, 2006.

    These issue of new shares underlying the GDRs and upon conversion of bonds has resulted in increase in the Paid-up Equity Share Capital of the Company from Rs.116.33 million to Rs.141.41 million and increase in Share Premium amount by Rs. 7582.56 million in aggregate.

16. Foreign Currency exposure in Foreign Currency Convertible Bonds (US$ 119.50 Million) equivalent to Rs. 5,492.22 Million is not hedged as on 30th September, 2006.

17. Previous year figures have been regrouped wherever necessary and have been shown in brackets.

18. Significant Accounting policies followed by the Company are as stated in the statement annexed to this Schedule (Annexure 'A').

19. Cash Flow Statement is annexed to this Schedule. (Annexure 'B')

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

Signatures to Schedules "1" to "16"

As per our attached report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner
M. No. 37310
Mumbai,
December 28, 2006

Shishir Bajaj
Chairman & Managing Director

I. D. Mittal
Chief Executive Director

Pradeep Parakh
Vice President &
Company Secretary

D. S. Mehta
Suresh A. Kotak
M. L. Apte
R. V. Ruia
D. K. Shukla
Directors

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together.

Statement on Significant Accounting Policies

Annexure 'A' referred to in Note No. 18 in Schedule 16 to the Accounts for the year ended September 30, 2006

1. System of Accounting:

(i) The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties and interest on delayed payment by parties.

(ii) Financial statements are based on historical cost.

2. Revenue recognition:

(i) Revenue is recognised when the significant risk and rewards of ownership of the goods have been passed to the buyers. Sale of goods is exclusive of sales tax. Sales excludes captive consumption of molasses.

(ii) Sugar sold under levy quota for each season, is accounted at the price as notified by the Govt. as available till such time pending final notification for each season. The difference in price pending final notification is accounted on an estimation by the management taking into account factors affecting the calculation of levy sugar price.

3. Fixed Assets and Depreciation:

(A) Fixed Assets:

(i) Fixed assets are carried at cost of acquisition or construction cost, less accumulated depreciation (except free hold land) and amortisation.

(ii) Expenditure during construction period incurred on the projects under implementation are treated as Pre-operative Expenses pending allocation to the assets, and are included under "Capital Work in Progress". These expenses are apportioned to fixed assets on comencement of commercial production. Capital Work in Progress is stated at the amount expended upto the date of Balance Sheet.

(B) Depreciation:

(i) Depreciation on all the assets has been provided as under: -

(a) Plant & Machinery: On straight-line method basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

(b) Other Assets: On written down value basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

(ii) Depreciation on assets added, sold or discarded during the year has been provided on pro-rata basis.

4. Investments:

All long term investments are stated at cost of acquisition. Diminution in value of such long term investments is not provided for except where determined to be of permanent nature.

5. Inventories:

(i) Stock of Raw Materials is valued at cost or net realisable value whichever is lower. Cost is arrived at on FIFO Basis.

(ii) Stock of Materials-in-Process and Finished goods is valued at cost or net realisable value whichever is lower. Finished goods at the factory premises and at depots are valued at inclusive of excise duty.

(iii) Stores, Spares and Packing material are valued at cost. Cost is arrived at on Weighted Average Basis.

(iv) Obsolete stores and spares when identified and technically determined, are valued at estimated realisable value.

(v) By-products: Except for self-consumption, the balance stock has been valued as under:

(a) Molasses:

In terms of the Notification dated June 15, 2004 issued by U.P. State Government:

(i) The saleable stock of 80% quota to be sold to free market at the negotiable price.

(ii) The saleable stock of 20% quota to be sold to Potable Liquor Industries at the negotiable price.

(b) Bagasse:

The stock of bagasse is mainly being utilised for self-consumption and as such is valued at Nil price.

(vi) Stock of molasses at the end of trial run is valued at estimated realisable value.

(vii) Inter-unit transfers of Molasses & Bagasse are valued at factory cost of transferor plus transport and other charges.

6. Research and Development:

Revenue expenditure on Research and Development is charged against the profit for the year.
Capital expenditure on Research and Development is shown as an addition to Fixed Assets.

7. Government Grants:

Government grants/ subsidies received towards specific Fixed assets have been deducted from the Gross value of the concerned Fixed assets and grant/ subsidies received during the year towards revenue expenses have been reduced from respective expenses.

8. Foreign Currency Transactions:

Foreign Currency Loans are recorded at the exchange rate prevailing on the date of transaction and are translated at forward cover rate if applicable or year-end exchange rate. Exchange rate difference is adjusted to the cost of asset if it relates to acquisition of assets or is carried to profit & loss account in other cases.

9. Retirement Benefits:

(i) Gratuity:

Payment for present liability of future payment of gratuity is being made to an approved Gratuity Fund, which fully covers the same under Cash Accumulation Policy of the Life Insurance Corporation of India except in case of Managing Director in whose case the additional gratuity liability in accordance with the terms of appointment is provided in the books.

(ii) Superannuation:

Contribution to Superannuation fund is being made as per the Scheme of the Company.

(iii) Provident Fund contributions are made to Company's Provident Fund Trust.

(iv) Contribution to Employees' Pension Scheme 1995 is made to Government Provident Fund Authority.

(v) Leave Encashment:

Liability for accrued unencashed leave is provided on actual basis.

(vi) Compensation to employees under Voluntary Retirement Scheme is charged to Profit and Loss Account in the year of payment.

10. Borrowing Cost:

(i) Borrowing cost attributable to acquisition and construction of assets are capitalised as part of the cost of such assets upto the date when such assets are ready for intended use and other borrowing costs are charged to profit & loss account.

(ii) Expenses on issue of shares, debentures and foreign currency convertible bonds (FCCBs), premium on redemption of FCCBs, which is being provided entirely on issuance as well as exchange rate difference arising on revaluation of such premium are charged to "Securities Premium Accounts" in accordance with Section 78 of the Companies Act, 1956.

11. Provision for Current and Deferred Tax:

(i) Provision for Current Tax is made with reference to taxable income computed for the accounting period for which the financial statements are prepared by applying the tax rates relevant to the respective 'Previous Year'.

(ii) Deferred Tax resulting from 'timing difference' between book and taxable profit for the year is accounted for using the current tax rates. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future. However, in case of deferred tax assets (representing unabsorbed depreciation or carry forward losses) are recognised, if and only if there is a virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realised.

Cash Flow Statement for the year ended September 30, 2006

Annexure 'B' referred to in Note No. 19 in Schedule 16 to the Accounts for the year ended September 30, 2006

		2005-2006 Rs. Million	2004-2005 Rs. Million
A.	**Cash Flow from operating activities:**		
	Net Profit before extra-ordinary items and Taxation	**2,801.69**	1,704.79
	Adjustment for:		
	Depreciation	**723.94**	350.95
	Surplus on sale of Fixed Assets (Net)	**0.76**	(19.12)
	Interest and Finance Charges	**500.49**	147.08
	Dividend and Income from Units	**(2.69)**	(1.20)
	Interest Received	**(521.97)**	(20.12)
		700.53	457.59
	Operating Profit before working capital changes	**3,502.22**	2,162.38
	Adjustment for:		
	Trade and other receivables	**(4,157.57)**	(567.73)
	Inventories	**(668.38)**	218.62
	Trade payables	**1,283.59**	(91.16)
	Cash generated from operations	**(40.14)**	1,722.11
	Interest paid	**(498.99)**	(154.12)
	Direct taxes paid	**(731.73)**	(134.12)
		(1,230.72)	(288.24)
	Cash flow before extra-ordinary items	**(1,270.86)**	1,433.87
	Extraordinary items	**-**	-
	Net Cash from/ (used in) operating activities	**(1,270.86)**	1,433.87
B.	**Cash Flow from investing activities:**		
	Purchase of Fixed Assets	**(12,850.50)**	(6,917.10)
	Sale of Fixed Assets (incl. Capital Subsidy)	**557.56**	20.58
	Sale/Purchase of Investments	**(2,007.44)**	(50.00)
	Dividend and Income from units received	**2.69**	1.20
	Interest Received	**521.97**	20.12
	Net cash used in investing activities	**(13,775.72)**	(6,925.20)
C.	**Cash Flow from financing activities:**		
	Issue of FCCBs (Net of Conversions)	**4,529.63**	962.59
	Proceeds from borrowings (Net of repayments)	**5,430.84**	916.05
	Issue of Equity Shares & Premium thereon:		
	On issue of GDRs	**6,623.00**	2,604.12
	On conversion of FCCBs	**984.63**	1,205.40
	Issue expenses (including GDR/FCCB)	**(266.64)**	(138.76)
	Dividend paid	**(80.19)**	(39.18)
	Net cash from financing activities	**17,221.27**	5,510.22
	Net increase/(decrease) in cash and cash equivalents	**2,174.69**	18.89
	Cash and Cash equivalents as at Oct. 01, 2005 (Opening Balance)		
	Earmarked for specific purposes	**3.52**	2.27
	Other Balances	**54.91**	37.27
		58.43	39.54
	Cash and Cash equivalents as at September 30, 2006 (Closing Balance)		
	Earmarked for specific purposes	**7.03**	3.52
	Other Balances	**2,226.09**	54.91
		2,233.12	58.43

Figures in brackets indicate cash outflow and without brackets indicate cash inflow.

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

Shishir Dalal
Partner
M. No. 37310
Mumbai,
December 28, 2006

Shishir Bajaj
Chairman & Managing Director

I. D. Mittal
Chief Executive Director

Pradeep Parakh
Vice President &
Company Secretary

D. S. Mehta
Suresh A. Kotak
M. L. Apte
R. V. Ruia
D. K. Shukla
Directors

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	0 0 1 7 9 7
State Code	1 1
Balance Sheet Date	3 0 (Date) 0 9 (Month) 2 0 0 6 (Year)

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

Public Issue	Rights Issue
25,073 *	NIL
Bonus Issue	Private Placement
NIL	NIL

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

Total Liabilities	Total Assets
30,047,105	30,047,105

Sources of Funds

Paid-up Capital	Reserves & Surplus
141,407	13,545,244
Deferred Tax Adjustments	
1,299,625	
Secured Loans	Unsecured Loans
4,401,645	10,659,184

Application of Funds

Net Fixed Assets	Investments
22,365,610	2,058,102
Net Current Assets	Misc. Expenditure
5,623,393	NIL
Accumulated Loss	
NIL	

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

		Turnover			Total Expenditure
		14,867,505			12,065,811
+	-	Profit/Loss Before Tax	+	-	Profit/Loss After Tax
+		2,801,694	+		1,908,334

(Please tick appropriate box + for Profit - for Loss)

Earning Per Share (Basic) in Rs.	Dividend Rate %
14.27	60

V. Generic Name of Principal Product of Company

Item Code No. (ITC Code)	-	1 7 0 1 . 1 1
Product Description	-	S U G A R
Item Code No. (ITC Code)	-	0 0 0 0 2 2 . 0 7
Product Description	-	I N D U S T R I A L A L C O H O L

* Through issue of GDRs and Foreign Currency Convertible Bonds

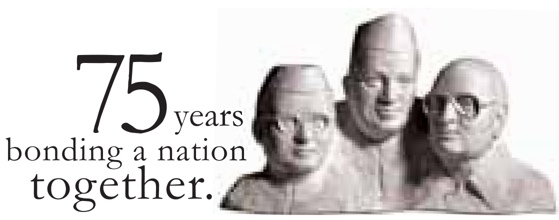
Shsihir Bajaj
Chairman & Managing Director

I.D. Mittal
Chief Executive Director

D.S. Mehta
Suresh A. Kotak
M.L. Apte
R.V. Ruia
D.K. Shukla
Directors

Pradeep Parakh
Vice President &
Company Secretary

Mumbai,
December 28, 2006



Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

1.	Name of the Subsidiary	Bajaj Hindusthan Holdings Private Limited	Bajaj Eco-Tec Products Ltd.	Bajaj Hindusthan Sugar and Industries Ltd.
2.	The Financial Year of the Subsidiary Company end on	Sept. 30, 2006	Sept. 30, 2006	Sept. 30, 2006
3.	Holding Company's interest:			
	i) No. of Equity Shares	5,000,000 of Rs. 10/- each	1,000,000 of Rs. 10/- each	21,530,270 of Re. 1/- each
	ii) Percentage of Holding	100%	100%	59.81%
4.	The Net Aggregate of Profits (Losses) of the Subsidiary Company for its Financial Year so far as they concern members of Bajaj Hindusthan Limited.			
	Dealt with the Accounts of Bajaj Hindusthan Limited for the year ended September 30, 2006	Nil	Nil	Nil
	Not Dealt with the Accounts of Bajaj Hindusthan Limited for the year ended September 30, 2006	1.29	N.A.	6.62
5.	The Net Aggregate of Profits (Losses) of the Subsidiary Company up to Previous Financial Year so far as they concern members of Bajaj Hindusthan Limited.			
	Dealt with the Accounts of Bajaj Hindusthan Limited for the year ended September 30, 2006	Nil	Nil	N.A.
	Not Dealt with the Accounts of Bajaj Hindusthan Limited for the year ended September 30, 2006	0.82	N.A.	N.A.

Shsihir Bajaj
Chairman & Managing Director

I.D. Mittal
Chief Executive Director

D.S. Mehta
Suresh A. Kotak
M.L. Apte
R.V. Ruia
D.K. Shukla
Directors

Pradeep Parakh
Vice President &
Company Secretary

Auditors' Report to the Board of Directors of **Bajaj Hindusthan Limited** on the Consolidated Financial Statements

1. We have examined the attached Consolidated Balance Sheet of **BAJAJ HINDUSTHAN LIMITED** and its Subsidiaries as at 30th September, 2006, and also the Consolidated Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bajaj Hindusthan Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. We did not audit the financial statements of a subsidiary and an associate whose financial statements reflect total assets of Rs.76.13 Million as at 30th September, 2006, and total Revenues of Rs.1.44 Million for the year then ended and considered for the purpose of consolidated accounts. Our opinion, in so far as it relates to these subsidiaries and associates, is based solely on the report of their auditors and further information and explanations provided to us and relied upon by us.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

5. On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of Bajaj Hindusthan Limited and its subsidiaries, read with other notes thereon, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India :

   (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at 30th September, 2006;

   (ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year then ended.

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner
Membership No: 37310

Mumbai,
December 28, 2006.

Consolidated Balance Sheet as at September 30, 2006

		Schedule	Rs. Million	As at Sept. 30, 2006 Rs. Million
I.	**Sources of Funds:**			
	Shareholders' Funds			
	Capital	1	141.41	
	Reserves & Surplus	2	13,473.41	
				13,614.82
	Loan Funds			
	Secured Loans	3	4,753.21	
	Unsecured Loans	4	10,659.18	
				15,412.39
	Deferred Tax (Net)	5		1,261.97
	Total			30,289.18
II.	**Application of Funds:**			
	Fixed Assets	6		
	Gross Block		28,512.04	
	Less: Depreciation		3,054.90	
	Net Block			24,457.14
	Investments	7		0.66
	Current Assets, Loans & Advances	8		
	Inventories		1,433.74	
	Sundry Debtors		663.39	
	Cash & Bank Balances		2,311.19	
	Loans & Advances		4,438.39	
			8,846.71	
	Less: Current Liabilities & Provisions	9		
	Current Liabilities		2,024.04	
	Provisions		1,991.29	
			4,015.33	
	Net Current Assets			4,831.38
	Total			30,289.18
Notes forming part of the accounts		16		

As per our attached report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner
M. No. 37310
Mumbai,
December 28, 2006

Shishir Bajaj
Chairman & Managing Director

I. D. Mittal
Chief Executive Director

Pradeep Parakh
Vice President &
Company Secretary

D. S. Mehta
Suresh A. Kotak
M. L. Apte
R. V. Ruia
D. K. Shukla
Directors

Consolidated Profit & Loss Account for the year ended September 30, 2006

	Schedule	Rs. Million	2005-2006 Rs. Million
Income:			
Gross Sales (Including Duty Draw Back Rs.18.36 million)			15,648.84
Less: Excise Duty			820.41
Net Sales			14,828.43
Other Income	10		398.13
			15,226.56
Expenditure:			
Materials	11		9,517.52
Manpower Cost	12		584.93
Other Expenses	13		1,390.17
Interest & Finance charges (Net)	14		33.41
Depreciation			732.90
(Increase) / Decrease in Stocks	15		228.10
			12,487.03
Profit for the year before Taxation			2,739.53
Less: Provision for Taxation:			
Current Tax		312.75	
Deferred Tax		849.76	
Wealth Tax		0.80	
Fringe Benefit Tax		9.70	
		1,173.01	
Less: MAT credit entitlement		275.80	
			897.21
Profit for the year			1,842.32
Add: Balance Brought Forward		144.13	
Dividend paid on conversion of FCCBs		(10.54)	
Corporate Dividend Tax on Dividend paid		(1.48)	
Debenture Redemption Reserve no longer required		–	
Excess tax provision written back		5.99	138.10
			1,980.42
Transfers to:			
Reserve for construction of Molasses Storage Tanks			3.59
Reserve for Contingencies			–
General Reserve			500.00
Debenture Redemption Reserve			1,187.50
Proposed Dividend			84.84
Corporate Dividend Tax on Proposed Dividend			11.90
Balance carried to Balance Sheet			192.59
Basic and Diluted Earning per Share:			
Net Profit			1,842.32
Weighted Average No. of Shares			133,702,948
Basic and Diluted Earning per Share in Rupees (Nominal Value Re 1 per Share)			13.78
Notes forming part of the accounts	16		

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

Shishir Dalal
Partner
M. No. 37310
Mumbai,
December 28, 2006

Shishir Bajaj
Chairman & Managing Director

I. D. Mittal
Chief Executive Director

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Vice President &
Company Secretary

D. S. Mehta
Suresh A. Kotak
M. L. Apte
R. V. Ruia
D. K. Shukla
Directors

75 years
bonding a nation
together.

Schedules Forming Part of Accounts

Schedules 1 to 16 annexed to and forming part of the Balance Sheet as at September 30, 2006 and Profit and Loss Account for the year ended on that date.

		As at Sept. 30, 2006
	Rs. Million	Rs. Million
Schedule 1 - Capital		
Authorised:		
300,000,000 Equity Shares of Re. 1/- each.	300.00	
500,000,000 Unclassified Shares of Rs. 1/- each.	500.00	
		800.00
Issued, Subscribed & Paid-up:		
141,407,111 (116,333,711) Equity Shares of Re. 1/- each.		141.41
		141.41

Of the above shares 53,100,000 Equity Shares were allotted as fully paid Bouns Shares by way of Capitalisation of Reserves.

Schedule 2 - Reserves and Surplus

	As at Oct. 01, 2005	Additions	Deductions	
Capital Redemption Reserve	0.60	-	-	0.60
Investment Allowance Reserve (Utilised) @	26.50	-	26.50	-
Contingency Reserve	100.00	-	-	100.00
Securities Premium *	3,489.50	7,824.42	2,110.82	9,203.10
General Reserve	2,239.49	526.50	-	2,765.99
Debenture Redemption Reserve	-	1,187.50	-	1,187.50
Reserve for Molasses Storage Tanks	20.04	3.59	-	23.63
Balance as per Profit & Loss Account	144.13	48.46	-	192.59
	6020.26	9590.47	2,137.32	13,473.41

@ Investment Allowance Reserve (Utilised) has been transferred to General Reserve.

* Additions to Securities Premium represent a) Premium on issue of GDRs II Rs. 6,604.50 Million, b) Premium on conversion of Foreign Currency Convertible Bonds (FCCBs) Rs. 978.06 Million and c) Reversal of Provision for Premium on redemption of FCCBs Rs. 241.86 Million. Deductions represent Provision for Premium on redemption of FCCBs Rs. 1,844.18 Million and issue expenses of Rs. 266.64 Million.

	As at Sept. 30, 2006 Rs. Million
Schedule 3 - Secured Loans	
Working Capital Loan from Banks	1,071.73
Term Loan from Banks	3,363.00
Term Loans from others including funded interest Rs. 47.98 million	306.67
Others	11.81
	4,753.21

Notes:

1. Working capital loans from Banks are secured, on first pari passu charge basis, by hypothecation of inventories, book debts and other receivables. Further secured/ to be secured, on a second pari passu charge basis, by hypothecation of the whole of movable fixed assets and properties and also secured/ to be secured, on a second pari passu charge basis, by mortgage on the whole of immovable fixed assets and properties of the Company. Documentation for mortgage in respect of certain loans is under finalisation.
2. Term loans from Banks and Others are secured, on first pari passu charge basis, by hypothecation of the whole of the present and future movable fixed assets and properties including plant and machinery, tools and accessories of the Company and also secured/ to be secured, on first pari passu charge basis, by mortgage (by deposit of title deeds) on the whole of immovable fixed assets and properties. Further secured, on second pari passu charge basis, by hypothecation of all the present and future current assets of the Company including inventories, book-debts and other receivables. Documentation for mortgage in respect of certain term loans is under finalisation.
3. Other loans are secured against specific vehicles taken on hire purchase.

Schedule 4 - Unsecured Loans

Short Term Debentures	4,750.00
Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	5,492.22
Short Term Loan from a bank	400.00
Fixed Deposits	16.96
	10,659.18

(Short Term Debentures of Rs. 16,500 million issued and redeemed during the year)

Schedule 5 - Deferred Tax Liability

As at Oct. 01, 2005	Additions	Deductions	
412.21	849.76	-	1,261.97
			1,261.97

Schedule 6 - Fixed Assets **(Rs. Million)**

DESCRIPTION		GROSS BLOCK (AT COST/BOOK VALUE)				DEPRECIATION				NET BLOCK
Sr. No.	Particulars	As at Oct. 1, 2005	Additions	Deduction & Adjustments	As at Sept. 30, 2006	Upto Oct. 1, 2005	This Year	Deduction & Adjustments	Upto Sept. 30, 2006	As at Sept. 30, 2006
1	Goodwill on consolidation	-	132.54	-	**132.54**	-	-	(26.51)	**26.51**	**106.03**
2	Land	456.82	386.13	16.33	**826.62**	-	-	-	**-**	**826.62**
3	Buildings	728.15	1,444.66	106.22	**2,066.59**	192.13	95.11	24.80	**262.44**	**1,804.15**
4	Plant & Machinery	4,940.68	4,653.78	432.18	**9,162.28**	1,645.87	494.69	2.97	**2,137.59**	**7,024.69**
5	Furniture, Fixures & Office Equipments	216.63	121.80	0.57	**337.86**	95.41	50.77	0.02	**146.16**	**191.70**
6	Vehicles	139.10	81.83	3.75	**217.18**	55.03	31.03	2.55	**83.51**	**133.67**
7	Railway Siding & Light Railways	1.97	-	-	**1.97**	1.87	0.01	-	**1.88**	**0.09**
8	Weighing Scales & Weigh Bridges	61.10	108.51	10.10	**159.51**	25.48	16.29	0.09	**41.68**	**117.83**
9	Electrical Fittings	67.87	308.73	24.87	**351.73**	19.96	37.95	-	**57.91**	**293.82**
10	Leased Assets:	-	-	-	**-**	-	-	-	**-**	**-**
	a. Distillery Division:	-	-	-	**-**	-	-	-	**-**	**-**
	- Land	4.76	-	-	**4.76**	-	-	-	**-**	**4.76**
	- Buildings	28.49	-	-	**28.49**	2.35	1.53	-	**3.88**	**24.61**
	- Plant & Machinery	235.88	-	-	**235.88**	17.45	16.42	-	**33.87**	**202.01**
	- Furniture, Fixures & Office Equipments	0.82	-	-	**0.82**	0.40	0.12	-	**0.52**	**0.30**
	- Electrical Fittings	8.07	-	-	**8.07**	1.32	0.94	-	**2.26**	**5.81**
	b. Cement Division									
	- Plant & Machinery	256.69	-	-	**256.69**	256.69	-	-	**256.69**	**-**
	Total	**7,147.03**	**7,237.98**	**594.02**	**13,790.99**	**2,313.96**	**744.86**	**3.92**	**3,054.90**	**10,736.09**
11	Capital Work in progress	6,328.98	14,968.40	6,576.33	**14,721.05**	-	-	-	**-**	**14,721.05**
	Total	**13,476.01**	**22,206.38**	**7,170.35**	**28,512.04**	**2,313.96**	**744.86**	**3.92**	**3,054.90**	**25,457.14**

Note: (i) Building includes an amount of Rs. 500 being value of 10 shares of Rs. 50 each in a cooperative society

(ii) Deduction & Adjustments include Rs. 551.47 million received on account of Capital Subsidy under Sugar Promotion Policy.

(iii) The assets of Distillery Division in Bajaj Hindusthan Limited at Palia Kalan were leased w.e.f. 30th May, 2006.

(iv) Capital Work in Progress includes following:

Capital Work in Progress:	As at Oct. 1, 2005	For the Year	Capitalised	As at Sept. 30, 2006
Advance to Suppliers/Contractors	1,347.74	2,446.49	52.88	**3,741.35**
Plant & Machinery/Civil work in progress	4,432.73	11,369.25	5,800.57	**10,001.41**
Preoperative Expenses*				
Manpower Cost	134.77	230.88	146.71	**218.94**
Power and Fuel	2.73	35.75	21.76	**16.72**
Rent	6.53	6.89	6.89	**6.53**
Rates and Taxes	0.62	8.80	1.54	**7.88**
Repairs - others	1.11	5.05	2.36	**3.80**
Insurance	6.13	45.20	11.86	**39.47**
Miscellaneous Expenses	140.09	316.51	253.48	**203.12**
Interest	239.60	489.63	260.34	**468.89**
Finance Charges	7.25	1.99	6.38	**2.86**
Depreciation	9.68	11.96	11.56	**10.08**
Sub-Total Preoperative Expenses	548.51	1,152.66	722.88	**978.29**
Total	6,328.98	14,968.40	6,576.33	**14,721.05**

*Includes Trial run expenses/loss:

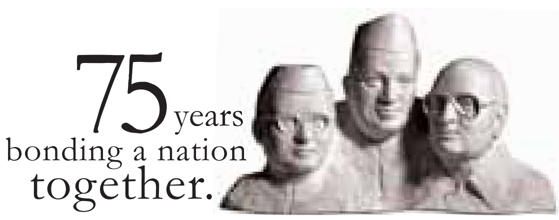
Raw Material cost	378.31
Manpower cost	17.02
Stores, Spares and Packing Materials consumed	23.65
Power and Fuel	9.43
Repairs	6.99
Miscellaneous Expenses	50.09
Interest	26.00
Total Expenses	511.49
Less: Income during Trial Run:	
Sale	2.37
Other Income	0.06
Stock out of Trial Run	406.92
Total Income	409.35
Net Trial Run Expenses/Loss	102.14

	As at Sept. 30, 2006 Rs. Million
Schedule 7 - Investments (At Cost)	
Long Term Investments:	
A. Other than Trade	
Quoted, Fully Paid Equity Shares:	
– 48,000 (48,000) Shares of Bajaj Auto Ltd. of Rs. 10/- each	0.32
– 9,750 (9,750) Shares of Mukand Ltd. of Rs. 10/- each	0.32
Quoted, Fully Paid Preference Shares	
– 2,437 (2,437) 0.01% Cumulative Redeemable Preference Shares of Mukand Ltd. of Rs. 10/- each	0.02
B. Trade	
In Others:*	
Unquoted Fully Paid Equity Shares:	
– 1,148,400 (1,148,400) Shares of Bajaj Ebiz Pvt. Ltd. of Rs. 10/- each	11.48
– 5,000 (5,000) Shares of Esugarindia Clearing Corporation Ltd. of Rs. 10/- each	0.05
	12.19
*Less: Provision for diminution in value of investments	11.53
	0.66

	Book Value as at Sept. 30, 2006	Market Value as at Sept. 30, 2006
Quoted Investments	0.66	144.77
Unquoted Investments	-	-
	0.66	144.77

Following Investments were purchased and sold during the year:

Name of the Company	Face Value/NAV	No. of Shares/Units	Cost
			(Rs. Million)
Equity Shares:			
Balrampur Chini Mills Ltd.	1	385,786	73.98
Mutual Funds:			
Reliance Liquidity Fund - Growth Option	10.4562	19,127,407.662	200.00



		As at Sept. 30, 2006 Rs. Million

Schedule 8 - Current Assets, Loans & Advances

Current Assets:

(a) Inventories (As certified by the Management)		
(i) Stores, Spare Parts and Packing Materials		**470.86**
(ii) Raw Material		**0.53**
(iii) Finished Stock		**862.12**
(iv) By-Product		**100.23**
		1,433.74
(b) Sundry Debtors (Unsecured, considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Good		**4.99**
Doubtful	1.99	
Less : Provision	(1.99)	
		-
Other Debts		**658.40**
		663.39
(c) Cash and Bank Balances		
Cash on hand (including cheques & drafts Rs. 96 Million & stamps Rs. 8.34 Million)		**119.45**
Balance with Scheduled Banks:		
(i) In Current Accounts		**773.04**
(ii) In Fixed Deposits (Including interest accrued Rs. 2.20 Million)		**1,417.65**
Balance with Non Scheduled Banks		**1.05**
		2,311.19

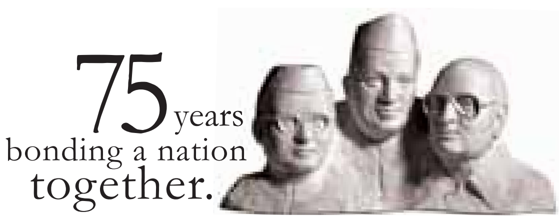
	As at Sept. 30, 2006	Maximum balance during the year
i) District Cooperative Bank Limited	**0.53**	**40.96**
ii) Urban Cooperative Bank Limited	**0.38**	**15.45**
iii) Zila Sahkari Bank Limited	**0.01**	**0.01**
iv) UP Gramin Bank	**0.08**	**3.25**
v) Vidur Gramin Bank Ltd	**0.05**	**0.61**

Loans and Advances:

(d) Loans and Advances (Unsecured, considered good unless otherwise stated)		
Other Companies		**946.01**
Other Company - Doubtful	**22.91**	
Less: Provision	**22.91**	
		-
Advances recoverable in cash or in kind or for value to be received		**1,740.11**
Deposits #		**72.55**
Balance with Excise Department including Cenvat credits		**1,084.85**
Advance payments of Tax (including tax deducted at source) (Net of Provision for Taxation)		**594.87**
		4,438.39
		8,846.71

Includes National Savings Certificate of the face value of Rs. 0.03 Million and Pass books of Post Office Savings Bank Account having an aggregate balance of Rs. 0.1315 Million pledged with Government Authorities.

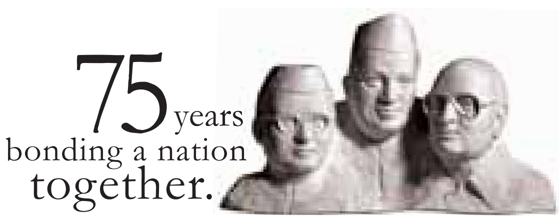
	As at Sept. 30, 2006 Rs. Million
Schedule 9 - Current Liabilities and Provisions	
A. Current Liabilities:	
Sundry Creditors (Including Capital Suppliers Rs. 1207.72 Million)	**1,931.34**
Outstanding Dues and Interest thereon of Small Scale Industrial Undertakings and or Ancillary Industrial Suppliers is Rs. Nil.	
Unclaimed Redeemed Preference Share Capital	**0.02**
Interest Accrued but not due	**20.06**
Deposits from Stockists and others	**70.15**
Investor Education & Protection Fund shall be credited by the following: (Amounts to be transferred to said fund shall be determined on the respective due dates)	
Unclaimed Dividend	**2.47**
	2,024.04
B. Provisions:	
For Gratuity	**13.98**
For Leave Encashment	**36.38**
For Taxation (Net of Advance payments of Tax)	**0.01**
For premium on redemption of FCCBs	**1,844.18**
Proposed Dividend	**84.84**
Corporate Dividend Tax	**11.90**
	1,991.29
	4,015.33



	Rs. Million	2005-2006 Rs. Million
Schedule 10 - Other Income		
Dividend		2.69
Surplus on Sale of Assets		0.12
Lease and Management Fees		140.66
Gain/Loss Due to Foreign Exchange		162.35
Scrap Sales		44.66
Profit from Sale of Investment		0.01
Miscellaneous Receipts		47.64
		398.13
Schedule 11 - Cost of Raw Materials Consumed		
Opening Stock*		5.53
Purchases		9,512.52
		9,518.05
Less: Closing Stock		0.53
		9,517.52
* Includes Rs. 3.10 Million out of trial production.		
Schedule 12 - Manpower Cost		
Salaries & Wages		509.73
Contribution to Provident and other funds and schemes		49.22
Employee's Welfare Expenses		25.98
		584.93
Schedule 13 - Other Expenses		
Stores, Spares and Packing Materials consumed		536.64
Power and Fuel		99.62
Rent		14.99
Rates and Taxes		0.54
Repairs :		
Building	22.53	
Machinery	253.76	
Others	54.77	
		331.06
Payment to Auditors for:		
Audit fees	1.36	
Tax audit fees	0.20	
Certification work*	0.52	
Out of pocket expenses	0.16	
		2.24
* Excludes Rs.1.00 Million towards GDRs/ FCCBs issue related fees debited to Share Premium account.		
Payment to Cost Auditor (Cost Audit Fees)		0.09
Insurance		41.57
Selling Commission		55.18
Selling & Distribution		121.39
Director fees		0.71
Donations		0.79
Miscellaneous Expenses		122.05
Goodwill on consolidation written off		26.51
Loss on sale of investment		35.90
Loss on Assets Sold / Discarded		0.89
		1,390.17

	Rs. Million	2005-2006 Rs. Million
Schedule 14 - Interest and Finance Charges (Net)		
Interest:		
Term Loans		226.72
Debentures		54.67
Working Capital Loans		121.29
Fixed Deposits		1.47
Others		92.92
		497.07
Less: Interest Income Gross (Tax deducted Rs. 99.70 Million) on others		476.06
		21.01
Add: Finance charges		12.40
		33.41

	Rs. Million	2005-2006 Rs. Million
Schedule 15 - (Increase)/Decrease in Stocks		
Opening Stock:*		
Finished Goods	1,013.15	
Materials in process	42.21	
By-product	149.35	
		1,204.71
Less: Closing Stock:		
Finished Goods	862.12	
Materials in process	-	
By-product	100.23	
		962.35
		242.36
(Add)/Less: Excise Duty on Increase/Decrease in stocks of Finished Goods		(14.26)
		228.10
* Includes out of trial production:		
Finished Goods		336.10
Materials in process		42.21
By-product		28.61
		406.92



Schedule 16 - Consolidated Notes forming part of the Accounts for the year ended September 30, 2006:

1. Statement on Significant Accounting Policies:

1. System of Accounting:

    (i) The financial statements of Bajaj Hindusthan Ltd. ('the Company'), its Subsidiary Companies and Associate (the Group) have been prepared in compliance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

    (ii) The financial statements are based on historical cost convention and are prepared on accrual basis.

2. Principles of Consolidation:

    (i) The consolidated financial statements of the Group have been prepared on the following basis:

    - The consolidated financial statements of the Group are prepared in accordance with the Accounting Standard - 21 "Consolidated Financial Statements" and Accounting Standard - 23 "Accounting for Investments in Associates in Consolidted Financial Statements".
    - The financial statements of the Company and its Subsidiary Companies have been consolidated on a line - by - line basis by adding together the book value of like items of assets, liabilities, income and expenses, after eliminating intra - group balances and intra - group transactions resulting in unrealised profits or unrealised cash losses.
    - Investment in the Associate has been accounted as per the equity method as prescribed in Accounting Standard - 23.
    - The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to extent possible, in the same manner as the Company's separate financial statements.
    - The excess of cost of investment in the Subsidiary Companies over the Company's portion of equity of the Subsidiary at the date of investment made is recognised in the financial statements as goodwill, which is written off over a period of five years. The excess of Company's portion of equity of the Subsidiary over the cost of investment therein is treated as capital reserve.

    (ii) Companies considered in the consolidated financial statements are:

Name of the Company	Holding as on Sept. 30, 2006	Financial Year ends on
Subsidiary:		
Bajaj Hindusthan Sugar and Industries Ltd.	59.81%	30.09.2006
Bajaj Eco-Tec Products Ltd.	100.00%	30.09.2006
Bajaj Hindusthan Holdings Pvt. Ltd.	100.00%	30.09.2006
Associate:		
Bajaj Ebiz Pvt. Ltd.*	49.50%	31.03.2006

* The Company has made provision for permanent diminution in the value of its investment in Bajaj Ebiz Pvt. Ltd. Hence no further adjustment in the value of investment is required to be made in the consolidated financial statement.

    (iii) Other significant accounting policies are set out in the respective notes to account under "Statement on Significant Accounting Policies" of the Financial Statements of the Company and Subsidiary Companies.

	2005-2006 Rs. Million
3. Contingent Liabilities not provided for: In respect of disputed demands/claims against the Company not acknowledged as debts:	
(i) Central Excise matters	**21.48**
(ii) Sales Tax matters	**16.19**
(iii) Other Claims	**72.63**
(iv) Income-tax matters	**12.72**
4. (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances).	**8,870.41**
(b) Lease Rental Income:	
- Not later than one year	**19.20**
- Later than one year but not later than five years	**70.40**
- Later than five years	**-**

5. Managerial Remuneration:
The Profit & Loss Account includes payments and provisions on account of remuneration to Managing Director and Executive Director as under:

Rs. Million

		Chairman & Managing Director	Chief Executive Director*	Total
1.	Salary, etc.	1.20	11.92	13.12
2.	Commission	1.20	-	1.20
3.	Contribution to Provident Fund, Superannuation & Gratuity Schemes	0.37	1.34	1.71
4.	Other Perquisites	0.23	0.72	0.95
5.	Provision for Gratuity	0.06	-	0.06
	Total	**3.06**	**13.98**	**17.04**

* Does not include contribution to gratuity fund as separate figure is not available.

6. The disclosures in respect of Related Parties as required under Accounting Standard 18 (AS18) 'Related Party Disclosures' is stated herein below / set out in a separate statement annexed hereto.

a) Related parties and relationships for which disclosure is required under AS18:

A. Associates and Joint Ventures
Bajaj E-biz Private Ltd. – Associate

B. Directors and their relatives
Mr. Shishir Bajaj - Chairman & Managing Director
(Also key management personnel)
Mr. Niraj Bajaj - Non Executive Director
Mr. Kushagra Nayan Bajaj - Son of Mr. Shishir Bajaj
Mrs. Sureshtha Mittal - Wife of Mr. I. D. Mittal

C. Key Management Personnel
Mr. I. D. Mittal - Chief Executive Director

D. Enterprises over which any person described in (B) or (C) above is able to exercise significant influence

1. Bajaj Allianz Life Insurance Co. Ltd.
2. Bachhraj & Co. Pvt. Ltd.
3. Bachhraj Factories Pvt. Ltd.
4. Bajaj Allianz General Insurance Co. Ltd.
5. Bajaj Auto Finance Ltd.
6. Bajaj Auto Holdings Ltd.
7. Bajaj Auto Ltd.
8. Bajaj Electricals Ltd.
9. Bajaj International Pvt. Ltd.
10. Bajaj Sevashram Pvt. Ltd.
11. Bajaj Consumer Care Limited
12. Baroda Industries Pvt. Ltd.
13. EsugarIndia Ltd.
14. EsugarIndia Clearing Corporation Ltd.
15. Hercules Hoists Ltd.
16. Hind Musafir Agency Ltd.
17. Hind Rectifiers Ltd.
18. Hindusthan Housing Co. Ltd.
19. Hospet Steels Ltd.
20. Jamnalal Sons Pvt. Ltd.
21. Jeewan Ltd.
22. Kalyani Mukand Ltd.
23. Kamalnayan Investments & Trading Pvt. Ltd.
24. Kaycee Industries Ltd.
25. Madhur Securities Pvt. Ltd.
26. Maharashtra Scooters Ltd.
27. Mukand Engineers Ltd.
28. Mukand Global Finance Ltd.
29. Mukand International Ltd.
30. Mukand Ltd.
31. Niraj Holdings Pvt. Ltd.
32. Rahul Securities Pvt. Ltd.
33. Shekhar Holdings Pvt. Ltd.
34. Sikkim Janseva Pratisthan Pvt. Ltd.
35. Jamnalal Bajaj Seva Trust
36. Anant Trading Co.
37. Kushagra Trading Co.
38. Bajaj Trading Co.
39. Bachhraj Trading Co.

b) Disclosure as required under AS-18 in respect of Related Party Transactions:

Rs. Million

Transactions	Directors	Relatives of Directors	Key Management Personnel	Relatives of Key Management Personnel	Enterprises described in (D) above	Total
I. Transaction during the year						
Purchase of Goods	-	-	-	-	0.65	0.65
Rendering of Services	-	-	-	-	10.70	10.70
Interest paid	-	-	-	-	50.22	50.22
Loans taken	-	-	-	-	1,061.56	1,061.56
Loans taken repaid	-	-	-	-	150.00	150.00
Remuneration	-	-	17.04	2.57	-	19.61
Dividends received	-	-	-	-	1.92	1.92
Sitting fees paid	0.71	-	-	-	-	0.71
II. Amounts Outstanding at the Balance Sheet date						
Deposits Outstanding	-	-	-	-	0.97	0.97

Notes:

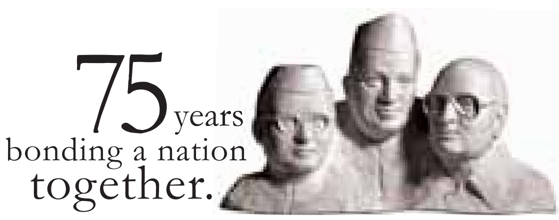
1. Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.
2. No amount has been written off or written back during the year in respect of debts due from or to related parties.

7. Segment Information:

The Company has identified its Business Segments as its Primary Reportable Segments comprising of Sugar Division and Distillery Division.

Primary Segment Information:

Particulars	**2005-2006 Rs. Million**
1. Segment Revenue	
a. Sugar	**14,134.43**
b. Distillery	**1,343.73**
Total	**15,478.16**
Less: Inter- segment Revenue	**558.27**
Net Sales / Income from Operations	**14,919.89**
2. Segment Results	
(Profit (+)/ Loss(-) before tax and interest)	
a. Sugar	**2,132.83**
b. Distillery	**333.44**
Total	**2,466.27**
Less: Interest (Net)	**33.41**
Add: Other un-allocable income net of un-allocable expenditure	**306.67**
Total Profit before Tax	**2,739.53**
3. Capital Employed:	
Segment Assets:	
a. Sugar	**27,534.19**
b. Distillery	**2,274.87**
Total	**29,809.06**
Add: Unallocated Corporate Assets	**4,495.44**
Total Assets	**34,304.50**
Segment Liabilities:	
a. Sugar	**2,572.53**
b. Distillery	**89.33**
Total	**2,661.86**
Add: Unallocated Corporate Liabilities	**16,765.86**
Total Liabilities	**19,427.72**
4. Capital Expenditure:	
a. Sugar	**13,602.95**
b. Distillery	**1,173.11**
c. Unallocated	**302.52**
Total	**15,078.58**



Particulars	2005-2006 Rs. Million
5. Depreciation:	
a. Sugar	**639.93**
b. Distillery	**62.85**
c. Unallocated	**30.12**
Total	**732.90**
6. Non Cash Expenditure other than Depreciation:	
a. Sugar	**Nil**
b. Distillery	**Nil**
Total	**Nil**

Other disclosure:

1. The Company caters mostly to Indian markets and as such there are no reportable geographical segments. All the assets are also located in India.
2. Segments have been identified in line with the Accounting Standard - 17 "Segment Reporting" taking into account the organisation structure as well as differing risks and returns.
3. The Segment Revenue, Results, Assets and Liabilities include respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
4. The segment performance has been worked out after attributing the realisable value of inter segment transfer of material. Figures have been regrouped/ rearranged/ recasted wherever necessary.

8. Deferred Taxation:

Rs. Million

Deferred Tax Liabilities:	**Opening Balance**	**During the Year**	**Closing Balance**
Depreciation	**784.17**	**861.12**	**1,645.29**
Total	**784.17**	**861.12**	**1,645.29**
Deferred Tax Assets:			
Compensation under Voluntary Retirement Scheme	**6.08**	**(5.11)**	**0.97**
Provision for leave encashment	**6.46**	**5.50**	**11.96**
Expenses allowed on payment basis	**3.68**	**-**	**3.68**
Provision for Gratuity	**4.47**	**0.24**	**4.71**
Carry Forward of unabsorbed Depreciation	**351.27**	**10.73**	**362.00**
Total	**371.96**	**11.36**	**383.32**
Net Deferred Tax Liability	**412.21**	**849.76**	**1,261.97**

9. This being first year of consolidation, the cash flow statement cannot be prepared under the indirect method in the absence of previous year comparatives.

Signatures to Schedules "1" to "16"

As per our attached report of even date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner
M. No. 37310
Mumbai,
December 28, 2006

Shishir Bajaj
Chairman & Managing Director

I. D. Mittal
Chief Executive Director

Pradeep Parakh
Vice President &
Company Secretary

D. S. Mehta
Suresh A. Kotak
M. L. Apte
R. V. Ruia
D. K. Shukla
Directors

BAJAJ HINDUSTHAN SUGAR AND INDUSTRIES LIMITED

(Formerly The Pratappur Sugar & Industries Limited)

Directors' Report

Introduction

The Directors present their Thirty-Sixth Annual Report and the Audited Statement of Accounts for the six month period ended September 30, 2006.

The financial year ending date was changed during the year from 31st March to 30th September with effect from this year, primarily considering the seasonal nature of the sugar manufacturing operations of the Company. Consequently, the annual accounts for financial year under the report have been drawn up for the period comprising of 6 months. The summarised results presented below are therefore not comparable with that of the last year.

Financial Results

	Period ended 30th September 2006 (6 months) (Rs. Million)	Year ended 31st March 2006 (12 months) (Rs. Million)
Sales and other income	**440.84**	702.79
Gross profit/ (loss) before interest, depreciation and extraordinary items	**31.43**	(7.45)
Interest and Finance Charges	**10.52**	42.95
Depreciation	**10.75**	32.40
Profit before tax and Extraordinary Items	**10.16**	(82.80)
Extraordinary Item:		
Cane Price Difference	**–**	7.00
Less withdrawn from General Reserve	**–**	7.00
Profit before tax	**10.16**	(89.80)
Provision for taxation	**–**	–
Provision for deferred tax	**3.40**	(24.60)
Provision for fringe benefit tax	**0.20**	0.50
Profit after tax	**6.56**	(65.70)
Transfer to reserve for construction of molasses reserve	**0.06**	0.11
Balance carried to balance sheet	**(65.19)**	(71.69)

Dividend

Your Directors have not recommended any dividend on equity shares for the financial period under review.

Share Capital

The Authorised Capital of the Company has been, increased from Rs. 25,05,00,000 Shares of Re. 1/- each divided into 25,00,00,000 Equity Shares of Re. 1/- each and 5,00,000 Preference Shares of Re. 1/- each to Rs. 40,00,00,000 Shares of Re. 1/- each divided into 40,00,00,000 Equity Shares of Re. 1/- each as per shareholders resolution dated 29.12.2006.

After allotment of 60,00,000 shares to PSIL Employees' Stock Options and Welfare Trust the paid up capital of the Company increased to Rs. 4,20,00,000 divided into 4,20,00,000 equity shares of Re. 1/- each.

Expansion Plans and Procurement of Fund for the Purpose

The Company had undertaken strategic growth plan to increase its sugarcane crushing capacity from 3200 tonnes crushed per day (TCD) to 40000 TCD involving a capital outlay of approx. Rs. 1230 crore. Accordingly, the capacity of its only existing plant at Pratappur has been enhanced from 3200 TCD to 6000 TCD. Another 34,000 TCD is being added by establishing three greenfield plants in Uttar Pradesh - 7000 TCD plant at Rudauli in Basti District, 12000 TCD plant at Utraula in Balrampur District and 15000 TCD plant at Kunderki in Gonda District, aggregating to 34,000 TCD. The Company which does not have any distillery at present is also setting up a distillery with capacity of 160 KL per day in Rudauli in Basti District of Uttar Pradesh along with facility to manufacture ethanol.

This estimated capital outlay of Rs. 1230 crore was proposed to be funded as under:

1.	Equity contribution by Holding Company	Rs. 330 crore
2.	Preferential issue to an FII and a Domestic Corporate Body	Rs. 65 crore
3.	Issue of GDR/ ADR/ FCCB or debt or a combination thereof	Rs. 835 crore
		Rs. 1230 crore

Out of the above proposed committed funding up to Rs. 330 crore by the holding company - Bajaj Hindusthan Ltd. (BHL), the Company pursuant to the resolution passed by the shareholders at the Extra-ordinary General Meeting held on 19.06.2006 has already subscribed to 38,00,000 convertible warrants at a price of Rs. 500 per warrant aggregating to Rs. 190 crores, which have been allotted to BHL on 18.07.2006. Each Warrant entitles BHL to apply for and receive 10 equity shares of Re. 1 each at a price of Rs. 50 per share. A sum of Rs. 171 crores being ninety percent of the aggregate value of the aforesaid warrants has already been received by the Company from BHL and BHL has informed the Company that the balance will be paid at the time of exercise of option for conversion of warrants, any time within 18 months from the aforesaid date of allotment. The balance amount of Rs. 140 crores, is being offered now in the form of further preferential issue of the Company, subject to compliance with applicable laws. Negotiations and finalisation of terms for reamaining equity and debt funding are in progress.

The Company has received further funding commitments aggregating to US$ 52.8 Million from J.P. Morgan Securities (Asia Pacific) Ltd. and/ or its affiliates ("JPMorgan") (based on USD 1= 44.50 INR) equivalent to approx. Rs. 235 crores by way of Froeign Currency Convertible Bonds.

The Company has approached to various other investors for the balance funding requirements of Rs. 600 crores.

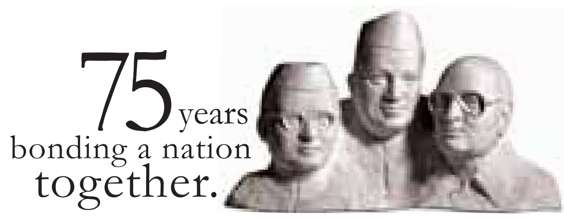
Expansion Plans:

Production has been commenced at the existing plant at Pratappur, Dist. Deoria (UP) for the sugar season 2006-07 with enhanced capacity of 6000 TCD as against 3200 TCD up to last sugar season.

Ongoing project of setting up following three greenfield sugar plants and one distillery are in progress as per schedule:

Unit	Location	Capacity
Kunderki Sugar Plant	Tehsil: Kunderki Dist.: Gonda (UP)	15000 TCD
Rudauli Sugar Plant	Tehsil : Rudauli, Dist.: Basti (UP)	7000 TCD
Utraula Sugar Plant	Tehsil : Utraula, Dist.: Balrampur (UP)	12000 TCD
Rudauli Distillery	Tehsil : Rudauli, Dist.: Basti (UP)	160 KL per day

The sugar plants are scheduled to be commissioned by around November 2007 and the distillery is expected to be commissioned in February 2007.



Employee Stock Option

In accordance with the shareholders' resolution passed at the Extra-ordinary General Meeting held on 19.06.2006 the Board of Directors had granted 11,00,000 options of face value of Rs. 10/- to the eligible employees of the holding company. The Management Committee of Directors at its meeting held on 06.12.2006 allotted 60,00,000 shares to the Employees Stock Options and Welfare Trust created for the purpose.

Operations

Pursuant to the change in the financial accounting year from April - March period to October-September period, the financial year ended on 30th September, 2006 comprised of a period of 6 months only. The crushing operation for the sugar season 2005-2006 continued only upto 31st March 2006. Accordingly only 878 M. Tonnes of sugar was produced during the financial year commencing on 1st April, 2006 out of the material in process after end of crushing season.

During last sugar season 2005-2006 (upto 31st March, 2006) the Company crushed 410,992 M. Tonnes of sugarcane and produced 40,582 M. Tonnes of sugar.

Management Discussion and Analysis Report

Industry Structure and Development:

After two consecutive years of low sugar production, sugar prices had increased and India continued to draw down on its inventories. Increased sugar prices meant timely payment to farmers and the attractive remuneration for cane prompted increased planting and sugar production jumped 51% to 19.2 million tonnes in 2005-06 compared to 12.7 million tonnes in 2004-05. The increased of 6.5 million tonnes is also the highest ever recorded in any single year in India. Maharashtra and Uttar Pradesh together accounted for 57% of the total sugar production in India.

What is pertinent is that the increase was due to much higher conversion of sugarcane to sugar and relatively lower diversion to artisan sugars viz. gur and jaggery. Area under cane increased only by 16% from 3.66 million hectares in 2004-05 to 4.25 million hectares in 2005-06. Here again increase was mainly in Maharashtra and Uttar Pradesh.

The demand-supply balance translated into stable wholesale sugar prices during the first half of the year at around Rs. 18.50 per kilogram (Delhi). Prices increased to Rs. 21 per kilogram by February 2006 and remained at these levels till May 2006. The Central Government fearing further price spirals and in a bid to reign in inflation (sugar has a disproportionate weight in the wholesale price index at 3.63) imposed a ban on sugar exports in June 2006 and at the same time allowed duty free imports of white sugar. This acted as an effective dampener and prices started declining steadily thereafter and receded back to Rs. 18.5 per kilogram.

Government Policies:

Both the Central and State governments continue to play a significant role in the Indian sugar industry. The State Advised Price (SAP) for U.P. based sugar mills was further increased to Rs. 1,250 per tonne for 2006-07.

The imposition of the export ban has caused irreparable damage to the domestic sugar industry. Sugar producers have completely lost out on the opportunity to take advantage of the rise in international prices during the period June to August 2006 wherein international prices were ruling at over US$ 410 per MT. The ban has not only resulted in a lost opportunity but has also pulled down domestic prices to levels where most of the industry would incur losses. At current international price of around US$ 340 per MT, exports are no longer remunerative.

In 2005, the Uttar Pradesh state government announced an incentive policy to promote and attract investments in the sugar sector. The incentives under the U.P.Sugar Poliocy comprises of fixed concessions in form of Capital subsidy @ 10% of capital investment and Remission in stamp duty and registration charges on land purchase and variable concessions in the nature of cane transportation expenses re-imbursement, cane society commission - re-imbursement, cane purchase tax - exemption, entry tax on sugar - exemption, sugar transportation expenses - re-imbursement, administrative charges on molasses - exemption, trade tax on molasses - exemption. The eligibility criteria comprises of - (i) a minimum investment of Rs. 350 crore by 31st March 2008, (ii) commencement of commercial production by 31st March 2008 and (iii) direct employment of at least 1000 persons. The overall concession will be limited to the extent of new investments made and will be available for a period of 10 years in case investments are in excess of Rs. 500 crore and for 5 years if investment is between Rs. 350 crore to Rs. 500 crore.

After considerable delay, the Central Government has mandated a 5% ethanol blending across the country. Unlike in the past, the oil manufacturing companies have agreed to long term contracts. The price has been fixed at Rs. 21.50 per litre relative to the earlier Rs. 18.75 per litre.

Outlook:

While 2005-06 saw the rebound of cane crop and increased sugar production, it also meant additional planting. With crushing capacity augmentation especially in Uttar Pradesh and the revival of most of the mills in the co-operative sector, India is likely to reach a historic peak production of 22.5 to 23 million tonnes in 2006-07 driven by Maharashtra and Uttar Pradesh each at around 7 million tonnes . With consumption at around 19.5 million tonnes, India is likely to add around 2.5 million tonnes to inventory after considering exports of 1 million tonne under the ALS commitment. Given the current surplus situation in the international markets, any move by India to export would further dampen international prices.

The by-product - Ethanol on the other hand also has a good potential as an environment friendly and economical fuel additive. Rising environmental concern and changes in the prescribed emission levels under the Kyoto Protocol are expected to contribute significantly to the increase in demand for fuel ethanol. The Government of India has proposed mandatory blending of 5% ethanol in motor vehicle fuel. With ever increasing global fuel prices, ethanol holds very good potential. India's projected ethanol demand is estimated at 627 kilo litres in 2006-07, 734 kilo litres in 2007-08 and 795 kilo litres in 2008-09.

Opportunities, Threats/Risk and Concerns:

Sugar Industry in India primarily faces the following risks: -

a. Raw Material
b. Sugar Price
c. Regulatory

a. Raw Material

Sugarcane is the principal raw material used for the production of sugar. Sugar industry, therefore depends on the availability of sugarcane and any shortage of sugarcane may adversely affect the results of operations. Sugarcane and hence sugar production is influenced by climatic vagaries. Sugarcane by nature is a weather resistant crop and mostly remains unaffected by moderately high or low rainfall. The Company has sought to mitigate raw material availability risk by diversifying into multiple locations within Uttar Pradesh. Its holding Company at the same time has an impeccable record of cordial relationship with farmers and timely payments to farmers, which will help the Company to a great extent.

b. Sugar Price

The market price for sugar and its by-products may be affected by general economic conditions. The prices, the Company is able to obtain for the sugar that it produces depend largely on prevailing market prices in India. Fluctuations in demand and supply and as a result, the price of its products, occur for various reasons. The Company has a detailed system of monitoring prices and the booking of orders so as to mitigate price volatility and optimize returns. The Company has also addressed this issue to an extent with its expansion plans whereby, the Company along with its holding company has become the largest sugar producer in India by far with an overall share of over 20% of the Uttar Pradesh production, which would enable for better pricing power while reducing costs.

c. Regulatory Risk

i. Environmental risks

Sugar industry in India is subject to environmental regulations and may be exposed to liability as a result of our handling of hazardous materials and potential costs for environmental compliance.

ii. Government policies related risks

Sugar industry in India operates in a regulated environment and Central and State government policies and regulations affecting the agricultural sector and related industries could adversely affect our operations and our profitability. The ethanol business is highly dependent on Government policy. Sugarcane price is controlled by the state government and is generally increased every year. This is a systemic risk, which cannot be alleviated unless the industry is completely decontrolled.

Risks specific to the Company

As part of our business strategy, we are expanding our operations by setting up new sugar mills, and expanding the capacity of existing plant. Our expansion strategy exposes us to a number of risks. Cost and time over-run, delay in commencement of operations, etc., may adversely affect our financial condition and results of operations.

The Company has addressed this issue to an extent through commitment of equity infusion by its holding company and other as also long term debt funding arrangements.

Segment-wise / Product-wise Performance:

Sugar remains Company's only area of business in the year under review.

Internal Control Systems:

The Company has adequate internal control system to ensure timely checking and reporting of transactions. Internal checks have been further strengthened by audit of various sections from time to time.

Human Resources/ Industrial Relations:

The industrial relations at the Company Sugar Mill and Head Office were cordial throughout the year under review.

The Company continued its programme in providing training to the workers with a view to improve efficiency, quality of products and avoid break downs.

Cautionary Statement:

The statements made above are based on prevailing industrial scenario as envisaged by us but results could differ from those expressed or implied.

Directors

Mr. Pradeep Parakh and Dr. Sanjeev Kumar, directors of the Company, will retire by rotation and being eligible, offer themselves for re-appointment.

Environmental Protection and Pollution Control

As required by pollution control laws, the Company has already submitted environmental statement for the year 2006-07 to the U.P. State Pollution Control Board.

We have established water and air pollution control system at all our sugar mills and distilleries. Our environmental programme is administered internally by our Project Department and our Engineering Department and includes monitoring, measuring and reporting compliance, establishing safety programmes and training our personnel in environmental and safety matters.

Directors’ Responsibilty Statement

Pursuant to the provisions of the Section 217(2AA) of the Companies Act, 1956, as amended, with respect to the directors' responsibility statement, is hereby confirmed:

(i) that in the preparation of the accounts for six months period ended 30th September, 2006, the applicable accounting standards have been followed;

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

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

(iv) the Directors have prepared the accounts for six months period ended 30th September, 2006 on a 'going concern' basis.

Corporate Governance Report

A report on Corporate Governance vide Clause 49 of the Listing Agreement with the Stock Exchanges, along with a certificate of compliance from the Company's Auditors is annexed and forms part of this Report.

Auditors

The statutory auditors M/s Dalal & Shah., Chartered Accountants will retire at the ensuing annual general meeting of the Company and are eligible for re-appointment. Shareholders are requested to re-appoint the auditors and fix their remuneration.

M/s B.J.D Nanabhoy & Co., Cost Accountants, Mumbai has been appointed as the Cost Auditor of the Company. Necessary application for government approval has been made by the Company.

Fixed Deposits

Company has not accepted any deposits from members or employees.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars as prescribed under sub section (1) (e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure A attached hereto and forms part of this report.

Particulars of Employees

The provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are not applicable as none of the employees of the Company in receipt of remuneration in excess of limits laid down therein.

Industrial Relations

The industrial relations have been cordial at the plant of the Company.

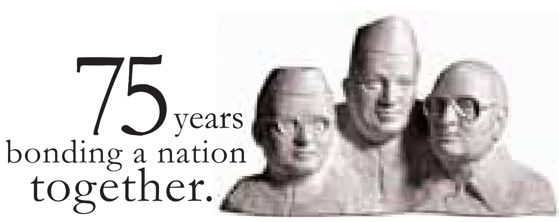
The directors express their appreciation of the sincere co-operation and assistance of state and central government authorities, bankers, customers and suppliers as well as all of the Company's employees.

For and on behalf of the Board
Bajaj Hindusthan Sugar and Industries Limited

Pradeep Parakh — Director

Manish Dokania — Director

Mumbai,
December 27, 2006



ANNEXURE-I to Directors' Report for the period ended September 30, 2006

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under the Companies Act (Disclosure of particulars in the report of Board of Directors) Rules, 1988

A. Conservation of energy

1. One No. High Pressure Boiler has been installed which have reduced the energy consumption.
2. Power capacitors in the Power House which have reduced power consumption.
3. Replaced big size motors with small motors which have reduced energy consumption.

B. Technology absorption

Efforts made in technology absorption are given in prescribed Form - B attached.

C. Foreign exchange earnings and outgo

a) Activities relating to exports; initiative taken to increase exports; development of new export markets for products and services; and export plans: None

b) Total foreign exchange used and earned:

	Period ended 30th September 2006 (6 months) (Rs. Million)	Year ended 31st March 2006 (12 months) (Rs. Million)
Used	**Nil**	7.18
Earned	**Nil**	Nil

FORM-A

Disclosure of particulars with respect to conservation of energy (To the extent applicable)

		Period ended 30th September 2006 (6 months)	Year ended 31st March 2006 (12 months)
A. Power and Fuel Consumption:			
Electricity			
a) Purchased			
Unit	000 KWH	**Nil**	Nil
Total amount	Rs. million	**Nil**	Nil
Rate/Unit	Rs./KWH	**Nil**	Nil
b) Own generation through diesel generator			
Unit	000 KWH	**648.18**	714
Unit per litre of	KWH/LTR		
Diesel Oil	Rs. million	**3.09**	3.12
Total amount	Rs./KWH	**6.35**	6.18
Rate/Unit		**9.80**	8.65
c) Own generation through steam turbine			
Unit	000 KWH	**256.52**	8,173
Total amount	Rs. million	Not applicable, as steam is generated by use of own bagasse	Not applicable, as steam is generated by use of own bagasse
Rate/Unit	Rs./KWH		
B. Consumption per unit of production:			
Electricity (KWH/million quintal of sugar)	Industry Standard No standard has been fixed	**75757***	21.90

* Total consumption aportioned for only 2 days of plant operations during the period.

FORM-B

Disclosure of particulars with respect to technology absorption (To the extent applicable)

A. Research and Development (R&D)

Under Sugarcane Research & Development, the activities of 2005-2006 were accelerated as under:

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

a) Micro propagation of sugarcane seeds through hessian bag single bud tillering process.
b) Multiple ratooning.
c) Frontline demonstrations on various techniques of sugarcane production.
d) Bio-manure production.
e) Thermo-therapy of sugarcane through MHAT plant.
f) Multiplication of high sugared varieties.
g) Propagated drip irrigation system in sugarcane fields.
h) Mechanization of sugarcane planting, inter-culture operations and fertilizer application
i) Replacement of old and deteriorating varieties with new and high yielding ones.

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

a) Increase in yield of sugarcane crop resulted in higher availability of raw materials.
b) Incidence of pest and disease minimised to produce healthy crops.
c) Several new high sugared varieties introduced and seed material reached to the farmers for seed multiplication and commercial cultivation.
d) Reduction in cost of fertilizer applications by using organic manure and bio-fertilizers to cane growers.
e) Supply of early maturing varieties increased in all the plants.
f) Number of farmers adopted improved cultural practices as a result of extension services by the Company.
g) Irrigation facilities increased in the area.
h) Minimizing wastage of water - thus saving water and electricity

3. Future plan of actions

a) Replacement of old and deteriorating varieties with new and high yielding ones.
b) Technology development for low-lying water logged area.
c) Mechanization of sugarcane planting, inter-culture operations and fertilizer application.
d) Integrated nutrient management studies.
e) Wider use of organic manure.
f) Development of drainage system for drainage of rain and flood water.

4. Expenditure on R&D

For the period ended	**Period ended 30th September 2006 (6 months) (Rs. Million)**	Year ended 31st March 2006 (12 months) (Rs. Million)
a) Capital	**Nil**	Nil
b) Recurring	**Nil**	Nil
c) Total	**Nil**	Nil
d) Total R&D expenditure as a percentage of total turnover	**N.A.**	N.A.

B. Technology absorption, adaptation and innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation	None
2. Benefit derived as a result of the efforts	Not applicable
3. Information regarding technology imported during the last 5 years:	
a) Technology imported	None
b) Year of import	Not applicable
c) Has technology been fully absorbed	Not applicable
d) If not fully absorbed, areas where this has not taken place, reason therefore, and future plans of action:	Not applicable

Report of the Auditors to the Members

We have audited the attached Balance Sheet of **BAJAJ HINDUSTHAN SUGAR AND INDUSTRIES LIMITED** (Formerly The Pratappur Sugar & Industries Limited) as at 30th September, 2006, Profit and Loss Account annexed thereto and also the Cash Flow Statement of the Company for the six months period ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), (as amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act,1956, we annex hereto a Statement on the matters specified in paragraph 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that :-
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
   (c) The Balance Sheet and Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the books of account of the Company;
   (d) In our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable;
   (e) On the basis of the written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th September, 2006, from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
      (a) in the case of the Balance Sheet, of the state of the affairs of the Company as at 30th September,2006;
      (b) in the case of the Profit and Loss Account, of the profit for the period ended on that date; and
      (c) in the case of Cash Flow Statement, of the cash flows for the period ended on that date.

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner
Membership No. 37310
Mumbai,
December 27,2006.

Annexure Referred to in Paragraph 2 of the Auditor's Report of Even Date on the Accounts for the Period Ended 30th September, 2006 of **Bajaj Hindusthan Sugar and Industries Limited**

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that :-

i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Additions and deductions made during the period as per Company's practice, will be entered in the said records during the current period. As explained to us, there is a regular programme of physical verification, which is reasonable, having regard to the size of the Company and the nature of fixed assets. As explained to us there were no material discrepancies noticed on such verification during the period;

   As per the information and explanation given to us on our enquiries the disposal of assets during the period were not substantial so as to have an impact on the operations of the Company, or affect its going concern;

ii) (a) As explained to us, the inventories have been physically verified by the management at reasonable intervals during the period and/or at the close of the period;
   (b) As explained to us, the procedures of physical verification of the inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
   (c) According to the inventory records produced to us for our verification, we are of the opinion that the Company is maintaining proper records of its inventory. Further, discrepancies noticed on physical verification of inventories, if any, referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;

iii) The Company has obtained loans on current account from its Holding Company, the rate of interest and terms and conditions whereof are not prima-facie prejudicial to the interest of the Company. Apart from it, the Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956;

iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control system commensurate with the size of the company and the nature of its business with regard to the purchase of inventory and fixed assets and for the sale of goods. There was no sale of services during the period**.** During the course of our audit, no major weaknesses in internal control system had come to our notice;

v) On the basis of the audit procedures applied by us, and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, there were no contracts or arrangements entered in to that needs to be entered into the register required to be maintained under Section 301 of the Companies Act, 1956;

vi) The Company has not accepted any deposits from the public during the period;

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

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

ix) (a) According to the records of the Company, the Company has been generally regular in depositing with statutory authorities, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess were outstanding, at the period end for a period of more than six months from the date they became payable.

(b) On the basis of our examination of the documents and records of the Company and the information and explanations given to us upon our inquiries in this regard, there were no disputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Customs Duty and Excise Duty / cess and not deposited with the appropriate authorities . In respect of disputed amounts payable under the sales tax, following is the position:

Name of the statute	Nature of dues	Amount (Rupees Million)	Period to which relates	Forum where pending
Sales Tax Laws	Trade Tax	0.17	2000-2001	Commissioner (Appeals) Trade Tax

x) The Company has not incurred any cash loss during the period, though it had incurred cash losses in the previous year. As at the end of the financial period, its accumulated losses were not in excess of the fifty percent of its net worth after considering the equity warrants subscribed by the Holding Company;

xi) Based on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks.

xii) As at the close of the period, no investments in shares and securities were held by the Company;

xiii) The Company has not given any guarantee for loans taken by others from banks or financial institutions.

xiv) Based on the information and explanations given to us by the management the term loans were applied for the purpose for which the loans were obtained.

xv) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that no funds on short term basis have been used for long term investment.

xvi) In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period covered by our report. Accordingly, provisions of clause (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable.

xvii) As per the information and explanation given to us on our enquiries in this behalf, there were no frauds on or by the Company has been noticed or reported during the period.

In view of the nature of activities carried on by the Company clause no. (xiii) of CARO, 2003 is not applicable to the Company. Further in view of the absence of conditions pre-requisite to the reporting requirement of clauses (xii), (xiii), (xviii), (xix), and (xx) the said clauses are, at present, not applicable.

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner
Membership No. 37310
Mumbai,
December 27, 2006.

Balance Sheet as at September 30, 2006

	Schedule	Rs. Million	As at Sept. 30, 2006 Rs. Million	As at March 31, 2006 Rs. Million
I. Sources of Funds:				
Shareholders' Funds				
Capital	1	**36.00**		36.00
Equity Warrants issued and Subscribed (Refer Note 3)		**1,710.00**		-
Reserves & Surplus	2	**18.54**		23.75
			1,764.54	59.75
Loan Funds				
Secured Loans	3	**351.56**		430.98
Unsecured Loans	4	**1,061.56**		384.62
			1,413.12	815.60
Total			**3,177.66**	875.35
II. Application of Funds:				
Fixed Assets	5			
Gross Block		**3,172.18**		685.85
Less: Depreciation		**309.79**		323.26
Net Block			**2,862.39**	362.59
Investments	6		**-**	0.01
Deferred Tax Asset (Net)	7		**37.65**	41.05
Current Assets, Loans & Advances	8			
Inventories		**209.89**		564.26
Sundry Debtors		**44.84**		20.01
Cash & Bank Balances		**22.74**		27.53
Loans & Advances		**154.80**		28.54
		432.27		640.34
Less: Current Liabilities & Provisions	9			
Current Liabilities		**203.13**		226.19
Provisions		**16.71**		14.14
		219.84		240.33
Net Current Assets			**212.43**	400.01
Profit & Loss Account			**65.19**	71.69
Total			**3,177.66**	875.35
Notes forming part of the accounts	16			

As per our attached report of even date

For and on behalf of

Dalal & Shah

Chartered Accountants

Pradeep Parakh

Manish Dokania

Shishir Dalal — Partner, M. No. 37310

Kausik Adhikari — Company Secretary

P.L. Dadheech — Directors

Mumbai,

December 27, 2006

Profit & Loss Account for the year ended September 30, 2006

	Schedule	Rs. Million	6 months period ended Sept. 30, 2006 Rs. Million	12 months period ended March 31, 2006 Rs. Million
Income:				
Gross Sales		**437.78**		697.06
Less Excise Duty		**27.69**		45.32
Net Sales			**410.09**	651.74
Other Income	10		**3.06**	5.73
			413.15	657.47
Expenditure:				
Materials	11		**4.09**	559.00
Manpower Cost	12		**22.21**	66.53
Other Expenses	13		**13.22**	82.88
Interest & Finance Charges (Net)	14		**10.52**	42.95
Depreciation			**10.75**	32.40
(Increase)/Decrease in Stocks	15		**342.20**	(43.49)
			402.99	740.27
Profit/(Loss) for the period before Extraordinary Item and Taxation			**10.16**	(82.80)
Extraordinary Items				
Cane Price Difference			**-**	7.00
Profit/(Loss) for the period after Extraordinary Item but before Taxation			**10.16**	(89.80)
Provision for Taxation				
Less: Current Tax		**-**		-
Deferred Tax		**3.40**		(24.60)
Fringe Benefit Tax		**0.20**		0.50
			3.60	(24.10)
Profit/(Loss) for the period			**6.56**	(65.70)
Add: Balance Brought Forward			**(71.69)**	(5.88)
			(65.13)	(71.58)
Transfers to:				
Reserve for construction of Molasses Storage Tanks			**0.06**	0.11
Balance carried to Balance Sheet			**(65.19)**	(71.69)
Basic Earning Per Share (EPS):				
Net Profit			**6.56**	(65.70)
Weighted Average No. of Shares			**36,000,000**	36,000,000
Basic EPS in Rupees (Nominal Value Re. 1/- per Share)			**0.18**	(1.82)
Diluted Earning per Share:				
Net Profit			**6.56**	(65.70)
Weighted Average No. of Shares			**47,000,000**	36,000,000
Diluted Earning per Share in Rupees (Nominal Value Re. 1/- per Share)			**0.14**	(1.82)
Notes forming part of the accounts	16			

As per our attached report of even date

For and on behalf of

Dalal & Shah

Chartered Accountants

Pradeep Parakh

Manish Dokania

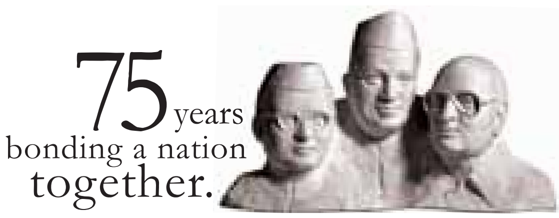
Shishir Dalal — Partner, M. No. 37310

Kausik Adhikari — Company Secretary

P.L. Dadheech — Directors

Mumbai,

December 27, 2006



Schedules Forming Part of Accounts

Schedules 1 to 16 annexed to and forming part of the Balance Sheet as at September 30, 2006 and Profit and Loss Account for the period ended on that date.

	As at Sept. 30, 2006 Rs. Million	Rs. Million	As at March 31, 2006 Rs. Million
Schedule 1 - Capital			
Authorised:			
5,00,000 (50,000) Preference Shares of Re. 1/- (10/-) each	0.50		0.50
25,00,00,000 (60,00,000) Equity Shares of Re. 1/- (10/-) each	250.00		60.00
		250.50	60.50
Issued, Subscribed & Paid-up:			
3,60,00,000 (36,00,000) Equity Shares of Re. 1/- (10/-) each	36.00	36.00	36.00
		36.00	36.00
Of the above 2,15,30,270 equity shares are held by Bajaj Hindusthan Limited, the Holding Company.			
Of the above shares 8,50,000 Equity Shares were allotted otherwise than in cash and 1,57,50,000 shares have been allotted as Bonus Shares by Capitalisation of General Reserve			
Equity Shares were sub-divided to Re. 1/- w.e.f. August 8, 2006.			

	As at Sept. 30, 2006 Rs. Million	Rs. Million	As at March 31, 2006 Rs. Million

Schedule 2 - Reserves and Surplus

	As at April 01, 2006	Additions	Deductions	As at Sept. 30, 2006	As at March 31, 2006
Capital Redemption Reserve	0.10	-	-	0.10	0.10
Revaluation Reserve *	5.27	-	5.27	-	5.27
Securities Premium	18.00	-	-	18.00	18.00
Reserve for Molasses Storage Tanks	0.38	0.06	-	0.44	0.38
	23.75	0.06	5.27	18.54	23.75

*Deduction in Revaluation Reserve represents credit to respective assets to state them at their actual acquisition Cost.

Schedule 3 - Secured Loans

	As at Sept. 30, 2006	As at March 31, 2006
Working Capital Loan from a Bank	112.17	136.05
Term Loan from a Bank	54.00	61.20
Term Loans from others including funded interest Rs.47.98 million (Previous Yr. Rs 69.60 millions)	184.70	232.72
Others	0.69	1.01
	351.56	430.98

Notes:

1. Working capital loan from a Bank is secured, on first pari passu charge basis, by hypothecation of inventory, book debts and receivables. Further secured, on a second pari passu charge basis, by hypothecation of the whole of movable fixed assets and properties and by mortgage (by deposit of title deeds) on the whole of immovable fixed assets and properties,both present and future of the Company.
2. Term loan is secured by equitable mortagage on immovable properties and hypothecation of movable properties of the Company, both present and future in favour of IDBI Bank Ltd. and secured by second charge on current assets. Term loans from SDF are secured by way of second charge on Fixed Assets both present and future and hypothecation of movable properties of the Company.
3. Other loans are secured against hypothecation of specific vehicles.

Schedule 4 - Unsecured Loans

	As at Sept. 30, 2006	As at March 31, 2006
Loan from Holding Company (Bajaj Hindusthan Limited)	1,061.56	384.62
	1,061.56	384.62

Schedule 5 - Fixed Assets **(Rs. Million)**

DESCRIPTION		GROSS BLOCK (AT COST/BOOK VALUE)				DEPRECIATION				NET BLOCK	
Sr. No.	Particulars	As at April 1, 2006	Additions	Deductions & Adjustments	As at Sept. 30, 2006	Upto April 1, 2006	This Period	Deductions & Adjustments	Upto Sept. 30, 2006	As at Sept. 30, 2006	As at March 31, 2006
1	Land	13.46	216.84	-	230.30	-	-	-	-	230.30	13.46
2	Buildings	72.86	2.99	30.06	45.79	34.56	0.89	24.79	10.66	35.13	38.30
3	Plant & Machinery	493.85	6.75	-	500.60	281.81	9.16	-	290.97	209.63	212.04
4	Furniture, Fixtures & Office Equipments	9.66	2.06	-	11.72	5.49	0.44	-	5.93	5.79	4.17
5	Vehicles	5.00	10.75	-	15.75	1.40	0.83	-	2.23	13.52	3.60
	Total	**594.83**	**239.39**	**30.06**	**804.16**	**323.26**	**11.32**	**24.79**	**309.79**	**494.37**	**271.57**
	Previous Year Total	540.09	55.94	1.20	594.83	291.42	32.58	0.74	323.26	271.57	248.67
6	Capital Work in progress	91.02	2,368.02	91.02	2,368.02	-	-	-	-	2,368.02	91.02
	Total	**685.85**	**2,607.41**	**121.08**	**3,172.18**	**323.26**	**11.32**	**24.79**	**309.79**	**2,862.39**	**362.59**
	Previous Year Total	556.03	146.96	17.14	685.85	291.42	32.58	0.74	323.26	362.59	

Note:

(i) Capital work-in-progress includes following:

Capital Work in Progress:	As at April 1, 2006	For the period	Capitalised	As at Sept. 30, 2006
Advance to Suppliers/ Contractors	-	1,831.62	-	**1,831.62**
Plant & Machinery/ Civil work in progress	91.02	437.20	91.02	**437.20**
Preoperative Expenses				
Manpower Cost	-	12.39	-	**12.39**
Rent	-	0.06	-	**0.06**
Repairs - others	-	0.46	-	**0.46**
Insurance	-	10.44	-	**10.44**
Miscellaneous Expenses	-	20.79	-	**20.79**
Interest	-	54.50	-	**54.50**
Depreciation	-	0.56	-	**0.56**
Sub Total Preoperative Expenses	-	99.20	-	**99.20**
Total	91.02	2,368.02	91.02	**2,368.02**

	As at Sept. 30, 2006 Rs. Million	As at March 31, 2006 Rs. Million
Schedule 6 - Investments (At Cost)		
A. Other than Trade		
Long Term Investments:		
Quoted, Fully Paid Equity Shares of Rs. 10/- each		
- (10) Shares of Andhra Sugars Ltd	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 1,073/-)		
- (5) Shares of Bannari Amman Sugars Ltd	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 1,799/-)		
- (10) Shares of Dhampur Sugar Mills Ltd.	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 460/-)		
- (10) Shares of Rajshree Sugars & Chemicals Ltd	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 392/-)		
- (10) Shares of Shakti Sugars Ltd	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 301/-)		
- (10) Shares of Upper Ganges Sugar & Ind Ltd	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 941/-)		
Quoted, Fully Paid Equity Shares of Rs. 2/- each		
- (25) Shares of EID Parry (India) Ltd.	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 1,793/-)		
B. Trade		
Long Term Investments		
Quoted, Fully Paid Equity Shares of Re. 1/- each		
- (10) Shares of Bajaj Hindusthan Ltd (Holding Company)	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 784/-)		
- (50) Shares of Balrampur Chini Mills Ltd	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 1,852/-)		
Unquoted Fully Paid Equity Shares		
- (1) Share of Bhatpar Rani Co-operative Union Ltd	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 11/-)		
- (1) Share of Purtabpore Co-operative Cane Development Union Ltd	-	0.00
(**Amount Rs. Nil,** Prev Yr.-Rs. 10/-)		
	-	0.01

	Book Value as at Sept. 30, 2006	Book Value as at March 31, 2006	Market Value as at Sept. 30, 2006	Market Value as at March 31, 2006
Quoted Investments	-	0.01	-	1.44
Unquoted Investments	-	0.00	-	-
	-	0.01	-	1.44

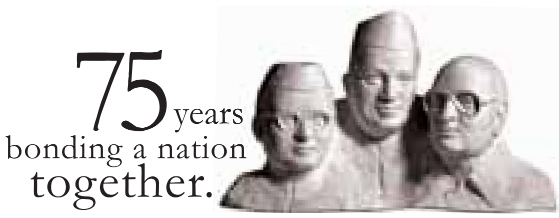
Schedule 7 - Deferred Tax Assets

	As at April 01, 2006	Addi-tions	Deduc-tions	As at Sept. 30, 2006	As at March 31, 2006
Deferred Tax Assets	**41.05**	**-**	**3.40**	**37.65**	41.05
	41.05	**-**	**3.40**	**37.65**	41.05

	As at Sept. 30, 2006 Rs. Million	As at March 31, 2006 Rs. Million
Schedule 8 - Current Assets, Loans & Advances		
Current Assets :		
(a) Inventories (As certified by the Management)		
(i) Stores, Spare and Packing Material	**47.96**	34.84
(ii) Finished Stock	**153.84**	477.18
(iii) Materials-in-Process	**-**	11.25
(iv) By-Product	**8.09**	40.99
	209.89	564.26
(b) Sundry Debtors (Unsecured, considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Good	**-**	0.14
Other Debts	**44.84**	19.87
	44.84	20.01
(c) Cash and Bank Balances		
Cash on hand (including stamps Rs. 7.96 million, cheques and drafts Rs. 0.02 million Previous Yr (Nil)	**9.29**	6.22
Balance with Scheduled Banks:		
(i) In Current Accounts	**8.68**	16.33
(ii) In Unpaid Dividend Account	**0.41**	0.62
(iii) In Fixed Deposits (Receipts lodged with Banks against guarantees issued)	**4.36**	4.36
	22.74	27.53
Loans and Advances:		
(d) Loans and Advances (Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	**143.86**	16.21
Deposits #	**0.04**	0.03
Balance with Excise Department including Cenvat credits	**10.90**	12.09
Advance payments of Tax (including tax deducted at source) (Net of Provision for Taxation)	**-**	0.21
	154.80	28.54
	432.27	640.34

Includes National Savings Certificate of the face value of Rs. 2,000/- (Previous year Rs. 2,200) and Pass books of Post Office Savings Bank Account having an aggregate balance of Rs. 13,500/- (Previous year Rs. 15,100/-) deposited with Government Authorities.

Schedule 9 - Current Liabilities and Provisions		
A. Current Liabilities:		
Sundry Creditors (including Capital Creditors Rs 93.75 million, previous Year Nil.)	**202.11**	225.22
Outstanding Dues and Interest thereon of Small Scale Industrial Undertakings and or Ancilliary Industrial Suppliers is Rs. Nil. (Previous year Rs Nil.)		
Investor Education and Protection Fund shall be credited by following: (Amounts to be trasnsferred to said fund shall be determined on the respective due dates)		
Unclaimed Dividend	**0.41**	0.62
Deposits from Stockists and others	**0.61**	0.35
	203.13	226.19
B. Provisions:		
For Gratuity	**13.98**	13.28
For Leave Encashment	**2.73**	0.86
	16.71	14.14
	219.84	240.33



		6 months period ended Sept. 30, 2006	12 months period ended March 31, 2006
	Rs. Million	**Rs. Million**	Rs. Million
Schedule 10 - Other Income			
Surplus on Sale of Assets		-	0.23
Profit from sale of Investments		0.01	-
Provisions no longer required/			
Credit balances appropriated		-	1.01
Miscellaneous Receipts		3.05	4.49
		3.06	5.73
Schedule 11 - Cost of Raw Materials Consumed			
Opening Stock		-	-
Purchases		4.09	559.00
		4.09	559.00
Less: Closing Stock		-	-
		4.09	559.00
Schedule 12 - Manpower Cost			
Salaries & Wages		18.65	62.08
Contribution to Provident and			
other funds and schemes		2.25	3.62
Employee's Welfare Expenses		1.31	0.83
		22.21	66.53
Schedule 13 - Other Expenses			
Stores, Spares and Packing Material		4.37	34.74
Power and Fuel		1.43	7.07
Rent		0.13	1.24
Rates and Taxes		0.08	0.99
Repairs:			
Building	0.05		4.34
Machinery	3.56		10.09
Others	0.31		0.65
		3.92	15.08
Payment to Auditors for:			
Audit fees	0.20		0.10
Tax audit fees	0.05		0.02
		0.25	0.12
Payment to Cost Auditor		0.01	0.01
Insurance		1.17	1.02
Selling Commission		0.82	1.80
Selling & Distribution		0.14	1.74
Director Fees		0.01	0.03
Miscellaneous Expenses		0.89	18.83
Loss on sale of long term investments		-	0.19
Loss on Assets Sold/Discarded		-	0.02
		13.22	82.88
Schedule 14 - Interest and Finance Charges (Net)			
Interest:			
Term Loans		6.85	18.48
Working Capital Loans		3.64	13.87
Others		-	9.62
		10.49	41.97
Less: Interest Income (Gross)			
On Fixed Deposit		0.12	0.12
On Others		-	0.18
		0.12	0.30
		10.37	41.67
Add: Finance charges		0.15	1.28
		10.52	42.95
Schedule 15 - (Increase)/Decrease in Stocks			
Opening Stock:			
Finished Goods	477.18		417.09
Materials in process	11.25		9.73
By-product	40.99		57.12
		529.42	483.94
Less: Closing Stock:			
Finished Goods	153.84		477.18
Materials in process	-		11.25
By-product	8.09		40.99
		161.93	529.42
		367.49	(45.48)
(Add)/Less: Excise Duty on increase /Decrease			
in stocks of finished goods		(25.29)	1.99
		342.20	(43.49)

Schedule 16 - Notes forming part of the Accounts

	6 months period ended Sept. 30, 2006 Rs. Million	12 months period ended March 31, 2006 Rs. Million
1. Contingent Liabilities not provided for: In respect of disputed demands/claims against the Company not acknowledged as debts: Sales Tax matters under appeal.	0.17	0.17
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances).	5,647.78	91.10

3. 38,00,000 warrants have been allotted to the Holding Company on a preferential basis at a price of Rs. 500/- each, paid up value of Rs. 450/- per warrant on July 18, 2006, which will entitle the holder to subscribe to ten equity shares of the face value of Re. 1/-, at a price of Rs. 50/- (including a premium of Rs. 49/-) per equity share of the Company against each warrant. The holder of the warrants will have an option to apply for equity share of the Company per warrant at any time after the date of allotment but on or before expiry of 18 months thereof.

4. Raw Materials Consumed (Indigenous):

Raw Material	6 months period ended Sept. 30, 2006		12 months period ended March 31, 2006	
	M. Tonnes	**Rs. Million**	M. Tonnes	Rs. Million
i. Sugarcane	-	4.09	410,992	559.00
		4.09		559.00

5. Value of imported and indigenous raw materials and spare parts & components and percentage to the total consumption:

	6 months period ended Sept. 30, 2006		12 months period ended March 31, 2006	
	Rs. Million	**Percentage**	Rs. Million	Percentage
i. Raw Materials (Indigenous)	4.09	100	559.00	100
ii. Spare & Components (Indigenous)	0.22	100	10.17	100

6. Managerial Remuneration:

The Profit & Loss Account includes payments and provisions on account of remuneration to Managing Director as under:

	6 months period ended Sept. 30, 2006 Rs. Million
1. Salary, etc.	- (1.96)
2. Contribution to Provident Fund, Superannuation & Gratuity Schemes	- (0.18)
3. Other Perquisites	- (0.00)
4. Provision for Gratuity	-
Total	- (2.14)

7. Expenditure in Foreign Currency:

	6 months period ended Sept. 30, 2006 Rs. Million	12 months period ended March 31, 2006 Rs. Million
(i) Interest	-	6.96
(ii) Travelling Expenses	-	0.22
(iii) Others	-	-

8. The disclosures in respect of Related Parties as required under Accounting Standard 18 (AS18) 'Related Party Disclosures' is stated herein below / set out in a separate statement annexed hereto.

a) Related parties and relationships for which disclosure is required under AS 18:

A. Enterprise having Control
   Bajaj Hindusthan Ltd. (Holding Company)

B. Associates and Joint Ventures
   Nil

C. Directors and their relatives
   Mr. Kushagra Nayan Bajaj - Non-Executive Chairman

D. Key Management Personnel
   Mr. S. K. Gupta - Vice Prsident (Unit Head)

E. Enterprises over which any person described in (C) or (D) above is able to exercise significant influence
   1. Bajaj Sevashram Pvt. Ltd.
   2. Bajaj Consumer Care Limited
   3. EsugarIndia Ltd.
   4. EsugarIndia Clearing Corporation Ltd.
   5. Bajaj Eco-Tec Products Ltd.
   6. Bajaj Hindusthan Holdings Private Limited

b) Disclosure as required under AS-18 in respect of Related Party Transactions:

Transactions

I. Transaction during the year	**6 months period ended Sept. 30, 2006**
	Rs. Million
Loans taken - Holding Company	**2,018.28**
	(384.62)
Interest paid	**48.51**
	(6.82)
II. Amounts Outstanding at the Balance Sheet date	**6 months period ended Sept. 30, 2006**
	Rs. Million
Loans taken - Holding Company	**1,061.56**
	(384.62)

9. Segment Information:

The Company is solely engaged in manufacture and sale of sugar and is operating in India only. There is no separate reportable segments as per AS 17 on "segment reporting" issued by the Institute of Chartered Accountants of India.

10. Taxation:

i) Deferred Tax:

			Rs. Million
Deferred Tax Liabilities:	**Opening Balance as on April 1, 2006**	**During the period**	**Closing Balance as on Sept. 30, 2006**
Depreciation	**46.06**	**14.47**	**60.53**
Total	**46.06**	**14.47**	**60.53**
Deferred Tax Assets:			
Provision for leave encashment	**-**	**0.63**	**0.63**
Provision for Gratuity	**4.47**	**0.24**	**4.71**
Expenses allowable on payment basis	**3.68**	**-**	**3.68**
Carry Forward of unabsorbed Depreciation	**78.96**	**10.20**	**89.16**
Total	**87.11**	**11.07**	**98.18**
Net Deferred Tax Asset	**41.05**	**(3.40)**	**37.65**

ii) In absence of taxable income, no provision for Income Tax has been made in the accounts.

11. Detailed Quantitative Information:

Sr. No.	**Products**	**Licensed Capacity**	**Installed (Capacity as certified by the management)**	**Opening Stock As at April 1, 2006 Quantity**	**Opening Stock Value**	**Production Quantity**	**Reprocessing Loss/ Shortage Quantity**	**Sales Quantity**	**Sales Value**	**Closing Stock As at Sept. 30, 2006 Quantity**	**Closing Stock Value**
			TCD	M.Tonnes	Rs. Million	M.Tonnes	M.Tonnes	M.Tonnes	Rs. Million	M.Tonnes	Rs. Million
1.	**Sugar**	Not	**3,200**	**30,213**	**477.18**	**878**	**22**	**21,224**	**401.93**	**9,845**	**153.84**
		Applicable	(3,200)	(24,989)	(417.09)	(40,582)	(56)	(35,302)	(629.76)	(30,213)	(477.18)
	By Products										
				M.Tonnes		M.Tonnes	M.Tonnes	M.Tonnes		M.Tonnes	
2.	**Molasses**	Not	Not	**13,116**	**40.99**	**1,980**	**-**	**12,507**	**35.72**	**2,589**	**8.09**
		Applicable	Applicable	(12,127)	(57.12)	(21,857)	(4)	(20,864)	(65.50)	(13,116)	(40.99)
3.	**Others**	Not	Not						**0.13**		
		Applicable	Applicable						(1.80)		
	Total				**518.17**				**437.78**		**161.93**
					(474.21)				(697.06)		(518.17)

Figures for previous year are shown in brackets.

12. Employee Stock Option Schemes:
The Company has during the period granted 1,10,00,000 stock options to certain employees of its holding company under the Employee Stock Option Plan 2006 (each option carrying entitlement for one equity share of the face value of Re. 1/-) at an exercise price of Rs. 10/- per share . This stock options will vest on expiry of one year from the date of grant and can be exercised during the period of seven years from the date of vesting.

13. Previous year's figures have been regrouped wherever necessary and have been shown in bracket. Figures for the current period are for 6 months period and hence are not comparable with previous year's figures.

14. Significant Accounting policies followed by the Company are as stated in the statement annexed to this Schedule (Annexure 'A').

15. Cash Flow Statement is annexed to this Schedule. (Annexure 'B')
Signatures to Schedules "1" to "16"

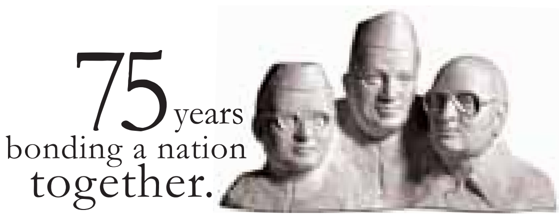
As per our attached report of even date
For and on behalf of
Dalal & Shah
Chartered Accountants

Shishir Dalal
Partner
M. No. 37310

Mumbai,
December 27, 2006

Kaushik Adhikari
Company Secretary

Pradeep Parakh
Manish Dokania
P.L. Dadheech
Directors



Statement on Significant Accounting Policies

Annexure 'A' referred to in Note No. 14 in Schedule 16 to the Accounts for the 6 months period ended September 30, 2006

1. System of Accounting:
   (i) The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties.
   (ii) Financial statements are based on historical cost.

2. Revenue recognition:
   (i) Revenue is recognised when the significant risk and rewards of ownership of the goods have been passed to the buyers.

   Sale of goods is exclusive of Sales Tax.

   (ii) Sugar sold under levy quota for each season, is accounted at the price as notified by the Govt. and available till such time pending final notification for each season. The difference in price pending final notification is accounted on an estimation by the management taking into account factors affecting the calculation of levy sugar price.

3. Fixed Assets and Depreciation:
   (A) Fixed Assets:
   (i) Fixed assets are carried at cost of acquisition or construction cost, less accumulated depreciation (except free hold land) and amortisation.
   (ii) Expenditure during construction period incurred on the projects under implementation are treated as pre-operative expenses pending allocation to the assets and are included under "Capital Work in Progress". These expenses are apportioned to fixed assets on commencement of commercial production. Capital Work in Progress is stated at the amount expended upto the date of Balance Sheet.

   (B) Depreciation:
   (i) Depreciation on all the assets has been provided as under:-

(a) Fixed Assets :	On straight-line method basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
(b) Vehicles :	On written down value basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
(c) Assets costing less than Rs. 5000/-	Depreciation at the rate of 100 % is being provided.

   (ii) Depreciation on assets added, sold or discarded during the year has been provided on pro-rata basis.

4. Investments:

   All long-term investments are stated at cost of acquisition. Diminution of temporary nature in value of such long-term investments is not provided for except where determined to be of permanent nature.

5. Inventories:
   (i) Stock of Raw Materials is valued at cost or net realisable value whichever is lower. Cost is arrived at on FIFO Basis.
   (ii) Stock of Materials-in-Process and Finished goods is valued at cost or net realisable value whichever is lower. Finished goods at the factory premises and at depots are valued at inclusive of excise duty.
   (iii) Stores, Spares and Packing material are valued at cost. Cost is arrived at on Weighted Average Basis.
   (iv) Obsolete stores and spares when identified and technically determined, are valued at estimated realisable value.
   (v) By-products: Stock has been valued as under:
   (a) Molasses:

   In terms of the Notification dated June 15, 2004 issued by U.P. State Government:
   (i) The saleable stock of 80% quota to be sold to free market at the negotiable price.
   (ii) The saleable stock of 20% quota to be sold to Potable Liquor Industries at the negotiable price.

   (b) Bagasse:

   The stock of bagasse is mainly being utilised for self-consumption and as such is valued at Nil price.

6. Research and Development:

   Revenue expenditure on Research and Development is charged against the profit for the year.

   Capital expenditure on Research and Development is shown as an addition to Fixed Assets.

7. Government Grants:

   Government grants/subsidies received towards specific Fixed assets have been deducted from the Gross value of the concerned Fixed assets.

8. Foreign Currency Transactions:

   Foreign Currency Loans are recorded at the exchange rate prevailing on the date of transaction and are translated at forward cover rate if applicable or year-end exchange rate. Exchange rate difference is adjusted to the cost of asset if it relates to acquisition of assets or is carried to profit & loss account in other cases.

9. Retirement Benefits:
   (i) Gratuity:

   Gratuity liability has been accounted for on the basis of acturial valuation.

   (ii) Provident Fund contributions are made to Government Provident Fund.
   (iii) Contribution to Employees' Pension Scheme 1995 is made to Government Provident Fund Authority.
   (iv) Leave Encashment:

   Liability for accrued unencashed leave is provided on actual basis.

10. Borrowing Cost:

    Borrowing Cost attributable to aqusition and construction of assets are capitalised as part of the cost of such assets upto the date when such qualifying assets are ready for its intended use and other borrowing costs are charged to profit & loss account.

11. Provision for Current and Deferred Tax:
    (i) Provision for Current Tax is made with reference to taxable income computed for the accounting period for which the financial statements are prepared by applying the tax rates relevant to the respective 'Previous Year'.
    (ii) Deferred Tax resulting from 'timing difference' between book and taxable profit for the year is accounted for using the current tax rates. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future. However, in case of defered tax assets (representing unabsorbed depreciation on carry forward losses) are recognised if and only if , their is a virtual certainty that their would be adequate future taxable income against which such deferred tax assets can be realised.

Cash Flow Statement for the 6 months period ended September 30, 2006

Annexure 'B' referred to in Note No. 15 in Schedule 16 to the Accounts for the 6 months period ended September 30, 2006

	6 months period ended Sept. 30, 2006 Rs. Million	12 months period ended March 31, 2006 Rs. Million
A. Cash Flow from operating activities:		
Net Profit before extraordinary items and Taxation	**10.16**	(82.80)
Adjustment for:		
Depreciation	**10.75**	32.40
Profit on Sale of Investment	**(0.01)**	-
Loss on sale of Investments	**-**	0.19
Surplus on sale of Fixed Assets (Net)	**-**	(0.21)
Interest Paid (Net)	**10.52**	45.37
	21.26	77.75
Operating Profit before working capital changes	**31.42**	(5.05)
Adjustment for:		
Trade and other receivables	**(151.28)**	(26.59)
Inventories	**354.37**	(54.39)
Other payables	**2.58**	(0.40)
Trade payables	**(22.85)**	88.24
Cash generated from operations	**214.24**	1.81
Interest paid	**-**	-
Direct taxes paid	**0.01**	1.11
	0.01	1.11
Cash flow before extraordinary items	**214.25**	2.92
Extraordinary items:		
Differential sugarcane price for earlier years	**-**	(7.00)
Net Cash from/ (used in) operating activities	**214.25**	(4.08)
B. Cash Flow from investing activities:		
Purchase of Fixed Assets	**(2,515.84)**	(131.00)
Sale of Fixed Assets	**-**	0.66
Purchase of Investments		
Purchase/Sale of Investment (Net)	**0.02**	0.66
Dividend and Income from units received	**-**	-
Interest Received	**-**	-
Net cash from/(used in) investing activities	**(2,515.82)**	(129.68)
C. Cash Flow from financing activities:		
Proceeds from borrowings (Net of repayments)	**597.52**	199.38
Equity Warrants issued and Subscribed (Refer Note 3)	**1,710.00**	-
Interest paid	**(10.52)**	(45.37)
Dividend paid	**(0.22)**	(0.17)
Net cash from financing activities	**2,296.78**	153.84
Net increase/(decrease) in cash and cash equivalents	**(4.79)**	20.08
Cash and Cash equivalents as at April. 01, 2006 (Opening Balance)	**27.53**	7.45
Cash and Cash equivalents as at Sept. 30, 2006 (Closing Balance)	**22.74**	27.53
Figures in brackets indicate cash outflow and without brackets indicate cash inflow.		

As per our attached report of even date

For and on behalf of
Dalal & Shah
Chartered Accountants

Shishir Dalal
Partner
M. No. 37310
Mumbai,
December 27, 2006

Kausik Adhikari
Company Secretary

Pradeep Parakh
Manish Dokania
P.L. Dadheech
Directors

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	0 2 8 0 4 2		
State Code	2 1		
Balance Sheet Date	3 0	0 9	2 0 0 6
	Date	Month	Year

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

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

Total Liabilities	Total Assets
3,177,667	3,177,667
Sources of Funds	
Paid-up Capital	Reserves & Surplus
36,000	18,549
Equity Warrants	
1,710,000	
Secured Loans	Unsecured Loans
351,563	1,061,555
Application of Funds	
Net Fixed Assets	Investments
2,862,405	–
Deferred Tax	Net Current Assets
37,655	212,428
Accumulated Loss	Misc. Expenditure
65,180	NIL

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

Turnover	Total Expenditure
413,153	402,980
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax
+ 10,173	+ 6,573

(Please tick appropriate box + for Profit - for Loss)

Earning Per Share (Basic) in Rs.	Dividend Rate %
0.18	NIL

V. Generic Name of Principal Product of Company

Item Code No. (ITC Code) - 1 7 0 1 1 1 . 0 9

Product Description - S U G A R

Mumbai,
December 27, 2006

Kausik Adhikari
Company Secretary

Pradeep Parakh
Manish Dokania
P.L. Dadheech
Directors

BAJAJ ECO-TEC PRODUCTS LIMITED

(Formerly BHP Agro Products Pvt. Ltd.)

Directors' Report

Your Directors present their first Annual Report and the Accounts for the first financial year of the Company for the period April 25, 2006 to September 30, 2006.

The Company was incorporated as BHP Agro Products Private Limited with registration number 163144 dated April 25, 2006 issued by the Registrar of Companies, Maharashtra, Mumbai.

Subsidiary of Bajaj Hinduathan Limited:

During the year, Bajaj Hindusthan Limited (BHL) has acquired the entire share capital of the Company from its promoters and accordingly, the Company became a wholly-owned subsidiary of BHL w.e.f. August 4, 2006. The Company has since been converted from a private company to a public company and its name changed to Bajaj Eco-Tec Products Ltd., w.e.f. October 3, 2006.

Medium Density Fibre (MDF) Board/ Particle Board Project:

It has been a continuous endeavour of BHL to add value to its by-products. In this direction BHL was exploring various alternatives for value addition for bagasse, its one of the by-product. Besides embarking upon co-generation as one such value proposition from bagasse, it has narrowed down on manufacture of Particle Board (PB) & Medium Density Fibre Boards (MDF).

Particle Boards and Medium Density Fibre Boards are second and third generation substitutes for both, wood and plywood. PB & MDF are made from wood and agro wastes, and provide effective substitute for wood and timber, and hence regarded as "Engineered Wood". PB & MDF have the durability, look, texture, richness and feel of a seasoned-treated timber, with excellent machine ability and application properties, making it a perfect substitute for solid timber. Today PB & MDF are widely used for making panel boards and for interior decoration in houses, offices, hotels and restaurants. PB & MDF are also being used for making doors, windows, kitchen and office cabinets, drawers, tables, chairs and all other types of furniture.

With the demand for PB & MDF in the country increasing rapidly in last couple of years, today a large portion, about 50% of PB requirements and about 85% of MDF requirements, are being met through imports.

Although PB & MDF can be made from agro- waste, all across the world, PB & MDF are generally being made from wood or wood-waste. This directly or indirectly puts pressure on forests and in turn, on the environment. It is, therefore, desirable or rather essential that PB & MDF are made from raw materials that aren't based on wood and instead use agro-waste, something which is being generated every year.

India is also the second largest producer of sugar in the world, and a large quantity of sugarcane bagasse is available every year with the Indian Sugar Mills. The technology for making PB & MDF from sugarcane bagasse has already been developed in Europe a long time ago, and the quality of PB & MDF Boards made from sugarcane bagasse is very good. All tests confirm that the quality of bagasse based PB & MDF Board is at par with the quality of PB & MDF made from wood or wood-waste. The bagasse based PB & MDF Boards meets the (1) Euro Board Standard EMB 1995 (2) China National Standard GB/T/117182 1999 and (3) Indian Standard 12406 1998.

India therefore has a huge potential to manufacture PB & MDF from sugarcane bagasse. Besides, meeting its own requirements, India can also become a potential source for supplying PB & MDF to the whole world.

Listed below are some of the benefits that bagasse based PB & MDF would confer on the nation and environment at large:

- Save Precious Foreign Exchange - A large portion of present demand is being met from Imports. Being import substitution project, the country will be able to save foreign exchange, estimated at around USD 300 million in 2010.
- Conservation of Forests - Utilisation of Bagasse in manufacture of boards will save large number of trees from being cut every year to meet the ever increasing demand for wood and plywood.
- Save & Improve Environment - Higher forest cover, induces higher rainfall and also reduces carbon dioxide levels in the atmosphere, an Eco-friendly Project, in true sense.
- More Efficient and Beneficial Utilisation of Bagasse - Value Addition to Bagasse is more than 50 times higher, when Bagasse is used for manufacture of boards, instead of Co-generation.
- Create Additional Income to Farmers - Better Utilisation of Bagasse will in turn lead to higher prices for Bagasse.
- Additional Jobs in Rural Areas - Bagasse based plants will naturally be set up close to sugar factories and since sugar factories are generally located in rural areas, additional jobs will be created in rural areas. Besides, it will also arrest migration of people from rural areas to urban areas, and in turn reduce the pressure on infrastructure in urban areas.

BHL is India's largest producer of sugar with ten sugar mills presently operating in the state of Uttar Pradesh - nine under BHL and one under its another subsidiary - Bajaj Hindusthan Sugar and Industries Ltd. - with a huge aggregate sugarcane crushing capacity of 95,000 tonnes per day (TCD). This capacity is being augmented further to reach around 140,000 TCD in the next year.

With abundant availability of captive bagasse, the availability of raw material to manufacture Particle Boards & Medium Density Fibre Boards will be ensured. Accordingly, to start with, three plants - one PB plant having a capacity of 50,000 m^3 per annum, and two MDF plants, each having a capacity of 80,000 m^3 per annum - are being set up. The PB plant is being set up at Kinauni, District Meerut in West U.P., and the MDF plants are being set up at Palia Kalan, District Lakhimpur Kheri in Central U.P. and Kunderki, District Gonda in East U.P. Each of these three plants have been strategically located in different regions of U.P., so as to effectively utilize, region-wise surplus bagasse available from BHL's sugar units, minimize transportation costs and in the process achieve economies of scale and operations.

The Company has already acquired land at all the three sites and construction is in progress as scheduled. The Company has also placed orders with some of the reputed technology and equipment suppliers from Europe and China, for supply of their state of art technology and brand new equipment for manufacturing high quality PB & MDF.

The Company intends to manufacture the following range of products:

a) Plain & Pre-laminated Particle Board

b) Plain & Pre-laminated MDF Board

c) Plain & Pre-laminated High Density Fibre Board

d) Laminated Flooring

The total investment in these 3 plants is estimated to be around Rs. 2540 Million and all three plants are expected to commence operations by November, 2007. The same is proposed to be funded as - Equity/ Preference Capital by BHL - Rs. 1000 Million and Debt - Rs. 1540 Million.

Further Issue of Capital:

The Authorised Capital of the Company was increased from Rs.1 Million to Rs. 910 Million. Till September 30, 2006, the Company has issued further share capital to its holding company- BHL:

(i) 9,90,000 Equity shares of Rs. 10 each at a price of Rs. 100 per share (including share premium of Rs. 90 per share); and

(ii) 76,45,000 7% Cumulative Redeemable Non-Convertible Preference Shares of Rs.10 each

Aggregating to a sum of Rs. 175.45 Million

Directors:

Mr. Hemant Panpalia and Mr. Sumit Bohra were the first Directors of the Company, as named in its Memorandum of Association. Mr. Himanshu Shah and Mr. K.K. Kumbhat were appointed as Additional Directors w.e.f. July 6, 2006 and July 12, 2007 respectively. Mr. Sumit Bohra has since resigned and Mr. Purshottam Dadheech appointed as Additional Director w.e.f. August 3, 2006. All the above four Directors would hold office as Directors of the Company till the date of ensuing first Annual General Meeting of the Company and offer themselves to be appointed as Directors liable to retire by rotation.

The Directors wish to place on record their sincere appreciation of the advice and counsel rendered by Mr. Sumit Bohra during his tenure as a Director of the Company.

Directors' Responsibilty Statement:

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

(a) The applicable accounting standards have been followed in the preparation of the Annual accounts.

(b) Such accounting policies have been selected and applied consistently and judgments and estimates made reasonably and prudently so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006.

(c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) The annual accounts have been prepared on the basis of going concern.

Auditors:

M/s. Dalal & Shah, Chartered Accountants, Mumbai, appointed by the Board as First Auditors of the Company retire at the first Annual General Meeting of the Company and are eligible for re-appointment. Shareholders are requested to re-appoint the auditors and fix their remuneration.

Fixed Deposits:

Company has not accepted any deposits from members, employees or others.

Statutory Disclosures:

For the financial year ended September 30, 2006, there were no employees in the Company drawing remuneration in excess of the limits specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Appreciation:

The Directors express their appreciation of the sincere co-operation and assistance accorded by state and central government authorities, bankers, and by the directors and employees of holding company, during the period under review.

For and on behalf of the Board
Bajaj Eco-Tec Products Limited

Himanshu Shah
Director

Hemant Panpalia
Director

Mumbai,
December 27, 2006

Report of the Auditors to the Members

We have audited the attached Balance Sheet of **BAJAJ ECO-TEC PRODUCTS LIMITED,** (Formerly BHP Agro Products Private Limited) as at 30th September, 2006. As the Company has not commenced commercial operations during the period, there is no Profit and Loss Account . Further this being the first accounting year of the Company, there is no Cash Flow Statement. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

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

2. As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), (as amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act,1956, we annex hereto a Statement on the matters specified in paragraph 4 and 5 of the said Order.

3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that :-

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

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

   (c) The Balance Sheet dealt with by the report is in agreement with the books of account of the Company;

   (d) In our opinion, the Balance Sheet comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable;

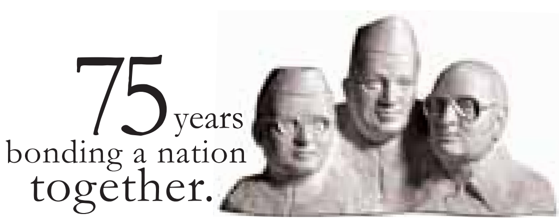
   (e) On the basis of the written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th September, 2006, from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India in the case of the Balance Sheet, of the state of the affairs of the Company as at 30th September, 2006.

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner
Membership No. 37310

Mumbai,
December 27, 2006



Annexure Referred to in Paragraph 2 of the Auditor's Report of Even Date on the Accounts for the Period ended 30th September, 2006 of **Bajaj Eco-Tec Products Limited**

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that :-

i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;

There were no disposal of assets during the period;

ii) The Company has neither taken nor granted any loans, secured or unsecured to/from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, except that it had availed loan on current account from its Holding Company i.e. Bajaj Hindusthan Limited, as against which Equity and Preference Shares of the Company have been allotted and there was no outstanding balance as at the close of the accounting period;

iii) In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets. There were no purchase of goods, inventory or sale of goods and services during the period. During the course of our audit, no major weaknesses in internal control had come to our notice;

iv) As informed to us there were no contracts or arrangements during the period which needs to be entered into in the register required to be maintained under Section 301 of the Companies Act, 1956;

v) The Company has not accepted any deposits from public;

vi) The requirements of having a formal internal audit system is not applicable during the period;

vii) According to the records of the Company, the Company has been generally regular in depositing with statutory authorities, undisputed statutory dues including Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it. As explained to us the provisions of statutes governing Provident Fund and Employees State Insurance are not applicable during the period. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess were outstanding, at the end of the period for more than six months from the date they became payable and there were no unpaid disputed dues outstanding as at the end of the period;

viii) As per the information and explanation given to us on our enquiries in this behalf, there were no frauds on or by the Company has been noticed or reported during the period.

In view of the nature of activities carried on by the Company clause no. (xiii) of CARO, 2003 is not applicable to the Company. Further in view of the absence of conditions pre-requisite to the reporting requirement of clauses (ii), (viii), (x), (xi), (xii), (xiv), (xv), (xvi), (xvii), (xviii) and (xix) the said clauses are, at present, not applicable.

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner
Membership No. 37310

Mumbai,
December 27, 2006

Balance Sheet as at September 30, 2006

	Schedule	Rs. Million	As at Sept. 30, 2006 Rs. Million
I. Sources of Funds:			
Shareholders' Funds			
Capital	1	86.45	
Reserves & Surplus	2	89.10	
			175.55
Total			175.55
II. Application of Funds:			
Fixed Assets	3		
Gross Block		170.59	
Less: Depreciation		0.04	
Net Block			170.55
Current Assets, Loans & Advances	4		
Cash & Bank Balances		3.40	
Loans & Advances		2.15	
		5.55	
Less: Current Liabilities & Provisions	5		
Current Liabilities		0.54	
Provisions		0.01	
		0.55	
Net Current Assets			5.00
Total			175.55
Notes forming part of the accounts	6		

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

Shishir Dalal
Partner
M. No. 37310

Mumbai,
December 27, 2006

Himanshu Shah
Hemant Panpalia
Directors

Schedules Forming Part of Accounts

Schedules 1 to 6 annexed to and forming part of the Balance Sheet as at September 30, 2006

	Rs. Million	As at Sept. 30, 2006 Rs. Million
Schedule 1 - Capital		
Authorised:		
Equity		
1,000,000 Equity Shares of Rs 10/- each.	10.00	
Preference		
90,000,000 Unclassified Preference Shares of Rs. 10/- each.	900.00	
		910.00
Issued, Subscribed & Paid-up:		
Equity		
1,000,000 Equity Shares of Rs 10/- each.		10.00
Preference		
7,645,000 7% Cumulative Redeemable Preference		76.45
Shares of Rs 10/- each. (The Entire paid-up capital is held by Bajaj Hindusthan Ltd., the holding Company and its nominee)		
		86.45
Schedule 2 - Reserves and Surplus		
Share Premium*		89.10
		89.10

* Share Premium account represents Premium received on issue of 990,000 Equity Shares of Rs 10/- each

Schedule 3 - Fixed Assets (Rs. Million)

DESCRIPTION		GROSS BLOCK (AT COST/BOOK VALUE)						NET BLOCK
Sr. No.	Particulars	Additions During the year	Deduction & Adjustments	As at Sept. 30, 2006	This Period	Deduction & Adjustments	Upto Sept. 30, 2006	As at Sept. 30, 2006
1	Office Equipments	0.30	-	**0.30**	0.04	-	**0.04**	**0.26**
2	Vehicles	0.60	-	**0.60**	-	-	**-**	**0.60**
	Total	**0.90**	**-**	**0.90**	**0.04**	**-**	**0.04**	**0.86**
3	Capital Work in progress	169.69	-	**169.69**	-	-	-	**169.69**
	Total	**170.59**	**-**	**170.59**	**0.04**	**-**	**0.04**	**170.55**

Note: (i) Capital work-in-progress includes following: (Rs. Million)

Capital Work in Progress:	For The Period	Capitalised	As at Sept. 30, 2006
Advance to Suppliers/Contractors	155.64	-	**155.64**
Preoperative Expenses			
Manpower Cost	0.73	-	**0.73**
Rates and Taxes	7.20	-	**7.20**
Miscellaneous Expenses	6.08	-	**6.08**
Depreciation	0.04	-	**0.04**
Sub Total Preoperative Expenses	14.05	-	**14.05**
Total	169.69	-	**169.69**

	As at Sept. 30, 2006 Rs. Million
Schedule 4 - Current Assets, Loans & Advances	
Current Assets:	
Cash and Bank Balances	
Cash on hand (including Stamp Papers of Rs. 377,000)	**0.38**
Balance with Scheduled Banks:	
i) In Current Accounts	**3.02**
Balance with Non Scheduled Banks	**-**
	3.40
Advances recoverable in cash or in kind or for value to be received	**1.43**
Balance with Excise Department including Cenvat credits	**0.72**
	2.15
	5.55
Schedule 5 - Current Liabilities and Provisions	
A. Current Liabilities:	
Sundry Creditors	**0.54**
	0.54
B. Provisions:	
For Taxation (Net of Advance payments of Tax)	**0.01**
	0.01
	0.55

Schedule 6 - Notes forming part of the Accounts

	Period ended Sept. 30, 2006 Rs. Million
1. The Company was incorporated on 25th April, 2006. This being the first year of operation of the Company and Project Stage, therefore no Profit & Loss Account has been prepared for the period ended on 30th September, 2006.	
2. Contingent Liabilities not provided for: Liability for Letter of Credits opened with Bank and pending for payments	581.89
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of Advances).	599.07
4. Since no commercial activity has been undertaken during the period, the Quantitative Information as required under Clause 3(ii) of PART II of Schedule VI to the Companies Act, 1956, is not applicable.	
5. Expenditure in Foreign Currency:	NIL
6. CIF Value of Imports Capital Goods (Advance for Plant & Machinery)	152.55

7. The disclosures in respect of Related Parties as required under Accounting Standard 18 (AS-18) 'Related Party Disclosures' is stated herein below.

   A) Related parties and relationships for which disclosure is required under AS-18:

      a Holding Company
        Bajaj Hindusthan Limited

      b Directors
        (i) Mr. Himanshu Shah
        (ii) Mr. K.K. Kumbhat
        (iii) Mr. Hemant Panpalia
        (iv) Mr. P.L. Dadhich

   B) Transaction with related party

      As against sum advanced of Rs. 175.45 Million by Bajaj Hindusthan Limited, the holding company, Equity Shares of the value Rs. 99.00 Million and Preference Shares of the value Rs. 76.45 Million, aggregating Rs. 175.45 Million were allotted.

8. Taxation:

   A) In absence of taxable income, no provision for current tax for the period is required.

   B) Deferred tax asset/liability would be worked out in the year of commencement of commercial operation.

9. This being the first accounting period of the Company, figures for previous year are not applicable. Further as a result Cash Flow Statement is also not furnished.

10. Company is in process of appointing Company Secretary.

11. Included under the head "Miscellaneous Expenditure" under "Capital Work in Progress" is Rs. 20,000/- towards auditor's remuneration

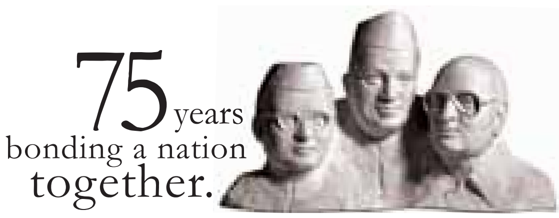
12. Significant Accounting policies followed by the Company are as stated in the statement annexed to this Schedule (Annexure 'A').

Signatures to Schedules "1" to "6"
As per our attached report of even date
For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner
M. No. 37310

Himanshu Shah
Hemant Panpalia
Directors

Mumbai,
December 27, 2006



Annexure 'A' referred to in Note No. 12 in Schedule 6 to the Accounts for the period ended September 30, 2006

Statement on Significant Accounting Policies

1. System of Accounting:
   (i) The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties.
   (ii) Financial statements are based on historical cost convention.
2. Fixed Assets and Depreciation:
   (A) Fixed Assets: Fixed assets are carried at cost of acquisition or construction cost, less accumulated depreciation.
   (B) Depreciation: Depreciation on office equipments and vehicles is on written down value basis at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
3. Foreign Currency Transactions:
   Foreign Currency Loans are recorded at the exchange rate prevailing on the date of transaction and are translated at forward cover rate if applicable or year-end exchange rate. Exchange rate difference is adjusted to the cost of asset if it relates to acquisition of assets or is carried to profit & loss account in other cases.
4. Retirement Benefits:
   Provisions governing statues under Gratuity, Provident Fund and other retirement benefits are at present not applicable to the Company.
5. Borrowing Cost:
   Interest and other costs in connection with the borrowing of funds are capitalised upto the date when such qualifying assets are ready for its intended use and other borrowing costs are charged to profit & loss account.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	U 0 1 1 1 0 M H 2 0 0 6 P L C 1 6 1 3 4 4
State Code	1 1
Balance Sheet Date	3 0 (Date) 0 9 (Month) 2 0 0 6 (Year)

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	86,450

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

Total Liabilities	Total Assets
175,550	175,550

Sources of Funds

Paid-up Capital	Reserves & Surplus
86,450	89,100
Deferred Tax Adjustments	
-	
Secured Loans	Unsecured Loans
-	-

Application of Funds

Net Fixed Assets	Investments
170,558	-
Net Current Assets	Misc. Expenditure
4,992	0
Accumulated Loss	
NIL	

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

Turnover	Total Expenditure
-	-
+ / - Profit/Loss Before Tax	+ / - Profit/Loss After Tax
+ -	+ -

(Please tick appropriate box + for Profit - for Loss)

Earning Per Share (Basic) in Rs.	Dividend Rate %
-	-

V. Generic Name of Principal Product of Company

Item Code No. (ITC Code)	-	4 4 1 0
Product Description	-	P A R T I C L E B O A R D
Item Code No. (ITC Code)	-	4 4 1 1
Product Description	-	F I B R E B O A R D

Himanshu Shah
Director

Hemant Panpalia
Director

Mumbai,
December 27, 2006

BAJAJ HINDUSTHAN HOLDINGS PRIVATE LIMITED

Directors' Report

Your Directors present their second Annual Report together with the Audited Accounts of the Company for the financial year ended September 30, 2006. The financial year of the Company was changed from April-March period to October-September period to align the same with financial year being followed by the holding company. Acordingly the accounts for the financial year under the report comprise of a period of six months. viz. 1 April 2006 to 30 September 2006.

As the Company is still to obtain certificate from Reserve Bank of India for registration as Non-banking Finance Company, the Company has not commenced any business.

Financial Results:

	For the period ended Sept. 30, 2006 (Rs. Million)
Income (Interest Income)	1.44
Less: Expenditure	-
Gross Profit	1.44
Provision for Taxation	0.15
Net Profit, carried to Balance Sheet	1.29

Dividend:

As the Company had not commenced the intended non-banking financial business operations, your Board does not recommend any dividend for the period ended on 30th September 2006.

Operations:

Your Company was incorporated as a wholly owned subsidiary of Bajaj Hindusthan Limited for the purpose of undertaking and carrying on Non-banking Financial Business. Such Non-banking Financial Business can be undertaken and carried on by any Company only after it obtains the Certificate of Registration under the provisions of Section 45-1A of the RBI Act, 1934. Pending receipt of the said Certificate of Registration from the Reserve Bank of India, the Company could not commence the intended business till date. The Company is following up for the same to be issued at the earliest.

Directors:

Mr. Kushagra Nayan Bajaj and Mr.Krishna Kumar Kumbhat, Directors of the Company, will retire by rotation and being eligible, offer themselves for re-appointment.

Directors' Responsibilty Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirms that-

(a) The applicable accounting standards have been followed in the preparation of the Annual accounts.

(b) Such accounting policies have been selected and applied consistently and judgements and estimates made reasonably and prudently so as to give a true and fair view of the state of affairs of the Company as at 30th September 2006 and its loss for the period ended on that date;

(c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) The annual accounts have been prepared on the basis of going concern.

Auditors:

The statutory auditors M/s. R.S.Dani & Company, Chartered Accountants, Ajmer, will retire at the ensuring Annual General Meeting of the Company and are eligible for re-appointment. Shareholders are requested to re-appoint the auditors and fix their remuneration.

Fixed Deposits:

Company has not accepted any deposits from members or employees.

Statutory Disclosures:

The provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are not applicable as the Company does not have any employee as at present.

The Company, being a proposed as a Non-Banking Finance Company, not having any manufacturing or foreign exchange activity, the Directors have nothing to report on "Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo".

Appreciation:

The directors express their appreciation of the sincere co-operation and assistance accorded by State and Central Government authorities, bankers as well as the Directors and employees of holding company, during the period under review.

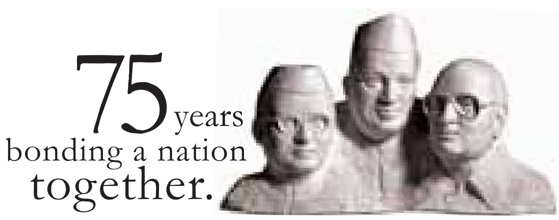
For and on behalf of the Board

BAJAJ HINDUSTHAN HOLDINGS PRIVATE LIMITED

Kushagra Bajaj	**K.K. Kumbhat**
Director	Director

Mumbai,

November 2, 2006



Auditor's Report

To The Members (Shareholders) of M/s. Bajaj Hindusthan Holdings Pvt. Ltd.

We have audited the attached Balance Sheet of BAJAJ HINDUSTHAN HOLDINGS PRIVATE LIMITED, Bajaj Bhawan 2nd Floor, 226, Nariman Point, Jamnalal Bajaj Marg, Mumbai 400 021 as on 30th September 2006 (1st April 2006 to 30th September 2006). These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 (CARO, 2003), (as amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act,1956, we annex hereto a Statement on the matters specified in paragraph 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that :-
   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
   (c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account of the Company;
   (d) In our opinion, the Balance Sheet Profit and Loss Account comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable;
   (e) On the basis of our review of the confirmations received from the companies in which Directors of the Company are Directors, and the information and explanations given to us, none of the Directors of the Company are prima facie, as 30th September 2006 is disqualified from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.
      (i) In case of the Balance Sheet of the state of affairs of the Company as at 30th September 2006,
      (ii) In case of the Profit & Loss Account of the profits of the Company for the period ended on 30th September 2006 (1st April 2006 to 30th September 2006), and
      (iii) In case of Cash Flow Statement, of the Cash Flow for the period ended on 30th September 2006 (1st April 2006 to 30th September 2006).

For R.S. DANI & CO.
Chartered Accountants

C.P. Kothari (Partner)
Place: Ajmer
Date : 30.10.2006

Annexure referred to in Paragraph 2 of the Auditor's Report of even date on the accounts for the period ended 30th September, 2006 of **Bajaj Hindusthan Holdings Private Limited.**

On the basis of such checks as we considered appropriate and in terms of informatin and explanations given to us, we state that:-

i) The Company has neither taken nor granted any loans, secured or unsecured to / from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956;

ii) As informed to us there were no contracts or arrangements entered into during the period which needs to be entered into in the register required to be maintained under Section 301 of the Companies Act, 1956;

iii) The Company has not accepted any deposits from public;

iv) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business;

v) (a) According to the records of the Company, the Company is regular in depositing material undisputed statutory dues as applicable with the appropriate authorities and there were no outstanding dues as at the last day of the financial year for a period of more than six months from the date they become payable.

   (b) There were no outstanding statutory dues on account of disputes before the authorities.

vi) As per the information and explanation given to us on our enquiries in this behalf, there were no frauds on or by the Company has been noticed or reported during the period.

In view of the nature of activities carried on by the Company clause no. (xiii) of CARO, 2003 is not applicable to the Company. Furhter in view of the absence of conditions pre-requisite to the reporting requirement of clauses (i), (ii), (iv), (viii), (x), (xi), (xii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) and (xx) the said clauses are, at present, not applicable.

For R. S. Dani & Co.
Chartered Accountants

C. P. Kothari
Partner
Membership No. 72229

Ajmer
30th October, 2006

Balance Sheet as at September 30, 2006

	Schedule	Rs. Million	As at Sept. 30, 2006 Rs. Million	As at March 31, 2006 Rs. Million
I. Sources of Funds:				
Shareholders' Funds				
Capital	1	50.00		50.00
Reserves & Surplus	2	2.11		0.82
			52.11	50.82
Total			52.11	50.82
II. Application of Funds:				
Current Assets, Loans & Advances	3			
Cash & Bank Balances		51.94		50.82
Loans & Advances		0.97		0.65
		52.91		51.47
Less: Current Liabilities & Provisions	4			
Current Liabilities		0.01		0.01
Provisions		0.79		0.64
		0.80		0.65
Net Current Assets			52.11	50.82
Total			52.11	50.82
Notes forming part of the accounts	6			

As per our attached report of even date
For and on behalf of
R. S. DANI & COMPANY
Chartered Accountants

Partner	**Kushagra Bajaj** Director	**K. K. Kumbhat** Director

Mumbai,
October 30, 2006

Profit & Loss Account for the period ended Sept. 30, 2006

	Schedule	2005-2006 (6 months) Rs. Million	2005-2006 Rs. Million
Income:			
Interest Income		1.44	2.00
		1.44	2.00
Expenditure:			
Other Expenses	5	0.00	0.54
		0.00	0.54
Profit for the period before Taxation		1.44	1.46
Less: Provision for Current Taxation		0.15	0.64
Profit for the period		1.29	0.82
Add: Balance Brought Forward		0.82	-
Balance carried to Balance Sheet		2.11	0.82
Basic Earning per Share:			
Net Profit		1.29	0.82
Weighted Average No. of Shares		5,000,000	5,000,000
Basic Earning per Share in Rupees (Nominal Value Rs 10 per Share)		0.26	0.16
Notes forming part of the accounts	6		

As per our attached report of even date
For and on behalf of
R. S. DANI & COMPANY
Chartered Accountants

Partner	**Kushagra Bajaj** Director	**K. K. Kumbhat** Director

Mumbai,
October 30, 2006

Schedules Forming Part of Accounts

Schedules 1 to 6 annexed to and forming part of the Balance Sheet as at September 30, 2006

	Rs. Million	As at Sept. 30, 2006 Rs. Million	As at March 31, 2006 Rs. Million
Schedule 1 - Capital			
Authorised:			
Equity			
5,000,000 Equity Shares of Rs 10/- each.	50.00		50.00
		50.00	50.00
Issued, Subscribed & Paid-up:			
Equity			
5,000,000 Equity Shares of Rs 10/- each.		50.00	50.00
		50.00	50.00
Schedule 2 - Reserves and Surplus			
Balance as per Profit & Loss Account		2.11	0.82
		2.11	0.82
Schedule 3 - Current Assets, Loans & Advances			
Current Assets:			
(a) Cash and Bank Balances			
Cash on hand (including cheques & drafts)		-	-
Balance with Scheduled Banks:			
(i) In Current Accounts		1.77	1.77
(ii) In Fixed Deposits		50.17	49.05
		51.94	50.82
(b) Advances recoverable in cash or in kind or for value to be received		-	-
Advance payments of Tax (including tax deducted at source) (Net of Provision for Taxation)		0.97	0.65
		0.97	0.65
		52.9 1	51.47

	As at Sept. 30, 2006 Rs. Million	As at March 31, 2006 Rs. Million
Schedule 4 - Current Liabilities and Provisions		
A. Current Liabilities:		
Sundry Creditors	0.01	0.01
	0.01	0.01
B. Provisions:		
For Taxation		
(Net of Advance payments of Tax)	0.79	0.64
	0.79	0.64
	0.80	0.65
Schedule 5 - Other Expenses		
Professional Fees (Rs. 4,500/- Previous year Rs. 3,306/-)	-	-
Rent Rate Taxes	-	0.05
Printing & Stationery	-	0.00
Preliminary Expenses	-	0.47
Payment to Auditors for Audit Fees	-	0.01
	0.00	0.54

Cash Flow Statement for the period ended September 30, 2006

Annexure 'B' referred to in Note No. 12 in Schedule 6 to the Accounts for the period ended September 30, 2006

	2005-2006 Rs. Million	2003-2004 Rs. Million
A. Cash Flow from operating activities:		
Net Profit before extra-ordinary items and Taxation	**1.44**	1.46
Adjustment for:		
Depreciation	-	-
	-	-
Operating Profit before working capital changes	**1.44**	1.46
Trade payables (Rs. 4,500/-)	-	0.01
Direct taxes paid	(0.32)	(0.65)
	(0.32)	0.82
Cash flow before extra-ordinary items	**1.12**	0.82
Extraordinary items	-	-
Net Cash from/(used in) operating activities	**1.12**	0.82
B. Cash Flow from investing activities:		
Purchase of Fixed Assets	-	-
Net cash used in investing activities	-	-
C. Cash Flow from financing activities:		
Issue of Equity Shares & Premium thereon:		
On issue of Equity Shares	-	50.00
On issue of Preference Shares	-	-
Net cash from financing activities	-	50.00
Net increase/(decrease) in cash and cash equivalents	**1.12**	50.82
Cash and Cash equivalents at the beginning of the period	**50.82**	-
Cash and Cash equivalents as at September 30, 2006 (Closing Balance)	**51.94**	50.82

Figures in brackets indicate cash outflow and without brackets indicate cash inflow.

As per our attached report of even date

For and on behalf of
R. S. DANI & COMPANY
Chartered Accountants

Partner

Kushagra Bajaj Director
K.K. Kambhat Director

Mumbai,
October 30, 2006

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. U 6 5 9 9 3 M H 2 0 0 5 P T C 1 5 4 5 2 6

State Code 1 1

Balance Sheet Date 3 0 | 0 9 | 2 0 0 6
Date Month Year

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

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

Total Liabilities	Total Assets
52,110	52,110

Sources of Funds

Paid-up Capital	Reserves & Surplus
50,000	2,110
Secured Loans	Unsecured Loans
NIL	NIL

Application of Funds

Net Fixed Assets	Investments
NIL	NIL
Net Current Assets	Misc. Expenditure
52,110	NIL

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

Turnover	Total Expenditure
1,441	5
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax
+ 1,436	+ 1,286

(Please tick appropriate box + for Profit - for Loss)

Earning Per Share (Basic) in Rs.	Dividend Rate %
0.26	0

V. Generic Name of Principal Product of Company N.A.

Mumbai,
October 30, 2006

Kushagra Bajaj Director
K.K. Kumbhat Director

Notes

Notes

bajaj hindusthan ltd.

www.bajajhindusthan.com

Seventy Fifth Annual Report 2005-06