

CORPORATE GOVERNANCE REPORT



1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Moser Baer believes that "Corporate Governance" refers to the processes and structure by which the business and affairs of the Company are directed and managed, in order to enhance long term shareholder value through enhancing corporate performance and accountability, whilst taking into account the interests of all stakeholders. Good corporate governance, therefore, embodies both enterprise (performance) and accountability (conformance).

The Corporate Governance philosophy of the Company is based on the following principles:

- Satisfaction of the spirit of the law through ethical business conduct.
- Transparency and a high degree of disclosure levels.
- Truthful communication about how the Company is run internally.
- A simple and transparent corporate structure driven solely by the business needs.
- Strict compliance with Clause 49 of the Listing Agreement, as amended from time to time.

- Establishment of an efficient corporate structure for the management of the Company's affairs.
- Management is the trustee of the shareholders' capital and not the owner.

2. BOARD OF DIRECTORS

The present strength of the Board is 10. The Board comprises of three Executive Directors and seven Non-Executive Directors. 5 Non-Executive Directors of the Company are independent. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions.

Definition of 'Independent Director' as per Clause 49 of the Listing Agreement

'Independent Director' shall mean a Non-Executive Director of the Company who:-

- apart from receiving Director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the Director;

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- is not related to promoters or persons occupying management positions at the Board level or at one level below the Board;
- has not been an executive of the company in the immediately preceding three financial years;
- is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
 - the statutory audit firm or the internal audit firm that is associated with the company, and
 - the legal firm(s) and consulting firm(s) that have a material association with the company.
- is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director; and
- is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares.

Composition :-

Directors	Category	Equity Investors represented	Number of Equity Shares and Warrants held by the non-executive Directors
Mr. Deepak Puri	Promoter and Executive	N.A.	N.A.
Mr. Harnam D. Wahi	Independent and Non-Executive	N.A.	400 Equity Shares
Mr. Arun Bharat Ram	Independent and Non-Executive	N.A.	Nil
Mrs. Nita Puri	Promoter and Executive	N.A.	N.A.
Mr. John Levack *	Non-Executive	Electra Partners Mauritius Limited.	Nil
Mr. Rajesh Khanna *	Non-Executive	Bloom Investments Limited (BIL), Ealing Investments Limited (EIL), Randall Investments Limited (RIL) and Woodgreen Investment Ltd (WIL). BIL, EIL, RIL and WIL are affiliates of Warburg Pincus LLC.	Nil
Mr. Prakash Karnik	Independent and Non-Executive	N.A.	Nil
Mr. Bernard Gallus	Independent and Non-Executive	N.A.	Nil
Mr. Ratul Puri	Promoter and Executive	N.A.	N.A.
Mr. Ajay Shah	Independent and Non-Executive	N.A.	Nil

* Mr. John Levack and Mr. Rajesh Khanna ceased to be independent Directors with effect from 1st January, 2006

DIRECTORSHIP IN OTHER COMPANIES AND BOARD COMMITTEES *:

As per the requirements of the Listing Agreement, none of the Directors of the Board serve as members of more than 10 Committees or as Chairman of more than 5 Committees.

Directors	No. of other Directorships (excluding foreign companies and private limited companies)			No. of Committee memberships (including MBIL's Committees)					
	Status as on 31.12.05	During the quarter 1.1.06 to 31.3.06	Status as on 31.3.06	Status as on 31.12.05		During the quarter 1.1.06 to 31.3.06		Status as on 31.3.06	
				Chairman	Member	Chairman	Member	Chairman	Member
Mr. Deepak Puri	1	1	2	—	1	—	—	—	1
Mr. Harnam D. Wahi	1	1	2	3	—	1	—	3	—
Mr. Arun Bharat Ram	9	1	10	2	3	—	1	1	3
Mrs. Nita Puri	—	—	—	—	1	—	—	—	1
Mr. John Levack	1	1	2	—	3	—	—	—	1
Mr. Rajesh Khanna	4	1	5	—	8	—	1	—	5
Mr. Prakash Karnik	—	1	1	—	3	—	1	—	3
Mr. Bernard Gallus	—	1	1	—	1	—	1	—	2
Mr. Ratul Puri	1	1	2	—	—	—	—	—	—
Mr. Ajay Shah	—	—	—	—	—	—	—	—	—

* Committee here means:

- (a) Upto 31-12-05:- Audit Committee, Compensation Committee and Investors' Grievance Committee.
(b) From 1-1-06 to 31-3-06:- Audit Committee and Investors' Grievance Committee.

The information as required under Annexure 1-A to Clause 49 of the Listing Agreement is made available to the Board. Adequate information is circulated as part of the agenda papers to enable the Board to take informed decisions.

The Company holds at least five Board meetings in a year, one in each quarter to review the financial results and one to review the audited annual results of the Company.

The Board met seven times on the following dates during the financial year 2005-2006 and the gap between two meetings did not exceed four months:

- 28 April, 2005
- 24 June, 2005
- 28 July, 2005
- 26 October, 2005
- 27 October, 2005
- 25 January, 2006
- 18 February, 2006

ATTENDANCE RECORD OF DIRECTORS

Directors	Board meetings held during the year	Meetings attended		Attended last AGM held on 3 August, 2005
		In person	Through Audio Conferencing	
Mr. Deepak Puri	7	7	—	Yes
Mr. Harnam D. Wahi	7	6	—	Yes
Mr. Arun Bharat Ram	7	3	—	No
Mrs. Nita Puri	7	7	—	No
Mr. John Levack	7	5	—	No
Mr. Rajesh Khanna	7	5	1	No
Mr. Prakash Karnik	7	5	1	No
Mr. Bernard Gallus	7	3	—	No
Mr. Ratul Puri	7	7	—	No
Mr. Ajay Shah	7	5	1	No

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3. BOARD COMMITTEES

Your Company has the following Board Committees: Audit Committee, Compensation Committee, Investors' Grievance Committee, Corporate Governance Committee, Capex Committee, Banking and Finance Committee and Corporate Social Responsibility Committee and the guidelines for these Board Committees are set out below.

The Board is responsible for constituting, assigning, co-opting and fixing terms of service for the Committee Members of various Committees and delegates these powers to the Committees. Recommendations of the Committees are submitted to the Board of Directors for approval.

The frequency and agenda of meetings of each of these Committees is determined by the Chairman of the Board/ Executive Director in consultation with the Chairman of the concerned Committee. These Committees meet as and when the need arises.

4. AUDIT COMMITTEE

Composition

Your Company has a qualified and independent Audit Committee, with Mr Harnam D. Wahi as the Chairman. Other members comprise of Mr. Prakash Karnik, Mr. Rajesh Khanna and Mr. Bernard Gallus. The Company Secretary acts as the Secretary of the Committee. Mr. Ratul Puri and Mr. John Levack are the permanent invitees to the meetings of this Committee.

Mr. Bernard Gallus has been inducted as a member of the Audit Committee at the Board Meeting held on 25 January, 2006. Further, Mr. John Levack resigned from the membership of the Audit Committee vide his letter dated 21 December, 2005 and has been inducted as a permanent invitee at the Board Meeting held on 25 January, 2006

Primary Objective

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting.

The Audit Committee has the power to do the following:-

- a) To investigate any activity within its terms of reference.
- b) To seek information from any employee.
- c) To obtain outside legal or other professional advice.
- d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role of the Committee

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending to the Board the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fee.
- c) Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
- d) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in draft audit report.



- e) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- f) Reviewing, with the management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
- g) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- h) Discussing with internal auditors any significant findings and follow up thereon.
- i) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- j) Discussing with the Statutory Auditors before the audit commences about the nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- k) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- l) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- m) Reviewing the company's financial and risk management policies.
- n) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee has been authorized to mandatorily review the following information:

- a) Management discussion and analysis of financial condition and results of operations.
- b) Statement of significant related party transactions, submitted by management.

- c) Management letters/letters of internal control weaknesses issued by the Statutory Auditors.
- d) Internal audit reports relating to internal control weaknesses.
- e) The appointment, removal and terms of remuneration of the Chief Internal Auditor.

Meetings

During the year, the Committee met five times on the following dates:

- (i) 27 April, 2005
- (ii) 24 June, 2005
- (iii) 27 July, 2005
- (iv) 26 October, 2005
- (v) 25 January, 2006

Following are the attendance details of the members at the Committee meetings:-

Members	Committee meetings held during the year	Meetings attended	
		In person	Through Audio Conferencing
Mr. Harnam D. Wahi (Chairman)	5	5	—
Mr. Prakash Karnik	5	4	—
Mr. Rajesh Khanna	5	4	—
Mr. John Levack*	5	3	—
Mr. Bernard Gallus**	5	—	—

* resigned w.e.f. 21 December, 2005

** appointed as member at the Board Meeting held on 25 January, 2006.

5. COMPENSATION COMMITTEE

Composition

Mr Harnam D. Wahi is the Chairman of the Compensation Committee. Other members of the Committee comprise of Mr. Prakash Karnik, Mr. John Levack, Mr. Rajesh Khanna and Mr. Bernard Gallus. The Company Secretary acts as the Secretary of the Committee.

Mr. Bernard Gallus has been inducted as a member of the Compensation Committee at the Board Meeting held on 25 January, 2006

Terms of reference

- a) The Compensation Committee discharges the Board's responsibilities relating to compensation of the Company's Executive Directors.

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- b) The Compensation Committee has the overall responsibility for approving and evaluating the Executive Directors' compensation plans, policies and programmes of the Company.
- c) The Compensation Committee administers the Employees' Stock Option Plan (ESOP) and the Directors' Stock Option Plan (DSOP) of the Company.

Responsibilities and authorities of the Compensation Committee

- a) The Compensation Committee shall review and approve for the Executive Directors of the Company:-
- The annual base salary,
 - Annual incentive bonus, if any,
 - Any other benefits, compensation or arrangements.
- b) The Compensation Committee shall evaluate, and if necessary, amend performance parameters of the Executive Directors.
- c) The Compensation Committee may make recommendations to the Board in relation to incentive plans for the Executive Directors; and
- d) Administer the ESOP and DSOP schemes of the Company.

Meetings

During the year, the Committee met five times on the following dates:

- (i) 27 April, 2005
(ii) 24 June, 2005
(iii) 27 July, 2005
(iv) 27 October, 2005
(v) 24 January, 2006

Following are the details regarding the Committee meetings attended by the members:-

Members	Committee meetings held during the year	Meetings attended	
		In person	Through Audio Conferencing
Mr. Harnam D. Wahli (Chairman)	5	5	—
Mr. Prakash Karnik	5	3	—
Mr. Rajesh Khanna	5	3	—
Mr. John Levack	5	4	1
Mr. Bernard Gallus*	5	—	—

* appointed as member at the Board Meeting held on 25 January, 2006.

REMUNERATION POLICY

a) Executive Directors

The details of the remuneration paid and payable to Mr. Deepak Puri, Managing Director, Mrs. Nita Puri, Director and Mr. Ratul Puri, Executive Director during the year 2005-2006 are as follows:

Particulars	Mr. Deepak Puri, Managing Director	Mrs. Nita Puri, Director	Mr. Ratul Puri, Executive Director
Salaries, allowances and bonus	18,956,256	454,800	11,321,964
PF Contribution	1,698,751	36,000	1,013,036
Perquisites	166,593	106,800	166,600
TOTAL	20,821,600	597,600	12,501,600

Service Contracts, Notice Period, Severance Fees
Mr. Deepak Puri - Managing Director; Mrs. Nita Puri - Director and Mr. Ratul Puri - Executive Director

It is proposed to re-appoint Mr. Deepak Puri as Managing Director, Mrs. Nita Puri as a whole time Director and Mr. Ratul Puri as Executive Director for another period of five years with effect from 1 September, 2006, 1 December, 2006 and 1 October, 2006, respectively. A service contract will be executed with each of them after their appointment at the Annual General Meeting. Each of them will be entitled to resign from his/her office at any time upon giving to the Company at least three calendar months' written notice. No severance fees shall be payable to either of them.

The amount of performance bonus paid to the Managing Director and the Executive Director is based on the performance of the Company and of these Directors, as approved by the Compensation Committee and considered by the Board.

b) Non-Executive Directors

The Company does not have any pecuniary relationship with any of its non-executive Directors.

At the Annual General Meeting held on 3 August, 2005, the shareholders of the Company passed a resolution to offer the stock options to the Non-Executive Directors of the Company to the maximum of 450,000 equity shares. Further, the shareholders of the Company also passed a resolution to pay a commission for a period of 3 years w.e.f. 1 April, 2005 to the maximum of 0.2% of the Profit after Tax of every financial year. However, the overall limit of commission payable to the non-executive Directors shall not exceed 1%



of the of the Net Profits of the Company for that year calculated as per the provisions of the Companies Act, 1956, without obtaining the prior approval of the Central Government.

Subsequently, each of the following non-executive Directors accepted 50,000 stock options each:-

1. Mr. Harnam D. Wahi
2. Mr. Arun Bharat Ram
3. Mr. Prakash Karnik
4. Mr. John Levack
5. Mr. Bernard Gallus
6. Mr. Ajay Shah

Mr. Rajesh Khanna, nominee Director of BIL, EIL, RIL and WIL did not accept 50,000 stock options offered to him. He also does not charge any Sitting Fees for attending any meetings of the Board or Committees thereof.

During the year 2005-06, the non-executive Directors were paid a sitting fees of Rs. 20,000 for each Board Meeting and Rs.10,000 for each Committee meeting attended by them.

Service Contracts, Notice Period, Severance Fees

Mr. Harnam D. Wahi, Mr. Arun Bharat Ram, Mr. Bernard Gallus, Mr. Prakash Karnik and Mr. Ajay Shah are Directors liable to retire by rotation. No severance fees will become payable to them if they desire not to continue as Directors of the Company.

Mr. John Levack (non-rotational nominee Director and representative of Electra Partners Mauritius Ltd.) - No severance fees will become payable to him if Electra Partners Mauritius Ltd. withdraws his nomination from the Directorship of the Company.

Mr. Rajesh Khanna (non-rotational nominee Director and representative of BIL, EIL, RIL and WIL – affiliates of Warburg Pincus LLC) - No severance fees will become payable to him if BIL, EIL, RIL and WIL withdraw his nomination from the Directorship of the Company.

6. INVESTORS' GRIEVANCE COMMITTEE

Composition

The Chairman of the committee, Mr. Harnam D. Wahi, is a Non-Executive Independent Director.

Other members of the Committee comprise of Mr. Prakash Karnik, Mr. John Levack, Mr. Deepak Puri, Mr. Bernard Gallus and Mrs. Nita Puri. The Company Secretary acts as the Secretary of the Committee.

Terms of reference

The Investors' Grievance Committee looks into redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of Annual Reports, non-receipt of dividend and allied matters.

Meetings

During the year, the committee met four times on the following dates:

- (i) 27 April, 2005
- (ii) 27 July, 2005
- (iii) 27 October, 2005
- (iv) 24 January, 2006

Following are the attendance details of the members at the Committee meetings:-

Members	Committee meetings held during the year	No. of meetings attended
Mr. Harnam D. Wahi (Chairman)	4	4
Mr. Prakash Karnik	4	2
Mr. John Levack	4	4
Mr. Deepak Puri	4	4
Mrs. Nita Puri	4	4
Mr. Bernard Gallus	4	2

Name and designation of the Compliance Officer:
Mrs. Minni Katariya, Company Secretary.

The transfer / transmission of physical share certificates is approved by the Company Secretary at least once in a fortnight on the basis of recommendations received from the Company's Registrars and Share Transfer Agent-M/s. MCS Limited.

The investors may lodge their grievances through e-mail at shares@moserbaer.net or contact the Compliance Officer at the following numbers: -

Telephone numbers : 41635201-05, 26911570-74
Fax numbers : 41635211/ 26911860

Information regarding complaints received from the shareholders during the period 1 April, 2005 to 31 March, 2006:-



Nature of the complaints	Received	Replied satisfactorily	Pending
Relating to transfer, transmission, etc.	20	20	—
Relating to dematerialization	3	3	—
Relating to dividend	15	15	—
Relating to bonus	40	40	—
Relating to miscellaneous matters	50	50	—
TOTAL	128	128	—

No share was pending for transfer as on 31 March, 2006.

7. CORPORATE GOVERNANCE COMMITTEE

Composition

The Chairman of the Committee, Mr. Rajesh Khanna, is a Non-Executive Director. Other members of the Committee comprise of Mr. Prakash Karnik, Mr. John Levack, Mr. Deepak Puri and Mr. Bernard Gallus. The Company Secretary acts as the Secretary of the Committee.

Terms of reference

- To evaluate the current composition, organisation and governance of the Board and its Committees, as well as determine future requirements and make recommendations in this regard to the Board for its approval.
- To recommend the appointment of such Directors on the Board who are of proven competence and have adequate professional experience.
- To oversee the evaluation of the Board.
- To recommend to the Board, Director nominees for each Committee of the Board.
- To coordinate and approve Board and Committee meeting schedules.
- To make regular reports to the Board on the matters listed herein and on such other matters as may be referred to it by the Board from time to time.
- To advise the Company on the best business practices being followed on corporate governance issues world-wide and to implement those in the Company appropriately.
- To appoint any outside agency to report on corporate governance matters.

- To appoint consultants in this regard and to obtain and implement their advise, reports or opinions.
- To recommend to the Board the governance structure for management of affairs of the Company.
- To review and re-examine this charter annually and make recommendations to the Board for any proposed changes.
- To annually review and evaluate its performance.

Meetings

During the year, the committee met once on 27th April, 2005.

Following are the attendance details of the members at the Committee meetings:-

Members	Committee meetings held during the year	No. of meetings attended
Mr. Rajesh Khanna (Chairman)	1	—
Mr. Prakash Karnik	1	1
Mr. John Levack	1	1
Mr. Deepak Puri	1	1
Mr. Bernard Gallus	1	1

8. CAPEX COMMITTEE

Composition

The Chairman of the Committee, Mr. Harnam D. Wahi, is a Non-Executive Independent Director. Other members of the Committee comprise of Mr. Prakash Karnik, Mr. John Levack, Mr. Rajesh Khanna and Mr. Ratul Puri. The Company Secretary acts as the Secretary of the Committee.

Terms of reference

The CAPEX Committee shall plan capital expenditure for the expansion and diversification programme of the Company and lay down procedures for the same. The CAPEX Committee shall forward its decisions to the Board of Directors for its review and ratification, on a quarterly basis.

The CAPEX Committee is constituted to approve all CAPEX exceeding

- Rs. 5 Crores per purchase order/contract.
- Rs. 5 Crores per item (including substantially

similar items) across all purchase orders/ contracts in a financial year.

The Board of Directors at their meeting held on 25 January, 2006, expanded the scope of work of CAPEX Committee to consider and approve the capital expenditure of Moser Baer Photo Voltaic Limited, a 100% subsidiary of the Company as per the limits mentioned above.

Meetings

During the year, the Committee met four times on the following dates:

- (i) 27 April, 2005
- (ii) 27 July, 2005
- (iii) 26 October, 2005
- (iv) 24 January, 2006

Following are the attendance details of the members at the Committee meetings:-

Members	Committee meetings held during the year	No. of meetings attended
Mr. Harnam D. Wahi (Chairman)	4	4
Mr. Prakash Karnik	4	2
Mr. John Levack	4	3
Mr. Rajesh Khanna	4	2
Mr. Ratul Puri	4	4

9. BANKING AND FINANCE COMMITTEE

Composition

Mr. Deepak Puri is the Chairman of the Committee. Other members of the Committee comprise of Mr. Harnam D. Wahi, Mrs. Nita Puri and Mr. Ratul Puri. The Company Secretary acts as the Secretary of the Committee.

Terms of reference

The Banking and Finance Committee identifies the fund-based and non-fund based requirements of the Company and approves the availing of these facilities from Banks and Financial Institutions, as and when the need arises, within the limits sanctioned by the Board.

Meetings

During the year, the Committee met ten times on the following dates:

- a) 4 April, 2005
- b) 26 May, 2005
- c) 1 June, 2005
- d) 20 July, 2005
- e) 20 August, 2005
- f) 1 September, 2005
- g) 9 September, 2005
- h) 26 September, 2005
- i) 5 October, 2005
- j) 9 November, 2005

Following are the attendance details of the members at the Committee meetings:-

Members	Committee meetings held during the year	No. of meetings attended
Mr. Deepak Puri (Chairman)	10	10
Mr. Harnam D. Wahi	10	10
Mrs. Nita Puri	10	10
Mr. Ratul Puri	10	10

10. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Composition

The Board, at its meeting held on 24 June, 2005 constituted Corporate Social Responsibility Committee. Mr. Deepak Puri is the Chairman of this Committee. The other members of this Committee are the following Directors: Mrs. Nita Puri, Mr. Harnam D Wahi, Mr. Rajesh Khanna and Mr. Bernard Gallus.

Scope of work and powers of the Committee are as follows:

- (a) To interpret the organizational CSR objectives and set up specific goals to be achieved towards these objectives.
- (b) To make periodical appraisal of CSR initiatives.
- (c) To decide about resource allocation for each of the focus areas from its corpus.
- (d) To prepare and place before the Board the CSR Annual Report.
- (e) To prepare and lay before the Board 'the Action Plan' for the ensuing year.
- (f) To set up a Trust, to contribute to the Trust such funds as may be required from the overall corpus for CSR activity.

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- (g) To appoint the Standing Committees and other Committees or sub-Committees, as may be necessary from time to time.
- (h) To delegate any or all of its powers to the Chairman of the Board of Directors, other Committees or Sub-Committees duly appointed.
- (i) To select representatives/candidates from among the members of the Committee for participation in national and international seminars/conferences, workshops, study tours and training courses. The cost shall be borne by the Committee from the CSR budget. However, in case of the Chairman of the Board of Directors, the cost shall be borne by the Company.

Meetings

During the year, the Committee met twice on the following dates: 28 July, 2005 and 27 October, 2005

Following are the attendance details of the members at the Committee meetings:

Members	Committee meetings held during the year	Meetings attended	
		In person	Through Audio Conferencing
Mr. Deepak Puri (Chairman)	2	—	—
Mrs. Nita Puri	2	2	—
Mr. Harnam D. Wahi	2	2	—
Mr. Bernard Gallus	2	1	1
Mr. Rajesh Khanna	2	—	1

11. COMPLIANCE WITH SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2002

In pursuance of these regulations, the Company has formulated Standing Instructions for the Employees and Directors for dealing in Shares of the Company and these Standing Instructions were implemented with effect from 9 September, 2002. Various forms have been designed to receive periodical information from the employees and the Directors of the Company, as required in terms of these Regulations. Further, the Trading Window for dealing in shares of the Company has been closed for the Directors and employees of the Company as per the following details: -

Dates of closure of trading window	Purpose of closure
Friday, 1 April, 2005 to Friday, 29 April, 2005	Consideration of un-audited financial results for the quarter ended 31 March, 2005.
Friday, 17 June, 2005 to Saturday, 25 June, 2005	Consideration of audited annual accounts for the year ended 31 March, 2005.
Monday, 4 July, 2005 to Friday, 29 July, 2005	Consideration of un-audited financial results for the quarter ended 30 June, 2005.
Saturday, 1 October, 2005 to Friday, 28 October, 2005	Consideration of un-audited financial results for the quarter ended 30 September, 2005.
Monday, 2 January, 2006 to Friday, 27 January, 2006	Consideration of un-audited financial results for the quarter ended 31 December, 2005.
Monday, 3 April, 2006 to Friday, 28 April, 2006	Consideration of un-audited financial results for the quarter ended 31 March, 2006.

12. PARTICULARS OF ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS HELD DURING THE LAST THREE YEARS

General Meeting	Date	Time	Venue	Special Resolutions passed
Extraordinary General Meeting	29/08/03	9.30 A.M.	Centaur Hotel, New Delhi- 110 037	<p>(a) For getting the Equity Shares of the Company de-listed from the Stock Exchanges located at Delhi, Kolkata, Ahmedabad and Kanpur.</p> <p>(b) For alteration of the Article 6 of the Articles of Association of the Company.</p> <p>(c) For alteration of the Article 5(a) of the Articles of Association of the Company.</p> <p>(d) For shifting of statutory registers, records, documents, books of accounts, etc of the Company from its corporate office to its registered office.</p> <p>(e) For issue of Equity Shares under SEBI (ESOS and ESPS) Guidelines, 1999 to the employees of the Company.</p> <p>(f) For issue of Equity Shares under SEBI (ESOS and ESPS) Guidelines, 1999 to the employees of subsidiary companies of the Company.</p>
Annual General Meeting	21/10/03	9.30 A.M.	FICCI Golden Jubilee Auditorium, Federation House, Tansen Marg, New Delhi- 110 001	<p>(a) For alteration of the Article 94 of the Articles of Association of the Company.</p> <p>(b) For capitalisation of reserves of the Company for issuing Bonus Shares.</p>
Extraordinary General Meeting	05/02/04	10.00 A.M.	Centaur Hotel, New Delhi- 110 037	<p>(a) For alteration of the Article 5(a) of the Articles of Association of the Company.</p> <p>(b) For increasing the number of Equity Shares to be issued under SEBI (ESOS and ESPS) Guidelines, 1999 to the employees of the Company.</p> <p>(c) For increasing the number of Equity Shares to be issued under SEBI (ESOS and ESPS) Guidelines, 1999 to the employees of subsidiary Companies of the Company.</p> <p>(d) For issue and allotment of ADRs/GDRs on a preferential basis to various Institutional Investors.</p> <p>(e) For issue and allotment of Equity Shares on a preferential basis to Woodgreen Investment Ltd or any other affiliates of Warburg Pincus LLC.</p> <p>(f) For issue and allotment of Warrants convertible into Equity Shares on a preferential basis to Woodgreen Investment Ltd or any other affiliates of Warburg Pincus LLC.</p> <p>(g) For increasing the shareholding limit for FIIs in the Company to 74%.</p>
Annual General Meeting	26/07/04	9:30 A.M.	FICCI Golden Jubilee Auditorium, Federation House, Tansen Marg, New Delhi- 110 001	<p>(a) For appointment of M/s. Price Waterhouse, Chartered Accountants as the Statutory Auditors in place of M/s. K. C. Khanna & Co., Chartered Accountants-the retiring Statutory Auditors.</p> <p>(b) For amendment of Articles of Association of the Company.</p>
Annual General Meeting	03/08/05	9.30 A.M.	FICCI Golden Jubilee Auditorium, Federation House, Tansen Marg, New Delhi- 110 001	<p>(a) For taking note of pricing formula in respect of the Company's Employees' Stock Option Plan.</p> <p>(b) For approving the Directors' Stock Option Plan and to offer a total of 450,000 stock options to the non-executive Directors.</p> <p>(c) For payment and distribution of commission on net profits of the Company to all the non executive Directors of the Company for the period of 3 years from 1 April, 2005 at a maximum rate of 0.2% of the Profit After Tax of every financial year.</p>



During the financial year ended on 31 March, 2006, the Company passed a Special Resolution by Postal Ballot to alter the Objects Clause of the Memorandum of Association of the Company to include the following clauses within the Clause-‘The Objects incidental or ancillary to the attainment of the Main Objects’:-

1. To carry on the activity of establishing, developing, maintaining and operating Special Economic Zones for non-conventional energy, including but not limited to all kinds of solar energy cells, modules, systems (including concentrator type solar cells, modules and systems) and equipments, or as a Free Trade and Warehousing Zone, or for setting up units to carry out authorized operations or to develop integrated infrastructure for exports including industrial, commercial and social infrastructure and activities of a character similar or analogous to the foregoing or any of them or connected therewith.
2. To carry on the activity of establishing, developing, maintaining and operating Special Economic Zones as a developer, co-developer, infrastructure facility provider or a service provider, for manufacturing, trading, buying, or selling of two or more kinds of goods or providing services in any sector, or goods or services falling in two or more sectors or for trading and warehousing or rendering of two or more kinds of services in any sector or rendering of services falling in two or more sectors, or as a Free Trade and Warehousing Zone.

Details of the voting pattern are as following:-

Number of valid postal ballot forms received	1,051
Votes in favour of the Resolution	2,97,18,167
Votes against the Resolution	702
Number of invalid postal ballot forms received	112

The Board of Directors appointed Mr. D.P. Gupta, a Practicing Company Secretary as the Scrutinizer for conducting the postal ballot process in a fair and transparent manner. The Board authorized Mr. Deepak Puri, Managing Director and Mrs. Minni Katariya, Company Secretary to supervise the postal ballot process.

The following procedure was adopted for passing the aforesaid resolution by postal ballot:-

1. A meeting of the Board of Directors of the Company was held on 18 February, 2006 and the matters relating to alteration of the Objects Clause of the Memorandum of Association of the Company and the Notice of the Special Resolution proposed to be passed by postal ballot along with the explanatory statement thereof were duly approved.
2. The Postal Ballot Notice along with Postal Ballot Form was dispatched to all the eligible shareholders by UPC.
3. An intimation was filed in the office of Registrar of Companies, NCT of Delhi and Haryana in respect of the aforesaid matters.
4. The Bombay Stock Exchange Limited and National Stock Exchange of India Limited were informed about the decision of the Board of Directors to amend the Objects Clause of the Memorandum of Association of the Company.
5. An advertisement each was published in a leading English newspaper (circulating in the whole of India) and in one Hindi newspaper (circulating in Delhi) intimating the dispatch of the Postal Ballot Notice and Forms.
6. All the postal ballot forms received under prepaid envelopes were duly checked and taken note of by the Scrutinizer, who then prepared his report and submitted the same and the records in his custody to the Managing Director, as per the calendar of events.
7. The result of the postal ballot exercise was intimated to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited and it was also published in a leading English newspaper circulating in the whole of India and in a Hindi newspaper circulating in Delhi.
8. A copy of the proceedings held on 29 March, 2006 regarding the postal ballot conducted by the Company was sent to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.



9. The Company then filed the required form in the office of Registrar of Companies, NCT of Delhi and Haryana evidencing passing of the Special Resolution by postal ballot.

No resolution is proposed to be passed through postal ballot at the forthcoming Annual General Meeting.

13. DISCLOSURES

- a) Disclosures on materially significant related party transactions, i.e. transactions of the Company of material nature, with its Promoters, Directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large - NIL.
- b) Details of non-compliance by the Company, penalties, strictures imposed by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years- NIL

14. MEANS OF COMMUNICATION

- a) The Company ensures that its quarterly and annual financial results are sent to the concerned Stock Exchanges immediately after the same have been considered and taken on record by the Board of Directors. The Company also ensures that its quarterly financial results are also published in the following newspapers
 - (i) The Economic Times.
 - (ii) Business Standard
 - (iii) The Times of India.
 - (iv) Navbharat Times.
 - (v) The Financial Times
 - (vi) The Financial Express
 - (vii) Hindustan Hindi
 - (viii) Mumbai Mirror
- b) The Company also ensures that these results are promptly and prominently displayed on the Company's website:- www.moserbaer.in
- c) The Company also complies with SEBI regulations regarding filing of its financial results under the EDIFAR system.

d) The Company's official news releases are also displayed on the Company's web site.

e) Management Discussion and Analysis Report (MD & A) is a part of the Annual Report of the Company for the year 2005-06.

f) The Company had organized a meeting with the analysts on 28 October, 2005 at Mumbai.

15. CODE OF CONDUCT

As per Clause 49 of the listing agreement, the Company has formulated a Code of Conduct each for the Directors and Senior Management and the same have been placed on the website of the Company. The declaration of the Managing Director regarding the compliance with the Codes of Conduct by Directors and the senior managerial personnel is given in the Annual Report.

16. GENERAL SHAREHOLDER INFORMATION

- a) 23rd ANNUAL GENERAL MEETING
 - Date : Wednesday, 19 July, 2006
 - Time : 9.30 A.M
 - Venue : FICCI Golden Jubilee Auditorium, Federation House, Tansen Marg, New Delhi- 110 001
- b) FINANCIAL CALENDAR : 1 April to 31 March
- c) BOOK CLOSURE : Monday, 17 July, 2006 to Wednesday, 19 July, 2006.
- d) DIVIDEND PAYMENT DATE: The dividend for the year 2005-06 as recommended by the Directors and if declared at the forthcoming Annual General Meeting, will be paid on or before Thursday, 17 August, 2006 to those members whose names appear:-
 - (i) as beneficial owners as at the closure of the business hours on Wednesday, 19 July, 2006 as per the list being furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and

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- (ii) as members in the Register of Members of the Company as at the closure of business hours on Wednesday, 19 July, 2006.

e) LISTING

The Equity Shares of the Company are listed at the following Stock Exchanges:

- i) Bombay Stock Exchange Limited at Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001.
- ii) National Stock Exchange of India Limited at 'Exchange Plaza', Bandra - Kurla Complex, Bandra (East), Mumbai- 400 051.
- iii) *The Calcutta Stock Exchange Association Limited at 7, Lyons Range, Kolkata-700 001

*The Company has made an application to The Calcutta Stock Exchange for voluntary delisting. Application for the same is under process and approval is pending.

The Company has paid the Annual Listing Fees for the year 2006-07 to The Bombay Stock Exchange Limited and to National Stock Exchange of India Limited

f) STOCK CODE

The Stock Code at:

- i) Mumbai Stock Exchange is: 517140
- ii) National Stock Exchange is: MOSERBAER
- iii) Calcutta Stock Exchange is: 23164 and 10023164

g) i) TOP TEN SHAREHOLDERS AS ON 31 MARCH, 2006

Sr. No.	Names	No. of shares	Percentage
1	International Finance Corporation	14,022,584	12.57
2	Woodgreen Investment Ltd.	9,950,000	8.92
3	Mrs. Sabena Puri	7,791,886	6.99
4	Electra Partners Mauritius Limited	6,640,230	5.95
5	Bloom Investments Limited	6,400,000	5.74
6	Ealing Investments Limited	6,400,000	5.74
7	Randall Investments Limited	6,400,000	5.74
8	Winterfall Limited	5,574,715	5.00
9	Deutsche Bank Trust Company Americas (shares underlying Global Depository Receipts)	4,750,000	4.26
10	Mr. Deepak Puri	3,841,982	3.45

g) ii) SHAREHOLDERS HOLDING MORE THAN 1% OF THE SHARE CAPITAL AS ON 31 MARCH, 2006

Sr. No.	Names	No. of shares	%
1	International Finance Corporation	14,022,584	12.57
2	Woodgreen Investment Ltd	9,950,000	8.92
3	Mrs. Sabena Puri	7,791,886	6.99
4	Electra Partners Mauritius Ltd.	6,640,230	5.95
5	Ealing Investments Ltd.	6,400,000	5.74
6	Randall Investments Ltd.	6,400,000	5.74
7	Bloom Investments Ltd.	6,400,000	5.74
8	Winterfall Ltd.	5,574,715	5.00
9	Deutsche Bank Trust Company Americas (shares underlying Global Depository Receipts)	4,750,000	4.26
10	Mr. Deepak Puri	3,841,982	3.45
11	Elm International Ltd.	3,756,570	3.37
12	Mr. Ratul Puri	2,970,616	2.66
13	FID Funds (Mauritius) Ltd.	2,829,770	2.54
14	T Rowe Price International Inc A/c T Rowe Price New Asia Fund	2,392,210	2.15
15	HSBC Financial Services (Middle East) Ltd	2,381,771	2.14
16	Small Cap World Fund Inc	2,350,000	2.11
17	Mrs. Nita Puri	2,289,754	2.05
18	M&G Investment Mgt. Ltd. A/c The Prudential Assurance Company Limited	1,661,760	1.49
19	Deutsche Securities Mauritius Ltd.	1,632,836	1.46
20	T Rowe Price International Inc A/c T Rowe Price International Discovery Fund	1,589,378	1.43
21	HSBC Global Investment Fund A/c HSBC Global Investment Fund Mauritius Ltd.	1,560,000	1.40

g) STOCK PRICE DATA

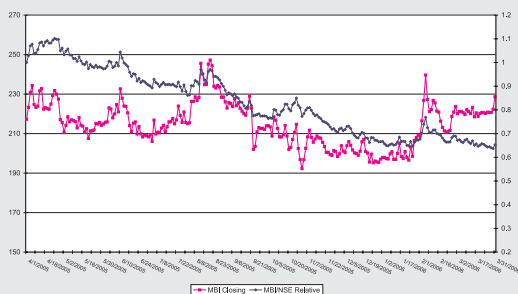
Stock Market Data at BSE and NSE for the period 1 April, 2005 to 31 March, 2006

Monthly high and low quotations of shares traded at The Bombay Stock Exchange Limited (BSE) and National Stock Exchange Ltd. (NSE) are as follows: -

MONTHS	BSE		NSE	
	Highest	Lowest	Highest	Lowest
April, 2005	238.75	204.40	239.00	205.00
May, 2005	225.00	205.00	225.05	192.80
June, 2005	238.15	207.00	237.60	207.10
July, 2005	225.90	201.20	226.50	189.00
August, 2005	254.00	211.10	254.50	205.00
September, 2005	234.90	195.00	235.00	191.10
October, 2005	223.20	186.90	223.00	176.55
November, 2005	219.60	192.00	220.00	192.00
December, 2005	209.20	193.00	209.00	194.10
January, 2006	215.00	195.00	214.40	193.30
February, 2006	244.90	207.00	244.90	202.00
March, 2006	237.00	203.40	232.00	217.20



h) STOCK PERFORMANCE IN COMPARISON TO NSE INDEX (S&P CNX 500):-



i) DISTRIBUTION OF SHAREHOLDING AS ON 31 MARCH, 2006

No. of Equity Shares held	No. of shareholders	%age	No. of shares	%age
Upto 5,000	25,557	91.59	3,126,783	2.80
5,001 to 10,000	1,481	5.31	1,160,790	1.04
10,001 to 20,000	511	1.83	794,572	0.71
20,001 to 30,000	114	0.41	295,365	0.26
30,001 to 40,000	56	0.20	208,273	0.19
40,001 to 50,000	36	0.13	171,697	0.15
50,001 to 100,000	57	0.20	403,658	0.36
100,001 & above	92	0.33	105,351,806	94.49
Total	27,904	100.00	111,512,944	100.00

j) REGISTRAR AND SHARE TRANSFER AGENT

MCS Limited is the Registrar & Share Transfer Agent of the Company and its office is located at W-40, Okhla Industrial Area, Phase-II, New Delhi – 110 020. Contact Person is Mr. Anirudh Mitra. He can be contacted at the following numbers:-

Phone numbers : 41406149/ 41406151/
41406152/ 41709885/
41609386

Fax number : 41709881

E-mail address : mcsdel@vsnl.com

k) SHARE TRANSFER SYSTEM

The application for transfer, transmission and transposition of shares are received by the Company at its registered office or at the office of Registrar and Share Transfer Agent- M/s. MCS Limited.

Following is the procedure for transfer of physical share certificates:-

- i) Entry of share certificate details and particulars of the transferee in the computer on receipt thereof in the office.
- ii) Scrutiny of transfer deeds.
- iii) Tallying of transferor's signature with the specimen signature available with the Registrar and Share Transfer Agent.
- iv) Data entry of transfer deeds.
- v) Preparation of objection memos and notices in respect of un-transferred shares.
- vi) Generation of checklist for valid transfer deeds.
- vii) Correction of data in the computer system on the basis of changes marked in the checklist.
- viii) Recording of transfer of shares in the computer system.
- ix) Endorsement and signatures on the reverse side of the share certificates.
- x) Generation of covering letters for the transferred share certificates and dispatch of transferred share certificates, objection memos and notices by registered post.

Following is the procedure for dematerialization of shares-

- i) Entry of the share certificates and the dematerialization request form in the computer.
- ii) Scrutiny of the share certificates and the dematerialization request form in the computer.
- iii) Tallying of signature of the shareholder on the dematerialization request form with the specimen signature available with the Registrar and Share Transfer Agent.

- iv) Data entry of dematerialization request forms.
- v) Generation of checklist.
- vi) Change of shares from physical to dematerialized mode.
- vii) Send confirmation to NSDL and CDS(I)L.

l) DEMATERIALISATION OF SHARES AND LIQUIDITY

The Equity Shares of the Company are actively traded at major Stock Exchanges in dematerialized mode. As on 31 March 2006, 82.77% of the shares were held in dematerialized mode by 90.35% of the total shareholders of the Company.

m) CONVERSION OF INSTRUMENTS

- i) On 23 February, 2006, Woodgreen Investment Ltd. converted its 47,500 Global Depository Receipts into 4,750,000 Equity Shares, constituting 4.26% of the outstanding paid-up Equity Share Capital of the Company. Consequently, the shareholding of Deutsche Bank Trust Company Americas, the depository, has come down to 4,750,000 shares, constituting 4.26% of the outstanding paid-up Equity Share Capital of the Company and the shareholding of Woodgreen Investment Ltd. has increased to 8.92%.
- ii) On September 28, 2005, Woodgreen Investment Ltd. (WIL) did not exercise their option to convert at the exercise price of Rs. 336/- per share, 5,400,000 share warrants issued to them on a preferential basis by the Company pursuant to an agreement dated 25 March, 2004. Rs. 181.44 Million upfront money received against these shares warrants has been forfeited.

n) PLANT LOCATIONS

- i) 66, NSEZ, Noida, District- Gautam Budh Nagar U.P.
- ii) A-164, Sector 80 Noida- II, Distt. Gautam Budh Nagar U.P.

iii) B-17, Sector – 9, Noida, District- Gautam Budh Nagar U.P.

iv) 66, Udyog Vihar Industrial Area, Greater Noida, U.P.

o) ADDRESS FOR CORRESPONDENCE

- i) All correspondence regarding transfer and dematerialization of share certificates should be addressed to our Registrar and Share Transfer Agent - MCS Limited located at W-40, Okhla Industrial Area, Phase-II, New Delhi – 110 020. Following are the contact numbers:

Telephone numbers – 41406149/ 41406151/ 41406152/ 41709885/ 41609386
 Fax number – 41709881
 E-mail address – mcsdel@vsnl.com

- ii) For any other information, the shareholders may contact the Company Secretary at the Registered Office of the Company located at 43-A, Okhla Industrial Estate, New Delhi 110020. Following are the contact nos.:-

Telephone numbers: 41635201-05, 26911570-74
 Fax numbers: 41635211/26911860
 E-mail address: shares@moserbaer.net

18. OTHER INFORMATION

- i) In terms of the provisions of Section 205 C of the Companies Act, 1956, unclaimed equity dividend for the year 1995-96, 1996-97 and 1997-98 has been transferred to the Investor Education and Protection Fund.
- ii) The Company will transfer the amount remaining unpaid in its dividend account for the year 1998-99 to the Investor Education and Protection Fund by Saturday, 16 December, 2006. Those members who have not yet encashed their dividend warrants for the said year may refer the matter along with relevant details to the Company Secretary at the Registered Office of the Company located at 43-A, Okhla Industrial Estate, New Delhi-110020 latest by Tuesday, 31 October, 2006 to claim their unpaid dividend.



- iii) As on 31 March, 2006, 47,500 Global Depository Receipts held by Woodgreen Investment Limited, were outstanding for conversion into an equal number of equity shares. These Global Depository Receipts may be converted into Equity shares at any time by Woodgreen Investment Limited. Further, the conversion thereof will not have any impact on the subscribed and paid up capital of the Company because an equal number of Equity Shares are held by the depository-Deutsche Bank Trust Company Americas.

19. ADOPTION OF NEW CORPORATE GOVERNANCE CLAUSE

SEBI had issued a new corporate governance clause vide its circular number SEBI/CFD/DIL/CG/1/2004/12/10 dated 29 October, 2004. The companies were required to comply with the same by 31 December, 2005. Your Company has complied with all the mandatory clauses of clause 49.

Compliance with mandatory and non-mandatory list of items:-

Your Company ensures that it complies with all the mandatory list of items mentioned in the corporate governance clause. It will endeavor, in future, to comply with the following non-mandatory list of items provided in the corporate governance clause; wherever applicable

1. The Board

As the Company does not have a Non-Executive Chairman, the requirement that Non-Executive Chairman may be entitled to a Chairman's office at the Company's expense and also be allowed reimbursement of expenses incurred in performance of his duties is not applicable to the Company because the Company has an Executive Chairman.

2. Remuneration Committee.

The Company's Remuneration Committee is functioning according to these recommendations. The Chairman of the remuneration committee was present at the previous Annual General Meeting to answer the shareholders' queries.

3. Shareholders Rights

The Company publishes its quarterly results in the leading newspapers and regularly uploads the results at the EDIFAR of SEBI. Further, it always ensures to regularly update the financial statements and key events on its website. However, the Company does not send the declaration of the half yearly financial performance or a summary of significant events to each shareholder of the Company.

4. Audit Qualifications

The Company has a proven track record of unqualified financial statements.

5. Training of Board Members

The Company endeavors to organize training programme for its Board members

6. Mechanism for evaluating Non-Executive Board members.

The performance evaluation of Non-Executive Directors will be done in the due course of time.

7. Whistle Blower Policy:

The Company has formulated a code of conduct for its Directors and senior managerial personnel which allows them to report any matter relating to unethical conduct or conflict of interest to their immediate supervisor. However, the Company does not have any formal whistle blower policy but the employees are free to report any matter relating to misconduct to their superiors.

Date: 29.05.2006

Compliance with the Code of Ethics

This is to certify that, to the best of my knowledge and belief, for the financial year ended on 31 March, 2006, all Board members and Senior Management Personnel have affirmed compliance with the code of ethics for Directors and Senior Management, respectively.

Sd/-
Deepak Puri
Managing Director

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