

# Results Announcement

## DSCL's Q2 FY2007 net sales up 19% at Rs. 666 cr

- *Continued strong operating performance across Plastics and Cement business*
- *Fertilizer plant shutdown to enable use of LNG as feedstock (in place of Naphtha) reflected in lower earnings*
- *Hariyali Kisaan Bazaar and Fenesta Building Systems continue to grow as per plan.*
- *Board maintains interim dividend at 20%*

**New Delhi, October 25, 2006**

DSCL, an integrated business group, with extensive and growing presence across the entire agri-rural value chain and chloro-vinyl industry, today announced its financial results for the quarter and half year ended 30 September 2006.

### Highlights for the half year:

Figures in INR Crores

<u>Particulars</u>	<u>H1 FY 2007</u>	<u>H1 FY 2006</u>
Net Revenue	1,346.9	1,142.9
Operating Profit( PBDIT)	136.8	145.3
PBT	58.1	92.8
PAT	41.0	64.7
EPS( On Rs 2/- Share)	2.47	3.9

### Highlights for the quarter:

Figures in INR Crores

<u>Particulars</u>	<u>Q2 FY 2007</u>	<u>Q2 FY 2006</u>
Net Revenue	666.4	558.9
Operating Profit( PBDIT)	55.4	63.6
PBT	15.6	37.7
PAT	10.8	26.1
EPS( On Rs 2/- Share)	0.65	1.58

**Q2 FY 2007 performance review ( all comparisons with Q2 FY 2006)**

1. Sales for Chemicals, Plastics and Cement were higher by 34% due to higher volumes for Chemicals and Plastics (consequent to completion of capacity expansion projects last year) and higher price realizations for PVC resin and Cement.
2. New Businesses Hariyali Kisaan Bazaar and Fenesta Building systems also contributed to higher turnover.
3. Sugar registered lower operating profits due to lower sales quantity consequent to lower carried over stocks and lower margins as the sales price increase was lower than the increase in costs.
4. Fertilizer had lower sales and consequently losses as the plant took a planned shutdown for 45 days to enable conversion to LNG and to carry out normal overhauling undertaken once every two years. The resultant loss of about Rs.16 crores will be partly recouped in the remaining financial year.
5. The Chemicals business recorded drop in margins due to lower prices (by almost 8%) and rising costs of furnace oil.
6. Margins in Bulk fertilizers like DAP/ MOP suffered because of uncompensated cost increases by government and high subsidy arrears leading to higher interest costs.
7. The Interest costs were higher due to high subsidy arrears of approximately Rs.300 crores, increase in borrowing costs and higher debt raised to implement several capacity expansions.
8. Depreciation costs were higher due to several capacity expansions implemented over last few quarters.

**Commenting on the performance for the quarter, in a joint statement, Mr. Ajay Shriram, Chairman & Senior Managing Director, and Mr Vikram Shriram, Vice Chairman & Managing Director, said:**

*"We are pleased with our operating performance in the tougher business environment across all our business segments for the quarter and first half of the current year. All the capacity expansions are operating successfully and achieving desired parameters, providing cushion against reduction in margins in these businesses. Sugar including Cogeneration remains a long-term growth driver for us, while we believe that it will face margin pressures in the interim. Our value added businesses of Hariyali Kisaan Bazaar and Fenesta Building Systems continue to grow at an accelerated pace and we believe that such a momentum will continue going forward. The results would have been considerably better than those reported but for the planned shut-down of our fertilizer unit to enable use of LNG as a feedstock in place of Naphtha once LNG is available, and we expect to recover major portion of the lost earnings going forward."*

## Key operating highlights

During the quarter and half year ended 30 September 2006, the Company continued to build upon its existing strengths in the agri space while simultaneously leveraging its large base of captive power produced at a competitive cost to maximize value creation in its Choro-Vinyl businesses. The Company's other businesses including Fenesta Building Systems, Hariyali Kisaan Bazaar and *Shriram Polytech* continued to deliver healthy performances.

### Expanded capacities at Kota fully operational and contributing favourably to the performance

The Company's expanded capacities in its Chlor-alkali, Plastics (including Calcium Carbide), Cement and Captive Power operations at its Kota complex made favourable contributions to overall performance during the quarter under review.

- **Chlor-alkali:** The Company had completed the chlor-alkali capacity expansion in FY2006 to 510 TPD. Its entire chlor-alkali capacity is now based on modern, environment friendly, efficient, membrane cell technology.
- **PVC Resin and Calcium Carbide:** The Company expanded its Calcium carbide capacity from 190 TPD to 340 TPD and PVC resin capacity from 115 TPD to 175 TPD in FY 2006. It further expanded its PVC resin capacity from 175 TPD to 200 TPD in Q2 FY 2007.
- **Power:** The Company enhanced its captive power capacity at Kota to 125 MW in Q3 FY 2006, which currently operates at above 100% capacity that enables it to sell the surplus power generated to the state electricity board.

### Sugar crushing and co-gen power capacity expansions

- **Sugar crushing capacity:** The Company would complete capacity expansion to 33,000 TCD by the coming sugar season.
- **Co-gen power:** The Company's co-gen power plant commissioning is progressing on schedule and will become operational by the current sugar season 2006-07. This would raise the total power export from sugar business to 27.5 MW.

### Hariyali Kisaan Bazaar

- **9 new stores added during Q2 FY2007:** DSCL's rural retailing initiative aims at meeting all the needs of the rural population from farming to consumer goods. During the quarter the company opened 9 new stores.
- The number of Hariyali stores now stands **at 40**, and is expected to increase significantly over the next 2 years

**Fenesta™ Building Systems-**

- The Fenesta business is a value-added extension of the Company's existing PVC resin and PVC compounding operations. The Fenesta division continued to deliver healthy order booking. The division for the first time received a single order for about 70,000 windows from a leading builder during the current quarter.
- The division's order book as on 30 September 2006 was 1,44,000 windows Vs 40,000 windows as of 30<sup>th</sup> September 2005.
- In order to meet the growing demand for Fenesta, during the current quarter, the Company expanded the capacity of its fabrication shop in Bangalore.
- The outlook for this business is healthy and we expect Fenesta division to be operationally break even by end of FY 2007.

**Interim Dividend.**

DSCL's Board of Directors has maintained interim dividend at 20%, amounting to a pay out of Rs.7.6crores (including dividend tax).

**- ENDS -**

## **Attached: Details to announcement and results table**

### **About DCM Shriram Consolidated Limited (DSCL)**

DSCL is an integrated business group, with extensive and growing presence across the entire Agri-rural value chain and Chloro-vinyl industry. The company is adding innovative value-added businesses in these domains. With a large base of captive power produced at a competitive cost, the company aims at maximizing value creation in its Chloro-vinyl businesses. The high-value and knowledge based business incubated by DSCL include Fenesta Building Systems, rural retailing initiative Hariyali Kisaan Bazaar and the Energy Services consultancy ESCO, amongst others.

For more information on the Company, its products and services please log on to [www.dscl.com](http://www.dscl.com).

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*Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statements. DCM Shriram Consolidated Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.*

New Delhi, October 25, 2006

## Details to the announcement: Business-wise performance review

- **Chloro-Vinyl businesses**
  - o **Chemicals**
  - o **Plastics**
  
- **Agri-businesses**
  - o **Fertilisers**
  - o **Sugar**
  - o **Traded products**

Note: This financial year, the company has changed the accounting treatment of sugar off-season expenses to "Integral approach" from "Discrete approach" followed by it in the past. Accordingly, the off season expenditure aggregating Rs. 9.08 crore and Rs. 15.99 crore for quarter and half year ended September 30, 2006 respectively has been deferred to be included in the cost of sugar to be produced in remaining part of the year. As a result of this, profit after tax for the quarter and half year is higher by Rs. 7.65 crore and Rs. 11.51 crore, respectively. While this change in accounting approach will have no effect on annual performance, the sugar segment results for the quarter and half-year under review are not strictly comparable to that of the corresponding period last year.

## Business-wise review

(Financial figures in Rs crore)

### Chloro-vinyl businesses

#### Chemicals

Product	Volume (MT)	Realization (Rs. / MT)
Q2 FY2007	42,656	19,450
Q2 FY2006	37,552	21,103
% Shift	13.6 %	-7.8 %
H1 FY2007	82,790	20,067
H1 FY2006	71,572	23,198
% Shift	15.7 %	-13.5 %

Performance	Revenues	PBIT
Q2 FY2007	90.14	32.30
Q2 FY2006	84.01	34.73
% Shift	7.3 %	-7.0 %
H1 FY2007	179.94	66.49
H1 FY2006	176.46	81.62
% Shift	2.0 %	-18.5%

- Due to the expanded facility at Kota becoming fully operational the company reported higher volumes in Q2/H1 FY2007.
- Earnings for the quarter were lower given the lower realizations in Q2/H1 FY2007. Further, higher prices of the key input used in the manufacture of Chlor-alkali, i.e. Furnace oil (Used in the generation of Captive power at Bharuch) added to the operating costs. The company is already studying alternative fuel options such as Imported Coal/Gas to generate economical power at Bharuch. The Kota facility is already self-sufficient with economical captive thermal power.
- The performance of this business is subjective to market factors that determine selling price. However, the Company has a competitive advantage due to its large-scale operations and low cost production, which enable it to remain profitable even during exigent times.

### Plastics

Product	PVC Sales (MT)	PVC XWR realisation (Rs. / MT)	Carbide Sales (MT)	Carbide XWR realization (Rs. / MT)
<b>Q2 FY2007</b>	16,062	45,726	4,326	23,497
<b>Q2 FY2006</b>	10,184	43,083	659	25,426
<b>% Shift</b>	57.7%	6.1 %	-	-7.6 %
<b>H1 FY2007</b>	30,386	43,270	8,172	23,023
<b>H1 FY2006</b>	20,349	42,708	2,607	25,736
<b>% Shift</b>	49.3 %	1.3 %	213.5 %	-10.5 %

Performance	Revenues	PBIT
<b>Q2 FY2007</b>	86.15	15.75
<b>Q2 FY2006</b>	46.06	5.36
<b>% Shift</b>	87.0 %	193.8 %
<b>H1 FY2007</b>	157.85	27.62
<b>H1 FY2006</b>	95.05	15.04
<b>% Shift</b>	66.1 %	83.6 %

- This business reported a substantial improvement in revenues and earnings, led by a significant increase in volumes given the Company's enhanced capacities. The Company's PVC resin capacity now stands at 200 TPD.
- The realizations in Q2/H1 FY2007 were better also contributing to earnings. The business witnessed better realizations and keeping in view the global price trend.

## Agri businesses

### Fertilizers (Urea)

Product	Volume (MT)	Realization (Rs. / MT)
Q2 FY2007	38,432	18,448
Q2 FY2006	94,863	15,710
% Shift	-59.5 %	17.4 %
H1 FY2007	148,237	18,454
H1 FY2006	199,908	15,336
% Shift	-25.8 %	20.3 %

Performance	Revenues	PBIT
Q2 FY2007	70.77	(13.21)
Q2 FY2006	148.71	7.66
% Shift	-52.4 %	-
H1 FY2007	273.03	(6.53)
H1 FY2006	305.70	13.84
% Shift	-10.7 %	-

- The Revenues from the fertilizer business decreased by 52.4% to Rs 70.77 crore during the quarter. This was essentially due to a planned shut-down to carry out major modifications in the plant to enable use of LNG as a feedstock in place of Naphtha. During the 45 days of shutdown the company also carried out overhauling jobs undertaken every two years.
- Due to the planned shut-down the sales of urea for Q2 FY2007 was lower than the corresponding previous quarter by 59.5%.
- The total earnings impact of the shut-down at PBIT level was about Rs 16 crore, which the Company expects to partially recover in H2 FY2007, as the Company will operate its plant at high capacity utilization to make up for significant part of the production shortfall.

## Sugar

Product	Sales (Qty)	Realization(Rs. /MT)
Q2 FY2007	47,223	17,402
Q2 FY2006	53,848	16,846
% Shift	-12.3 %	3.3 %
H1 FY2007	93,742	17,956
H1 FY2006	103,606	16,558
% Shift	-9.5 %	8.4 %

Performance	Revenues	PBIT
Q2 FY2007	85.38	9.40
Q2 FY2006	95.24	11.96
% Shift	-10.4 %	-21.4 %
H1 FY2007	181.48	24.64
H1 FY2006	183.31	23.25
% Shift	-1.0 %	6.0 %

- Sugar registered lower operating profits due to lower sales quantity consequent to lower carried over stocks and lower margins as the sales price increase was lower than the increase in costs.
- **Sugar crushing capacity:** The Company would complete capacity expansion to 33,000 TCD by the coming sugar season.
- **Co-gen power:** The Company's co-gen power plant commissioning is progressing on schedule and will become operational by the current sugar season 2006-07. This would raise the total power export from sugar business to 27.5 MW.
- This financial year, the company has changed the accounting treatment of sugar off-season expenses to "Integral approach" from "Discrete approach" followed by it in the past. Accordingly, the off season expenditure aggregating Rs. 9.08 crore and Rs. 15.99 crore for quarter and half year ended September 30, 2006 respectively has been deferred to be included in the cost of sugar to be produced in remaining part of the year. As a result of this, profit after tax for the quarter and half year is higher by Rs. 7.65 crore and Rs. 11.51 crore, respectively. While this change in accounting approach will have no effect on annual performance, the sugar segment results for the quarter and half-year under review are not strictly comparable to that of the corresponding period last year.

### Traded Products

Performance	Revenues	PBIT
<b>Q2 FY2007</b>	262.33	1.82
<b>Q2 FY2006</b>	145.05	1.57
<b>% Shift</b>	80.9 %	16.0 %
<b>H1 FY2007</b>	421.90	(1.60)
<b>H1 FY2006</b>	303.75	3.64
<b>% Shift</b>	38.9 %	-

- DSCL offers multiple agri inputs in addition to its own agri products (Urea and Hybrid seeds) to the farming community through its traded products operation. This enables the Company to provide a comprehensive product portfolio, strengthen its farmer engagement and gain a larger market share.
- Revenues for the quarter in this segment increased substantially by 80.9% at Rs 262.33 compared to the corresponding previous quarter. The Company's earnings increased by 16% to Rs 1.82 crore during the quarter. Margins in DAP/ MOP suffered because of uncompensated cost increases by government and high subsidy arrears leading to higher interest costs.
- The earnings for the half year were under pressure as the company in Q1 FY 2007 had a debit of Rs. 4.52 crores relating to previous year consequent to notification of lower than expected concession rates on phosphatic and potassic fertilizers for July 2005 to March 2006 by Government of India.

### Others

DSCL's other operations, reported as 'others' in the financial results, include its cement operations, value-added businesses of Polymer Compounding, Fenesta Building Systems, Hariyali Kisaan Bazaar along with Textiles.

The Company continues to make investments in building businesses such as Fenesta Building Systems and Hariyali Kisaan bazaar which it considers as future growth drivers.

Resultantly, revenues under 'others' registered a 61.6% growth to Rs 84.9 crore in Q2 FY2007.

## **Cement**

The Cement operations continue to deliver a robust performance given the firm cement prices. The Company markets its cement under the "Shriram" brand which enables it obtain a further premium in the market place. The Company's cement operations are residual to its plastics operations and therefore are of a limited size relative to its plastic and chemical businesses.

## **Fenesta Building Systems**

The Fenesta business continued to deliver a healthy growth performance, with the Company bagging a single order for about 70,000 windows for the first time. The division's current order book stands at 1,44,000 windows as on 30<sup>th</sup> September 2006 as compared to 40,000 windows as of 30<sup>th</sup> September 2005. In order to meet the growing demand for Fenesta, the Company has expanded the capacity of its fabrication shop in Bangalore. With greater product acceptability in the market, the Company's revenues from the Fenesta business continue to witness a steady growth momentum. The Company expects the Fenesta business to operationally break even by end of FY2007.

## **Hariyali Kisaan Bazaar**

The Company added 9 new stores during the current quarter. These stores offer the farmer professional advice on agriculture, banking and farm credit, insurance services, farm produce buyback opportunities, access to new markets, output related services and a range of agri-inputs like fertilizers, seeds, pesticides, animal feed, irrigation items, diesel, petrol, etc.

The Company's expects its value-added businesses to be highly accretive and contribute to its growth in future.

## DCM SHRIRAM CONSOLIDATED LIMITED

Regd. Office : 6th Floor, Kanchenjunga Building 18, Barakhamba Road, New Delhi - 110 001

### UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2006

(Rs. in crores)

PARTICULARS	Quarter Ended		Half Year Ended		Year Ended
	30.9.2006	30.9.2005	30.9.2006	30.9.2005	31.3.2006
	(1) Unaudited	(2) Unaudited	(3) Unaudited	(4) Unaudited	(5) Audited
<b>Gross Sales</b> : Own Products	422.43	439.41	959.73	889.75	1,804.84
: Traded Products	285.75	154.43	468.87	322.38	671.48
: Services	-	-	-	-	0.06
<b>Total</b>	<b>708.18</b>	<b>593.84</b>	<b>1,428.60</b>	<b>1,212.13</b>	<b>2,476.38</b>
Less : Excise Duty	41.82	34.95	81.72	69.19	143.75
<b>Net Sales/ Income from operations</b>	<b>666.36</b>	<b>558.89</b>	<b>1,346.88</b>	<b>1,142.94</b>	<b>2,332.63</b>
Other Income	9.53	1.76	18.13	4.73	17.29
<b>Total Expenditure</b>					
(a) (Increase)/Decrease in Stock in trade					
: Own Products	71.75	75.38	141.85	137.55	(1.63)
: Traded Products	94.06	(6.72)	93.71	(72.70)	(128.91)
(b) Consumption of Raw Materials	102.89	123.88	298.13	262.33	770.72
(c) Purchases and related cost - Traded Products	185.56	153.29	367.36	383.36	783.33
(d) Power, fuel, etc.	76.77	72.37	156.98	140.76	289.40
(e) Personnel Cost	39.44	31.87	72.69	61.51	124.41
(f) Other expenditure	59.08	47.02	113.45	89.57	228.86
(g) Sugar Off-Season expenses	(9.08)	-	(15.99)	-	-
	620.47	497.09	1,228.18	1,002.38	2,066.18
<b>Operating Profit</b>	<b>55.42</b>	<b>63.56</b>	<b>136.83</b>	<b>145.29</b>	<b>283.74</b>
Interest	19.41	9.84	38.15	21.33	48.45
<b>Profit before Depreciation &amp; Tax</b>	<b>36.01</b>	<b>53.72</b>	<b>98.68</b>	<b>123.96</b>	<b>235.29</b>
Depreciation	20.37	16.04	40.63	31.20	70.19
<b>Profit before Tax</b>	<b>15.64</b>	<b>37.68</b>	<b>58.05</b>	<b>92.76</b>	<b>165.10</b>
Provision for taxation	4.83	11.54	17.10	28.04	49.91
<b>Net Profit</b>	<b>10.81</b>	<b>26.14</b>	<b>40.95</b>	<b>64.72</b>	<b>115.19</b>
Paid-up Equity Share Capital (face value of each share - Rs. 2)	33.34	16.75	33.34	16.75	33.34
Reserves excluding Revaluation reserve					488.02
Basic/Diluted - EPS (Rs. per equity share)	0.65	1.58	2.47	3.90	6.94
Aggregate of Public shareholding					
- Number of Shares	75395200	75395200	75395200	75395200	75395200
- Percentage of shareholding	45.45%	45.45%	45.45%	45.45%	45.45%

**Segment wise Revenue, Results and Capital Employed  
under Clause 41 of Listing Agreements**

PARTICULARS	QUARTER ENDED		HALF YEAR ENDED		YEAR ENDED
	30.09.2006	30.09.2005	30.09.2006	30.09.2005	31.03.2006
<b>A. Segment Revenue</b>					
Fertiliser	70.77	148.71	273.03	305.70	600.54
Plastics	86.15	46.06	157.85	95.05	236.14
Chemicals	90.14	84.01	179.94	176.46	324.95
Sugar	85.38	95.24	181.48	183.31	363.61
Traded Products (Wholesale)	262.33	145.05	421.90	303.75	617.68
Others	84.90	52.53	158.19	103.32	234.73
<b>Total</b>	<b>679.67</b>	<b>571.60</b>	<b>1,372.39</b>	<b>1,167.59</b>	<b>2,377.65</b>
Less: Inter segment revenue	13.31	12.71	25.51	24.65	45.02
<b>Net Sales/ Income from Operations</b>	<b>666.36</b>	<b>558.89</b>	<b>1,346.88</b>	<b>1,142.94</b>	<b>2,332.63</b>
<b>B. Segment Results</b>					
Profit (before unallocated expenditure interest and tax)					
Fertiliser	(13.21)	7.66	(6.53)	13.84	21.27
Plastics	15.75	5.36	27.62	15.04	34.38
Chemicals	32.30	34.73	66.49	81.62	128.87
Sugar	9.40	11.96	24.64	23.25	72.34
Traded Products (Wholesale)	1.82	1.57	(1.60)	3.64	(0.01)
Others	(0.02)	(4.24)	3.63	(7.36)	(11.12)
<b>Total</b>	<b>46.04</b>	<b>57.04</b>	<b>114.25</b>	<b>130.03</b>	<b>245.73</b>
Less: i) Interest	19.41	9.84	38.15	21.33	48.45
ii) Other unallocable expenditure net off unallocated income	10.99	9.52	18.05	15.94	32.18
<b>Total Profit before Tax</b>	<b>15.64</b>	<b>37.68</b>	<b>58.05</b>	<b>92.76</b>	<b>165.10</b>
<b>C. Segment Capital Employed</b>					
Fertiliser	261.87	116.25	261.87	116.25	237.18
Plastics	266.12	232.94	266.12	232.94	275.91
Chemicals	368.48	346.27	368.48	346.27	352.20
Sugar	743.01	316.08	743.01	316.08	566.89
Traded Products (Wholesale)	(51.50)	(40.06)	(51.50)	(40.06)	21.13
Others	292.97	214.35	292.97	214.35	248.35
<b>Total Segment Capital Employed</b>	<b>1,880.95</b>	<b>1,185.83</b>	<b>1,880.95</b>	<b>1,185.83</b>	<b>1,701.66</b>

## **NOTES :**

1. The Board of Directors has declared Interim Dividend of 20% (last year - 20%) amounting to Rs. 6.64 crores to equity shareholders of the Company.
2. In order to enable use of LNG as a feedstock in place of naphtha, the Company carried out major modifications in its Fertiliser plant necessitating shut down of plant for 45 days during which the Company also carried out overhauling jobs undertaken every two years. Consequently, the Fertiliser plant operated only for 47 days during the quarter resulting in adverse effect on the Turnover and Results of the Fertiliser segment. However, this loss of Turnover and Profits would be largely recovered in the subsequent quarters of the financial year ending March 31, 2007.
3. In view of the seasonal nature of the sugar industry, the Company for the purposes of interim results has accounted for off season expenditure on "Integral approach" basis instead of "Discrete approach" basis hitherto followed. Accordingly, the off season expenditure aggregating Rs. 9.08 crores and Rs. 15.99 crores for quarter and half year ended September 30, 2006 respectively has been deferred to be included in the cost of sugar to be produced in remaining part of the year. As a result of this, profit after tax for the quarter and half year is higher by Rs. 7.65 crores and Rs. 11.51 crores respectively. This change will have no effect on the annual results.
4. Provision for taxation is made based on the best estimate of weighted average annual income - tax rate.
5. Previous period figures have been recast, wherever necessary.
6. During the quarter, 103 Investor complaints were received, which have all been attended to. No complaints were pending at the beginning or at the end of the quarter.
7. The above results were approved and taken on record by the Board of Directors in their meeting held on October 25, 2006.

### **Limited Review**

The Limited Review, as required under Clause 41 of the Listing Agreement has been completed by the Statutory Auditors. The Limited Review Report for the quarter ended September 30, 2006, does not have any impact on the above Results and Notes in aggregate except in respect of matter explained in note 3.

For and on behalf of the Board

Place : New Delhi  
Date : 25.10.2006

**AJAY S. SHRIRAM**  
**Chairman & Senior Managing Director**