

PUNJAB COMMUNICATIONS LIMITED

Corporate Information

Board of Directors

Sh. Sukhdev Wadhera	Chairman
Sh. S.C. Agrawal, IAS	Director
Sh. N.S. Kalsi, IAS	Director & Sr. Vice Chairman
Sh. Satinder Pal Singh, IAS	Managing Director
Smt. Sonia Arora	Director & Vice Chairperson
CA R.K. Nangia	Director
Sh. V P Chandan, IRSSE	Director
Maj. Gen. G S Bains	Director
CA Rajiv Dewan	Director

Company Secretary

Sh. Madhur Bain Singh

Head (Finance)

CA R.S. Chawla

Statutory Auditors

N. Kumar Chhabra & Company
Chartered Accountants

Bankers

State Bank of India
Union Bank of India
IndusInd Bank Limited

Registered Office

B-91, Phase VIII, Industrial Area,
S.A.S. Nagar (Mohali)
Punjab - 160071

Committee of Directors

Audit Committee

Sh. V.P. Chandan	Chairman
CA R.K. Nangia	Member
Maj. Gen. G.S. Bains	Member
CA Rajiv Dewan	Member

Investors Grievance Redressal Committee

Sh. V.P. Chandan	Chairman
CA R.K. Nangia	Member
Maj. Gen. G.S. Bains	Member
CA Rajiv Dewan	Member

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Financial Highlights 1999 - 2000 to 2005 - 2006

(Rs. in lacs)

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Sales	11445.71	14703.58	15732.42	9610.97	4106.48	4124.39	6132.89
Other Income	1110.01	1025.71	868.43	1148.88	795.63	630.31	631.26
Total Income	12555.72	15729.29	16600.86	10759.85	4902.11	4755.00	6764.15
Earning/Loss Before Dep.							
Interest and Tax (EBDIT)	888.51	1380.54	1529.89	-1428.89	432.18	-728.52	-422.19
Depreciation	637.25	593.72	567.68	458.99	213.43	186.58	158.42
Profit/Loss after Tax	143.48	413.45	583.04	-1927.10	192.39	-942.02	-617.35
Equity Divident(%)	3%	10%	15%	NIL	NIL	NIL	NIL
Dividend Payout	58.76	176.93	240.84	NIL	NIL	NIL	NIL
Equity Share Capital	1605.58	1605.58	1605.58	1605.58	1603.14	1202.35	1202.35
Reserves & Surplus	16364.94	16624.95	16671.09	14787.90	15017.48	10854.37	10239.57
Tangible Net Worth	17753.59	18073.26	18176.72	15474.66	15862.27	11544.19	11175.22
Gross Fixed Assets	7019.39	7084.81	7195.13	7265.15	5311.83	5207.21	5213.93
Net Fixed Assets	2893.99	2366.22	1994.64	1609.10	1316.70	1141.06	1024.24
Total Fixed Assets	2914.43	2398.62	2014.75	1654.10	1321.63	1146.00	1029.18

Key Ratios 1999 - 2000 to 2005 - 2006

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Earning/Loss Per Share (in Rs.)	0.89	2.57	3.63	-12.00	1.20	-7.82	-5.12
Cash Earning/Loss Per Share (in Rs.).	5.41	6.87	7.79	1.21	4.52	-2.67	-0.80
Book Value Per Share (in Rs.)	110.57	112.57	113.21	96.38	98.93	96.01	92.94
Debt/Equity Ratio	0.03	0.02	0.02	0.02	0.013	0.017	0.02
Current Ratio	5.16	4.78	4.96	5.66	3.81	2.09	2.12

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Fifth Annual Report of your Company together with the Audited Statement of Accounts for the Financial Year ended 31st March, 2006. First of all we congratulate all our stakeholders and patrons on completion of 25 years of your company – Silver Jubilee year.

Financial Results

(Rs.in lacs)

Particulars	2005-2006	2004-2005
Gross Income	6764	4755
Total expenditure	7397	5700
Profit/Loss before tax (PBT)	(633)	(945)
Profit/Loss after tax (PAT)	(617)	(942)
Dividend	NIL	NIL
Paid up equity	1202	1202
Profits/Loss appropriated to General Reserves	(609)	(956)
Reserves (Including Capital reserves)	10242	10854
Net fixed assets	1029	1146
Capital employed	11803	12442
Earning/Loss per share (in Rs.)	(5.13)	(7.83)
Cash earning/Loss per share (in Rs.)	(0.80)	(2.67)
Book value per share (in Rs.)	92.94	96.01

Review of Operations

The year 2005-06 has been a year of improvement and your company has been in a position to improve top line. The Turnover of the company has increased by over 48% despite of continuous increase in competition and fall in prices of Telecom Equipment. Similarly, the bottom line of the company has also improved and the losses are approx 33% less than the previous year. Your company has generated a Gross Income of Rs. 68 Cr during 2005-06 as against Rs. 48 Cr during the previous year and reduced its losses from 9.56 Cr to 6.09 Cr. This is because during the year under report, the company has focused only on those products that ensure reasonable value addition and have been in a position to curtail the costs to certain extent. However, still the company has lower margins and is competing with the MNC's in the market.

The company is continuously exploring new avenues to diversify in Telecom and IT related products and is open with its approach for diversifying into fields like tech support BPO, telecom software products, technical education programs and exploring strategic tie-ups with or without equity participation with MNC.

The book value of share held by you is Rs. 93 per share and the Reserves stood at Rs.102 Crore. The Company has invested an amount of Rs. 46.27 lacs during the year in acquiring fixed assets. In this need of hour, our esteemed customers supported the Company all through, Shareholders and stakeholders, including the business associates, reposed undoubting faith in the Company. Puncom offered value-added products and services to the customers on the basis of strategic and effective use of technology aided by aggressive market and product initiatives.

Dividend

In view of the losses in the current year, the Board of Directors of your Company has not recommended any dividend for the year 2005-06.

Change in Directorship

Following changes, in the constitution of Board of Directors, happened during the period under review upto July 27, 2006.

S.No	Name of the Outgoing Director	Name of the Incoming Director	Reason
1.	Smt. Ravneet Kaur, IAS	Sh. Satinder Pal Singh, IAS	As per the Order of Govt. of Punjab and further nomination by Punjab Information and Communication Technology Corporation Ltd. (PICTCL), appointing Sh. Satinder Pal Singh as Managing Director in place of Smt. Ravneet Kaur. The BOD vide Resolution by Circulation dated 14 th June, 2006 has appointed Sh. S. P. Singh, IAS as Managing Director in place of Smt. Ravneet Kaur, IAS.

***The term of Sh. Sukhdev Wadhwa, Chairman and Smt. Sonia Arora, Vice Chairperson has been extended by the Govt. of Punjab and recommended by PICTCL for a period of 2 years and 1 year respectively.**

Directors' Responsibility Statement

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

- i) That in the preparation of accounts for the financial year ended 31st March, 2006, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for prevention and detecting fraud and other irregularity;
- iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis.

Puncom's Subsidiaries

Your company has two subsidiaries namely M/s PCL Telecom Limited and M/s Punjab Digital Industrial Systems Limited. The former one is not in operations since 1997-98 and an application for winding-up was filed before the Hon'ble Punjab & Haryana High Court at Chandigarh. The Court on 20th October, 2005 has passed the order of its winding-up. Subsequently the Statement of Affairs has been filed with the Official Liquidator attached with the said Court. The Hon'ble Court is yet to issue the dissolution order.

M/s Punjab Digital Industrial Systems Limited, the other subsidiary referred to BIFR as per the mandatory provisions of SICA in 2003. BIFR, however, has rejected the application as the company recovered due to sale of assets and thus was out of the purview of SICA. Subsequently as the company was not in operations and all its assets being sold, the same was decided to be wound-up by the company itself. Accordingly, a winding-up petition has been filed with the Punjab & Haryana High Court at Chandigarh for winding-up of the company. The petition is pending with the Court.

Puncom's shares on the Bourses

The Shares of your Company are listed with The Stock Exchange, Mumbai (BSE) only. Presently about 94% of the company's shares have been dematerialized and during the year under report, the share price of the company ranged between the low of Rs.33/- to the high of Rs.88/-.

Corporate Plan/ Operations

There has been continuous adverse trend prevailing in telecom equipment manufacturing industry. As such, the manufacturing activities

have been supplemented by other value-added services like repair and maintenance, software, turnkey projects etc. The company has been in a position to perform well amongst the spine breaking competition, squeezing of margins etc.

Your company has in the recent past started easing out production of products which were either technologically outdated or were causing losses to the company due to non viability of their prices. On the other hand a number of measures have been initiated to overhaul the product mix of the company to keep up with rapidly changing technologies and new generation telecom networks being set up in India with cutting edge technologies from across the globe.

During the year your company has approached various Indian and Multi-national companies for different tie-ups and a few of them has matured. Moreover, your company has focused on providing value added services like repair & maintenance, turnkey projects to Railways & Power Sector and training programs for undergraduates and professionals in telecom & IT Sector. Your company is also planning to continue with the legacy business and simultaneously broaden/diversify the focus by approaching MNCs for manufacturing tie-ups with or without equity participation, exploring telecom software and ITES opportunities as well as exploring opportunities in other products like Avalanche Victim Detector (AVD), V-MUX, PLCC and Power Plants etc.

In the tie-up efforts with MNC's abroad, the company has been in a position to tie-up with HUAWEI, a high-tech company with approx. 35,000 staff members out of which approx. 11,500 are engaged in R&D and more than 10% annual revenue is invested in R&D. They are global supplier with products deployed in over 90 countries including Germany, UK, France, Russia, Brazil, Singapore and Thailand with a sales contract volume in 2004 of 5.58 Billion US \$. This strategic tie-up is for supply of cutting edge technology products in the transmission like SDH, DWDM, Super WDM etc. to major customers in India like BSNL, MTNL. The supply of the equipments would be with value added manufacturing and related services by PUNCOM.

PUNCOM has also signed Agency Agreement with Tendo Telecom Group in Russia to export PUNCOM make PLCC system. PUNCOM systems have been modified as per Russian Customers & ready for trial in Russia. Through this, PUNCOM is targeting first commercial export supply contract of worth Crores and to increase the export of PLCC to Russian customers in the years to come.

PUNCOM is also concentrating on new emerging Technologies like Wi-Fi & Wi-MAX products having tremendous growth potential in India and action has been initiated for tying up with leading companies for the same.

With the emergence of huge requirement of Broadband product in India, PUNCOM has also initiated dialogue with companies offering VOIP & other IT related products which offer triple play solutions having simultaneous provision of voice, data & streaming video to the customer premises. Such triple play applications, through which customers can simultaneously use the telephone, browse internet & download video on demand through the same single connection, simultaneously is expected to catch up in a big way.

In view of the continuing trends of telecom market in India, Puncom is consolidating its position in the existing markets and also diversifying in the new areas for sustaining the overall growth. A brief idea of various activities to be undertaken by Puncom is as given below:

- a) Consolidating Puncom presence in Railways OFC Project market by aggressively marketing its new Primary MUX and Power Plant.
- b) Diversifying into Private Telecom Operators market by marketing of Puncom SMPS Power Plant equipment.
- c) Exploring the Networking Products market by offering various networking and Broad-band products and bidding for Enterprise Networking Solution requirements of various Govt. Sector companies and other corporates.
- d) Marketing of Puncom's existing range of equipment such as AVDs, Burst modems etc. to Defence and associated establishments.
- e) Aggressively exploring the Defense market, especially Army, for marketing Primary MUX, Power Plants, Networking and Broadband products.
- f) Puncom is also envisaging the expansion of Customer base to include customers like GAILTEL, IOCL, OIL, ONGC etc. and is exploring export markets.
- g) Commercialising the existing training activity of the company.

The Future

India is still having a healthy scenario prevailing in the telecom sector with telephone density having already reached 11.75 per hundred and around 1.8 million connections are added every month. The ambitious target of the government is to reach 250 million connections by December, 2007. Latest Technologies in mobiles, broadband and networking are being aggressively introduced and several MNCs are shifting their manufacturing bases to India. Similar growth scenarios are prevailing in Software and BPO segments. Puncom is exploring possibilities of entering new areas of Telecom & IT Software & ITE Services, turnkey projects and education.

Having introduced the state of the art high technology SDH line of products in the company your company is in the advance stage of getting approvals for supply. Currently, PUNCOM which is the only LRDE approved source for manufacture & supply of Analog AVD's, has now started development of next generation state of the art digital AVDs for supply to Indian Army and other Para Military Forces.

Puncom is targeting Indian Army very aggressively for selling its Telecom, IT range of products and solutions. The market being targeted is large & the purchase budget a single command is of the tune of around Rs. 10-15 Cr. p.a which includes Multiplexers, Routers, Switches, Video Streaming and other communication equipments. As routing is a necessary & integrated function required along with Multiplexers for Army Networks, Puncom has suggested a combined trial of routers along with Puncom Multiplexers for the Southern Command. Once the trials are successfully completed, and the specifications frozen on the trial equipment, a very lucrative opportunity for Puncom would emerge.

Auditors Remarks

M/s N Kumar Chhabra & Company, Chartered Accountants, was appointed as Statutory Auditors of the Company for the year 2005-2006. Notes on Accounts forming part of Annual accounts are self- explanatory and exhaustive to the remarks of Auditors in their report dated 29th June, 2006.

- i) The written representation from all the Directors of the company as on 31st March, 2006 have been received and as per their representation, none of the director is disqualified from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.
- ii) As regards recovery of amount of Rs.700 lacs from UPSCMFL alongwith further interest @18% as per decree awarded by the court, the execution of the same is pending before the executing court at Lucknow. Matter being sub-judice will be decided as per the legal procedure.
- iii) As regards observation made by the Auditors regarding recognition of revenue on sales amounting to Rs.29.66 lacs which has not been in accordance with Accounting Standard (AS-9) issued by Institute of Chartered Accountants of India (ICAI), the same have been accounted for as per past practice.
- iv) Regarding accounting of certain income and expenditure on cash basis, the same has been accounted for as per disclosures of Accounting Policy given in Schedule 22 of the accounts.
- v) As regards the Auditors remark about strengthening of internal audit system to commensurate with the size of the company and its nature of business, the system has been reviewed many times in the Audit Committee Meeting and in view of the Committee Members the internal audit system is sufficiently strengthened to take care of company's size and nature of business.

Explanation for variation in Published results vis-a-vis Audited results for the year ended 31st March, 2006

The Board of Directors adopted the Un-audited Financial Results for the financial year 2005-06 on quarterly basis and later on in its Board Meeting held on 26th April, 2006, which were subsequently published and sent to stock exchanges vide our letter dated 26th April, 2006, pursuant to clause 41 of the listing agreement. The sum total of the published Quarterly Un-audited results for the first, second, third and fourth quarter for the year ended 31st March, 2006 and the audited results as on that date alongwith variation is given hereunder:

Particulars	Sum total of Published Quarterly (Un-audited) Result for the Year ended on 31 st March 2006	Audited Results for the Year ended on 31 st March 2006	Variation in %
Sales	6126.92	6132.92	0.09%
Other Income	608.91	631.26	3.67%
Total Expenditure	260.75	185.07	170.97%
a) Inc. (-) Dec.(+) in stock	4720.80	4730.05	0.19%
b) Consumption of raw material	1164.55	1162.89	-0.14%
c) Staff Costs	1035.59	1106.37	6.83%
d) Other Expenditures (Inc. excise duty)	51.90	54.44	4.89%
Interest inc. bank commission Depreciation	160.71	158.42	-1.62%
Profit (+)/ Loss (-) before tax	(657.84)	(633.1)	3.76%
Provision for tax	8.74	8.50	0.03%
Net Profit (+)/ Loss (-)	(666.58)	(617.35)	7.38%

There is variation of about 75.68 Lacs (170.97%) under the head 'Inc. (-) Dec. (+) in stock', which is due to un-ascertainment of Increase/decrease in stock due to running of production. As the Increase/decrease in stock is valued on 31st March, 2006, the effect comes in the audited results. Moreover the net effect of Consumption of Raw Materials and increase/decrease in stock is below 10%. The above Increase/Decrease in stock gets adjusted in the Consumption of Raw Material.

Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

As required by the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, the particulars in respect to Conservation of Energy, Research & Development & Foreign Exchange Earning and Outgo are as follows :

A. CONSERVATION OF ENERGY

- a) Energy conservation measures taken:
The areas where the lights are not required or where the production work is not taking place, the supply is switched off.
- b) Additional Investments and Proposals if any being implemented for reduction of consumption of energy:
No Investment and no proposals at present.
- c) Impact of measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
The consumption has reduced due to the above measures taken.
- d) Total energy consumption and energy consumption per unit of production is annexed at Form A and forms part of this report

B. TECHNOLOGY ABSORPTION

- e) Efforts made in technology absorption are annexed herewith as Form B and forms part of this report.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans :
 - i. The company has tied-up with Tendo Telecom Group in Russia for marketing of PUNCOM PLCC equipment in Russian Markets.
 - ii. The Company has tied-up with HUWAEI Group is for supply of cutting edge technology products in the transmission like SDH, DWDM, Super WDM etc. to major customers in India like BSNL, MTNL.
- g) Total Foreign Exchange Used and Earned is given as a part of Form B, which forms part of this report.

Companies (Particulars of Employees) Rules, 1975

As per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the Company is required to give the list of employees who have been paid annual remuneration of Rs. 24,00,000/- or above and a monthly remuneration of Rs. 2,00,000/- and above in case the employee worked for less than a year. Since there is no employee drawing salary exceeding the limit, hence the same is not applicable.

Industrial Relations

The employee-employer relationship remained cordial and harmonious through out the year. The Board of Directors of your Company place on record their satisfaction for the dedicated services rendered by the employees of the company.

Acknowledgement

The Board places on record its gratitude to the BSNL, Railtel, Deptt. of Railways, Ministry of Defence, ONGC, GAIL, Indian Oil Corporation, VSNL, MTNL, PGCIL, PSEB and other esteemed customers in India and abroad, State Bank of India, Union Bank of India, IndusInd Bank & Allahabad Bank for their keen interest in the affairs of the company, continuous help and co-operation for successful working of the Company. The Board also places on record its gratitude to the Punjab Information Communications and Technology Corporation Ltd (PICTCL), the Holding Company, for its guidance and support.

The Board also places on record its appreciation for the dedication, commitment and hard work of staff at all levels. The Board in particular acknowledges the co-operation of esteemed shareholders for their constant support and for the confidence reposed in the Management of the Company.

Place : S.A.S. Nagar
Date : July 27, 2006

(SUKHDEV WADHERA)
CHAIRMAN

**FORM A
(FORMING PART OF DIRECTORS' REPORT)
PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

		Current Year 2005-06	Previous Year 2004-05
A.	POWER & FUEL CONSUMPTION		
1.	ELECTRICITY		
a)	PURCHASED Unit (KWH)	1185165	1389995
	Total Amount (Rs.)	4932047	5432910
	Rate/Unit (Rs.)	4.16	3.91
b)	OWN GENERATION		
i)	Through Diesel generator	70266	140250
	Units per Ltr. of diesel oil (KW)	0.20	0.21
	Cost/Unit (Rs.)	6.87	4.94
	Total amount (Rs.)	482727	692490
ii)	Through steam turbine/ Generator	N.A.	N.A.
	Units (Ltr.)	N.A.	N.A.
	Units per Ltr. of Fuel Oil/Gas	N.A.	N.A.
	Cost/Unit (Rs.)	N.A.	N.A.
2.	COAL (Specify quantity and where used)		
	Quantity (Tonnes)	N.A.	N.A.
	Total amount	N.A.	N.A.
	Average rate	N.A.	N.A.
3.	FURNACE OIL		
	Quantity (Tonnes)	N.A.	N.A.
	Total amount	N.A.	N.A.
	Average Rate	N.A.	N.A.
4.	OTHERS/INTERNAL GENERATION (Please give details)		
	Quantity (Tonnes)	N.A.	N.A.
	Total cost	N.A.	N.A.
	Rate/Unit	N.A.	N.A.

B. CONSUMPTION PER UNIT OF PRODUCTION

	PRODUCT	UNIT	STANDARDS (IF ANY)		
i)	Electricity				
	DTL	CHANNEL	NA	N.A	N.A.
	PCM	CHANNEL	NA	N.A	N.A.
	TMUX	TERMINALS	NA	N.A	N.A.
	EPABX/RAX/SBM	LINES	NA	N.A	N.A.
	RADIO	SYSTEMS	NA	N.A	N.A.
ii)	Furnace Oil			N.A	N.A
iii)	Cost (Specify qty.)			N.A	N.A.
iv)	Others (specify)			N.A	N.A.

**FORM B
(FORMING PART OF DIRECTORS' REPORT)
PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT**

A) RESEARCH & DEVELOPMENT (R&D)

1. SPECIFIC AREAS

Up-gradation of PLCC Equipment for higher power and frequency for export markets.

2. BENEFITS DERIVED AS A RESULT OF ABOVE R&D

Company shall be able to achieve significant cost reduction and improvement in products and generate new markets; and as a result shall be able to strengthen its position in its market segments.

3. FUTURE PLANS OF ACTION.

The Company has plans to develop low cost equipments based on new technologies.

4. EXPENDITURE ON R&D

	CURRENT YEAR	(Rs. in lacs) PREVIOUS YEAR
Capital	0.00	0.00
Recurring	NIL	NIL
Total R&D expenditure as a %age of total turnover.	0.00	0.00

* Product engineering is done by production staff and there is no separate R & D Deptt.

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption, adaption and innovation.
- Technology of SMR power plants and mini DSLAM has been received and is being absorbed, improved for newer applications.
2. The Company has derived benefits as a result of above efforts e.g. product improvement, cost reduction, substitution etc.
3. Technology imported during last 5 years : For SMR Power plants from RTP, Australia, mini DSLAM from Conexant, USA.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

		Amount (Rs. in lacs)	
i)	EARNINGS		
	F.O.B. value of export :	NIL	(NIL)
ii)	OUTGO		
	CIF value of import of raw material & components. :	1351.28	(2568.36)
	Capital goods :	NIL	(0.70)
	Foreign travel & others :	6.97	(11.31)

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Punjab Communications Limited (Puncom), a premier Telecom and IT company was incorporated in the year 1981 by the Punjab Govt. for giving fillip to the Electronics and Telecommunication industry in the region. The company passed through a very good phase from 1981 to 1993, and came up with a public issue in October, 1994. Besides high premium, the issue was highly oversubscribed. The company achieved a record Turnover of Rs. 157.32 Cr during the year 2001-2002, when its network was Rs. 181.77 Cr. Thereafter the turnover of the company continued to be adversely affected till 2003-04 due to BSNL's (the major customer of Puncom) policy to shift their focus from wireline to wireless technology. Realising this, the company has broadened its customer and product base through tie-ups with foreign companies and locating new markets in India & abroad for its core products; thereby curbing the downfall in 2004-05 and achieving a growth in turnover by 48.6% from 41.24 Cr in 2004-05 to Rs 61.27 Cr during 2005-06 and that too with marginal profits in Q4. Puncom is also exploring various alternative possibilities of getting into trading activities, tie-ups with foreign institutions, Business Process Outsourcing (BPO) activities and is presently executing only those orders that ensure atleast minimal value addition to the company.

INDUSTRIAL OUTLOOK

The Indian Telecom industry is on its growth spree with Telecom Network growth rate of 20%. The Urban teledensity stands at 18.2% whereas the rural teledensity is 1.5% and the growth is bound to spread into rural India.

Progressive reforms such as the removal of restrictions on foreign investments and industrial de-licensing are the driving force behind the growth registered by the industry. Liberalising the EXIM policy to promote exports and aligning the import duties to meet WTO commitments is further expected to contribute to the overall development. The opening up of Indian Economy has also enabled the MNC's to shift its base to India.

The Indian telecommunication network with 150 million telephone connections is fifth largest in the world and the second largest among the emerging economies of Asia. Today, it is the fastest growing market in the world and represents unique opportunity for companies' worldwide in the stagnant global scenario.

The future of the industry lies in the broadband and cellular segments and constant technological innovations such as VOIP & NGN based services. Broadband Metro Ethernet and MPLS based networks are poised to take the networking market to further heights. The Broadband base has touched its first Million, and Internet Subscribers base has crossed 7.5 Million.

By 2008, the Indian IT Industry will be a USD 70 Billion industry account for 7% of India's GDP as amount present would create direct and indirect employment opportunities for more than 4 million people. The present foreign exchange earning from IT Industry is 8% and it is estimated that it will increase to 30% by 2008. This Revenue from voice services are expected to sustain growth even as those from data services are expected to increase sharply due to a surge in usage. The telecommunication Industry in India is also likely to see consolidation among major operators and privatisation of many government companies.

India's mobile phone explosion should continue over the next few years, with the number of phone subscribers expected to exceed 250 million in next two years, representing a penetration rate of 20%. This penetration rate was just 5% in 2000. If this figure is reached, India will become Asia's third largest mobile market, behind only China and Japan.

India had 19 million Internet users at the end of 2003, it rose to 25 million in 2005-06 and at present it is 38.5 million and it is expected to rise to 45 million by the end of this year according to Internet & Mobile Association of India.

India has one of the fastest growing telecommunication networks in the world. Communication services industry has crossed Rs. 8,00,000 million in revenues and the share of cellular Industry in this is already more than 50%. Telecom business industry did a business of Rs. 4,00,000 million and showed a growth of over 30%. Given the present low telephone penetration rate, India offers extensive scope for adding telephone lines to the basic and cellular basic services network. The current e-commerce market of Rs 1180 Cr in India is likely to grow to Rs 2300 Cr (23 billion) by 2006-07.

BSNL, Railways, PGCIL, Defence, SEBs are the major customers of Puncom. BSNL also has fast expansion plans for increasing its network to 120 million lines by 2010. The shift in demand from voice to data and from wireline to wireless, has revolutionised the very nature of the network. BSNL has already set in place several measures that should enable it to evolve into a fully integrated multi-operator. The networks are slated to become fully digital and all the technologically obsolete/analog exchanges will be replaced with digital exchanges and digital connectivity shall be made available to all exchanges by next year.

Major national projects under development and whose demand is expected to grow include:

- National Internet Backbones of BSNL and other operators.
- 3G and Video Capable Mobile Networks.
- Voice over IP and NGN
- Broad Band services-ADSL & triple play DSLAM's.
- Managed Network Services.
- Wireless Broadband- Wi Fi, Wimax
- E- Commerce

BUSINESS OUTLOOK

Puncom has diversified its customers. Though BSNL still accounts for 1/3 i.e. 32% of our Sales, the Railways have dominated our sales pattern this year. This is because of dominance of Railtel Project in 2005-06. Company is continuously looking for diversification of its customers as well as products by exploring and wherever possible entering into newer business segments or by introducing new products or by acquiring updated technologies.

Your company has orders in hand worth Rs 12 Cr and there are another order worth Rs 20 Cr which are on the pipeline. Your company is targeting a sale of Rs 75 Cr this year. Further, Puncom has tied up with Huawei Technologies Pvt Ltd and Tendo Telecom Group, Russia for supply of DWDM/Super WDM and PLCC respectively. The necessary technology update, R&D and testing of equipment is going on and your company is expecting huge orders from them by the end of current financial year.

Your company has been able to curtail cash loss due to change in product mix and taking further necessary steps in Administrative and Financial policies. Your company has discontinued non- profitable products and has slowed down on low/negligible value addition products thereby concentrating on high value addition products. The above measure have improved the bottom line of the company and is expected to further improve in this financial year.

QUALITATIVE REVIEW**Technology**

Puncom being a telecom equipment manufacturing company, has to stay updated on technology front as the rate of obsolescence in this field is quite high. To keep pace with this requirement, Puncom has adopted two-pronged approach i.e., firstly through tie-ups and secondly through stepped up product engineering efforts. This helps in infusion of newer versions of products/ new technology in the existing range of company's products. Puncom provides very large spectrum of telecom solutions covering Transmission, radio, Switching, multiplexing, Software etc. under one roof. The product base is quite wide which provides the company with the requisite strengths to handle composite projects effectively. The tie up with Huawei Technologies & Tendo Telecom Group is the result of these efforts.

ISO- 9001:2000 Certification

Making quality equipment & services available to its customers is the motto of Puncom. In pursuit of providing quality equipment & services, Puncom's processes and procedures are ISO 9001:2000 certified. Further, substantial number of its products is covered under the "Approved Inspection Scheme" (AIS) of customers. Moreover, the quality standards in Puncom are tuned to TEC/QA/CACT wings of BSNL and RDSO of Railways. Puncom has invested heavily in creating various testing facilities, which include Environmental Chambers, Vibration Test Facilities, Thermal Shock Chambers, Bump Test machines etc.

Transparency

To bring about transparency in the working of the company at all levels, to attain smooth operations and effective co-ordination amongst various departments, your company has successfully established Enterprise Resource Planning (ERP) System. The ERP system, which is in place in the company, facilitates proper co-ordination of all activities in the divisions to give improved results. Because of this, the company is able to maintain absolute control over all the activities including making inventory available "just in time" resulting in the optimum utilisation of its financial resources. Puncom being a Govt. company is subject to various audits, which reinforce 100% transparency in the working of the company including the Accounting Systems.

The Company has implemented code on Insider Trading under SEBI Regulations. Through this code, Company is able to keep check on the transactions pertaining to sales and purchases of Puncom's shares by the Designated employees/connected person. This Code ensures that no insider either on his behalf or on behalf of other person, deal in securities of a company listed on any Stock exchange on the basis of unpublished price sensitive information which is not generally known or published by Company for general information.

The Company has formulated a Memorandum of Right to Information under the Right to Information Act and anybody can access the non-confidential information under the Act. This further adds to the transparency of company affairs.

The company has also adopted a Code of Conduct for Board and Senior Management of Company as desired under Clause 49 of the Listing Agreement which ensures the high ethical standards of the company and transparency of important decision at higher level.

Adequacy of Internal Controls

Puncom has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and those transactions are authorised, recorded and reported correctly.

The company has an extensive system of internal controls which ensures optimal utilisation and protection of resources, IT security,

accurate reporting of financial transaction and compliance with applicable laws and regulations as also internal policies and procedures.

The internal control system is supplemented by extensive internal audits, regular reviews by management, and well-documented policies and guidelines to ensure reliability of financial and all other records to prepare financial statements and other data.

Segment reporting

Puncom is engaged in the business of manufacturing of telecom products and these activities are covered by same sets of risks and returns. Sales have been grouped as single segment in the accounts as per AS-17 issued by ICAI. However, interest income has been considered as a separate segment. Out of total sale of Rs.6312, Rs.5750 lacs pertains to Sales Service and other Income Segment, Rs.404 lacs pertains to interest segment and Rs 158 lacs pertains to Rental Segment.

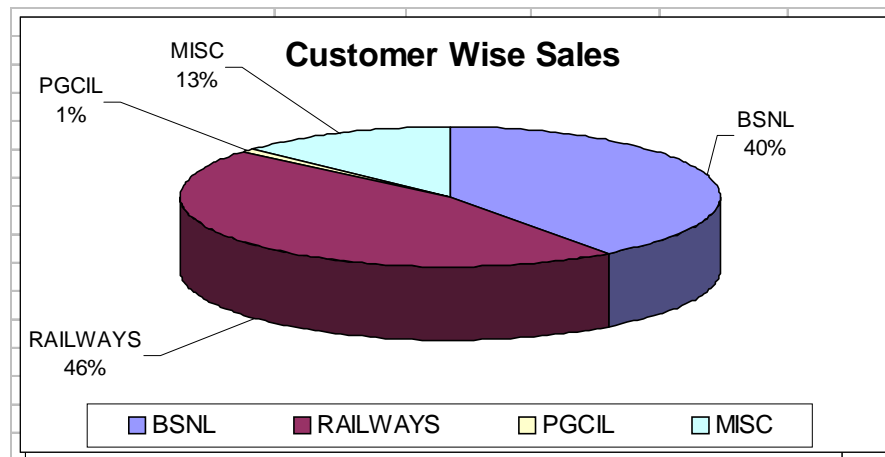
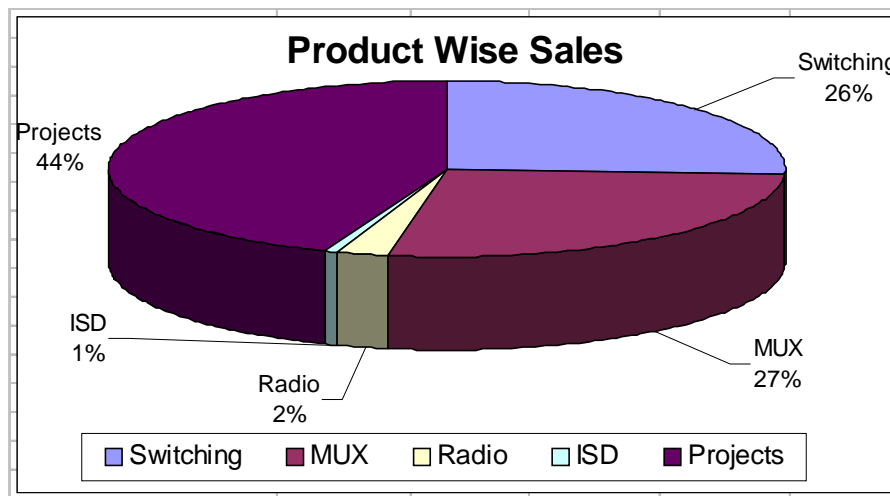
FINANCIAL REVIEW

I) OPERATING RESULTS

• **Sales**

During the financial year 2005-06, the Sales have substantially increased by over 48% to Rs. 61.32 Cr as against Rs. 41.24 Cr in the previous year. This is an encouraging development as the company has been in a position to see upward trend in top line.

The Break up of the Sales on the basis of Product & Customer is as follows :



- **Expenditure Analysis**

- a) **Materials consumed**

Raw Material cost during the year under review was Rs 47.30 Cr as against Rs 33.41 Cr in the previous year. The net raw material consumption rate (after adjustment of stocks) as a percentage to sales have marginally increased from 78.40% to 80.15%.

- b) **Manufacturing, Administrative & Selling Expenses**

Manufacturing expenses comprising of stores and spares, power and fuel, freight and installation expenses etc., increased from Rs. 1.08 Cr to Rs. 1.65 Cr in the current year. As a percentage of sales these were more or less same at 2.69% in the current year as compared to 2.61% in the previous year.

Administrative expenses mainly comprising of travelling and conveyance, repair and maintenance, office electricity & water, rent and auditors expenses, decreased from Rs 2.38 Cr to 2.01Cr. As a percentage of sales, these decreased from 5.77% in the previous year to 3.27% in the current year.

Selling & distribution expenses comprising of advertisement and publicity, sales promotion expenses, royalty and customers claims and recoveries have decreased from Rs. 2.15 Cr to Rs. 1.41 Cr in the current year. As a percentage of Sales these were decreased from 5.23% in the previous year to 2.29% in the current year.

- c) **Amount written off/Provisioning**

During the current financial year following amounts have been provided for / written off to present the accounts at a fair value.

Provision for Excise Demand	Rs. 11.00 lacs
LD written off	Rs. 36.13 lacs
Know-how fees and others	Rs. 36.74 lacs
Amortisation of VRS expenses	Rs. 217.21 lacs
Provision for obsolete & Slow Moving Stores	Rs. 81.03 lacs
Provision for Doubtful Debts and Advances	Rs. 15.97 lacs

Thus, the overall amount written off/provided for in the accounts during the financial year 2005-06 is to the tune of Rs. 398.08 lacs.

- d) **Personnel cost**

The personnel cost decreased marginally from Rs 11.83 Cr to Rs 11.62 Cr. The decreased personnel cost pertaining to the current year, includes the amortised amount of Rs 2.17 Cr.

- e) **Interest & Depreciation**

The Financial Charges increased marginally from Rs. 53.37 Cr in the previous year to Rs 54.43 Cr in the current year. Issuing of Letter of Credits/ Bank Guarantees and Hedging Premium for Railtel transaction has led to increase in financial charges.

Depreciation decreased to Rs. 1.58 Cr during the year 2005-06 from Rs. 1.86 Cr during 2004-05. The reduction in depreciation is on account of WDV method followed by the company. Further, no major addition in the capital expenditure was booked during the current year.

- **Net Profit**

During the current financial year, the Company has incurred a Net Loss of Rs. 6.33Cr as against Net Loss of Rs. 9.45 Cr during the last year.

- **Dividend**

Owing to Net Loss incurred during the Current year, the Directors of your Company do not recommend any dividend for the financial year 2005-06.

- l) **FINANCIAL POSITION**

- a) **Reserves & Surplus**

The Reserves of the Company stands at Rs 102.42 Cr as on March 31, 2006.

- b) **Secured/Unsecured Loans**

Company enjoys the status of being a Zero debt company. However, the working capital limits for meeting the working capital requirements of the Company are availed intermittently from its Bankers.

- c) **Fixed Assets**

The gross block of the company increased marginally from Rs 52.07 Cr to Rs 52.13 Cr in the current year.

d) Investments

Investments of the company remained same at Rs 8.51 Cr under the head 'Investments'. The fixed deposits of the company increased from Rs 59.45Cr to Rs 59.80 Cr.

e) Inventories

Total inventory has decreased from Rs 30.00 Cr as at 31.3.2005 to Rs 33.43 Cr as at 31.3.2006 due to effective Inventory management.

f) Receivables

Receivables were Rs.42.73 Cr as at 31.3.2006, as compared to Rs.36.66 Cr as at 31.3.2005 due to increased Sale Volumes. These debtors are considered to be good, while those that are considered as doubtful of recovery have been duly provided for.

g) Loans and Advances

These have increased from Rs.4.86 Cr as at 31.3.2005 to Rs.6.70 Cr as at 31.3.2006.

h) Current Liabilities & Provisions

Total current liabilities have been decreased from Rs.35.53 Cr as on 31.3.05 to Rs 30.68 Cr as on 31.3.06.

II) FOREIGN EXCHANGE EARNINGS AND OUTGO

	Amount (Rs in lacs)	
a) EARNINGS:		
F.O.B. value of export	:	Nil
ii) OUTGO:		
CIF value of import of raw material and components	:	1351.28
Capital goods	:	NIL
Foreign travel & others	:	6.97

BUSINESS REVIEW

Opportunities

- In view of large installed base and considering the annual growth rate of more than 23%, there is massive requirement of Telecom Equipment in India. Efforts are on to re-align the focus of the Company to meet new requirements of the emerging markets. Puncom's inherent strengths in term of its human resources with excellent skills sets, state- of-the-art infrastructure etc., would help in achieving the laid down objectives.
- Large emerging markets of Basic and Cellular Services Operators in Private sector, Defence, Power Sector, Railtel etc are providing requisite impetus to the exponential growth of Telecom Sector which was hither to dependent solely on DOT business.
- Shift from Wireline to Wireless business has opened up new vistas of growth for Telecom operations.
- Providing turnkey solutions to various customers and enterprises, right from network design to supply of equipment installation, commissioning, operations and Maintenance, is another area where Puncom is strong and expects to continue its dominance.
- More and more requirement of business automation and reliance of today's business world on information technology & development has given a fillip to the software development activities and solution selling. Puncom has an experienced team of software experts, geared for undertaking software projects efficiently.
- Owing to the thrust in Telecom and IT Industry aided by favourable government policies, providing professional training to younger generation is seen as another segment with vast possibilities of growth. Puncom's skill set in Telecom and IT can be advantageously used to enter into this segment.
- Puncom has already made a headway in the following areas:
 - a) Developed in-house V Mux.
 - b) SDH based optical networks for Railways.
 - c) Obtained technology of AN-RAX from C-DOT.
 - d) Supplies of Avalanche Victim Detector (AVD) to Defence.

- e) Tie up for STM-I/4/16, SDH, DWDM and Super DWDM with technology leaders.
- f) Obtaining technology for Switch Mode Power Supply (SMPS).
- g) R&D on existing PLCC equipment to make it compatible for Overseas Market.
- ❑ Apart from continuing with the conventional lines of business, Puncom is exploring the possibilities of getting into trading activities, particularly in the field of Broadband, Networking, Wi-Fi, Wi-Max, Radio Trunking etc., for which talks are going on with various leading companies of the world.
- ❑ Puncom is exploring the possibilities of setting up an offshore campus in tie-up with Canadian/Australian Technical Colleges. For this purpose Puncom is in touch with various Colleges/Universities of Canada and Australia.
- ❑ Puncom is also exploring the strategic tie ups with MNCs for import of technologies or strategic partner for Overseas market.

Risks & Concerns

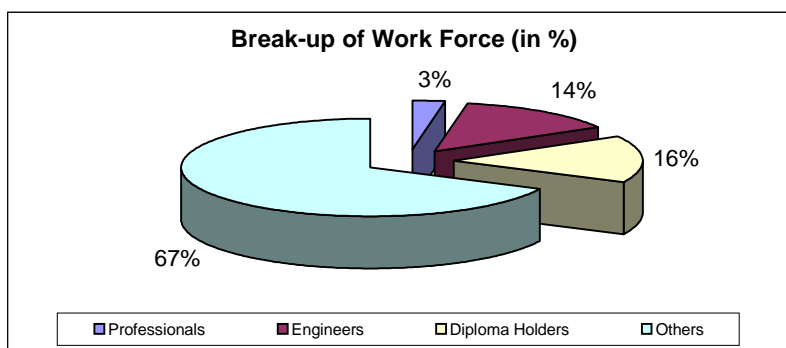
- ❑ Shift in the focus of various customers from WIRELINE to WIRELESS is going to put some pressure on the working of the Company for sometime before the Company is able to venture into new businesses and absorbs new technologies.
- ❑ Major issue of concern for Puncom is that service providers like BSNL, BSOs & Cellular operations are entitled to various benefits under 'infrastructure projects' like import of goods at a reduced duty whereas Indian Telecom equipment manufacturers are not entitled to any such benefits.
- ❑ Non implementation of a "uniform VAT" in all states creates undue benefits for companies in some states and undue hardships for the Companies in the other states due to differential rates on account of sales tax etc. being charged by different states.
- ❑ The company has formulated and adopted a Risk Management Policy as required under Clause 49 of the Listing Agreement wherein various risks and concern have been covered and this is periodically reviewed by the Member of Audit Committee.

HUMAN RESOURCE DEVELOPMENT

The employees of Puncom are the backbone and this resource is very efficiently utilised. The company nurtures its employees through greater knowledge, opportunity, responsibility, accountability, reward, innovation, and discipline. The company provides ample opportunities to the employees to grow and to attain high standards of efficiency and productivity. Puncom is dextrous in motivating its employees to stretch out the hand of effort and hardwork towards attainment of its objectives. All the policies concerning the employees are made keeping in view the fact that manpower is the most precious resource for the company. Puncom is relatively young company with young employees having an average age of 35 years.

Break- up of work force As on 31.3.06

a) Professionals (MBA, CA, ICWA, CS, LLB)	:	10
b) Engineers (B.E/ B.Tech/M.Tech/AMIE/MSCs/MCA)	:	50
c) Diploma Holders	:	56
d) Others	:	
h) Technical	:	102
ii) Non-Technical	:	92
iii) Contractual/Res. Representatives	:	49



Puncom is equipped with qualified and professional staff. The employees are groomed through effective system of assessment, performance appraisal, training, including sharing of lectures/ knowledge base through the local area network, training files and on line testing structured manner.

In addition to above, Puncom offers numerous facilities to its human resources in the form of in-house Library, Air-conditioned environment, Bank ATM, Canteen facilities, Leased accommodation, Bill paying facility, Leave/Home travel concessions, Internet facility etc. Further, other benefits like housing subsidy, conveyance loan & wheat loan etc. are also available to employees.

Puncom frames its HR policies keeping in mind that human resource is core strength of the company. Good HR policies not only leads to contentment of employees by providing them with equal opportunities to grow but also helps in achieving the laid down objectives effectively. Puncom encourages its employees to go beyond the scope of their work, undertake voluntary projects that enable them to learn and contribute innovative ideas in meeting goals of company.

Industrial Relations

Puncom firmly believes in the power of *esprit de corpse* and thus, provides its employees with congenial atmosphere to work as a cohesive team. The efforts of all the employees are synchronized and coordinated towards achieving common objectives. Further all employees are encouraged to participate in the decision making process. During the year 2005-06 the employee management relations remained cordial.

Safety

Safety and security of the personnel, assets, and the environmental protection are on top of the agenda at Puncom. The safety procedure of Puncom includes electrical safety, inherent process safety, control of substances hazardous to health, vehicle integrity check and loading and unloading operations. Puncom is consistently reviewing its safety measures and taking steps to improve them.

Environment

Puncom is conscious of its responsibility towards creating, maintaining and ensuring a safe and clean environment. Strict adherence to all regulatory requirements and guidelines is maintained at all times. The company has adopted approach to create pollution free environment by adopting required measures. The company has taken tasks of planting trees and maintaining lawns to make the factory dust free. Being a electronic industry, though it does not emits any air, water or noise pollutants yet the company is committed to make the environment healthy and pollution free.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Members,
Punjab Communications Limited,
S.A.S. Nagar,
Mohali (Chandigarh).

We have examined the compliance of conditions of Corporate Governance by Punjab Communications Limited, for the year ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investor Grievance Redressal Committee.

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

For N K. Chhabra & Company
Chartered Accountants

Place : S.A.S. Nagar
Date : August 25, 2006

(ASHISH CHHABRA)
Partner

REPORT ON CORPORATE GOVERNANCE

1. Company’s philosophy on Code of Governance

Puncom recognizes the ideals and importance of Corporate Governance and acknowledges its responsibilities towards all stakeholders including Government, employees, customers, suppliers, regulatory authorities and the shareholders. Puncom’s Philosophy on Corporate Governance is to bestow high standards of transparency, fairness and accountability for performance at all levels and to ensure the best performance through professionalism, social responsiveness, business practices and maximization of operational efficiency. The Company endeavours to maximize the shareholders’ value and to protect the interest of stakeholders.

2. Board of Directors

The present strength of the Board is Nine directors; One executive director being Managing Director and Eight non-executive directors, of which three are independent directors, who are professional and/or have expertise in their respective functional areas. The Chairman of the company is non-executive. More than half of the Board is ex-officio nominated by the holding company PICTCL. The names and categories of present directors are given here below:

	NAME	CATEGORY	POSITION ON BOARD
1.	Sh. Sukhdev Wadhwa	Non – Executive	Chairman
2.	Sh. N S Kalsi, IAS	Non –Executive	Sr. Vice Chairman
3.	Sh. Satinder Pal Singh, IAS	Executive	Managing Director
4.	Smt. Sonia Arora	Non –Executive	Vice Chairperson
5.	Sh. S C Agrawal, IAS	Non –Executive	Director
6.	Sh. R K Nangia	Non –Executive	Director
7.	Maj. Gen. G S Bains	Non –Executive, Independent	Director
8.	Sh. V P Chandan	Non –Executive, Independent	Director
9.	Sh. Rajiv Dewan	Non –Executive, Independent	Director

During the year Puncom has appointed, Sh. Satinder Pal Singh, IAS as Managing Director on the Board of the Company. On the other hand, Smt. Ravneet Kaur, IAS has vacated the office of VC & MD on 7th June, 2006 as her nomination was withdrawn by Punjab Information Communication Technology Corporation Ltd. The term of Sh. Sukhdev Wadhwa, Chairman and Smt. Sonia Arora, Vice Chairperson has been extended by a period of two years and one year respectively.

3. Board Procedure

Five Board Meetings were held during the financial year as detailed below and the gap between two meetings did not exceed four months i.e., the schedule of Board Meetings held during the year was in consonance with the requirements of Clause 49 of the Listing Agreement.

Board Meeting No.	DATE
134 th	April 29, 2005
135 th	July 12, 2005
136 th	July 27, 2005
137 th	October 25, 2005
138 th	January 30, 2006

The attendance of Directors at Board Meeting during 2005-06 and General Meetings alongwith the number of Directorship held by them in other companies and number of Board Committees in which they are Chairman/Member as per Clause 49 of the Listing Agreement as on 27th July, 2006 is given here below:

NAME	Attedance at Board Meetings	Attedance at AGM	Number of Directorships in other Companies	Number of Committee Chairmanship/Membership	
				Committee Chairmanship	Committee Membership
Sh. Sukhdev Wadhera	5	Yes	NIL	NIL	NIL
Smt. Sonia Arora (apptd. on 9 th June, 05)	4	Yes	NIL	NIL	NIL
Sh. S C Agrawal	4	No	7	NIL	NIL
Smt. Ravneet Kaur	5	Yes	6	N/A	N/A
Sh. N S Kalsi	1*	No	7	NIL	1
Maj.Gen.G S Bains	2	No	NIL	-	2
Sh.V P Chandan	5	Yes	NIL	2	2
Sh. R K Nangia	2	Yes	6	NIL	2
Sh. Rajiv Dewan	5	No	3	-	5

* Attended by representative

4. Audit Committee

The Audit Committee of the company comprises of Sh. V. P. Chandan as Chairman, Maj. Gen. G S Bains, Sh. R K Nangia & Sh. Rajiv Dewan as Members. The constitution of Audit Committee meets the requirements as laid down under section 292A of the Companies Act, 1956.

The duly constituted committee met four times during the year 2005-06 on 29th April, 2005, 12th July, 2005, 25th October, 2005 and 30th January, 2006.

The names of the members, chairperson, particulars of the meetings and attendance of the members during the year are as follows:

S. No.	Name	Category	Number of Meetings attended
1.	Sh. V P Chandan, Chairman	Independent/Non Exe	4
2.	Maj. Gen. G S Bains, Member	Independent/Non Exe	2
3.	Sh. R K Nangia, Member	Non – Executive	2
4.	Sh. Rajiv Dewan	Independent/Non Exe	4
6.	Sh. Madhur Bain Singh, Convener	Compliance Officer	4

The terms of reference stipulated by the Board to Audit Committee are as contained in Clause 49 of the Listing Agreement & Section 292A of the Companies Act, 1956. The terms of reference stipulated are as follows:

- Internal Control Systems
- Corporate Plans & Project-wise Analysis
- Delegation of Powers to VC & MD
- Status of Income Tax & Sales Tax Assessments
- Discussion on Internal Audit Report
- Income Tax Matters such as TDS, Returns, Disputed liability etc.
- Discussion on Personnel Policy
- Pending Audit Paras
- Appointment of Tax Auditor/Internal Auditors
- Review of Financial Results
- Financial Powers of MD
- Reports>Returns submitted to various bodies like Banks, Stock Exchanges, RBI etc.
- Discussion on Audit paras of AG Auditors in respect of Proprietary Audit
- Limited Review Report
- Post VRS manpower details

5. Remuneration Committee

Company has not formed any Remuneration Committee as all the Directors except the VC & MD are Non – Executive Directors, who are not drawing any remuneration from the company except sitting fees for attending Board /Committee Meetings. However, the company is open to the idea of having Remuneration Committee, once it has some Executive Director(s) on its Board, drawing remuneration, other than the sitting fees from the company.

6. Strategy Committee

Company has formed a a Strategy Committee comprising of Sh. V P Chandan, Maj. Gen. G S Bains, Sh. Prithpal Singh, Sh. N S Kalsi & Smt Ravneet Kaur (Now replaced by Sh. Satinder Pal Singh) to consider the current position and growth potential of the company. The Committee will also explore the various possibilities and will suggest measures for ensuring the viability of the company. The Committee did not met during the year under report.

7. Shareholders/Investors Grievances Redressal Committee

The Shareholders/Investors Grievances Redressal Committee presently comprises of Sh. V. P. Chandan as Chairman, Maj. Gen. G. S. Bains, Sh. R K Nangia, & Sh. Rajiv Dewan, as Members. During the financial year 2005-06 the Committee met twice on 12th July, 2005 and on 30th January, 2006.

The terms of reference mandated by your Board to this committee, which are also in line with the statutory and regulatory requirements are:

- Redressing Shareholders and Investors complaints/ grievances.
- Approving issue of duplicate share certificates and transfer of securities.
- Oversee the performance of Registrar & Transfer Agent/s.
- Recommending measures for overall improvement in the quality of services being provided to the shareholders/investors.

The names of the members, chairperson, particulars of the meeting and attendance of the members during the year are as follows:

S. No.	Name	Category	Number of Meetings attended
1.	Sh. V P Chandan, Chairman	Independent	2
2.	Maj. Gen. G S Bains, Member	Independent	1
3.	Sh. R K Nangia, Member	Non – Executive	2
4.	Sh. Rajiv Dewan	Independent	2
6.	Sh. Madhur Bain Singh, Convener	Compliance Officer	2

The redressal status of complaints received from 1st April, 2005 to 31st March, 2006 is as under:

Number of complaints received	36
Number of complaints redressed	36
Number of complaints pending	NIL

8. Procedure at Committee Meetings

Company's Guidelines relating to board meetings are applicable to committee meetings as far as may be practicable. Each committee has the authority to engage outside experts, advisers to assist the committee in its work. Minutes of the proceedings of each committee meeting are placed before the Board for its perusal and noting.

9. General Meetings

The details of the last three Annual General Meetings of the company are as follows:

Date	Particulars	Time	Location	Special Resolution Passed
29.09.05	24 th AGM in respect of the year 2004-2005	11.00 AM	B-93, Phase-VIII, Industrial Area, S.A.S. Nagar, Chd	No
24.09.04	23 rd AGM in respect of year 2003-2004	11.00 AM	C-135, Phase-VIII, Industrial Area, S.A.S. Nagar, Chd.	No
26.09.03	22 nd AGM in respect of year 2002-2003	11.30 AM	C-135, Phase-VIII, Industrial Area, S.A.S. Nagar, Chd.	Yes (Alteration of Articles of Association)

10. Transfer of Unclaimed amounts to Investors Education & Protection Fund

During the year under review, the Company has credited a sum of Rs. 1,60,677/- to the Investors Education & Protection Fund, pursuant to section 205C of the Companies Act, 1956 & the Investors Education & Protection Fund (Awareness & Protection of Investors) Rules, 2001, being the amount of unclaimed dividend for the year 1997-1998.

11. Disclosures

There is no material transaction entered into by the company with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large. Also, there is no non-compliance by the company and no penalties and strictures have been imposed on the company by the Stock Exchange or SEBI or any other statutory authority, on any matter pertaining to capital markets, during the last three years.

12. Means of Communication

Notice of Board Meeting

Meeting Date	Date of Publication	Paper
27.07.05	05.07.05*	Desh Sewak (Vernacular)
	05.07.05*	Financial Express (English)
25.10.05	18.10.05	Desh Sewak (Vernacular)
	18.10.05	Financial Express (English)
30.01.06	04.01.06**	Desh Sewak (Vernacular)
	04.01.06**	Financial Express (English)
26.04.06	19.04.06***	Desh Sewak (Vernacular)
	19.04.06***	Financial Express (English)

* Due to postponement of Board Meeting, revised notice was published on 21.07.05

** Due to postponement of Board Meeting, revised notice was published on 24.01.06

*** Due to some reason the Board Meeting was pre-poned on 26.04.06

Notice of Book Closure & AGM

Book Closure	Date of Publication	Paper
19.09.05	25.08.05 25.08.05	Desh Sewak (Vernacular) Financial Express (English)
AGM	Date of Publication	Paper
29.09.05	25.08.05 25.08.05	Desh Sewak (Vernacular) Financial Express (English)

Publishing of Quarterly Results

Quarter No.	Date of Publishing	Paper
1 st	28.07.05 29.07.05	Desh Sewak Financial Express
2 nd	26.10.05 26.10.05	Desh Sewak Financial Express
3 rd	31.01.06 31.01.06	Desh Sewak Financial Express
4 th	27.04.06 27.04.06	Desh Sewak Financial Express

The quarterly financial results are also made available on the company's web-site (www.puncom.com.) and on SEBI's EDIFAR (Electronic Data Information Filing and Retrieval) web-site (www.sebidifar.nic.in).

The Management Discussion and Analysis (MD&A) forms a part of this Annual Report.

13. Certifications/Declarations

(I) Declaration on compliance with Code of Conduct under Clause 49(I)(B)

The Board of Director
Punjab Communications Ltd., Mohali.

Date : 27th July, 2006

This is to declare that all Board Members and Senior Management personnel as defined in the Code of Conduct adopted by the Board has affirmed compliance with the Clauses of said Code for the financial year 2005-06.

(Satinder Pal Singh)
Managing Director as CEO

(II) CEO/CFO Certification under Clause 49(V)

The Board of Director
Punjab Communications Ltd., Mohali.

Date : 19th July, 2006

Sirs,

We hereby certify that:

(a) We have reviewed financial statements and the cash flow statement for the financial year ended on 31st March, 2006 and that to the best of our knowledge and belief:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading:

- (ii) 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.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year under report which are fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
 - (i) significant changes in internal control over financial reporting during the year,
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

This certificate is given as required under Clause 49(V) of the Listing Agreement.

Sd/-
(R S Chawla)
Head (Finance) – CFO

Sd/-
(Satinder Pal Singh)
Managing Director – CEO

14. Remuneration

Only Chairman and Vice Chairperson of the company is drawing some perks as per the terms and conditions issued by the Government of Punjab vide their order no. 8/16/03-11B/548 and 8/16/03-11B/2090 dated 15 February, 2005 and 15 September, 2005 respectively.

15. Mandatory/Non-mandatory provisions of Clause 49

Your company is complying with the mandatory requirements as per Annexure IA and has not adopted any of the non-mandatory requirements as given in Annexure ID to Clause 49 of the Listing Agreement.

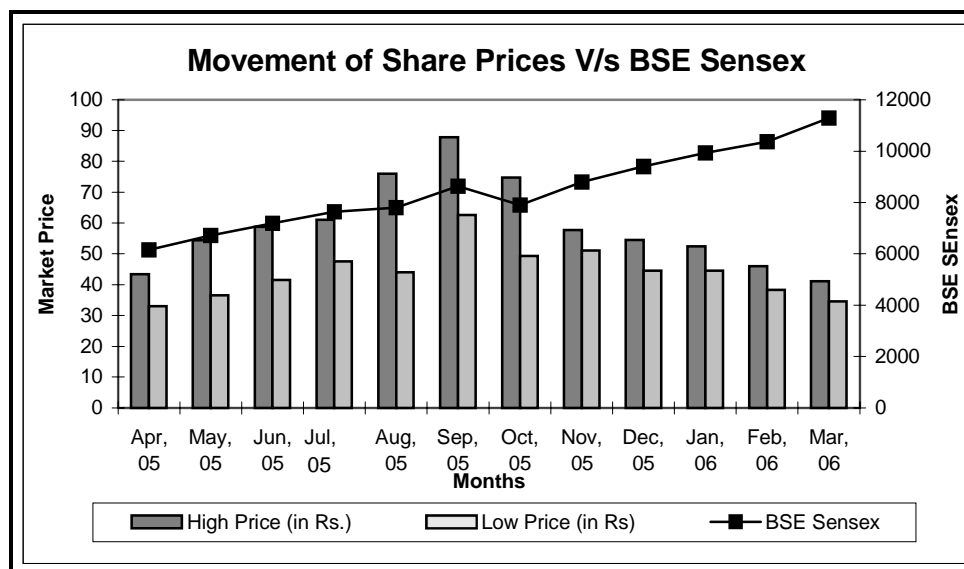
General Shareholders Information

A. Annual General Meeting (Date, time and venue)	:	Date: 28 th day of September 2006 Time: 11.00 A.M. Venue: B-93, PhaseVIII, Indl. Area SAS Nagar, (Chandigarh)- 160 071
B. Financial Calendar	:	1 st April 2005 to 31 st March 2006
C. Date of Book Closure/ Record Date	:	16 th September, 06 to 28 th September, 06 (Both days inclusive)
D. Listing on Stock Exchange	:	The Bombay Stock Exchange Ltd., Mumbai(BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001
Note: Annual Listing Fee for the year 2006-07, has been paid to the Bombay Stock Exchange Ltd. , Mumbai;		
E. Stock Code	:	Bombay Stock Exchange Ltd. Scrip Code 500346

F. Market Price Data (BSE)

Month	High Price (Rs.)	Low Price (Rs.)
April, 2005	43.40	33.00
May, 2005	54.40	36.60
June, 2005	58.70	41.55
July, 2005	61.00	47.50
August, 2005	76.00	44.00
September, 2005	87.90	62.60
October, 2005	74.80	49.35
November, 2005	57.75	51.10
December, 2005	54.50	44.55
January, 2006	52.40	44.50
February, 2006	46.00	39.25
March, 2006	41.20	34.55

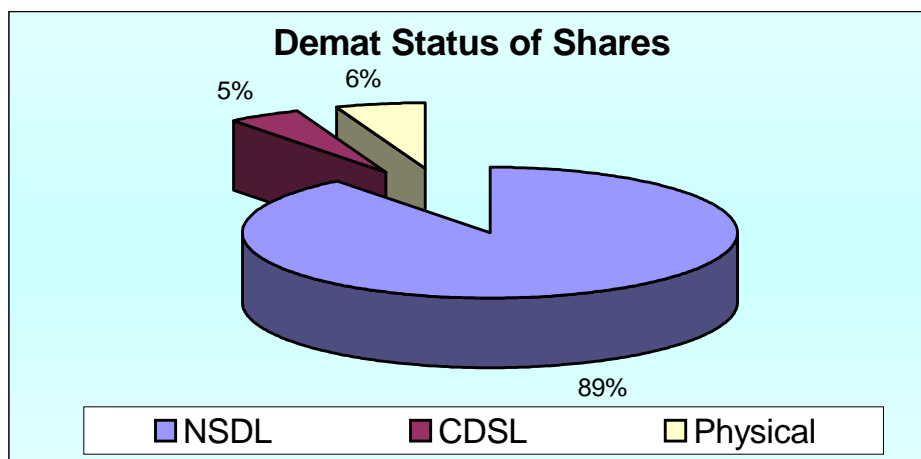
Graph showing Stock Performance of Puncom on BSE vis a vis BSE Sensex during the year 2005-06:



G. Dematerialization of Shares and Liquidity

Details of paid up capital of the Company as on June 30, 2006 is as under:

Depository	No. of Shares	Percentage
NSDL	10765459	89.53
CDSL	541620	4.50
Physical	717186	5.97
Total	12024265	100



H. Registrar and Share Transfer Agents (Both for Physical & Dematerialised categories)

Alankit Assignments Limited
 DP & RTA,
 Alankit House
 2B/21, Jhandewalan Extension,
 New Delhi - 110055.

I. Share Transfer System

For expeditious processing of share transfers, the Board of Directors of the Company has delegated the power of share transfer to Share Transfer Committee. The shares for transfers received in physical mode by the company are considered/approved by the committee at regular intervals and transferred promptly.

J. Details of Investors complaints received during 2005-06 are as follows:

S. No.	Nature of complaint	Received	Disposed	Pending
1.	Non receipt of Dividend Warrant	1	1	NIL
2.	Non receipt of Share Certificates after transfer	7	7	NIL
3.	Others	28	28	NIL

It is Company's endeavour to redress all complaints properly. All complaints/correspondence are usually dealt within 10 days and are completely resolved except in cases where litigation is involved.

Details of share transfers in physical form lodged for transfer during 2005-06 are as follows:

Lodged for transfer	Transferred and returned	Pending
323 (39697 Shares)	323 (39697 Shares)	NIL (NIL)

Shares lodged for transfer are processed within 30 days and returned except in cases where litigation is involved.

K. Distribution of Shareholding as on Quarter Ending 30th June, 2006

(l) (a) Statement showing Shareholding Pattern

Category code	Category of Shareholder	No of shareholders	Total number of shares	Number of shares held in Dematerialised form	Total shareholding as a percentage of total number of shares	
					As a %age of (A+B) ¹	As a %age of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group ²	-	-	-	-	-
(1)	Indian	-	-	-	-	-
(a)	Individuals/Hindu Undivided Family	-	-	-	-	-
(b)	Central Government/ State Government(s)	02	8562401	8551501	71.210	71.210
(c)	Bodies Corporate	-	-	-	-	-
(d)	Financial Institutions/Banks	-	-	-	-	-
(e)	Any Other (specify)	-	-	-	-	-
	Sub-Total(A)(1)	02	8562401	8551501	71.210	71.210
(2)	Foreign					
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-
(c)	Institutions	-	-	-	-	-
(d)	Any Other (specify)	-	-	-	-	-
	Sub-Total (A)(2)	NIL	NIL	NIL	NIL	NIL
	Total Shareholding of Promoter and Promoter Group (A) = (A) (1) + (A) (2)	02	8562401	8551501	71.210	71.210
(B)	Public shareholding³					
(1)	Institutions					
(a)	Mutual Funds/UTI	07	3600	-	0.030	0.030
(b)	Financial Institutions / Banks	12	80366	79566	0.668	0.668
(c)	Central Government/ State Government(s)	01	9475	9475	0.079	0.079
(d)	Venture Capital Funds	-	-	-	-	-
(e)	Insurance Companies	01	5800	5800	0.048	0.048
(f)	Foreign Institutional Investors	-	-	-	-	-
(g)	Foreign Venture Capital Investors	-	-	-	-	-
(h)	Any Other (specify)	-	-	-	-	-
	Sub-Total (B) (1)	21	99241	94841	0.825	0.825

(2)	Non-institutions					
(a)	Bodies Corporate	470	285565	252833	2.375	2.375
(b)	Individuals –					
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	17084	2893681	2224727	24.065	24.065
	ii. Individual shareholders holding nominal share capital in excess of Rs.1 lakh.	3	169283	169283	1.408	1.408
(c)	Any Other (specify)					
	i) NRIs/OCBs	34	13675	13475	0.114	0.114
	ii) Lying in Escrow A/c – Buy Back with Karvy Consultant Ltd	01	419	419	0.003	0.003
	Sub-Total (B)(2)	17592	3362623	2660737	27.965	27.965
	Total Public Shareholding (B)= (B)(1)+(B)(2)	17613	3461864	2755578	28.790	28.790
	TOTAL (A)+(B)	17615	12024265	11307079	100	100
(C)	Shares held by Custodians and against which Depository Receipts have been issued	NIL	NIL	NIL	NIL	NIL
	GRAND TOTAL (A)+(B)+(C)	17615	12024265	11307079	100	100

(I)(b) Statement showing Shareholding of persons belonging to the category “Promoter and Promoter Group”

Sr. No.	Name of shareholder(s)	Number of shares	Shares as a percentage of total number of Shares (i.e Grand Total (A)+(B)+(C) indicated in Statement at para (I) (a) above)
1.	Punjab Information & Comm. Tech. Corp. Ltd.	8551501	71.119
2.	Punjab State Electronics Dev. & Pro. Corp. Ltd.	10900	0.091
	TOTAL	8562401	71.210

(I)(c) Statement showing Shareholding of persons belonging to the category “Public” and holding more than 1% of the total number of shares

Sr. No.	Name of shareholder(s)	Number of shares	Shares as a percentage of total number of Shares (i.e Grand Total (A)+(B)+(C) indicated in Statement at para (I) (a) above)
1.	NIL	NIL	NIL
	TOTAL	NIL	NIL

¹ For determining public shareholding for the purpose of Clause 40A.

² For definitions of “Promoter” and “Promoter Group”, refer to Clause 40A.

³ For definitions of “Public Shareholding”, refer to Clause 40A.

(I)(d) Statement showing details of locked-in shares

Sr. No.	Name of shareholder(s)	Number of locked-in shares	Locked-in shares as a %age of total number of shares (i.e Grand Total (A)+(B)+(C) indicated in Statement at para (I) (a) above)
1.	NIL	NIL	NIL
	TOTAL	NIL	NIL

(II)(a) Statement showing details of Depository Receipts (DRs)

Sr. No.	Type of Outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of outstanding DRs	Number of shares underlying Outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares (i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above)
1.	NIL	NIL	NIL	NIL
	TOTAL	NIL	NIL	NIL

(II)(b) Statement showing Holding of Depository Receipts (DRs), where underlying shares are in excess of 1% of the total number of shares

Sr. No.	Name of the DR Holder	Type of Outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of shares underlying Outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares (i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above)
1.	NIL	NIL	NIL	NIL
	TOTAL	NIL	NIL	NIL

Note:-

There is a net difference of 700 shares (Excess Credit) which represent (I) 1400 shares towards excess credit given by the Company, which was given inadvertently by our erstwhile STA (II) Deficit credit of 400 shares on account of shares which have been dematted by the Company but credit could not be given to the respective shareholders due to some technical reason. (III) Deficit credit of 300 shares which is unreconciled.

L. Outstanding GDRs/ADRs or any Convertible instruments

The company has not issued any GDRs/ADRs or any Convertible instruments.

M. Puncom's Building Locations

B-91, B-93 & A-39
C-134 & C-135 (Given on Lease)
Phase-VIII, Industrial Area,
S.A.S. NAGAR (Mohali)
160 071 - PUNJAB.

N. Name, Designation and Address of the Compliance Officer/ Address for Correspondence

Sh. Madhur Bain Singh
Company Secretary
B-91, Phase VIII,
Industrial Area, S.A.S. Nagar,
Mohali – 160 071
Phone : +91-0172-2237142.
Fax : +91-0172-2237125/3046919
Email : tbd@puncom.com

AUDITORS' REPORT

To

The Shareholders,
Punjab Communications Limited.

1. We have audited the attached Balance Sheet of Punjab Communications Limited, as at 31st March 2006 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) Subject to our observation as in para vi below, we are of the opinion that the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) ***In the absence of the written representations from the directors, as on 31st March, 2006 we are unable to report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.***
 - (vi)
 - a) ***Attention is invited to Note No. 14 of schedule 23 in respect of realisation of investment of Rs. 700 lacs in UP Co-operative Spinning Mills Federation Ltd., and interest of Rs. 293.44 lacs in addition to the future interest of Rs. 826.25 lacs upto 12.07.2005 consequent to the ex-parte decree awarded by Court against the UP State Government which is pending for execution before the lower court. In the opinion of the management, there being contingency in realisation of interest in the near future, the interest accrued for the year amounting to Rs. 87.62 lacs (accrued till the date of deposit i.e. 12.07.2005 of Rs. 735.63 lacs by the UP Government) has not been recognized as income during the year.***
 - b) ***Reference is invited to Note No. 12 of schedule 23 regarding revenue recognition of Rs. 29.66 lacs in respect of sales for which risk and ownership has remained with the company which is in contravention of Accounting Standard on revenue recognition AS-9 issued by The Institute of Chartered Accountants of India.***
 - c) ***Accounting of certain income and expenditure on cash basis. Impact on revenue not ascertained (refer accounting policy 1(b) of Schedule 22).***

Subject to the above, we are of the opinion that to the best of our information and according to the explanations given to us, the said accounts, read together with 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 affairs of the Company as at 31st March, 2006; and
- b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.
- c) In the case of the Cash Flow Statement of the cash flows for the year ended on that date.

Place : S.A.S. NAGAR
Date : June 29, 2006

CA ASHISH CHHABRA
N.KUMAR CHHABRA & CO.
CHARTERED ACCOUNTANTS

ANNEXURE TO AUDITORS' REPORT

(As referred to in paragraph 3 of our report of even date)

1. a) The company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
 - b) These fixed assets have been physically verified by the management at the end of the year considering the size of the company and nature of assets. No material discrepancies have been noticed on such verification.
 - c) No disposal of a substantial part of fixed assets of the company has taken place during the year and therefore do not effect the going concept.
2. a) As explained to us, the inventories were physically verified by the management at the end of the year.
 - b) In our opinion and according to information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) In our opinion and according to information and explanation given to us, the company has maintained proper records of its inventories and the discrepancies noticed on such physical verification between physical stock and book records were not material and have been adequately dealt with in the books of account.
3. The company has not neither granted nor taken unsecured loans, from any company listed in the register required to be maintained under section 301 of the Companies Act, 1956.
4. The company has adequate internal control procedures commensurate with the size and nature of its business with regard to purchase of stores, raw material including components, plant & machinery, equipment and other assets and for sale of goods. We have not come across any major weakness in internal control.
5. There are no transactions, which need to be entered into register maintained under section 301 of the Act.
6. The company has not accepted any deposits from the public.
7. ***The company has appointed a firm of Chartered Accountants to carry out internal audit function. In our opinion, the internal audit system needs to be strengthened to commensurate with the size of the company and the nature of its business.***
8. We have been informed that the Central Government has not prescribed for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, in respect of any of the products of the company.
9. According to the records of the company, it is regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other statutory dues with appropriate authorities. According to the information and explanation given to us there are no undisputed amounts payable in respect of such statutory dues, which have remained outstanding as at 31st March 2006 for a period of more than six months from the day they became payable.
10. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, sales tax and custom duty which were outstanding as at 31st March 2006 for a period more than six months from the date they become payable.
11. ***According to the information and explanations given to us the excise duty demand including penalty and interest aggregating to Rs. 225.31 lacs (net of pre deposit) is disputed and we have been informed by the company that appeal is pending before the Central Excise Tribunal.***
12. The company has no accumulated losses; it has incurred cash loss in the current financial year.
13. The company has not taken any loan from any financial institution or bank.

14. The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
15. The provision of any special statute applicable to Chit fund, Nidhi or mutual benefit fund, society are not applicable to the company.
16. The company is not dealing or trading in shares, securities, debentures or other investments and hence, requirements of paragraph 4(XIV) are not applicable to the company.
17. According to information and explanation given to us, the company has not given any guarantee in respect of loan availed by its subsidiary company.
18. The company has not taken any term loan during the year.
19. According to the cash flow statement and other record examined by us and on the basis of information and explanation given to us, on overall basis, funds raised on short term basis have, prima facie, not being used during the year for long term investment and vice versa.
20. During the year, the company has not issued and allotted any shares.
21. The company has not issued any debentures during the year.
22. The company during the year has not raised any money through public issue of shares.
23. Based upon the audit procedure performed and information and explanations given by the management, we report the no fraud on or by the company has been noticed or reported during the course of our audit.

Place : S.A.S. NAGAR
Date : June 29, 2006

**CA ASHISH CHHABRA
N.KUMAR CHHABRA & CO.
CHARTERED ACCOUNTANTS**

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF PUNJAB COMMUNICATIONS LIMITED, S.A.S. NAGAR (MOHALI) FOR THE YEAR ENDED 31ST MARCH, 2006.

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' report under section 619(4) of the Companies Act, 1956 on the accounts of Punjab Communications Limited, SAS Nagar (Mohali) for the year ended 31st March 2006.

Place : Chandigarh
Dated : July 28, 2006

Pr. Accountant General (Audit)
Punjab & U.T., Chandigarh

REVIEW OF ACCOUNTS ON THE ACCOUNTS OF PUNJAB COMMUNICATIONS LIMITED, SAS NAGAR (MOHALI), FOR THE YEAR ENDED 31ST MARCH, 2006 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA.

Note: Review of accounts has been prepared without taking into account qualifications contained in the Statutory Auditors Report.

1. FINANCIAL POSITION

The table below summarises the financial position of the company under broad headings for three years up to 2005-2006.

	2003-2004	2004-2005	2005-2006
	(Rupees in lakh)		
Liabilities			
a) Paid-up Capital			
i) Holding Company	1125.49	856.38	855.15
ii) Others	480.09	348.42	349.65
b) Reserves and Surplus			
i) Free reserves	4897.98	3540.93	2926.56
ii) Share premium account	10115.32	7309.81	7309.81
iii) Capital reserves	4.19	3.62	3.19
c) Borrowings			
i) From Govt. of Punjab	-	-	-
ii) From Financial Institutions	-	-	-
iii) Foreign currency loan	-	-	-
iv) Cash Credit	162.95	50.15	52.31
v) Others	1436.36	246.87	245.35
vi) Interest accrued & due-	-	-	-
d) i) Current Liabilities & Provisions	1478.93	3553.41	3068.84
ii) Provisions for gratuity	-	-	-
e) Deferred Tax liabilities	88.88	85.45	61.20
Total	19790.18	15995.04	14872.06
Assets			
f) Gross Block	5311.83	5207.22	5213.93
g) Less: Depreciation	3995.13	4066.15	4189.69
h) Net Block	1316.70	1141.07	1024.24
i) Capital Work-in-progress (Pre-Operation expenditure)	4.94	4.94	4.94
j) Investments	851.26	851.26	851.26
k) Current assets, loans and advances	16856.49	13482.80	12722.47
l) Deferred tax assets	-	-	-
m) Miscellaneous Expenditure not written off	760.79	514.97	269.15
n) Accumulated loss	-	-	-
Total	19790.18	15995.04	14872.06

o) Working Capital (k-d(i) – c(vi))	15377.56	9929.39	9653.63
p) Capital Employed (h+o)	16694.26	11070.46	10677.87
q) Net Worth (a+b-m-n)	15862.27	11544.19	11175.21
r) Net worth (per rupee of paid up capital)	9.88	9.58	9.28

2. RATIO ANALYSIS

	2003-2004	2004-2005	2005-2006
	(Percentage)		
A) Liquidity Ratio Current ratio $k/[d(i)+c(vi)]$	1139.78	379.43	414.57
B) Debt equity ratio (c(i) to (v) excluding short term loan)/a	99.61	24.65	24.71
C) Profitability Ratio			
a) profit before tax to			
i) Capital employed	1.05	-	-
ii) Net worth	1.10	-	-
iii) Sales	4.27	-	-
b) Profit after tax to equity	11.04	-	-
c) Earning per share (in Rs.)	1.11	-	-

3. WORKING RESULTS

The working results of the Company for the last three years ended 31st March 2006 are calculated below:

	2003-2004	2004-2005	2005-2006
	(Rupees in lakh)		
Profit(+)/Loss(-) as per accounts	192.40	(-) 945.45	(-) 633.10
Deduct prior period adjustments	-	-	-
Shown above in line			
i) Profit in the year	192.40	(-) 945.45	(-) 633.10
ii) Add prior period adjustment shown below in the line	(-)17.10	(-)14.23	2.98
iii) Profit before tax	175.30	(-) 959.68	(-) 630.12
iv) Provision for tax	-	-	-
v) Add Transferred from Deferred Tax liability	(-)1.91	3.43	(+) 15.75
vi) Profit after tax	173.39	(-) 956.25	(-) 614.37

4. COST TRENDS

The table below indicates the percentage to cost of turnover to turnover during the three years upto 2005-2006:

	2003-2004	2004-2005	2005-2006
	(Rupees in lakh)		
i) Turnover/sales (including business & services)	4106.49	4124.40	6132.89
ii) Less: profit before tax	175.30	(-) 959.68	(-) 630.12
iii) Cost of turnover (including business & service)	3931.19	5084.08	6763.01
iv) Percentage of cost of turnover to Turnover	95.73	123.27	110.27

5. PRODUCTION PERFORMANCE

The value of production during the three years upto 2005-2006 worked out as under:

	2003-2004	2004-2005	2005-2006 (Rupees in lakh)
1. Sales of goods	4106.49	4124.40	6132.89
2. Add. Closing Stock of finished goods and work in process	662.20	749.70	522.68
3. Less: Opening Stock of finished Sub-assemblies and work in-progress	819.09	662.20	749.70
4. Value of Production	3949.60	4211.90	5905.87

6. INVENTORY AND PRODUCTION

The following table indicates the comparative position and break-up of inventory at the close of the three years upto 2005-2006:-

	2003-2004	2004-2005	2005-2006 (Rupees in lakh)
1. Raw materials and components	974.71	1193.26	757.63
2. Stores and spares including sundry stocks	12.46	12.78	12.97
3. Work in- progress	27.90	136.27	83.66
4. Work in process at site	34.91	24.50	2.81
5. Finished sub-assemblies	599.39	588.93	436.20

Closing stock of Inventory of raw material represented 5.42 months consumption in 2003-2004, 4.28 months consumption in 2004-05 and 1.92 months consumption in 2005-06.

7. SUNDRY DEBTORS AND TURNOVER

The following table indicates the volume of book debts and sales for the three years upto 2005-2006.

As on	Book debts		Total	Sales incl. Hiring & services	Percentage of debts to sales
	Considered Good	Considered Doubtful			
(Rupees in lakh)					
31.3.2004	2971.79	59.97	3031.76	4106.49	73.83
31.3.2005	3666.53	93.61	3760.14	4124.40	91.17
31.3.2006	4273.14	109.59	4382.73	6132.89	71.46

The sundry debtors represented 8.86 months sale in 2003-2004, 10.94 months sale in 2004-05 and 8.58 months sale in 2005-06.

Place : CHANDIGARH
Date : July 28, 2006

Principal Accountant General (Audit)
Punjab & U.T., Chandigarh

BALANCE SHEET AS 31ST MARCH, 2006

PARTICULARS	SCHEDULE	AS AT	
		31ST MARCH, 2006 AMOUNT (RS.)	31ST MARCH, 2005 AMOUNT (RS.)
I. SOURCES OF FUNDS			
a) Shareholder's Funds			
Share Capital	1	120479788.00	120479788.00
Reserves and Surplus	2	<u>1023957464.53</u>	<u>1085436666.60</u>
		1144437252.53	1205916454.60
b) Loan Funds			
Secured Loans	3	29765392.12	29702221.98
c) Deferred Tax Liability		<u>6119693.00</u>	<u>8544874.00</u>
TOTAL		<u>1180322337.65</u>	<u>1244163550.58</u>
II. APPLICATION OF FUNDS			
a) Fixed Assets	4		
i) Gross Block		521392982.56	520721984.12
ii) Less: Depreciation		<u>418969137.41</u>	<u>406615091.91</u>
iii) Net Block		102423845.15	114106892.21
iv) Capital Work in Progress		<u>493768.00</u>	<u>493768.00</u>
		102917613.15	114600660.21
b) Investments	5	85126175.00	85126175.00
c) Current Assets, Loans & Advances			
Inventories	6	134375483.04	300034704.04
Sundry Debtors	7	427313873.65	366653454.16
Cash & Bank balances	8	639316386.59	629693654.14
Other Current Assets	9	4183917.67	3269328.04
Loans and Advances	10	<u>67057442.15</u>	<u>48629025.18</u>
		1272247103.10	1348280165.56
Less: Current Liabilities & Provisions			
Liabilities	11	<u>306883846.80</u>	<u>355340704.40</u>
Net Current Assets		965363256.29	992939461.16
d) Miscellaneous Expenditure	12	26915293.21	51497254.21
(to the extent not written off or adjusted)			
TOTAL		<u>1180322337.65</u>	<u>1244163550.58</u>
Significant Accounting Policies	22		
Notes on Accounts	23		

Schedule 1 to 12, 22 and 23 referred to above form an integral part of the Balance Sheet.

In terms of our separate report of even date attached

CA ASHISH CHHABRA
N.KUMAR CHHABRA & CO.
CHARTERED ACCOUNTANTS
M. No. 507083

(S.P. SINGH)
Managing Director

R.K. NANGIA
Director

(R.S. CHAWLA)
Head - Finance

(MADHUR BAIN SINGH)
Company Secretary

(G.S. SAINI)
D.G.M. (Accounts)

Place : S.A.S. NAGAR (MOHALI)
Date : June 29, 2006

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

PARTICULARS	SCHEDULE	AS AT	
		31ST MARCH, 2006 AMOUNT (RS.)	31ST MARCH, 2005 AMOUNT (RS.)
I. EARNED FROM			
Turnover (Gross)		613288671.30	412439814.11
Less:-Excise duty		45220923.30	28363879.07
Turnover (Net)		568067748.00	384075935.04
Increase (+)/Decrease(-) in Stocks	13	-18507103.00	10849227.00
Other Income	14	63126161.54	63061225.28
		<u>612686806.54</u>	<u>457986387.32</u>
II PAID AND PROVIDED FOR			
Consumption of Raw Materials	15	473004542.72	334139251.48
Manufacturing Expenses	16	16599699.64	10835739.18
Administration and Other Expenses	17	20183929.55	23856641.94
Personnel Costs	18	116288908.60	118342146.75
Selling and Distribution Costs	19	14158054.39	21571506.46
Financial Charges	20	5443520.91	5337536.94
Amount Written off	21	3674603.90	4384439.39
Provision for Obsolete & Slow Moving Stocks		8103636.00	10488764.00
Provision for Doubtful Debts and Advances		1597851.00	3837287.00
Provision for Excise Demand		1100000.00	1080000.00
Depreciation	4	15842261.51	18658316.44
		<u>675997008.22</u>	<u>552531629.58</u>
Profit/Loss(-) from operations		<u>-63310201.68</u>	<u>-94545242.26</u>
III PROFIT/LOSS(-) BEFORE TAX		-63310201.68	-94545242.26
Less: Provision for Income Tax		0.00	0.00
Add : Provision for Fringe Benefit Tax		850000.00	0.00
Less :Deferred Tax Adjustment (DTL)		2425181.00	342886.00
		<u>-61735020.68</u>	<u>-94202356.26</u>
IV. PROFIT/LOSS(-) AVAILABLE FOR APPROPRIATIONS			
Opening Balance		500000.00	500000.00
Earned during the year		-61735020.68	-94202356.26
Less(-)/Add Prior Period adjustment(Net)		298403.61	-1423253.66
		<u>-60936617.07</u>	<u>-95125609.92</u>
V. APPROPRIATIONS			
Proposed Dividend		0.00	0.00
Corporate Dividend Tax thereon		0.00	0.00
Transferred to General Reserve		-60936617.07	-95625609.92
Balance carried forward to Balance Sheet		0.00	500000.00
		<u>-60936617.07</u>	<u>-95125609.92</u>
VI Basic /Diluted Earning per share		-5.12	-7.82
(Numerator and nominal value of shares as per Schedule 1 to the Balance Sheet)			
Significant Accounting Policies	22		
Notes on Accounts	23		

Schedule 4 and 13 to 23 referred to above form an integral part of the Balance Sheet.

In terms of our separate report of even date attached

CA ASHISH CHHABRA
N.KUMAR CHHABRA & CO.
CHARTERED ACCOUNTANTS
M. No. 507083

(S.P. SINGH)
Managing Director

R.K. NANGIA
Director

(R.S. CHAWLA)
Head - Finance

(MADHUR BAIN SINGH)
Company Secretary

(G.S. SAINI)
D.G.M. (Accounts)

Place : S.A.S. NAGAR (MOHALI)

Date : June 29, 2006

**SCHEDULES TO AND FORMING PART OF BALANCE SHEET AS AT AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006**

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED		
1,98,00,000(1,98,00,000) Equity Shares of Rs. 10/- each	198000000.00	198000000.00
20,000(20,000) Redeemable Pref. Shares of Rs. 100/- each	2000000.00	2000000.00
	<u>200000000.00</u>	<u>200000000.00</u>
ISSUED AND SUBSCRIBED		
12023565(12023565) Equity Shares of Rs. 10/- each *\$	120235650.00	120235650.00
Share Forfeiture account	244138.00	244138.00
	<u>120479788.00</u>	<u>120479788.00</u>
* Includes 1,11,01,050 (1,11,01,050) Equity Shares of Rs. 10/- each allotted as fully paid up Bonus Shares by utilisation of Rs.111010500 from General Reserve.		
\$ Includes 85,51,501 (85,63,801) Equity Shares of Rs.10/-each Fully paid up held by Holding Company (PICTCL) and its nominees.		
SCHEDULE 2 : RESERVES AND SURPLUS		
Capital Redemption Reserve	40078550.00	40078550.00
Share Premium	685043600.00	685043600.00
Share Forfeiture account (Share Premium)	5859312.00	5859312.00
General Reserve:		
Opening Balance	353593164.60	489297324.51
Less:-Transfer to Capital Redemption Reserve	0.00	40078550.00
Add:(+) /Less(-)Transferred from / To Profit & Loss Account	<u>-60936617.07</u>	<u>-95625609.92</u>
	292656547.53	353593164.60
Profit & Loss Account	0.00	500000.00
Deferred Govt. Grants (Subsidy)		
As per last Balance Sheet	362040.00	419058.00
Less:Transfer to Profit & Loss Account	<u>42585.00</u>	<u>57018.00</u>
	319455.00	362040.00
	<u>1023957464.53</u>	<u>1085436666.60</u>
SCHEDULE 3 : SECURED LOANS		
a) From Banks:-		
Cash Credit	5231154.88	5014959.17
Loan against FDR.s	6600563.00	5000000.00
b) From others:-		
Deferred Payment (Sales Tax)	17933674.24	19687262.81
	<u>29765392.12</u>	<u>29702221.98</u>

NOTES:

- a) Cash Credit from banks are secured against hypothecation of book debts and stocks consisting of Raw Material, Work in process, semi finished goods and finished goods, and also secured by way of second charge over company's fixed assets. The charges rank pari passu interse.
- b) Secured against Bank Guarantee of scheduled bank .

SCHEDULE 4 : FIXED ASSETS

DESCRIPTION OF FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 1.4.2005	ADDITIONS	SALE/TRF.	AS AT 31.3.2006	UPTO 1.4.2005	FOR THE YEAR	ADJUSTMENTS/ WRITTEN BACK	UPTO 31.3.2006	AS AT 31.3.2006	AS AT 31.3.2005
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
CAPTIVE ASSETS										
LAND (Freehold)	15240077.00	0.00	0.00	15240077.00*	1030172.45	0.00	0.00	1030172.45	14209904.55	14209904.55
BUILDING	68640128.66	0.00	0.00	68640128.66	44199732.85	2444039.62	0.00	46643772.47	21996356.19	24440395.81
PLANT & MACHINERY	374890781.92	3895190.20	2267589.96	376518382.16	308890672.76	11126819.61	2087530.11	317929962.26	58588419.90	66000109.16
TEMPORARY STRUCTURE	4021978.07	46552.93	0.00	4068531.00	4021978.07	46552.93	0.00	4068531.00	0.00	0.00
ELECTRICAL INSTALL.	26477727.33	0.00	2308.55	26475418.78	22232682.02	768331.84	2190.36	22998823.50	3476595.28	4245045.31
OFFICE EQUIPMENT	14159251.34	194133.00	188633.63	14164750.71	11396862.37	892377.85	181949.21	12107291.01	2057459.70	2762388.97
FURNITURE & FIXTURE	10725408.27	12225.00	0.00	10737633.27	10123883.91	121100.92	0.00	10244984.83	492648.44	601524.36
VEHICLES	6235489.91	479286.00	1497856.55	5216919.36	4422433.43	436800.11	1216546.33	3642687.21	1574232.15	1813056.48
OTHER ASSETS	331141.62	0.00	0.00	331141.62	296674.05	6238.63	0.00	302912.68	28228.94	34467.57
TOTAL	520721984.12	4627387.13	3956388.69	521392982.56	406615091.91	15842261.51	3488216.01	418969137.41	102423845.15	114106892.21
PREVIOUS YEAR FIGURES	531183187.70	2506933.59	12968137.17	520721984.12	399513126.64	18658316.44	11556351.17	406615091.91	114106892.21	131670061.06
CAPITAL WORK-IN PROGRESS (TOT FEES)									493768.00	493768.00

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
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SCHEDULE 5 : LONG TERM INVESTMENTS

(At cost adjusted for diminution in value)

UNQUOTED AND NON TRADE:-

U.P. CO-OPERATIVE SPINNING MILLS FEDERATION LTD.,*	85126173.00	85126173.00
14000 (14000) 14.90% (Taxable) Secured Redeemable UPCSMF Bonds fully guaranteed by the Govt of U.P. of Rs. 5000/- each fully paid up. (Cum Interest)		

WHOLLY OWNED SUBSIDIARY COMPANIES:-

A) PUNJAB DIGITAL INDUSTRIAL SYSTEMS LTD. 2,46,640 (2,46,640) Equity Shares of Rs.10/- each, fully paid up	2478744.00	2478744.00	
Less:- Provision for diminution in value	2478743.00	<u>2478743.00</u>	1.00
B) PCL TELECOM LTD. (196300(196300) Equity shares of Rs.10/- each fully paid up)	1.00	<u>1.00</u>	1.00
	85126175.00	<u>85126175.00</u>	

SCHEDULE 6 : INVENTORIES

INVENTORIES (As taken, valued, and certified by the management)

Stores & Spares	1296910.00		1278344.00
Raw material	143728912.00	181214943.00	
Less: Provision for obsolete & slow moving	67966238.96	<u>61889329.96</u>	
	75762673.04		119325613.04
Finished sub-assemblies	55925175.00	69171330.00	
Less: Provision for obsolete & slow moving	12305248.00	<u>10278521.00</u>	
	43619927.00		58892809.00
Work -in -process	8366378.00		13627326.00
Work -in -process at site	281539.00		2449759.00
Goods -in -transit	5048056.00		104460853.00
	134375483.04	<u>134375483.04</u>	<u>300034704.04</u>

SCHEDULE 7 : SUNDRY DEBTORS

SUNDRY DEBTORS (Unsecured)

Exceeding six months			
Considered good*	73906708.43		104703987.90
Considered doubtful	10959444.39		<u>9361593.39</u>
	84866152.82		114065581.29
Less:Provision for doubtful debts	10959444.39		<u>9361593.39</u>
	73906708.43		104703987.90
Other debts-considered good	353407165.22		261949466.26
	427313873.65	<u>427313873.65</u>	<u>366653454.16</u>

*Includes due from Subsidiary(PDISL) Rs. 455150.97 (Rs.17621154.97)

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE 8 : CASH & BANK BALANCES		
Cash in hand	936498.02	539397.97
Cheques in hand	<u>8037368.00</u>	<u>11825317.00</u>
Balance with scheduled banks:		
In Margin Money	19300194.24	18283625.16
In Fixed Deposits	598048000.25	594510789.22
In Cash Credit account	8415530.76	87943.15
In Current Accounts*	<u>4578795.32</u>	<u>4446581.64</u>
	<u>639316386.59</u>	<u>629693654.14</u>
*Including Rs 1442970.98 (Rs.1556331.54) towards unclaimed dividend.		
SCHEDULE 9 : OTHER CURRENT ASSETS		
Interest accrued but not due on FDR	<u>4183917.67</u>	<u>3269328.04</u>
	<u>4183917.67</u>	<u>3269328.04</u>
SCHEDULE 10 : LOANS & ADVANCES (UNSECURED & CONSIDERED GOOD UNLESS OTHERWISE STATED)		
Loans:		
Advances recoverable in cash or in kind or for value to be received:-		
Secured	1706565.10	2095581.10
Due from Holding Company (PICTCL)	1380.00	1380.00
Due from Subsidiary companies (PDISL)	13448327.62	12135538.22
Less:- Provision for doubtful advances	<u>10969495.06</u>	<u>10969495.06</u>
Security deposits	2605838.00	4013420.00
Claims Recoverable	67185.88	87873.97
Balance with Excise Department	1456725.54	4365254.54
Advance Income-tax for Previous year	26201973.28	12498987.15
Advance:- Income-tax /Fringe benefit tax	<u>14781919.19</u>	<u>12048196.13</u>
	<u>40983892.47</u>	<u>24547183.28</u>
Less:Provision for Fringe benefit tax	<u>850000.00</u>	<u>0.00</u>
	40133892.47	24547183.28
Other Advances:-		
Considered good	18607022.60	12352289.13
Doubtful	<u>970514.36</u>	<u>970514.36</u>
	<u>19577536.96</u>	<u>13322803.49</u>
Less:Provision	<u>970514.36</u>	<u>970514.36</u>
	<u>18607022.60</u>	<u>12352289.13</u>
	<u>67057442.15</u>	<u>48629025.18</u>
SCHEDULE 11 : CURRENT LIABILITIES & PROVISIONS		
LIABILITIES		
SUNDRY CREDITORS FOR GOODS & SERVICES		
i. Dues of Small scale Industries	183027.54	0.00
ii. Dues of other Creditors	159587045.30	208153062.74
Due to staff	1831508.58	3076420.97
Unclaimed dividend/buy-back(unreconciled)	1442970.98	1556331.54
Advance from customers	53602.00	639741.00
Other liabilities	<u>143785692.40</u>	<u>141915148.15</u>
	<u>306883846.80</u>	<u>355340704.40</u>
	<u>306883846.80</u>	<u>355340704.40</u>

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE 12 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
VRS Ex-Gratia	43441826.00	65162739.00
Less:- Written off	<u>21720913.00</u>	<u>21720913.00</u>
	21720913.00	43441826.00
Technical know how fees:-		
Opening Balance	8055428.21	10916476.21
Less:- Written off / Amortized	<u>2861048.00</u>	<u>2861048.00</u>
	5194380.21	8055428.21
	<u>26915293.21</u>	<u>51497254.21</u>
SCHEDULE 13 : INCREASE/DECREASE IN STOCKS		
a) OPENING STOCKS		
i) Work in process	13627326.00	2790437.00
ii) Finished sub-assemblies	<u>69171330.00</u>	<u>69158992.00</u>
	82798656.00	71949429.00
b) CLOSING STOCKS		
i) Work in process	8366378.00	13627326.00
ii) Finished sub-assemblies	<u>55925175.00</u>	<u>69171330.00</u>
	64291553.00	82798656.00
Decrease(-) / Increase (+) in stock (b-a)	<u>-18507103.00</u>	<u>10849227.00</u>
SCHEDULE 14 : OTHER INCOME*\$		
Interest on Margin Money and Fixed Deposits	40345411.93	41107843.74
Interest on Staff loans	119367.00	139449.00
Training Fees	3771555.00	2606250.00
Miscellaneous Receipts	2878229.58	3761291.00
Interest on Income Tax refund	0.00	1302968.00
Profit on sale of Fixed Assets	133146.03	24416.54
Rent Received	15835867.00	14061989.00
Capital Subsidy written back	<u>42585.00</u>	<u>57018.00</u>
	63126161.54	63061225.28
*Gross unless otherwise stated		
\$Income tax deducted at source Rs. 11509981/- (Rs. 8050093/-)		
SCHEDULE 15 : CONSUMPTION OF RAW MATERIALS		
Opening Stock	277907275.00	149930088.00
Add Purchases	<u>367653028.27</u>	<u>645560303.27</u>
Less: Modvat credit	27982016.99	488528283.48
Less: Input Tax credit (VAT)	<u>844831.56</u>	26411845.00
	616733454.72	612046526.48
Less: Closing Stock	<u>143728912.00</u>	<u>277907275.00</u>
Net consumption	473004542.72	334139251.48
SCHEDULE 16 : MANUFACTURING EXPENSES		
Stores & Spares	2523288.84	1300122.03
Power & Fuel	5966465.00	5699524.00
Freight	421109.20	401629.00
Installation charges	6587226.65	2936327.14
Miscellaneous Production expenses	<u>1101609.95</u>	<u>498137.01</u>
	16599699.64	10835739.18

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE 17 : ADMINISTRATION AND OTHER EXPENSES		
Travelling & conveyance (including for directors Rs.1296809/-(Rs.520641)*	7256338.39	8082847.77
Printing & Stationery	893717.91	1218676.93
Rent	408527.50	564940.50
Office electricity & Water	184529.87	176273.49
Postage, Telephone & Telex	1546871.43	1875732.98
Entertainment expenses	0.00	308.00
Insurance (net)	1175234.00	1198498.00
Rates & Taxes	551311.00	1387215.00
Directors sitting fee	78000.00	76000.00
Meeting expenses	45544.00	32536.00
Staff recruitment/training expenses	36351.50	14178.00
REPAIR & MAINTENANCE :-		
Building	49386.15	97310.50
Plant & Machinery	945751.14	875166.76
General maintenance	496821.66	566960.71
Vehicle running & maintenance	1071116.33	1399359.14
Membership fee and subscription	78560.50	139367.00
Internal audit fees & expenses	75000.00	75000.00
Auditors expenses:-		
Audit fee	110000.00	110000.00
Tax audit fees	40000.00	40000.00
Out of pocket	32500.00	31500.00
Certification & other services	80000.00	115840.00
Legal & professional fees	662376.00	916227.00
Buy Back of Shares Expenses	0.00	112023.00
Miscellaneous expenses**	4365992.17	4750681.16
	<u>20183929.55</u>	<u>23856641.94</u>
* Including Foreign Travelling		
** Including Share holders related expenses Rs.620882.16 (Rs.700452.70)		
SCHEDULE 18 : PERSONNEL COSTS		
Salary & Wages	78365933.70	77104539.70
Contribution towards provident and other funds	7139101.95	9281526.30
Bonus/ex-gratia	1966994.00	2105699.00
Gratuity	1390689.00	1824311.00
Superannuation	0.00	40000.00
Amortisation of VRS Ex-gratia	21720913.00	21720913.00
Staff Welfare expenses	5705276.95	6265157.75
	<u>116288908.60</u>	<u>118342146.75</u>
SCHEDULE 19 : SELLING AND DISTRIBUTION COSTS		
Advertisement and publicity	237414.48	178528.91
Sales promotion expenses	1306450.36	1812700.13
Freight outwards (net)/States Taxes	2165356.00	3674954.81
Royalty	2699062.00	3013590.00
Customers claims and recoveries	3613036.00	7859658.00
Discount	0.00	1081086.99
Packing & Forwarding expenses	4136735.55	3950987.62
	<u>14158054.39</u>	<u>21571506.46</u>
SCHEDULE 20 : FINANCIAL CHARGES		
INTEREST :-		
On deposits and loan against FDR's	281213.00	1004632.61
On cash credit	572548.66	319372.29
Bank charges,commission & Forward premia	4589759.25	4013532.04
	<u>5443520.91</u>	<u>5337536.94</u>
SCHEDULE 21 : AMOUNT WRITTEN OFF		
Loss on exchange fluctuations & Forward premia	0.00	72428.76
Shortage/short and excess recoveries(net)	627495.33	244528.12
Obsolete Assets written off	186060.57	1206434.51
Technical Know how fees/amortized	2861048.00	2861048.00
	<u>3674603.90</u>	<u>4384439.39</u>

SCHEDULE 22 : SIGNIFICANT ACCOUNTING POLICIES**I. Accounting conventions:**

- a) The accounts are prepared on historical cost basis and as a going concern. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.
- b) The Company generally follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis, except:-
 - i) Liability for taxes arising on completion of assessments are accounted for as and when raised.
 - ii) Refunds on account of octroi, excise duty, custom duty, income tax and insurance claims are accounted for on settlement.
 - iii) Customer claims, recoveries, liquidated damages and penal interest for delay in execution of the contracts are provided for as and when settled.
 - iv) Ex-gratia payments to employees are accounted for as and when incurred.
 - v) The claims for price escalation on sales are accounted for on settlement.
 - vi) Expenditure on warranty and guarantee of satisfactory performance of equipments is accounted for when incurred.
 - vii) Interest on calls in arrears are accounted for as and when realised from shareholders.

II. Fixed Assets and Depreciation:**i. Fixed Assets:**

Fixed assets are stated at cost of acquisition net of CENVAT credit, but inclusive of duties, taxes, freight, incidental expenses and erection / commissioning expenses.

ii. Depreciation :

- a) Depreciation on fixed assets is provided for on written Down Value (WDV) method as per Schedule XIV of the Companies Act, 1956 except for changes in historical cost of fixed assets on account of fluctuations in exchange rate of liabilities for acquisition of fixed assets which has been amortised over the residual useful life of respective assets.
- b) Depreciation also includes amount written off in respect of leasehold properties and assets over respective lease period.
- c) Calculation of depreciation on the additions during the year is done on pro-rata basis from the date of its receipt plus 10 days for installations.

III. Technical know-how fee:

Technical know-how fees are amortised / depreciated in accordance with the provisions of the mandatory accounting standard- AS 26 (Intangible Assets) issued by Institute of Chartered Accountants of India. w.e.f. 1st April 2003.

IV. Inventories:

- a) Inventories are valued at the lower of cost or estimated net realisable value. Inventories are valued according to FIFO method of valuation.
- b) Cost of Work in process includes cost of material plus direct labour.
- c) Cost of Finished sub assemblies includes cost of material plus overheads apportioned on the basis of actual stage of completion as at year end.
- d) Finished goods are valued at lower of cost or net realisable value.
- e) Goods received after the cut of date (for physical verification as at the year end) and goods for which the documents are retired are treated as goods in transit.
- f) Any Shortage/excess in Raw Material detected at the time of physical verification is included in consumption of goods.
- g) CENVAT on inputs is reduced from purchases; inventories are valued at net of CENVAT credit.

V. Sales

Sales are accounted for at the time of despatch and are inclusive of excise duty.

VI. Investments:

Long term investments are carried at cost less provision for permanent diminution in value of such investments. Current investments are carried at lower of cost and fair value.

VII. Transactions in Foreign currency

Current assets and liabilities in foreign currencies are recorded at the exchange rate prevailing at the time of transaction and converted at exchange rate prevailing at the year end. Resultant loss, if any, is charged to P&L account. Unrealised gains are not recognised.

VIII. Share issue Expenses.

Share issue expenses are written off over a period of 10 years.

IX. Retirement benefits

Gratuity, Superannuation and Leave encashment benefits payable to employees are covered under the Policies of Life Insurance Corporation of India.

X. Proposed Dividend

Dividend proposed, if any, by the board of directors is provided for in the accounts, pending approval at the Annual General meeting.

XI. Borrowing Costs

Borrowing Costs are treated in accordance with applicable Accounting Standards issued by Institute of Chartered Accountants of India.

SCHEDULE 23 : NOTES FORMING PART OF THE ACCOUNTS

(figures in brackets denote previous year figures)

- A.** (Rs. In Lacs)
- 1 Contingent liabilities not provided for in the accounts :-
- | | | |
|--|---------|-----------|
| a) Bank guarantees and Letter of credits * | 3102.26 | (1987.30) |
| b) Claims against company, not acknowledged as debts,
-by Excise & Custom authorities | 31.96 | (30.20) |
| - by other parties | 5.52 | (3.49) |
| c) Court cases | 247.45 | (229.72) |
| d) Sales Tax Penalty | 0.00 | (14.40) |
- *Includes expired guarantees for Rs.609.63 (1027.24) lacs against which neither any claims have been lodged nor reversed by issuing banks pending returning of original guarantee by beneficiary.
- 2 Estimated amount of contracts remaining to be executed on capital account Nil (Nil)
- 3 The payment made pursuant to voluntary retirement scheme was deferred over a period of 5 years. The current year expenditure of Rs. 217.21 lacs has been fully written off. The balance liability in respect of VRS amounting to Rs. 217.21 lacs will be written off in the next year.
- 4 In the opinion of the Board the current assets, Loans and advances are at least of the value stated, if realized in the ordinary course of the business. Adequate provision has been made for all known liabilities and is not in excess of the amount considered reasonably necessary.
- 5 Loans and Advances includes amount due from Directors at the year end Rs. 0.01 lacs (Nil) and officers (other than Directors) Rs Nil (Rs 0.02 lacs). Maximum amounts outstanding at any time during the year from Directors and Officers were Rs. 8.39 lacs (Rs.Nil) and Rs.0.03 lacs (Rs.0.13 lacs) respectively.
- 6 The element of current liability included in deferred payments secured loans is Rs.82.42 lacs (Rs.17.53 lacs).
- 7 The fully owned subsidiary Punjab Digital Industrial Systems Ltd (PDISL)., has discontinued its manufacturing activities. The company has taken control of its assets and liabilities. The investment Rs.24.79 lacs in PDISL has already been provided for and against the recoverable amount of Rs 134.48 lacs(Rs.121.35 lacs), the provision amounting to Rs.109.69 lacs (Rs. 109.69 lacs) is considered adequate.
- 8 The Board of Directors of the company in their 81st meeting dated 29.01.1997 decided to bear all statutory expenditure in respect of its subsidiary company namely PCL Telecom Ltd, which presently is under winding up process. The Administration and Other Expenses include Rs. 0.93 lacs towards the demand raised on PCL Telecom by Employees State Insurance Corporation and Rs. 0.27 lacs for winding-up and other expenses.
- 9 The company had sent balance confirmations to all the parties requesting them to confirm the balance with in 15 days failing which the balance will be presumed to be correct. The company has no other means of confirming the rest of the balance for which no response has been received except from presuming them as correct as per terms of the letter.
- 10 Adjustments relating to previous year(s) includes the following :

<u>PARTICULARS</u>	<u>AMOUNT (Rs. Lacs)</u>
Prior Period Income	
Miscellaneous Income	12.62
	<hr/>
	12.62
	<hr/>
Less-Prior Period Expenses	
Income Tax	0.87
Raw Material and other direct exp.	8.55
Other Audit Expenses	0.07
Financial & Other Expenses	0.15
	<hr/>
Net (Income-)/Expenses[+]	2.98
	<hr/>

- 11 Previous year figures have been re-grouped and re-arranged wherever required.
- 12 Sales includes goods despatched amounting to Rs. 29.66 lacs (Rs.176.59 lacs) in respect of which the customer has taken delivery in the next accounting year and acknowledged accordingly.
- 13 Dues of small scale Industries to whom the Company owe a sum exceeding Rs.1 lakh for more than 30 days is Nil (Nil).
- 14 The company had invested Rs 700 lacs in the Bonds of UP Co-operative Spinning Mills Ltd (UPCSMFL) duly guaranteed by the UP State Govt. for a tenure of 18 months due for redemption on 20.12.1999. The suit was filed for recovery of Rs 993.44 lacs (Principal of Rs 700 lacs and Interest of Rs 293.44 lacs including Rs. 151.26 lacs already recognised as income) upon the failure of UP State Government to honor the guarantee. The suit has been decided ex-parte in favour of the company on 31.01.2004, U.P State Government (Guarantor) has deposited Rs.735.63 lacs in the Civil Court, Lucknow in compliance of the orders of the Hon'ble Punjab and Haryana High Court, Chandigarh. The execution of the ex-parte decree is pending for execution before the lower Court. The Company has not recognized the accrued interest amounting to Rs.968.43 lacs up to 12.07.2005 including Rs. 87.62 lacs till the date of deposit of Rs. 735.63 lacs by the U.P. Govt., keeping in view the contingency in the realization of interest in near future, which is in conformity with the Accounting Standard on Revenue recognition AS-9 issued by The Institute of Chartered Accountant of India.
Further an amount of Rs. 735.63 lacs deposited with the Executing Court has been released to the Company (decree holder) on 24.04.2006.
- 15 The Company is primarily engaged in the business of telecom products and its spares. As the basic nature of these activities are governed by same set of risk and returns, the sales have been grouped as single segment in the accounts as per Accounting Standard 17 dealing with "Segment Reporting" issued by ICAI . Interest segment has been considered as separate segments for reporting as under:-

PARTICULARS		AMOUNT (Rs. LACS)	
SEGMENT	SEGMENT REVENUE	SEGMENT RESULTS	
a. Sales, Services & Other Income	5750	-1187	
b. Interest Income	403	403	
c. Rental Income	158	150	
TOTAL REVENUE	6311	-634	
SEGMENT	SEGMENT ASSETS	SEGMENT LIABILITIES	
a. Sales, Services & Others	8318	3366	
b. Interest Income	6215	Nil	
c. Rental Income	70	Nil	
TOTAL	14603	3366	

(Depreciation on segment a- Rs. 152.70 lacs (Rs.180.55 lacs), segment b - Rs. Nil (Rs. Nil),segment c Rs. 5.72 lacs (Rs. 6.03 lacs), total Rs. 158.42 lacs (Rs.186.58 lacs). Segment assets acquired for expected use during more than one period- Rs. 46.27 lacs (Rs.25.07 lacs) in respect of segment a, others segments-Rs. Nil. Total amount of non-cash expense, other than depreciation, included in segment expense pertains to amounts written off and the same has been shown separately in profit and loss account of the year and belongs entirely to segment (a) .

- 16 Outstandings/Payables to subsidiary have been separately disclosed in the respective schedules to the Balance Sheet.

- 17 The company has determined Deferred Tax Liability considering the Written Down Value of fixed assets as per Income Tax Act and as per schedule XIV of the Companies Act. The company has written back Rs. 24.25 lacs(Rs.3.42 lacs) during the year and balance Rs.61.20 lacs(Rs.85.45 lacs) shown as Deferred Tax Liability as at the year end.
- 18 The provision against excise demand Rs. 235.31 lacs (Rs. 224.31 lacs) consisting of excise duty Rs. 64.50 lacs (Rs. 64.50 lacs), penalty of Rs. 64.50 lacs (Rs. 64.50 lacs) and interest upto the year Rs. 106.30 lacs (Rs. 95.30 lacs) has been made consequent to the decision of Commissioner of Central Excise on withdrawal of the modvat credit relating to earlier years. The company is contesting the demand with the Central Excise Tribunal.
- 19 The company has provided for Rs.60.77 lacs (Rs.94.30 lacs) and Rs. 20.27 lacs (Rs.10.59 lacs) in respect of obsolete and slow moving inventories of Raw material and Finished Sub Assemblies respectively and Rs. 15.98 lacs (Rs. 38.37 lacs) in respect of doubtful debts and advances during the year. The provision made is considered adequate.
- 20 No provision for Minimum Alternate Tax has been made considering the losses and depreciation.
- 21 The estimated useful life of products in respect of Technical Knowhow fee(TOT) , was estimated at six years and accordingly amortized /written off on straight line basis. In respect of items transferred from fixed assets, the balance estimated life was taken as four years. The useful life has been reviewed at the year end and considered appropriate. The amount written off /Amortised as technical know how fee during the year includes impairment losses recognised/reversed to the tune of Rs. NIL (Nil) lacs. TOT & Amortisation details are as below:-

Technical know how fees:-	Amount in Rupees	
Opening Balance	15730674	(Nil)
Additions during the year	Nil	(15730674)
Gross amount	15730674	(15730674)
Less:- Written off / Amortized		
Upto Previous year	7675246	(4814198)
During the year	2861048	(2861048)
Retirement / Disposal	Nil	(Nil)

- 22 The company has been giving performance guarantees against the equipments supplied to various customers and has not incurred any material expenditure on replacement of any part or equipment except for expenditure on travelling of the service engineers which is accounted for as normal expenditure. Keeping in view the past pattern no provision or disclosure is considered as required under AS 29 issued by the Institute of Chartered Accountants of India, except contingent liabilities already disclosed at note number 1.
- 23 The company has provided for impairment of the assets in terms of AS 28 issued by the Institute of Chartered Accountants of India. During the current year, the company has written off Rs. 1.80 Lacs (Rs. 11.85 lacs) from plant & machinery and Rs. 0.07 Lacs (Rs. 0.21 lacs) from office equipments and the total amount of Rs. 1.86 lacs has been disclosed separately as obsolete assets written off under Schedule 21 to the Profit & Loss account. The entire amount of Rs. 1.86 lacs (Rs.12.06 lacs) pertains to segment A, as defined under note number 15.

Additional information/quantitative details pursuant to paragraphs 3 and 4 of part II Schedule VI of the Companies Act 1956.

B. REMUNERATION PAID TO DIRECTORS: (Rs.)

	CURRENT YEAR	PREVIOUS YEAR
a) Salaries	0	0
b) Perks	446000	65322
c) Contribution to funds & Provisions	0	0
d) Leave Encashment	0	0
e) Honorarium	48900	5880

C. QUANTITATIVE DATA

Particulars of Installed and Utilised Capacity :-

	CURRENT YEAR		PREVIOUS YEAR	
	Installed* Capacity	Actual Production	Installed* Capacity	Actual Production
1*. (a) DTL (CHNL.)		51		64
(b) PLCC (Systems)		292		256
(c) VMUX (Systems)		165		196
(d) OLTE/ OPTIMUX (Systems)		0		28
(e) SDH		336		0
2* . PBX/RAX/MAXL (Systems/Kits)		622		987
3*. UHF,MW, RADIO & VSAT / AVD		0		0

(* Installed capacity is not measurable as the resources, test instruments & machinery are common)

(Licensed capacity is not applicable)

	CURRENT YEAR		PREVIOUS YEAR	
	QTY.	VALUE (RS.)	QTY.	VALUE (RS.)
OPENING STOCK OF RAW MATERIAL*				
i) Electronics Raw Material and Components	10262776	128360516	6713472	105737351
ii) Mech. items	910403	10795542	902576	9725828
iii) Misc. items	**	138751217		34466909
		277907275		149930088
** Includes boughtout SDH items of different configuration at sites Rs. 9,66,92,332				
RAW MATERIAL PURCHASE*				
i) Electronics Raw Material and Components	11082775	153487394	12697972	144513606
ii) Assembly items	228077	436952	0	0
iii) Mech. items	301958	8572667	261087	15276039
iv) Misc. items		176329168		302326793
		338826181		462116438
RAW MATERIAL CONSUMED*				
i) Electronics Raw Material and Components	14789210	182306836	9148668	121890441
ii) Assembly items	228077	436952	0	0
iii) Mech. items	322131	10781219	253260	14206325
iv) Misc. items	0	279479536	0	198042485
		473004543		334139251
CLOSING STOCK OF RAW MATERIAL*				
i) Electronics Raw Material and Components	6556341	99541074	10262776	128360516
ii) Mech. items	890230	8586990	910403	10795542
iii) Misc. items		35600848		138751217
		143728912		277907275
OPENING STOCK OF FINISHED SUB ASSEMBLIES*				
i) Direct to Line (chls in Nos)	29	5006506	89	7365261
ii) PCM (Chl in Nos)	1932	5652293	2046	5388211
iii) Switching (Lines)	968	20087753	1496	15424061
iv) Others		38424778		40981459
		69171330		69158992
CLOSING STOCK OF FINISHED SUB ASSEMBLIES *				
i) Direct to Line (chls in Nos)	18	3130770	29	5006506
ii) PCM (Chl in Nos)	1908	4281729	1932	5652293
iii) Switching (Lines)	3752	11752763	968	20087753
iv) Others		36759913		38424778
		55925175		69171330
*Includes various items of different configuration.				

	CURRENT YEAR		PREVIOUS YEAR	
	QTY.	VALUE (RS.)	QTY.	VALUE (RS.)
SUMMARY OF SALES QUANTITATIVE*				
i) (a) DTL (Chl. in Nos)	51	3157949	64	2862114
(b) PLCC (Systems)	292	53870453	256	50030156
ii) (a) PCM & OTHER EQPTS.(Nos)		107037		491008
(b) VMUX (Systems)	165	24710894	196	28348326
(c) OLTE & DDF (Systems)	0	11690	28	1088360
iii) SDH,T.Mux(Sys) & Other Eqpts.	336	81386769		1696517
iv) Switching				
a) PABX (Sys)	14	2416921	7	2121315
b) RAX /SBM RAX/ANRAX (Kits)	451	16724277	689	25080704
c) MAX-L / XL(SYS/Kits)	157	140877239	291	97946932
v) UHF, MW & V SAT (Sys)		15146899		466953
vi) Others **		254572368		178068958
vii) Services Income		17186384		21014499
viii) Software Services		3119791		3223972
		613288671		412439814

* Includes various items of different configuration and spares

**Includes boughtout SDH and associated equipments of different configuration .

CIF VALUE OF IMPORTS DURING THE YEAR ENDED 31ST MARCH 2006	(Rs. in lacs)	(Rs. in lacs)
a) Raw Materials	1350.79	2568.10
b) Components & Spares	0.49	0.26
c) Capital Goods	0.00	0.70

D. CONSUMPTION OF RAW MATERIALS STORES AND SPARES

Raw Materials*				
(Imported)	56.79%	270071954	52.79%	177076685
(Indigenous)	43.21%	205455877	47.21%	158362688
	100%	475527831	100%	335439373

*includes amount written off

E. EXPENDITURE IN FOREIGN CURRENCY:

a) Travelling & Conveyance & Training Expenses	US\$ 15402 (Rs. 692712/-)	US\$ 22405 (Rs. 1019437/-)
b) Business Promotion	US\$ 112.15 (Rs.4955/-)	US\$ 2469 (Rs. 112167/-)

F. EARNING IN FOREIGN EXCHANGE

FOB Value of export during the year	Nil	Nil
In terms of our separate report of even date annexed		

CA ASHISH CHHABRA
N.KUMAR CHHABRA & CO.
CHARTERED ACCOUNTANTS
M. No. 507083

(S.P. SINGH)
Managing Director

(R.S. CHAWLA)
Head - Finance

(G.S. SAINI)
D.G.M. (Accounts)

R.K. NANGIA
Director

(MADHUR BAIN SINGH)
Company Secretary

Place : S.A.S. NAGAR (MOHALI)
Date : June 29, 2006

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,1956

	I	II
a) Name of Subsidiary	PUNJAB DIGITAL INDUSTRIAL SYSTEMS LTD.	PCL TELECOM LTD.
b) Financial year ending	31st March 2006	20th October 2005
c) Holding Company's Interest in Equity Capital	100%	100%
d) The net aggregate amount of subsidiary's profits or losses which concerns the members of the holding company and not dealt in with holding Company's accounts:-		
i) Total profit for the period ending 31st March, 2006	Accounts not finalized	NIL
ii) Total loss for the previous financial years since this Company became subsidiary	NIL	NIL
e) The holding company has taken a decision to take over the assets & liabilities of M/s Punjab Digital Industrial Systems Ltd (PDISL). A provision of Rs. 109.69 lacs towards expenses incurred by the company on their behalf and Rs.24.79 lacs being investment in PDISL has been kept in the accounts of holding company. Complete investment in PCL Telecom Ltd. (Subsidiary) and accumulated losses amounting to Rs. 40.65 lacs have been completely written-off in the accounts of holding company . Futher the company has been ordered to be wound up by the Hon'ble Punjab and Haryana High Court vide its order dated 20th October, 2005, Accordingly as per the direction of the Hon'ble Court all records has been handed over to the Official Liquidator attached to the Court.		

(S.P. SINGH)
Managing Director

R.K. NANGIA
Director

(R.S. CHAWLA)
Head - Finance

(MADHUR BAIN SINGH)
Company Secretary

(G.S. SAINI)
D.G.M. (Accounts)

Place : S.A.S. NAGAR (MOHALI)

Date : June 29, 2006

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

	Rs. In Lacs	
	2005-2006	2004-2005
A. CASH FLOW OPERATING ACTIVITIES		
PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	-633.10	-945.45
Adjustments for :-		
Depreciation	158.42	186.58
Other amount written off/amortisation	387.10	482.91
Investment income	-472.90	-476.96
Interest expenses	8.54	13.24
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>-551.94</u>	<u>-739.67</u>
Adjustments for :-		
Trade and other receivables	-680.28	-873.32
Inventories	1575.56	-1431.30
Trade payables	-484.57	2073.75
CASH GENERATED FROM OPERATIONS	<u>-141.23</u>	<u>-970.54</u>
Direct Taxes Paid	-164.37	84.00
CASH FLOW BEFORE EXTRAORDINARY ITEMS	<u>-305.60</u>	<u>-886.54</u>
Extraordinary items/Previous years	2.98	-14.23
NET CASH FROM OPERATING ACTIVITIES	<u>-302.62</u>	<u>-900.77</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:-		
Purchase of Fixed Assets	-46.27	-25.07
Sale of Fixed Assets	4.15	2.30
Advances to Subsidiary Company.	-13.13	47.33
Interest Income	462.00	473.62
NET CASH USED IN INVESTING ACTIVITIES	<u>406.75</u>	<u>498.18</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Buy back of Shares	0.00	-3607.07
Repayment of Long Term Borrowings	-17.54	-2.81
Short term borrowings (C.C. limits)	18.17	-1299.48
Interest Paid	-8.54	-13.24
Dividend Paid	0.00	0.00
NET CASH USED IN FINANCING ACTIVITIES	<u>-7.91</u>	<u>-4922.60</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>96.22</u>	<u>-5325.19</u>
Opening Balance of Cash and Cash equivalents	6296.94	11622.13
Closing Balance of Cash and Cash equivalents	6393.16	6296.94

for and on behalf of the Board

Place : S.A.S. Nagar (MOHALI)
Date: June 29, 2006

S.P. SINGH
MANAGING DIRECTOR

AUDITORS' CERTIFICATE

To,
The Board of Directors,
Punjab Communications Limited,
S.A.S. Nagar (Mohali)

We have examined the attached Cash Flow Statement of Punjab Communications Limited for the period ended 31st March, 2006. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with the Stock Exchanges and is based on and is in agreement with the corresponding profit and loss account and balance sheet of the Company covered by our report to the members of the Company.

Place : S.A.S. Nagar
Date : June 29, 2006

CA ASHISH CHHABRA
N.KUMAR CHHABRA & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF PUNJAB COMMUNICATIONS LIMITED AND ITS SUBSIDIARIES

We have examined the attached consolidated Balance Sheet of Punjab Communications Limited and its subsidiary as at 31st March 2006, the Consolidated Profit and Loss Account and the consolidated Cash flow for the year then ended.

These financial statements are the responsibility of the Punjab Communications Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. 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 whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs.110.66 lacs as at 31st March 2006 and total revenues of Rs.4.62 lacs for the year then ended. These financial statements have been audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Punjab Communications Limited and its subsidiary included in the consolidated financial statements.

Attention is invited :-

- 1 ***In the absence of othe wirtten representations from the directors, as on 31st March, 2006 we are unable to report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.***
- 2 (a) ***Attention is invited to Note No.5 of schedule 22 in respect of realisation of investment of Rs.700 lacs in UP Co-operative Spinning Mills Federation Ltd. and interest of Rs.293.44 lacs in addition to the future interest of Rs.826.25 lacs upto 12.07.2005 consequent to the ex-parte decree awarded by Court against the UP State Government which is pending for execution before the lower court. In the opinion of the management, there being contingency in realisation of the interest in the near future, the interest accrued for the year amounting to Rs.87.62 lacs (accrued till the date of deposit i.e. 12.07.2005 of Rs.735.63 lacs by the UP Government) has not been recognized as income during the year.***
 - (b) ***Reference is invited to Note No.4 of schedule 22 regarding revenue recognition of Rs.29.66 lacs in respect of sales for which risk and ownership has remained with the Company which is in contravention of Accounting Standard on revenue recognition AS-9 issued by The Institute of Chartered Accountants of India.***
 - (c) ***Accounting of certain income and expenditure on cash basis. Impact on revenue not ascertained (refer accounting policy 2(a) of Schedule 22).***
3. ***We draw the attention to Note 6 of Schedule 22 in consolidated financial statement. The subsidiary has laid off 29 employees under voluntary retirement scheme and 6 employees were retrenched out of the 41 employees of the Company during the year 2002-03. Also the company has sold out its building & its fixed assets during the year 2004-05. This raises doubt that the Company will be able to continue as going concern.***

On the basis of the information and explanation given to us and on the consideration of the separate audit report on the individual audited financial statements of Punjab Communications Limited and its aofresaid subsidiary, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- a. In the case of Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Punjab Communications Limited and its subsidiary as at 31st March 2006; and
- b. In the case of Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Punjab Communications Limited and its subsidiary for the year then ended.
- c. In the case of Consolidated cash flow statement of the consolidated cash flow of Punjab Communications Ltd. and its subsidiary for the year then ended.

Place : S.A.S. Nagar
Date : August 28, 2006

CA ASHISH CHHABRA
N.KUMAR CHHABRA & CO.
CHARTERED ACCOUNTANTS

**PUNJAB COMMUNICATIONS LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006**

PARTICULARS	SCHEDULE	AS AT	
		31ST MARCH, 2006 AMOUNT (RS.)	31ST MARCH, 2005 AMOUNT (RS.)
I. SOURCES OF FUNDS			
a) Shareholder's Funds			
Share Capital	1	120479788.00	120479788.00
Reserves and Surplus	2	<u>1035959604.21</u>	<u>1099811324.44</u>
		1156439392.21	1220291112.44
b) Loan Funds			
Secured Loans	3	29765392.12	29702221.98
Unsecured Loans	3	2643575.01	2643575.01
c) Deffered Tax Liability		6119693.00	8544874.00
TOTAL		<u>1194968052.34</u>	<u>1261181783.43</u>
II APPLICATION OF FUNDS			
a) Fixed Assets	4		
i) Gross Block		521406766.06	520735767.62
ii) Less:Depreciation		<u>418982920.91</u>	<u>406628875.41</u>
iii) Net Block		102423845.15	114106892.21
iv) Goodwill		87284.49	77487.63
iv) Capital Work in Progress		<u>493768.00</u>	<u>493768.00</u>
		103004897.64	114678147.84
b) Investments	5	93205226.11	92791308.78
c) Current Assets,Loans&Advances			
Inventories	6	135059670.20	300718891.20
Sundry Debtors	7	434283501.94	373758169.63
Cash & Bank balances	8	639855533.64	630156821.00
Other Current Assets	9	4183917.67	3269328.04
Loans and Advances	10	<u>66996422.17</u>	<u>49880794.60</u>
		1280379045.62	1357784004.47
Less:Current Liabilities&Provisions			
Liabilities	11	309673397.24	357842905.87
Provisions	11	<u>0.00</u>	<u>0.00</u>
Net Current Assets		970705648.38	999941098.60
d) Miscellaneous Expenditure	12	28052280.21	53771228.21
(to the extent not written off or adjusted)			
TOTAL		<u>1194968052.34</u>	<u>1261181783.43</u>
Significant Accounting Policies & Notes	22		

Schedule 1 to 12, and 22 referred to above form an integral part of the Consolidated Balance Sheet.

In terms of our separate report of even date attached

CA ASHISH CHHABRA
N.KUMAR CHHABRA & CO.
CHARTERED ACCOUNTANTS

(S.P. SINGH)
Managing Director

R.K. NANGIA
Director

(R.S. CHAWLA)
Head - Finance

(MADHUR BAIN SINGH)
Company Secretary

(G.S. SAINI)
D.G.M. (Accounts)

Place : S.A.S. NAGAR (MOHALI)
Date : August 28, 2006

PUNJAB COMMUNICATIONS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

PARTICULARS	SCHEDULE	YEAR ENDED 31ST MARCH, 2006 AMOUNT (RS.)	YEAR ENDED 31ST MARCH, 2005 AMOUNT (RS.)
I. EARNED FROM			
Turnover(Gross)		613288671.30	412854817.11
Less:- Excise Duty		45220922.42	28422748.19
Turnover(Net)		568067748.88	384432068.92
Increase (+)/Decrease(-) in Stocks	13	-18507103.00	10883510.00
Other Income	14	63588171.87	74659548.65
		613148817.75	469975127.57
II. PAID AND PROVIDED FOR			
Consumption of Raw Materials	15	473004542.72	334312921.58
Manufacturing Expenses	16	16599699.64	10835739.18
Administration and Other Expenses	17	20232837.55	24747454.87
Personnel Costs	18	118995702.49	120653209.71
Selling and Distribution Costs	19	14193711.39	21617354.46
Financial Charges	20	5481568.91	5354068.94
Amount Written off	21	3675402.08	4384439.39
Provision for Obsolete&Slow Moving Stocks		8103636.00	10488764.00
Provision for Doubtful Debts & Advances		1597851.00	3837287.00
Provision for Excise		1100000.00	1080000.00
Depreciation	4	15842261.51	18658316.44
		678827213.29	555969555.57
Profit from operations		-65678395.54	-85994428.00
III. PROFIT BEFORE TAX		-65678395.54	-85994428.00
Less: Income Tax		0.00	901387.00
Less:- Provision for Fringe Benefit Tax		855416.00	
Less : Deffered Tax Adjustment (DTL)		-2425181.00	-342886.00
		-64108630.54	-86552929.00
IV. PROFIT AVAILABLE FOR APPROPRIATIONS			
Opening Balance		500000.00	500000.00
Earned during the year		-64108630.54	-86552929.00
Less(-)/Add Prior Period adjustment(Net)		299495.31	-1423253.66
		-63309135.23	-87476182.66
V. APPROPRIATIONS			
Proposed Dividend		0.00	0.00
Income Tax of earlier year		0.00	0.00
Transferred to General Reserve		-63309135.23	-87976182.66
Balance carried forward to Balance Sheet		0.00	500000.00
		-63309135.23	-87476182.66
VI. Basic /Diluted Earning per share		-5.32	-7.18
(numerator and nominal value of shares as per Schedule 1 to the Balance Sheet)			
Significant Accounting Policies & Notes	22		

Schedule 4 and 13 to 22 referred to above form an integral part of the Consolidated Profit and Loss Account.

In terms of our separate report of even date attached

CA ASHISH CHHABRA
N.KUMAR CHHABRA & CO.
CHARTERED ACCOUNTANTS

(S.P. SINGH)
Managing Director

R.K. NANGIA
Director

(R.S. CHAWLA)
Head - Finance

(MADHUR BAIN SINGH)
Company Secretary

(G.S. SAINI)
D.G.M. (Accounts)

Place : S.A.S. NAGAR (MOHALI)
Date : August 28, 2006

**SCHEDULES TO AND FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT AND
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006**

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED		
1,98,00,000 EQUITY SHARES OF RS. 10/- EACH	198000000.00	198000000.00
20,000 REDEEMABLE PEF. SHARES OF RS. 100/- EACH	<u>2000000.00</u>	<u>2000000.00</u>
	200000000.00	200000000.00
ISSUED AND SUBSCRIBED		
12023565(12023565) EQUITY SHARES OF RS. 10/- EACH *\$	120235650.00	120235650.00
Share forfeiture account	<u>244138.00</u>	<u>244138.00</u>
	120479788.00	120479788.00
* Includes 1,11,01,050(1,11,01,050) Equity Shares of Rs. 10/- each allotted as fully paid up Bonus Shares by utilisation of Rs.111010500 from General Reserve		
\$Includes 85,51,501(85,63,801) Equity Shares of Rs.10/-each Fully paid up held by Holding Company (PICTCL) and its nominees.		
SCHEDULE 2 : RESERVES AND SURPLUS		
Capital Redemption Reserve	40078550.00	40078550.00
Share premium	685043600.00	685043600.00
Add Share Foreiture account (Share Premium)	5859312.00	5859312.00
General Reserve:		
Opening Balance	408046372.44	496022555.10
Add-Deferred Tax Adjustments (DTA)	0.00	0.00
Less:-Transfer to Capital Redemption Reserve	40078550.00	40078550.00
Add:(+) /Less(-)Transferred from / To Profit & Loss Account	<u>-63309135.23</u>	<u>-87976182.66</u>
	304658687.21	408046372.44
Profit & Loss Account	0.00	500000.00
Deferred Govt. Grants (Subsidy)		
As per last Balance Sheet	362040.00	419058.00
Less:Transfer to Profit & Loss Account	<u>42585.00</u>	<u>57018.00</u>
	319455.00	362040.00
	1035959604.21	1099811324.44
SCHEDULE 3 : LOANS		
A) SECURED LOAN *		
a) From Banks:-		
Cash Credit	5231154.88	5014959.17
Loan against FDR's	6600563.00	5000000.00
b) From others:-		
Deferred Payment (Sales Tax)	17933674.24	19687262.81
B) UNSECURED LOAN		
From Punjab State Electronics Development & Production Corp.Ltd,		
Interest free Loan	522683.80	522683.80
Long Term Loan	<u>2120891.21</u>	<u>2120891.21</u>
	32408967.13	32345796.99

NOTES:*

- a) Cash Credit from banks are secured by hypothecation of book debts and stocks consisting of Raw Material, Work in process, semi finished goods and finished goods, and also secured by way of second charge over company's fixed assets. The charges rank pari passu interse.
- b) Secured against Bank Guarantee of scheduled bank.

SCHEDULE 4 : FIXED ASSETS

DESCRIPTION OF FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 31.03.2005	ADDITIONS	SALE/TRF.	AS AT 31.03.2006	UPTO 01.04.2005	FOR THE YEAR	ADJUSTMENTS/ WRITTEN BACK	UPTO 31.03.2006	AS AT 31.03.2006	AS AT 31.03.2005
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
CAPTIVE ASSETS										
LAND (Freehold)	15240077.00	0.00	0.00	15240077.00	1030172.45	0.00	0.00	1030172.45	14209904.55	14209904.55
BUILDING	68640128.66	0.00	0.00	68640128.66	44199732.85	2444039.62	0.00	46643772.47	21996356.19	24440395.81
PLANT & MACHINERY	374890781.92	3895190.20	2267589.96	376518382.16	308890672.76	11126819.61	2087530.11	317929962.26	58588419.90	66000109.16
TEMPORARY STRUCTURE	4021978.07	46552.93	0.00	4068531.00	4021978.07	46552.93	0.00	4068531.00	0.00	0.00
ELECTRICAL INSTALL.	26477727.33	0.00	2308.55	26475418.78	22232682.02	768331.84	2190.36	22998823.50	3476595.28	4245045.31
OFFICE EQUIPMENT	14159251.34	194133.00	188633.63	14164750.71	11396862.37	892377.85	181949.21	12107291.01	2057459.70	2762388.97
FURNITURE & FIXTURE	10725408.27	12225.00	0.00	10737633.27	10123883.91	121100.92	0.00	10244984.83	492648.44	601524.36
VEHICLES	6235489.91	479286.00	1497856.55	5216919.36	4422433.43	436800.11	1216546.33	3642687.21	1574232.15	1813056.48
OTHER ASSETS	344925.12	0.00	0.00	344925.12	310457.55	6238.63	0.00	316696.18	28228.94	34467.57
TOTAL	520735767.62	4627387.13	3956388.69	521406766.06	406628875.41	15842261.51	3488216.01	418982920.91	102423845.15	114106892.21
PREVIOUS YEARS FIGURES	548210952.88	2506933.59	29982118.85	520735767.62	408057735.15	18658316.44	20087176.18	406628875.41	114106892.21	140153217.73
CAPITAL WORK-IN PROGRESS (TOT FEES)									493768.00	493768.00

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE 5 : LONG TERM INVESTMENTS		
(At cost adjusted for diminution in value)		
UNQUOTED AND NON TRADE:-		
U.P. CO-OPERATIVE SPINNING MILLS FEDERATION LTD.,* 14000 (14000) 14.90% (Taxable) Secured Redeemable UPCSMF Bonds fully guranteed by the Govt of U.P. of Rs. 5000/- each fully paid up. *(Cum Interest)	85126173.00	85126173.00
Investment in Capital Gain Bonds (Including Interest accrued but not due)	<u>8079053.11</u>	<u>7665135.78</u>
	<u>93205226.11</u>	<u>92791308.78</u>
SCHEDULE 6 : INVENTORIES		
INVENTORIES (As taken, valued, and certified by the management)		
Stores & Spares	1351211.15	1332645.15
Raw material	144103002.01	181589033.01
Less : Provision for obsolete & slow moving	<u>67966238.96</u>	<u>61889329.96</u>
	76136763.05	119699703.05
Finished sub - assemblies	56180971.00	69427126.00
Less : Provision for obsolete & slow moving	<u>12305248.00</u>	<u>10278521.00</u>
	43875723.00	59148605.00
Work -in -process	8366378.00	13627326.00
Work -in -process at site	281539.00	2449759.00
Goods -in -transit	5048056.00	104460853.00
	<u>135059670.20</u>	<u>300718891.20</u>
SCHEDULE 7 : SUNDRY DEBTORS		
SUNDRY DEBTORS (Unsecured)		
Exceeding six months		
Considered good	80876336.72	111808703.37
Considered doubtful	<u>13522155.39</u>	<u>11924304.39</u>
	94398492.11	123733007.76
Less:Provision for doubtful debts	<u>13522155.39</u>	<u>11924304.39</u>
	80876336.72	111808703.37
Other debts-considered good	<u>353407165.22</u>	<u>261949466.26</u>
	<u>434283501.94</u>	<u>373758169.63</u>
SCHEDULE 8 : CASH & BANK BALANCES		
Cash in hand	936595.60	541245.03
Cheques in hand	8037368.00	11825317.00
Balance with scheduled banks:		
In Margin Money	19632653.24	18597354.16
In Fixed Deposits	598048000.25	594510789.22
In Cash Credit account	8415530.76	87943.15
In Current Accounts *	<u>4785385.79</u>	<u>4594172.44</u>
	<u>639855533.64</u>	<u>630156821.00</u>

*Including 1442970.98(Rs 1556331.54) towards unclaimed dividend.

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE 9 : OTHER CURRENT ASSETS		
Intt. accrued but not due on FDR	<u>4183917.67</u>	<u>3269328.04</u>
	<u>4183917.67</u>	<u>3269328.04</u>
SCHEDULE 10 : LOANS & ADVANCES (UNSECURED & CONSIDERED GOOD UNLESS OTHERWISE STATED)		
Loans:		
Advances recoverable in cash or in kind or for value to be received:-		
Secured	1706565.10	2095581.10
Due from Holding Company (PICTCL)	1380.00	1380.00
Security deposits	2637218.00	4044800.00
Claims Recoverable	67185.88	87873.97
Balance with Excise Department	1512353.41	4420882.41
Advance Income-tax for Previous year	26397914.28	12694928.15
Advance Income-tax	<u>14781919.19</u>	<u>12048196.13</u>
	<u>41179833.47</u>	<u>24743124.28</u>
Less : Provision for Fringe Benefit Tax	<u>850000.00</u>	0.00
	<u>40329833.47</u>	24743124.28
Other Advances:-		
Considered good	20741886.31	14487152.84
Doubtful	<u>970514.36</u>	<u>970514.36</u>
	<u>21712400.67</u>	15457667.20
Less:Provision	<u>970514.36</u>	<u>970514.36</u>
	<u>20741886.31</u>	14487152.84
	<u>66996422.17</u>	<u>49880794.60</u>
SCHEDULE 11 : CURRENT LIABILITIES & PROVISIONS		
LIABILITIES		
SUNDRY CREDITORS FOR GOODS & SERVICES		
i. Dues of Small scale Industries	183027.54	0.00
ii. Dues of other Creditors	160850127.97	212500876.94
Due to staff	1831508.58	3076420.97
Unclaimed dividend (unreconciled)	1442970.98	1556331.54
Advance from customers	53602.00	639741.00
Other liabilities	<u>145312160.17</u>	<u>140069535.42</u>
	<u>309673397.24</u>	357842905.87
	<u>309673397.24</u>	<u>357842905.87</u>
SCHEDULE 12 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
VRS Ex-Gratia	45715800.00	68573700.00
Less:- Written off	<u>22857900.00</u>	<u>22857900.00</u>
	<u>22857900.00</u>	45715800.00
Technical Knowhow Fees:-		
Opening Balance	8055428.21	10916476.21
Less:- Written off/Amortized	<u>2861048.00</u>	<u>2861048.00</u>
	<u>5194380.21</u>	8055428.21
	<u>28052280.21</u>	<u>53771228.21</u>

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE 13 : INCREASE/DECREASE IN STOCKS		
a) OPENING STOCKS		
i) Work in process	13627326.00	2791437.00
ii) Finished sub-assemblies	<u>69427126.00</u>	<u>69379505.00</u>
	83054452.00	72170942.00
b) CLOSING STOCKS		
i) Work in process	8366378.00	13627326.00
ii) Finished sub-assemblies	<u>56180971.00</u>	<u>69427126.00</u>
	64547349.00	83054452.00
Decrease(-) / Increase (+) in stock (b-a)	<u>-18507103.00</u>	<u>10883510.00</u>
SCHEDULE 14 : OTHER INCOME*\$		
Interest on Margin Money and Fixed Deposits	40364141.93	41126573.74
Interest on Staff loans	119367.00	139449.00
Interest/Income on investment	413917.33	105135.78
Capital gain on assets	0.00	11463745.59
Training fees	3771555.00	2606250.00
Miscellaneous Receipts	2878229.58	3763547.00
Interest on Income Tax refund	29363.00	1311424.00
Profit on sale of Fixed Assets	133146.03	24416.54
Rent Received	15835867.00	14061989.00
Capital Subsidy written back	42585.00	57018.00
Job Work	0.00	0.00
	<u>63588171.87</u>	<u>74659548.65</u>
* Gross unless otherwise stated		
\$Income tax deducted at source Rs. 11509981/- (Rs 8050093/-)		
SCHEDULE 15 : CONSUMPTION OF RAW MATERIALS		
Opening Stock	278335666.16	150391370.26
Add Purchases	<u>367653028.27</u>	<u>488669062.48</u>
Less: Input Tax Credit (VAT)	844831.56	
Less: Modvat credit	<u>27982016.99</u>	<u>26411845.00</u>
	617161845.88	612648587.74
Less: Closing Stock	<u>144157303.16</u>	<u>278335666.16</u>
Net consumption	<u>473004542.72</u>	<u>334312921.58</u>
SCHEDULE 16 : MANUFACTURING EXPENSES		
Stores & Spares	2523288.84	1300122.03
Power & Fuel	5966465.00	5699524.00
Freight	421109.20	401629.00
Installation charges	6587226.65	2936327.14
Miscellaneous Production expenses	<u>1101609.95</u>	<u>498137.01</u>
	16599699.64	10835739.18
SCHEDULE 17 : ADMINISTRATION AND OTHER EXPENSES		
Travelling & conveyance(including for directors Rs.1300030/- (Rs. 520641) *	7262262.39	8094702.77
Printing & Stationery	894606.91	1221021.93
Rent	408527.50	564940.50
Office electricity & Water	184529.87	176273.49
Postage, Telephone & Telex	1546871.43	1876286.48
Entertainment expenses	0.00	308.00
Insurance (net)	1175234.00	1198898.00

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
Rates & Taxes	555811.00	1392405.00
Directors sitting fee	78000.00	76000.00
Meeting expenses	45544.00	32536.00
Staff recruitment/training expenses	36351.50	14178.00
REPAIR & MAINTENANCE :-		
Building	49386.15	97310.50
Plant & Machinery	945751.14	875166.76
General maintenance	496821.66	566960.71
Vehicle running & maintenance	1071116.33	1399359.14
Membership fee and subscription	78560.50	139367.00
Internal audit fees & expenses	75000.00	75000.00
Auditors expenses:-		
Audit fee	114000.00	114000.00
Tax audit fees	40000.00	40000.00
Out of pocket	32500.00	31500.00
Certification & other services	80000.00	115840.00
Legal & professional fees	695876.00	938727.00
Buy Back of Shares Expenses	0.00	112023.00
Loss on sale of Assets	0.00	742848.00
Miscellaneous expenses	4366087.17	4851802.59
	<u>20232837.55</u>	<u>24747454.87</u>
*Including Foreign Travelling		
**Including Share holders related expenses Rs.620882.16(Rs.700452.70)		
SCHEDULE 18 : PERSONNEL COSTS		
Salary & Wages	79520905.99	78006040.76
Contribution towards provident and other funds	7281192.55	9372107.20
Bonus/ex-gratia	1974911.00	2129277.00
Gratuity	1424673.00	1900585.00
Superannuation	135819.00	78785.00
Amortisation of VRS Ex-Gratia	22857900.00	22857900.00
Staff Welfare expenses	5800300.95	6308514.75
	<u>118995702.49</u>	<u>120653209.71</u>
SCHEDULE 19 : SELLING AND DISTRIBUTION COSTS		
Advertisement and publicity	241971.48	224376.91
Sales promotion expenses	1337550.36	1812700.13
Freight outwards (net)/States Taxes	2165356.00	3674954.81
Royalty	2699062.00	3013590.00
Customers claims and recoveries	3613036.00	7859658.00
Discount	0.00	1081086.99
Packing & Forwarding expenses	4136735.55	3950987.62
	<u>14193711.39</u>	<u>21617354.46</u>
SCHEDULE 20 : FINANCIAL CHARGES		
INTEREST :-		
on deposits and loan against FDR's	282113.00	1005532.61
on cash credit	572548.66	319372.29
Bank charges & commission	4626907.25	4029164.04
	<u>5481568.91</u>	<u>5354068.94</u>
SCHEDULE 21 : AMOUNT WRITTEN OFF		
Loss on exchange fluctuations	0.00	72428.76
Shortage/short and excess recoveries(net)	628293.51	244528.12
Obsolete Assets written off	186060.57	1206434.51
Technical know how fees/amortized	2861048.00	2861048.00
	<u>3675402.08</u>	<u>4384439.39</u>

SCHEDULE : 22

NOTES TO THE CONSOLIDATED ACCOUNTS

1 Principles of Consolidation

The Consolidated Financial Statements have been prepared in accordance with the Accounting Standards (AS) 21, Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India. The Consolidated financial statements comprise the financial statements of Punjab Communications Limited and its wholly owned subsidiary Punjab Digital Industrial Systems Ltd. The accounts of other subsidiary, PCL Telecom Ltd. have not been considered as the same is under winding-up and there are no transactions during the year, the investment of which have already been written off by the holding company.

2 Significant Accounting Policies and Notes to Accounts

- a) Significant Accounting Policies and Notes to Accounts are set out under the respective schedules forming part of the financial statements of Punjab Communications Ltd. and Punjab Digital Industrial Systems Ltd.
- b) Previous year figures have been re-grouped and re-arranged wherever required.

3 Contingent Liabilities

Contingent liabilities not provided for in the accounts :-

	(Rs. in Lacs)	
a) Bank guarantees and Letter of credits	3135.94	(2020.98)
b) Claims against company, not acknowledged as debts		
- by Excise & Custom authorities	33.18	(31.42)
- by Others parties	5.52	(3.49)
c) Court cases	247.45	(229.72)
d) Income Tax Demands/Others	0.29	(0.29)
e) Sales Tax Penalty	0.00	(14.40)

- 4 Sales includes goods despatched amounting to Rs 29.66 lacs (Rs.176.59 lacs) in respect of which delivery has been received by customers in next accounting year and acknowledged accordingly.

- 5 The company had invested Rs 700 lacs in the Bonds of UP Co-operative Spinning Mills Ltd (UPCSMFL) duly guaranteed by the UP State Govt. for a tenure of 18 months due for redemption on 20.12.1999. The suit was filed for recovery of Rs 993.44 lacs (Principal of Rs 700 lacs and Interest of Rs 293.44 lacs including Rs. 151.26 lacs already recognised as income) upon the failure of UP State Government to honor the guarantee. The suit has been decided ex-parte in favour of the company on 31.01.2004, U.P State Government (Guarantor) has deposited Rs.735.63 lacs in the Civil Court, Lucknow in compliance of the orders of the Hon'ble Punjab and Haryana High Court, Chandigarh. The execution of the ex-parte decree is pending for execution before the lower Court. The Company has not recognized the accrued interest amounting to Rs.968.43 lacs up to 12.07.2005 including Rs. 87.62 lacs till the date of deposit of Rs. 735.63 lacs by the U.P. Govt., keeping in view the contingency in the realization of interest in near future, which is in conformity with the Accounting Standard on Revenue recognition AS-9 issued by The Institute of Chartered Accountant of India.

Further an amount of Rs.735.63 lacs deposited with the Executing Court has been released to the Company (decree holder) on 24.04.2006.

- 6 The accounts of the company has been prepared on going concern basis though the company has pruned down its activities by relieving 29 employees under voluntary retirement scheme and by retrenching 6 employees during the year 2002-03.

PUNJAB COMMUNICATIONS LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rs. in Lacs)

	2005-2006	2004-2005
A. CASH FLOW OPERATING ACTIVITIES		
PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	-656.78	-859.94
Adjustments for :-		
Depreciation	158.42	186.58
Other amount written off/amortisation	402.45	499.01
Investment income	-477.23	-592.86
Interest expenses	8.54	13.24
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	<u>-564.60</u>	<u>-753.98</u>
Adjustments for :-		
Trade and other receivables	-678.91	-863.49
Inventories	1575.56	-1431.31
Trade payables	-481.70	2075.41
CASH GENERATED FROM OPERATIONS	<u>-149.65</u>	<u>-973.36</u>
Direct Taxes Paid	-164.37	85.44
CASH FLOW BEFORE EXTRAORDINARY ITEMS	<u>-314.02</u>	<u>-887.92</u>
Extraordinary items/Previous years	2.99	-14.23
NET CASH FROM OPERATING ACTIVITIES	<u>-311.03</u>	<u>-902.15</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:-		
Purchase of Fixed Assets	-46.27	-25.07
Sale of Fixed Assets	4.15	201.77
Purchase of Technical Know how	0.00	0.00
Interest Income	462.19	398.23
NET CASH USED IN INVESTING ACTIVITIES	<u>420.07</u>	<u>574.93</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Buy back of Shares	0.00	-3607.07
Repayment of Long Term Borrowings	-17.54	-2.81
Short term borrowings (C.C. limits)	18.17	-1299.48
Public issue expenses recognised this year	0.00	0.00
Interest Paid	-8.55	-13.25
Dividend Paid	0.00	0.00
NET CASH USED IN FINANCING ACTIVITIES	<u>-7.92</u>	<u>-4922.61</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>101.12</u>	<u>-5249.83</u>
Opening Balance of Cash and Cash equivalents	6378.22	11628.05
Closing Balance of Cash and Cash equivalents	<u>6479.34</u>	<u>6378.22</u>

for and on behalf of the Board

Place : S.A.S. Nagar (MOHALI)
Date : August 28, 2006

S.P. SINGH
MANAGING DIRECTOR

AUDITORS' REPORT

To,

The Board of Directors,
Punjab Communications Limited,
S.A.S. Nagar (Mohali)

We have examined the attached Cash Flow Statement of Punjab Communications Limited for the period ended 31st March, 2006. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with the Stock Exchanges and is based on and is in agreement with the corresponding profit and loss account and balance sheet of the Company covered by our report to the members of the Company.

Place : S.A.S. Nagar
Date : August 28, 2006

CA ASHISH CHHABRA
N.KUMAR CHHABRA & CO.
CHARTERED ACCOUNTANTS

PUNJAB DIGITAL INDUSTRIAL SYSTEMS LTD. (PDISL)

Board of Directors

Sh. Satinder Pal Singh, IAS, Chairman
Col. A.J.S. Gill, Director
Sh. A.K. Pathak, Director
Sh. R. S. Chawla, Director
Sh. J.S. Ghuman, Director
Sh. Madhur Bain Singh, Director
Sh. B.B. Khurana, Director

Auditors

M. Kohli & Associates
SCO 1004-05, IIInd Floor,
Sector 22-B, Chandigarh

Bankers

IndusInd Bank Ltd.
Sector 8, Chandigarh

Registered Office

A-39, Phase-VIII, Industrial Area,
S.A.S. Nagar (Mohali) - 160071

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● Profit & Loss Account	76

DIRECTORS' REPORT

The Directors hereby present the 30th Annual Report and the Annual Audited Accounts for the Financial Year ended 31st March, 2006.

FINANCIAL RESULTS

	2005-2006	(Rs. in Lacs)	2004-2005
Gross Income	4.62		120.47
Total Expenditure	28.30		34.96
Profit / Loss before Tax (PBT)	(-) 23.68		85.50
Profit / Loss after Tax (PAT)	(-) 23.72		76.49

REVIEW OF OPERATIONS

During the year turnover of the company was Rs 4.62 lacs. which was basically interest accrued on NABARD Bonds.. During the year your company incurred a loss of 23.72 lacs.

DIVIDEND

Since there are losses during the year, your directors have not recommended any dividend.

CHANGE IN DIRECTORSHIP

Sh A.K.Pathak was appointed as Director/ Chairman of the company in place of Smt Ravneet Kaur, IAS.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed:-

- i) That in the preparation of annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgement 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 or loss of the company for the year under review;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for prevention and detecting fraud and other irregularity.
- iv) That the Directors have prepared the accounts for the financial year ended 31st March 2006 on Historical cost basis.

CORPORATE PLANS/OPERATIONS

Your company has filed a Petition for winding up of the company under section 433(a) of the Companies Act, 1956, in the Honable Punjab & Haryana High Court at Chandigarh. The court is yet to give its permission in this regard.

INDUSTRIAL RELATIONS

The employee employer relationship remained cordial & harmonious through out the year.

AUDITOR'S REMARKS

Management perception on the observations made by the Statutory Auditors M/s Kohli & Associates, Chartered Accountants in their report dated 14th August, 2006 on the Annual Accounts of the Company for the year 2005-06 are as under :-

The details regarding obsolete Stock are being worked out and requisite provision shall be made in the accounts during next year.

COMPANIES (Disclosure of particulars in the report of the Board of Director's Rules, 1988.)

As required by the companies (Disclosures of particulars in the report of the Board of Directors) Rules, 1988 the particulars in respect to Conservation of Energy, Research & Development & Foreign Exchange Earning and outgo are annexed at Form 'A' and 'B' and form part of this report.

COMPANIES (Particulars of Employees) Rules, 1975.

No employee of the company is in receipt of salary in excess of Rs.2,00,000/- per month or Rs.24,00,000/- per annum.

ACKNOWLEDGEMENT

The Board places on record its gratitude to the Punjab Communications Limited, the Holding Company for its guidance, support and for the confidence reposed in the management of the company.

(B B Khurana)
Director

(A. K. Pathak)
Director

Place: S.A.S. Nagar
Date: August 14, 2006

FORM-A

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	PREVIOUS YEAR	CURRENT YEAR
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a) Purchase Units (KWS)	NIL	NIL
Total Amount	NIL	NIL
Rate /Unit(Rs)	NIL	NIL
b) OWN GENERATION		
i) Through Diesel Generator Units	NIL	NIL
Unit/Rate (Rs.)	NIL	NIL
Total Amount	NIL	NIL
ii) Through Steam Turbine/ Generator Unit	N.A.	N.A.
Units per liter of fuel Oil/Gas		
Units/Rate		
2. COAL (specify quantity and where used)	N.A.	N.A.
Quantity (Power)		
Average Rate		
3. FURNACE OIL	N.A.	N.A.
Quantity (K. Ltrs.)		
Total amount		
Average Rate		
4. a) OTHERS/INTERNAL GENERATION	N.A.	N.A.
Quantity		
Total Cost		
Rate/Unit		
b) CONSUMPTION PER UNIT OF PRODUCTION PRODUCTS		
i) Electricity	N.A.	N.A.
a) Master Clock System	—	—
b) Electronic Test Equipment	—	—
c) Monitoring & Test Panel	—	—
d) Job Works	—	—
ii) Furnace Oil	N.A.	N.A.
iii) Coal (Specify Qty.)	N.A.	N.A.
iv) Other (Specify)	N.A.	N.A.

FORM – B

PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT(R&D)

Research and Development

- | | | |
|---|---|-----|
| 1. Specific areas in which R&D was carried out by the company | : | NIL |
| 2. Benefits desired as a result of the R&D | : | NIL |
| 3. Future plan of action | : | NIL |
| 4. Expenditure on R&D | | |
| i) Capital | : | NIL |
| ii) Recurring | | |
| iii) Total R&D expenditure as a Percentage of total turnover | | |

Technology absorption, adaption

- | | | |
|--|---|-----|
| 1. Efforts in brief, made towards and innovation | : | NIL |
| 2. Benefits derived as a result of the above efforts e.g. product improvement, cost Reduction, product development, Import Substitution etc. | : | NIL |
| 3. In case of impropred technology Import during the last 5 years- | : | NIL |
| a) Technology imported | : | NIL |
| b) Year of import | | |
| c) Has technology been fully absorbed? | | |
| d) If not fully absorbed, area where this has not taken place, reason thereof and future plans of actions. | | |

COMPLIANCE CERTIFICATE

Registration No. 3714

Nominal Capital : 30,00,000

To

The Members

Punjab Digital Industrial Systems Limited

A-39, Phase VIII, Industrial Area,

S.A.S. Nagar (Mohali)

We have examined the registers, records, books and papers of **Punjab Digital Industrial Systems Limited** (the company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2006. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year :

1. The company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, within which the time prescribed under the Act and the rules made thereunder.
3. The Company, being a public limited company, has the paid up share capital of Rs.24,66,400 (Rs. Twenty four lacs sixty six thousand four hundred only) as on 31st March, 2006.
4. The Board of Directors duly met four times on 30.06.2005 (adjourned for want of quorum and the adjourned meeting was held on 05.07.2005), 07.10.2005, 06.01.2006 and 31.03.2006 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolution passed in the Minutes book maintained for the purpose.
5. The company was not required to close its Registeres of Members of during the financial year.
6. The Annual General Meeting for the financial year ended on 31.03.2005 was held on 27.09.2005 after giving due notice to the members of the company and the resolution passed there at were duly recorded in Minutes Book maintained for the purpose.
7. Two Extra ordinary General Meetings were held i.e. on 05.08.2005 & 31.10.2005 during the financial year after giving due notice to the members of the company and the resolution passed thereat were duly recorded in Minutes Book maintained for the purpose.
8. The company has not advanced any loan to its directors and / or persons or firms or companies referred to under section 295 of the Act.
9. The company has not entered into any contract falling within the purview of section 297 of the Act.
10. The company was not required to make any entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the company has not obtained any approvals from the Board of Directors, Members or the Central Government.
12. The company has not issued any duplicate share certificates during the financial year.
13. The company :
 - i) has delivered all the certificates lodged for transfer and there was no allotment of securities during the financial year.
 - ii) has not deposited any amount in separate Bank account as no dividend was declared during the financial year.
 - iii) was not required to post warrants to any member of the company as no dividend was declared during the financial year.
 - iv) There was no amount lying in the books of accounts in respect of unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon.
 - v) has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and appointment of additional director has been made during the financial year.
15. The company has not appointed any Managing Director/Whole-time Director/Manager during the financial year.
16. The company has not appointed any sole selling agents during the financial year.
17. The company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or such authorities as prescribed under the provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The company has not issued any shares/debentures/other securities during the financial year.
20. The company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.

22. There was no transactions necessitating the company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The company has not invited / accepted any deposits including any unsecured loans falling within the purview of section 58-A during the financial year.
24. The company has not made any borrowings during the financial year ended 31st March 2006.
25. The company has not made any loans or advances, or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one State to another during the year under scrutiny.
27. The company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
28. The company has not altered the provisions of the Memorandum with respect to name of the company during the year under scrutiny.
29. The company has not altered the provisions of the Memorandum with respect to the share capital of the company during the year under scrutiny.
30. The company has altered its Articles of Association after obtaining approval of the members in the extra ordinary general meeting held on 05.08.2005 and the amendments to the Articles of Association have been duly filed with the Registrar of Companies.
31. There was no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
32. The company has not received any money as security from its employees during the year.
33. The company has deposited both employees' and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

For S.K. SIKKA & ASSOCIATES

(Sushil K. Sikka)
C.P. No.3582
Prop.

Chandigarh
August 10, 2006

ANNEXURE A

Registers as maintained by the Company

1. Register of Member u/s 150 of the Act.
2. Register of Directors' Shareholdings u/s 307 of the Act.
3. Register of Charges u/s 143 of the Act.
4. Register of Directors, Managing Director, Manager and Secretary u/s 303 of the Act.
5. Minutes Books of Board of Directors U/s 193 (1) of the Act.
6. Minutes Books of the proceedings of General Meeting u/s 193(1), 196 (1) of the Act.

ANNEXURE B

Forms and Returns as filed by the company during the financial year ending on 31st March, 2006.

With Registrar of Companies

Sr. No.	Forms	Purpose
1	Annual Report (2004-2005)	U/s 220 of the Companies Act, 1956
2	Annual Return made upto 27.09.2005	U/s 159 of the Companies Act, 1956
3	Form No.32 (two in nos.)	U/s 303 of the Companies Act, 1956
4	Form No.29 (one in nos.)	U/s 264 of the Companies Act, 1956
5	Compliance certificate (2004-2005)	U/s 383-A of the Companies Act, 1956
6	Form No.23	U/s 31 of the Companies Act, 1956
7	Form No.23	U/s 433 (a) of the Companies Act, 1956

With Regional Director

Not Applicable

With Central Government or other Authorities

Not Applicable

For S.K. SIKKA & ASSOCIATES
(Sushil K. Sikka)
C.P. No.3582
Prop.

Chandigarh
August 10, 2006

AUDITORS' REPORT

To

The Members,
Punjab Digital Industrial Systems Limited,

1. We have audited the attached Balance Sheet of **Punjab Digital Industrial Systems Limited**, as at 31st March 2006, the Profit and Loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the 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 a reasonable basis for our opinion.
3. As required by the Companies (auditor's Report) order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that
 - I) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - II) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - III) The balance sheet, profit and loss account dealt with by this report are in agreement with the books of account.
 - IV) No provision has been made for the obsolete stock valuing Rs.684187.16.
 - V) Subject to our observation in para IV above, we are of the opinion, the Balance Sheet, Profit and Loss Account dealt with by this report comply with the accounting standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.
 - VI) On the basis of written representations received from the directors, as on 31st March 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - VII) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. In the case of the balance sheet of the state of affairs of the company as at 31st March 2006, and
 - ii. In the case of the profit and loss account, of the profit/loss for the year ended on that date.

For M. Kohli & Associates
Chartered Accountants

Place: Chandigarh
Date : August 14, 2006

(M. Kohli)
Partner

ANNEXURE TO THE AUDITORS' REPORT

- 1) (a) Fixed assets of the company have been sold by the company during the year 2004-05
- 2) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the books records were not material.
- 3) The company had taken no loans from other companies covered in the register maintained under section 301 of the companies Act 1956, in view of the deletion of section 370(1-B) of the Companies Act, 1956, it is not possible for us to comment on loans from companies under the same management.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

- 5) In our opinion and according to the information and explanations given to us, the company has not accepted deposit from public pursuant to section 58 A of the Act and the Companies (Acceptance of Deposits) Rules, 1975.
- 6) The company has no internal audit system commensurate with the size and nature of its business.
- 7) As informed to us, the Central Government has not prescribed the maintenance of cost records by the company under the section 209 (1) (d) of the Act for the any of its products.
- 8) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employee's state insurance, income tax, sales tax, custom duty, excise duty, and other material statutory dues applicable to it, except cess amounting to Rs. 1033.19.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31.3.2006 for the period of more than six months from the date they became payable except ESI amounting to Rs.29233.50 (as per Note 11(ii)).
(c) According to the information and explanation given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess, which have not been deposited on account of any dispute, except for excise duty amounting to Rs.121806/- against which the company has filed an appeal in CESTAT, Delhi.
- 9) In our opinion, the accumulated losses of the company are more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- 10) In our opinion and according to the information and explanations given to us, the company has no outstanding dues payable to a financial institution, bank or debenture holders.
- 11) We are of the opinion on the basis of the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 12) In our opinion, the company is not a chit fund or a nidhi, mutual benefit fund society. Therefore, the provisions of clause (4(xii)) of the Companies (Auditor's Report) order, 2004 are not applicable to the company.
- 13) In our opinion, the company is not dealing in or trading in shares, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) order, 2004 are not applicable in the company.
- 14) In our opinion, and the information and explanation given to us, the company has not given guarantees for loan taken by others from banks or financial institutions.
- 15) In our opinion, and the information and explanations given to us, no term loans have been applied for by the company during the year.
- 16) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investments. No long term funds have been used to finance short term assets except permanent working capital.
- 17) According to the information and explanations given to us the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 18) According to the information and explanations given to us, during the period covered by our report, the company has not issued any debentures.
- 19) We have verified that, no money has been raised by public issue, during the year.
- 20) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For M. Kohli & Associates
Charatered Accountants

Place: Chandigarh
Date: August 14, 2006

(M. Kohli)
Partner

Note : The CAG Comments will be circulated to the shareholders during the Annual General Meeting of the Company.

BALANCE SHEET AS 31ST MARCH, 2006

PARTICULARS	SCHEDULE	AS AT	
		31ST MARCH, 2006 AMOUNT (RS.)	31ST MARCH, 2005 AMOUNT (RS.)
SOURCES OF FUNDS			
1. SHAREHOLDER FUNDS		3000000.00	3000000.00
Share Capital	A	2466400.00	2466400.000
2. LOAN FUNDS			
Unsecured Loans	B	2643575.01	2643575.01
3. RESERVE & SURPLUS			
Profit & Loss Account	C	-673101.89	1699417.15
TOTAL FUNDS EMPLOYED		<u>4436873.12</u>	<u>6809392.16</u>
APPLICATION OF FUNDS			
4. INVESTMENTS	D	8079053.11	7665135.78
5. FIXED ASSETS			
Gross Block	E	13783.50	13783.50
Less Depreciation		13783.50	13783.50
Net Block		0.00	0.00
6. CURRENT ASSETS, LOANS & ADVANCES			
Current Assets	F	8648113.47	25873224.46
Loans & Advances	G	2417812.58	2417812.58
		11065926.05	28291037.04
7. LESS : CURRENT LIABILITIES & PROVISIONS	H	15845093.04	31420754.66
NET CURRENT ASSETS		-4779166.99	-3129717.62
8. MISC. EXPENDITURE	I	1136987.00	2273974.00
(To the extent not w.off/adjusted)			
TOTAL APPLICATION OF FUNDS		<u>4436873.12</u>	<u>6809392.16</u>
Significant Accounting Policies & Notes on Accounts	S		

(B. B. KHURANA) (MADHUR BAIN SINGH)
Director Director

(J. S. GHUMAN)
Director

(R. S.CHAWLA)
Director

(A. K. PATHAK)
Director

AUDITORS' REPORT
As per our report of even date annexed
M. KOHLI & ASSOCIATES
CHARTERED ACCOUNTANTS

Place : CHANDIGARH
Date : August 14, 2006

(M. KOHLI)
(Partner)

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

PARTICULARS	SCHEDULE	AS AT	
		31ST MARCH, 2006 AMOUNT (RS.)	31ST MARCH, 2005 AMOUNT (RS.)
INCOME			
Sales		0.00	415003.00
Job Work		0.00	0.00
Other Income	J	462010.33	11598323.37
Increase/Decrease in Stocks	K	0.00	34283.00
		<u>462010.33</u>	<u>12047609.37</u>
EXPENDITURE			
Material consumed	L	0.00	173670.10
Excise Duty		0.00	58870.00
Manufacturing Expenses	M	0.00	0.00
Employees Remuneration & Benefits	N	1569806.89	1174075.96
Selling Expenses	O	35657.00	45848.00
Finance Expenses	P	38048.00	16532.00
Other Expenses	Q	48908.00	890812.93
Depreciation			
Amount as per Schedule F		0.00	513866.69
less : Amt. Trf. to revaluation reserve		<u>0.00</u>	<u>169573.00</u>
Deferred Rev. Exp. w off (VRS of employees)		1136987.00	1136987.00
Bad Debts Written off		<u>798.18</u>	<u>0.00</u>
		<u>2830205.07</u>	<u>3496795.99</u>
Net Profit		-2368194.74	8550813.38
Previous year Adjustments	R	1091.70	0.00
Fringe Benefit Tax		5416.00	0.00
Income Tax		0.00	901387.00
Profit for the year		<u>-2372519.04</u>	<u>7649426.38</u>
Profit/Losses carried over to P/L A/C		<u>-2372519.04</u>	<u>7649426.38</u>

(B. B. KHURANA)
Director

(MADHUR BAIN SINGH)
Director

(J. S. GHUMAN)
Director

(R. S.CHAWLA)
Director

(A. K. PATHAK)
Director

AUDITORS' REPORT
As per our report of even date annexed
M. KOHLI & ASSOCIATES
CHARTERED ACCOUNTANTS

Place : CHANDIGARH
Date : August 14, 2006

(M. KOHLI)
(Partner)

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE - A		
SHARE CAPITAL		
Authorised		
3,00,000 Equity Share of Rs. 10/- each	<u>3000000.00</u>	<u>3000000.00</u>
Issued, Subscribed and Paid up		
2,46,640/- Equity Share of Rs.10/- each fully called & paid up	<u>2466400.00</u>	<u>2466400.00</u>
Total Rs.	<u>2466400.00</u>	<u>2466400.00</u>
All the shares are held by Punjab Communication Limited, holding Co. and its nominees.		
SCHEDULE - B		
UNSECURED LOANS		
From Punjab Information Communication & Technology Corp Ltd		
i) Interest free Loan	522683.80	522683.80
ii) Long Term Loan	2120891.21	2120891.21
Total Rs.	<u>2643575.01</u>	<u>2643575.01</u>
SCHEDULE - C		
PROFIT & LOSS ACCOUNT		
Opening Balance	1699417.15	-5950009.23
Profit/Loss during the year	-2372519.04	7649426.38
Total Rs.	<u>-673101.89</u>	<u>1699417.15</u>
SCHEDULE - D		
INVESTMENTS		
Investments in Capital Gain Bonds	7560000.00	7560000.00
Interest accrued but not due	519053.11	105135.78
Total Rs.	<u>8079053.11</u>	<u>7665135.78</u>

PUNJAB DIGITAL INDUSTRIAL SYSTEMS LTD.
A-39, INDUSTRIAL AREA, PHASE VIII, MOHALI (PUNJAB)

SCHEDULE - E : FIXED ASSETS AS ON 31.03.2006

Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	Balance as on 31.03.2005	Addition during the year	Sale during the year	W.Off during the year	As at 31.03.2006	upto 31.03.2005	For the Year	Adjustment Written back	Total upto 31.03.2006	AS AT 31.03.2006	AS AT 31.03.2005
	Amt. (Rs.)	Amt. (Rs.)	Amt. (Rs.)	Amt. (Rs.)	Amt. (Rs.)	Amt. (Rs.)	Amt. (Rs.)	Amt. (Rs.)	Amt. (Rs.)	Amt. (Rs.)	Amt. (Rs.)
Land fee hold	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Building	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Machinery	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Furniture & Fixture	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Office Equipment	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Vehicle	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Library	13783.50	-	0.00	0.00	13783.50	0.00	0.00	0.00	13783.50	0.00	0.00
Electrical Equipment	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Computer	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	13783.50	-	0.00	0.00	13783.50	0.00	0.00	0.00	13783.50	0.00	0.00
Previous Year	17027765.18	0.00	17013981.68	0.00	13783.50	8544608.51	0.00	8530825.01	13783.50	0.00	8483156.67

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE - F		
CURRENT ASSETS, LOANS AND ADVANCES		
A) CURRENT ASSETS		
I) INVENTORIES		
(As valued & certified by the management)		
1. Raw Materials	374090.01	374090.01
2. Consumable Stores	54301.15	54301.15
3. Finished Goods	<u>255796.00</u>	<u>255796.00</u>
	684187.16	684187.16
Less Prov. for obsolete stock		
II) SUNDRY DEBTORS		
(Unsecured and considered good)		
1) Debts outstanding for a period more than six months	9987490.26	27288581.44
2) Other debts		0.00
Less Prov. for Bad & Doubtful debts	<u>2562711.00</u>	<u>2562711.00</u>
	7424779.26	24725870.44
III) CASH & BANK BALANCES		
1) Cash in hand	97.58	1847.06
2) Balance with scheduled Banks		
In Margin money(FDRs)	267580.00	267580.00
Interest accrued but not due on F.D.R.	64879.00	46149.00
3) In current Account		
IndusInd Bank	205953.47	146953.80
Syndicate Bank	637.00	637.00
Total Rs.	<u>8648113.47</u>	<u>25873224.46</u>

SCHEDULE - G

LOANS & ADVANCES

(Recoverable in cash or kind or for value to be received)

UNSECURED AND CONSIDERED GOODS

Advance to Staff	6259.30	6259.30
Advance to Suppliers	12634.50	12634.50
Prepaid Expenses	0.00	0.00
Securities	24490.00	24490.00
Delhi office advance	0.00	0.00
Punjab Recorders Ltd. (Co. under the same management)	11828.82	11828.82
Earnest Money	6890.00	6890.00
Pb. Bio Medical Equipments Ltd. (Co. under the same management)	35107.03	35107.03
Excise Duty	55627.87	55627.87

PARTICULARS	AS AT	AS AT
	31ST MARCH, 2006 AMOUNT (RS.)	31ST MARCH, 2005 AMOUNT (RS.)
Punjab Power Packs Ltd. (Co. under the same management)	284011.06	284011.06
Gratuity Fund	782840.00	782840.00
Leave Encashment Fund	67106.00	67106.00
Superannuation Fund	134827.00	134827.00
Income Tax(Dr)	195941.00	195941.00
Land amount Recoverable from PSEDPC	800250.00	800250.00
Total Rs.	<u>2417812.58</u>	<u>2417812.58</u>

**SCHEDULE - H
CURRENT LIABILITIES AND PROVISIONS**

Sundry Creditors *	870297.65	18036716.65
Securities from Distributors	10000.00	10000.00
Other Liabilities **	13291811.88	11963947.28
Expenses payable	452066.51	247149.73
Provision for Gratuity	657106.00	657106.00
Provision for Leave Encashment	197474.00	178282.00
Provision for superannuation	366337.00	327553.00
Total Rs.	<u>15845093.04</u>	<u>31420754.66</u>

* Includes amount payable to PUNCOM (Holding Company) on account of 7GHz Rs.NIL (PY Rs. 1642737.49), MCPC VSAT Rs. 215150.97(PY Rs. 15738417.48), PLCC Rs. 5000.00 (PY Rs. 5000)'STFS Rs 235000(PY Rs235000)

** Includes Rs. 13024359.62(PY Rs11716468.22)payable to PUNCOM(Holding Company)

SCHEDULE - I

MISC. EXPENDITURE

(To the extent not w/off/adjusted

Deferred Rev. Exp.(VRS)	1136987.00	2273974.00
Total Rs.	<u>1136987.00</u>	<u>2273974.00</u>

SCHEDULE - J

OTHER INCOME

Misc Income	0.00	2256.00
Capital gain on sale of assets	0.00	11463745.59
Interest accrued on Bonds	413917.33	105135.78
Interest on Income Tax Refund	29363.00	8456.00
Interest on FDR	18730.00	18730.00
Total Rs.	<u>462010.33</u>	<u>11598323.37</u>

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE - K		
INCREASE/(DECREASE) IN STOCKS		
OPENING STOCK		
Scrap	0.00	1000.00
Finished goods	<u>255796.00</u>	<u>220513.00</u>
	255796.00	221513.00
Less: Closing Stock		
Finished goods	255796.00	255796.00
Stock of Scrap	0.00	255796.00
Total Rs.	<u>0.00</u>	<u>34283.00</u>
SCHEDULE - L		
MATERIAL CONSUMED		
Opening Stock	428391.16	461282.26
Add: Purchase	<u>0.00</u>	<u>140779.00</u>
	48391.16	602061.26
Less: Cenvat credit		
Closing Stock	0.00	0.00
Total Rs.	<u>428391.16</u>	<u>428391.16</u>
	0.00	173670.10
SCHEDULE - M		
MANUFACTURING EXPENSES		
Power & Fuel	0.00	0.00
Freight	<u>0.00</u>	<u>0.00</u>
Total Rs.	<u>0.00</u>	<u>0.00</u>
SCHEDULE - N		
EMPLOYEES REMUNERATION & BENEFITS		
Salaries and wages	1110413.29	864052.06
Leave with wages	44559.00	37449.00
Employer's contribution to ESI	7445.60	6856.90
Employer's contribution to EPF	89783.00	45768.00
Employer's contribution to EPS	29006.00	28056.00
Deposit Linked Insurance Scheme	4923.00	3072.00
Provident Fund Admn. Charges	10933.00	6828.00
Staff welfare Expenses	72656.00	43357.00
Bonus & Ex Gratia	7917.00	23578.00
Gratuity	33984.00	76274.00
Superannuation Expenses	135819.00	38785.00
Leave Travel Allowance	22368.00	0.00
Total Rs.	<u>1569806.89</u>	<u>1174075.96</u>

PARTICULARS	AS AT 31ST MARCH, 2006 AMOUNT (RS.)	AS AT 31ST MARCH, 2005 AMOUNT (RS.)
SCHEDULE - O		
SELLING EXPENSES		
Business Promotion	31100.00	0.00
Advertisement and Publicity	4557.00	45848.00
Total Rs.	35657.00	45848.00
SCHEDULE - P		
FINANCE EXPENSES		
Interest on Securities	900.00	900.00
Bank Charges	37148.00	15632.00
Total Rs.	38048.00	16532.00
SCHEDULE - Q		
OTHER EXPENSES		
Travelling & Conveyance		
Directors	3221.00	4207.00
Others	2703.00	7648.00
	5924.00	11855.00
Postage & Telegrams	0.00	553.50
Insurance	0.00	400.00
Statutory Auditors fee	4000.00	4000.00
Legal & professional charges	33500.00	22500.00
Newspaper & periodical	0.00	75.00
Office Maintenance	0.00	212.00
Printing & Stationery consumed	889.00	2345.00
Fees & Taxes	4500.00	5190.00
Misc. Expenses	95.00	0.00
Job Work(Dr.)	0.00	100044.43
Freight	0.00	790.00
Loss on sale of assets	0.00	742848.00
Total Rs.	48908.00	890812.93
SCHEDULE- R		
PREVIOUS YEAR ADJUSTMENT ACCOUNT		
Incomes	3006.30	0.00
Expenses	4098.00	0.00
Total Rs.	1091.70	0.00

SCHEDULE: S**SIGNIFICANT ACCOUNTING POLICIES & NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006****(A) SIGNIFICANT ACCOUNTING POLICIES****1. Accounting Conventions :**

- a) The accounts are prepared on historical cost basis. Accounting policies not referred to otherwise are consistent with general accepted accounting principles.
- b) The company prepares its accounts on accrual basis, except:
 - i) Liquidated damages and penal interest for delay in execution of the contract which are accounted for when the actual liability arises.
 - ii) Claims on account of Product warranties.
 - iii) Liability /Refund of taxes arising on completion of assessments are accounted for on settlement.
 - iv) Incremental/other effects due to release of increments/increase in salary/DA in the year of its release/increase.
 - v) Ex-gratia payments to employees are accounted for as and when incurred.
 - vi) Expenditure on warranty and guarantee of satisfactory performance of equipments is accounted for when incurred.

2. Fixed Assets :

All the fixed assets were sold during 2004-05

3. Depreciation :

No depreciation has been charged since all the fixed assets have been sold

4. Inventories :

- a) Inventories are valued at lower of cost or net realisable value except for scrap/wastage which is valued at estimated net realisable value, difference if any with actual sale shall be accounted for in the year of realisation. Cost is determined using FIFO method. In respect of finished goods and work in progress appropriate overheads are considered.
- b) Any shortage/excess in raw material detected at the time of physical verification is included in consumption of goods.

5. Sales :

There is no sale during the year.

6. Retirement Benefits :

Gratuity, Superannuation and Leave benefits payable to employees are covered under the policies of Life Insurance Corporation of India.

(B) NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

1. Schedule 'A' to 'T' forming integral part of the Balance Sheet and Profit and Loss account have been duly authenticated.
2. Previous year's figures have been rearranged/regrouped, wherever necessary.
3. Sundry debtors, creditors / all other advances and margin money accounts are subject to their confirmation and reconciliation.
4. In the opinion of the Board, the current assets, loans and advances, if realised in the ordinary course of business, have value on realisation at least to the extent stated in the Balance Sheet.
5. Provision for all known liabilities made in the books of the accounts is adequate and not in excess of the amount considered necessary.

6. During the year 2002-2003 an amount of Rs. 5684935.00 has been given under Voluntary Retirement Scheme to 29 employees. This amount has been treated as Deferred revenue expenditure. One fifth of this amount i.e. Rs. 1136987.00(PY Rs.1136987.00) has been written off during the year.
7. A plot initially purchased for Rs 1750000.00 from Punjab Information & Communication Technology Corporation Ltd has been surrendered by the company and the PICTCLhas forfeited 15% of the purchase price, amounting to Rs 262500.00. This amount has not been accounted for in the books as PDISL has requested for waiver of the forfeiture and refund of total amount to PICTCL. Reply from PICTCL is awaited.
8.
 - i) Sale Tax assessments are completed up to the year 1998-1999. Any subsequent liability shall be provided as and when the assessments are finalised.
 - ii) Income Tax assessments are completed upto the AY 2003-2004 and there is no outstanding demand.
9. Dealer's commission of earlier years has neither been ascertained nor provided as their respective accounts are yet to be reconciled and settled.
10. Dearness Allowance arrears for the period Oct. 02 to Mar. 06 has not been provided for as the same has not been finalised / approved.
11. Contingent Liability.
 - i) Guarantees given by the Banks on behalf of the company and outstanding as on 31.03.2006 are Rs.3367877.20 (Previous year Rs. 3367877.20).
 - ii) A contingent liability of Rs. 29,233.50 for the year 1979-80 under ESI Act, 1948 has not been provided for. The demand was disputed by the Company in 1980. Since then no further demand/notice has been received by the Company in this regard.
 - iii) Two cases had been filed by the employees of the company in Labour Court Patiala and eleven cases have been filed in the Office of Assistant Labour Commissioner. Liability arising, if any, shall be accounted for as and when cases are settled.
 - iv) PDISL appeal against the orders of Commissioner Excise for refund of Rs. 1,21,806.00 taken by PDISL due to change in prices of 7GHz project is pending in CESTAT, DELHI.
 - v) One of the vendor's M/s ARM Limited has filed a recovery suit in the court of Additional Senior Civil Judge, Hyderabad. Though the amount has been paid, intimation regarding withdrawal of case is awaited.
12. Interest on long term loan of Rs. 2120891.21 @ 6% amounting to Rs. 129461.00 (PY Rs 129461.00) has not been provided in books as the same has been waived off by Punjab Information & Communication Technology Corporation Ltd.
13. Cash & Bank balances include Fixed Deposits for margin money for Rs. 267580.00 (PY. Rs. 267580.00) pledged to the Bank against the Bank Guarantees of Rs. 3367877.20 (P.Y. Rs. 3367877.20) issued by the Banks on behalf of the Company.
14. Debit amount of Rs. 284011.06 (P.Y.Rs.284011.06) in respect of Punjab Power Pack Ltd. and Rs. 35107.03 (P.Y. Rs. 35107.03) in respect of Punjab Bio Medical Equipments Ltd. has not been written off as the Companies are under the control of official liquidator and the liquidation process has not been completed.
15. The company has filed a petition to wind up the company in the Hon'ble Punjab & Haryana High Court at Chandigarh. Five existing employees of the company have filed an application before the Hon'ble court for its intervention, to safeguard their employment through employment in holding company or payment under Voluntary Retirement scheme before the winding up of the company is approved by the Court.

PUNJAB DIGITAL INDUSTRIAL SYSTEMS LTD

Additional information pursuant to the provision of paragraph 3, 4C & 4D Part –II of the Schedule VI of the Company Act, 1956.

(A) PARTICULARS IN RESPECT OF GOODS MFD, LICENCED CAPACITY AND INSTALLED CAPACITY.

CLASS OF GOODS	UNITS Nos.	LICENCED	CAPACITY	INSTALLED	CAPACITY	ACTUAL	PROD.
		31.03.2006	31.03.2005	31.03.2006	31.03.2005	31.03.2006	31.03.2005
1. Testers	.	500	500	75	75	-	-
2. Freq. Counters	.	500	500	75	75	-	-
3. PH Meters	.	1000	1000	250	250	-	-
4. Digital M. Meter	.	1000	1000	300	300	-	-
5. Mon. Test Panel	.	-	-	-	-	-	-
6. Master Clock Systems/STFs	.	-	-	-	-	-	-
7. MCPC VSAT Equipment	.	-	-	-	-	-	-

(B) PARTICULARS IN RESPECT OF SALES

CLASS OF GOODS	31ST MARCH 2006		31ST MARCH 2005	
	QTY	AMOUNT	QTY	AMOUNT
1. PH Meter/Electrode	-	-	-	-
2. Master Clock Systems	-	-	-	-
3. Others	-	-	-	-
4. Mon. & Test Panels	-	-	-	-
5. MCPC VSAT Equipment	-	-	-	-
Total			0.00	0.00

(C) PARTICULARS IN RESPECTS OF CLOSING STOCK OF FINISHED GOODS

CLASS OF GOODS	31ST MARCH 2006		31ST MARCH 2005	
	QTY	AMOUNT	QTY	AMOUNT
1. Testers				
'1010	1	9048.00	1	9048.00
'1035	1	2344.00	1	2344.00
2. P.H. Meter				
'3030				
'3050	6	20184.00	6	20184.00
3. Digial Multimeter 5020	1	2447.00	1	2447.00
4. Logic Probe/ Pulser				
'101	3	732.00	3	732.00
'103	2	626.00	2	626.00
5. Electrode	4	5376.00	4	5376.00
6. Impulse Clock	1	687.00	1	687.00
7. Digital Temp. Indicator	1	940.00	1	940.00
8. STFS System	1	213412.00	1	213412.00
Total Rs.		255796.00		255796.00

PUNJAB DIGITAL INDUSTRIAL SYSTEMS LTD

(D) ANALYSIS OF RAW MATERIAL CONSUMED

CLASS OF GOODS	31st MARCH 2006		31st MARCH 2005	
	QTY	AMOUNT	QTY	AMOUNT
1. Intergrated Circuits	-	0.00	1	20.20
2. Chips & Resistances	-	0.00	127	565.84
3. Capactor & Diodes	-	0.00	16	63.39
4. Electrical Hardware	-	0.00	518	1417.36
5. Printed Circuits Board	-	0.00	21	6941.50
6. W/Shop Raw Material	-	0.00	-	16015.55
7. Wire & Sleeve	-	0.00	-	119023.66
8. Consumables	-	0.00	-	418.41
9. Bought Inventory	-	0.00	1	29204.19
10. Battery	-	0.00	0	0.00
Total Rs.		0.00		173670.10
Less Cenvat credit		0.00		0.00
		0.00		173670.10

(E) CONSUMPTION OF RAW MATERIAL, STORES & SPARES

CLASS OF GOODS	31st MARCH 2006		31st MARCH 2005	
	Percentage	AMOUNT	Percentage	AMOUNT
a) Imported	-	0.00	-	0.00
b) Indigenous	-	0.00	100%	173670.10
		0.00	100%	173670.10
(F) CIF value of Imports during the year		Nil		Nil
(G) Expenditure in Forgn Currency		Nil		Nil
(H) Earning in foreign Exchange		Nil		Nil
(I) Auditor/ Remuneration				
Audit fee		4000.00		4000.00
Tax Matters		-		-
Others if any		-		-
		4000.00		4000.00

(B. B. KHURANA)
Director

(MADHUR BAIN SINGH)
Director

(J. S. GHUMAN)
Director

(R. S.CHAWLA)
Director

(A. K. PATHAK)
Director

AUDITORS' REPORT
As per our report of even date annexed
M. KOHLI & ASSOCIATES
CHARTERED ACCOUNTANTS

PLACE : CHANDIGARH
DATE : August 14, 2006

(M. KOHLI)
(Partner)

**PCL TELECOM LTD.
(PCLT)**

Registered Office :

A-39, Industrial Area, Phase-VIII, S.A.S. Nagar, Mohali - 160071

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IN THE HIGH COURT OF PUNJAB & HARYANA AT CHANDIGARH
ORIGINAL COMPANY JURISDICTION

COMPANY PETITION NO. 102 OF 2005

In the matter of the Companies Act, 1956

And

In the matter of PCL Telecom Limited,
Regd. Office : A-39, Industrial Area,
Phase-VIII, SAS Nagar,
Mohali (Punjab)

..... Petitioner

Petition under section 433(a)
and 439 of the Companies Act,
1956 for winding-up of M/s PCL
Telecom Limited having its
Registered office at A-39,
Industrial Area, Phase-VIII, SAS
Nagar, Mohali (Punjab)

8- The petitioner company therefore prays as follows :

(1) That the PCL Telecom Limited, may be wound up by the Court under the provisions of the Companies Act, 1956, and/or

(2) Such other order may be made in the premises as shall be just.

Company Petition No. 102 of 2005
(1)

IN THE MATTER OF PCL TELECOM LIMITED.

Present: Mr. Anil K. Aggarwal, Advocate for the petitioner.

This is a petition under Section 433(a) and 439 of the Companies Act, 1956 (for short 'the Act') for winding up of the petitioner-company, M/s. PCL Telecom Limited having its registered office at A-39, Industrial Area, Phase-VIII, SAS Nagar, Mohali (Punjab).

It is averred in the petition that the petitioner-company by a special resolution passed in accordance with Section 182 of the Act at a general meeting held on 4.7.2005 after notice as provided under the Act has unanimously resolved as under:-

RESOLVED BY WAY OF SPECIAL RESOLUTION THAT pursuant to Section 433(a) and 439 of the Companies Act, 1956, the company be wound up by the Hon'ble High Court of Punjab and Haryana and Sh. Madhur Bain Singh, Director of the company be and is hereby authorised to move a petition before the said High Court for winding up of the company, swear affidavit and to do all other acts, things and deeds as may be necessary for the purpose of winding up of the company in pursuance of this resolution."

A prayer has, therefore, been made in the petition that in view of the aforesaid special resolution, the petitioner-company may be ordered to be wound up by this Court.

On 26.7.2005, this petition was admitted and notice of this petition was ordered to be published in two newspapers and the official gazette of Punjab

Company Petition No. 102 of 2005

[2]

Government. An affidavit of publication dated 18.10.2005 has been filed by the petitioner company whereby it has been stated that notice of this petition has been published in the "Indian Express" (Chandigarh Edition) dated 20.8.2005, "Dainik Tribune" (Chandigarh Edition) dated 20.8.2005 and the official gazette of the Punjab Government dated 16.9.2005 in terms of the directions of this Court dated 28.7.2005. Two cut-outs of the newspapers containing the insertions of the notice of this petition and copy of the official gazette of the Punjab Government evidencing the facts stated, in the affidavit have also been placed on record.

No one has turned up to raise any objection to the winding up of the petitioner company.

After hearing counsel for the petitioner I find that requirements of Sections 433(a) and 439 of the Act stand satisfied. Consequently, the petition for winding up of the petitioner-company is allowed and the petitioner-company is ordered to be wound up. The Official Liquidator attached to this Court is appointed as liquidator of the petitioner-company with immediate effect who shall take over the building, assets, statutory books and the records of the petitioner-company forthwith. Notice of the order of the winding up be published in the Dainik Tribune (Chandigarh Edition), Indian Express (Chandigarh Edition) and the official gazette of the Punjab Government in accordance with law.

October 20, 2005
MALIK

sdf- (Ajay Kumar Mittal)
Judge

Notified to the India Copy
K. Mahesh
Registrar (Civil & Company)
High Court of Punjab & Haryana
Chandigarh

**IN THE HIGH COURT OF PUNJAB & HARYANA AT CHANDIGARH
ORIGINAL COMPANY JURISDICTION**

COMPANY PETITION NO. 102 OF 2005

In the matter of the Companies Act, 1956

And

In the matter of PCL Telecom Limited,
through Madhur Bain Singh, Director
Regd. Office : A-39, Industrial Area
Phase - VIII, SAS Nagar
Mohali (Punjab)

..... Petitioner

Petition under section 433(a) and 439 of the Companies Act, 1956 for winding-up of M/s PCL Telecom Limited having its Registered office at A-39, Industrial Area, Phase-VIII, SAS Nagar, Mohali (Punjab)

8. The petitioner company therefore prays as follows :-

- (1) That the PCL Telecom Limited, may be wound up by the Court under the provisions of the Companies Act, 1956 and/or
- (2) Such other order may be made in the premises as shall be just.

Company Petition No. 102 of 2005**(1)****IN THE MATTER OF PCL TELECOM LIMITED**

Present : Mr. Anil K. Aggarwal, Advocate for
the petitioner

This is a petition under Section 433(a) and 439 of the companies Act, 1956 (for short "the Act") for winding up of the petitioner-company, M/s. PCL Telecom Limited having its registered office at A-39, Industrial Area, Phase-VIII, SAS Nagar, Mohali (Punjab).

It is averred in the petition that the petitioner-company by a special resolution passed in accordance with Section 189 of the Act at a general meeting held on 4.7.2005 after notice as provided under the Act has unanimously resolved as under :-

RESOLVED BY WAY OF SPECIAL RESOLUTION THAT pursuant to Section 433(a) and 439 of the Companies Act, 1956, the company be wound up by the Hon'ble High Court of Punjab and Haryana and Sh. Madhur Bain Singh, Director of the company be and is hereby authorised to move a petition before the said High Court for winding up of the company, swear affidavit and to do all other acts, things and deeds as may be necessary for the purpose of winding up of the company pursuant of this resolution."

A prayer has, therefore, been made in the petition that in view of the aforesaid special resolution, the petitioner-company may be ordered to be wound up by this Court.

On 28.7.2005, this petition was admitted and notice of this petition was ordered to be published in two newspapers and the official gazette of Punjab Government. An affidavit of publication dated 18.10.2005 has been filed by the petitioner company whereby it has been stated that notice of this petition has been published in the "Indian Express" (Chandigarh Edition) dated 20.8.2005, "Dainik Tribune" (Chandigarh Edition) dated 20.8.2005 and the official gazette of the Punjab Government dated 16.9.2005 in terms of the directions of the Court dated 28.7.2005. Two cut-outs of the newspapers containing the insertions of the notice of this petition and copy of the official gazette of the Punjab Government evidencing the facts stated in the affidavit have also been placed on record.

No one has turned up to raise any objection to the winding up of the petitioner company.

After hearing counsel for the petitioner I find that requirements of Sections 433(a) and 439 of the Act stand satisfied. Consequently, the petition of winding up of the petitioner-company is allowed and the petitioner-company is ordered to be wound up. The Official Liquidator attached to this Court is appointed as Liquidator of the petitioner-company with immediate effect who shall take over the building, assets, statutory books and the records of the petitioner-company forthwith. Notice of the order of the winding up be published in the Dainik Tribune (Chandigarh Edition), Indian Express Chandigarh Edition) and the official gazette of the Punjab Government in accordance with law.

October 20, 2005
MALIK

Sd/-
(AJAY KUMAR MITTAL)
Judge

AUDITORS' REPORT

To

The Members of
PCL TELECOM LTD.,
MOHALI

1. We have audited the attached Balance Sheet of PCL Telecom Limited, Mohali as at 20th October 2005 and also the Profit and Loss Account period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the said Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - (v) In the absence of the written representations from the directors, as on 20th October, 2005 we are unable to report that none of the directors is disqualified as on 20th October, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.**
 - (vi) The company has been ordered to the wound up by the HON'ble Punjab and Haryana High Court vide its order dated 20th October 2005. Accordingly, the accounts have been prepared up to 20th October 2005.**
 - (vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with 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 affairs of the Company as at 20th October, 2005; and
 - b) in the case of the Profit and Loss Account, of the loss for the period ended on that date.

For GOYAL A KUMAR & CO.
CHARTERED ACCOUNTANTS

Place : Chandigarh
Date : October 20, 2005

(Ashok Goyal)
PARTNER

ANNEXURE TO THE AUDITORS' REPORT

(As referred to in paragraph 3 of our report of even date)

1. The company does not own any fixed assets during the period under consideration.
2. The company does not have any finished goods, stores, spare parts, raw material and components.
3. The company has neither granted nor taken any secured or unsecured loans from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956.
4. As no purchases of any kind have been made by the company, hence no comments are required on the internal control procedures of the company.
5. According to the information and explanations given to us, there are no transactions of purchases of goods and material and sale of goods, material and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public.
7. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues, which have remained outstanding as at 20th October 2005 for a period of more than six months from the day they became payable.
8. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices, we have not come across any personal expense which have been charged to Profit & Loss Account, nor we have been informed of any such case by the management, other than those payable under contractual obligations or in accordance with generally accepted business practices.
9. The accumulated losses of the company as on 20th October 2005 are in excess of 50% of the company's net worth and the company has incurred cash losses in the period ending 20th October 2005 and in the preceding financial year also.
10. Other clauses of Companies (Auditor's Report) order, 2003 are not applicable to the company.

For GOYAL A KUMAR & CO.
CHARTERED ACCOUNTANTS

Place : Chandigarh
Date : October 20, 2005

(Ashok Goyal)
PARTNER

Note : The CAG Comments, if any, will be circulated to the shareholders during the Annual General Meeting of the Company.

BALANCE SHEET AS AT 20TH OCTOBER, 2005

PREVIOUS YEAR (RS.)	LIABILITIES	CURRENT YEAR (RS.)	PREVIOUS YEAR (RS.)	ASSETS	CURRENT YEAR (RS.)
	SHARE CAPITAL		0.00	<u>Fixed Assets</u>	0.00
	<u>Authorised Capital</u>			<u>Current Assets, Loans & Advances</u>	
5000000.00	(500000 Equity Shares of Rs.10/-each)	5000000.00			
	<u>Issued, Subscribed & Paid up Capital</u>		0.00	<u>Current Assets</u>	0.00
1963000.00	(196300 Equity Shares of Rs.10/-each)	1963000.00			
	<u>Current Liabilities & Provisions</u>		0.00	<u>Loans & Advances</u>	0.00
				<u>Profit & Loss Account</u>	
3901780.00	Due to Holding Co. (Punjab Comm Ltd.)	3907290.00		Last year Balance	5864780.00
				Add : Loss during the year	<u>5510.00</u>
			<u>5864780.00</u>		5870290.00
<u>5864780.00</u>	TOTAL	<u>5870290.00</u>	<u>5864780.00</u>	TOTAL	<u>5870290.00</u>

Notes on Accounts : Schedule 1

Schedule 1 referred to above form an integral part of the Balance Sheet

ACCOUNTS INCHARGE

DIRECTOR

DIRECTOR

In terms of our separate report of even date.

For GOYAL A KUMAR & CO.
CHARTERED ACCOUNTANTS

(Ashok Goyal)
PARTNER

Place : S.A.S. NAGAR
Date : October 20, 2005

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01.04.2005 TO 20.10.2005

PREVIOUS YEAR (RS.)	LIABILITIES	CURRENT YEAR (RS.)	PREVIOUS YEAR (RS.)	ASSETS	CURRENT YEAR (RS.)
5510.00	Audit Fee	5510.00	5510.00	Loss Carried Forward To Balance Sheet	5510.00
<u>5510.00</u>		<u>5510.00</u>	<u>5510.00</u>		<u>5510.00</u>

ACCOUNTS INCHARGE

DIRECTOR

DIRECTOR

In terms of our separate report of even date.

For GOYAL A KUMAR & CO.
CHARTERED ACCOUNTANTSPlace : S.A.S. NAGAR
Date : October 20, 2005(Ashok Goyal)
PARTNER

NOTES ON ACCOUNTS ANNEXED AND FORMING THE PART OF BALANCE SHEET AS AT 20TH OCTOBER 2005**SCHEDULE 1****SIGNIFICANT ACCOUNTING POLICIES****1. ACCOUNTING CONVENTIONS**

- a) The accounts are prepared on historical cost basis. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.
- b) The Company does not own any fixed assets.
- c) The Company generally follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.
- d) Liability for taxes if any arising on completion of assessments are accounted for as and when raised.

2. NOTES ON ACCOUNTS

- a) In the opinion of the Board, there is no liability contingent or otherwise which has not been accounted for on the date of the balance sheet.
- b) Paid up share capital as shown in the Balance sheet includes Rs. 19,62,300/-, contributed by the Holding Company towards reimbursement of expenditure (both Capital and Revenue) incurred by the Company.
- c) No provision for income tax has been made in view of the carried forward losses of the earlier years.
- d) Previous Year figures have been regrouped and re-arranged so as to make them comparable with current year figures.
- e) The holding Company has given an undertaking to pay any liabilities/dues, present or future and of whatever nature. Accordingly all the liabilities outstanding as per books of accounts have been transferred to the head "Due to holding Company".
- f) The Profit and Loss Account has been prepared for the period 1st April 2005 to 20th October 2005 and the corresponding figures for the previous year are for a period of 12 months ending 31st March 2005.
- f) The company has been ordered to be wound up by the Hon'ble Punjab and Haryana High Court vide its order dated 20th October, 2005. Accordingly as per the direction of the Hon'ble Court all records has been handed over to the official Liquidator attached to the Court.

ACCOUNTS INCHARGE

DIRECTOR

DIRECTOR

In terms of our separate report of even date.

For GOYAL A KUMAR & CO.
CHARTERED ACCOUNTANTSPlace : S.A.S. NAGAR
Date : October 20, 2005(Ashok Goyal)
PARTNER

ANNUAL GENERAL MEETING NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the members of Punjab Communications Limited will be held on Thursday, the 28th Day of September, 2006 at 11.00 A.M. at B-93, Industrial Area, Phase VIII, Mohali (Punjab), to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 2006 and the Balance Sheet as on that date, together with Directors' Report, Auditors' Report and CAG Comments thereon.
2. To appoint a Director in place of Sh. V. P. Chandan, IRSE who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of CA Rajiv Dewan who retires by rotation and being eligible offers himself for reappointment.
4. To appoint the Statutory Auditors of the company for the Year 2006-2007 and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that Sh. Satinder Pal Singh, IAS, who was appointed as Additional Director on the Board in the capacity of Managing Director of the company w.e.f. June 14, 2006 through Resolution by Circulation dated 14th June, 2006 under Article 132 & 171 of the Articles of Association of the Company and who holds the office of directorship upto the date of this Annual General Meeting and in respect of whom the company has received notice in writing, pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as Director of the company in the capacity of Managing Director for a period of 5 years w.e.f. 14th June, 2006
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that Sh. Sukhdev Wadhwa, who was appointed as Director on the Board in the capacity of Chairman of the company for a period of one year and for which we have received an order bearing no. 8/16/03-AS1/153 dated 30th January, 2006 from the Government of Punjab extending his term for a period of two years on the same terms and conditions, his term be and is hereby extended for a period of two years as Director in the capacity of Chairman inter alia adopting his terms and conditions in full as follows:
 1. **Tenure of Office** : His tenure as Chairman of Punjab Communications Limited will be for a period of two year from 13th January, 2006 to 12th January, 2008. The Government may however, curtail the period of tenure at any time or may extend it from time to time.
 2. **Honorarium** : An honorarium of Rs.2250/-per month will be paid to him.
 3. **Travelling Allowance** : For journeys and halts in connection with affairs of Punjab Communications Limited, he can draw travelling and daily allowance at rates/class admissible to the Managing Director or the Senior most Officer of the Company provided that for air travel he will have to take prior approval of the minister-in-charge of the Department. Travel to home district or constituency cannot be treated as official tours, unless it is really an official tour.
 4. **House Rent Allowance** : The Company will provide to him an unfurnished one kanal house with a covered area as permissible on single storey of such house. The monthly rent of this house should not exceed Rs.25,000/- per month. If he occupies his own house, he may be paid rent as assessed by the Public Works Department subject to ceiling of Rs.25,000/- per month.
 5. **Telephone facilities** : Phone with STD facility will be provided to him at his residence but the liability of the company in respect of use of such facility will be limited to 3000 local calls for two months.
 6. **Car** : He will be provided with a staff car with a driver. The P.O.L. limit for such car shall be limited to Rs.4000/- p.m. and this ceiling is meant for local use only. In case of out side tours, he will be entitled to P.O.L. expenditure (inclusive of maintenance and repair charges) limited to Rs.7000/- p.m. as admissible under the existing instructions of economy in expenditure. In case of tour outside, he will be entitled for travelling and daily allowance at rate/class admissible to the M.D./Senior most Officers of the Company.
 7. **Entertainment Expenditure** : The Company may bear the entertainment expenditure of the Chairman upto Rs.1000/- p.m. provided that the Minister-in-charge of the Department can approve higher expenditure not exceeding Rs.1,500/- in any particular month if he is satisfied that the expenses became unavoidable for good reasons. No expenditure incurred purely on entertainment on his post should be booked to business promotion or official parties.
 8. **Staff** : He will be provided an appropriate office with the requisite staff by the company from its' own resources.
 9. **Leave** : He will be governed under the leave rules framed by the Company for its employees provided that he should take the leave of absence from the minister-in-charge and keep him informed of his tour programmes formally or informally in advance as far as possible.
 10. **Medical Facilities** : During his tenure as Chairman of the Company, he will be provided medical facilities by the Company as admissible under the rules of the company."
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that Smt. Sonia Arora, who was appointed as Director on the Board in the capacity of Vice Chairperson of the company for a period of one year and for which we have received an order bearing no. 8/16/03-AS1/1181 dated 27th June, 2006 from the Government of Punjab extending her term for a period of one year on the same terms and conditions, her term be and is hereby extended for a period of one year as Director in the capacity of Vice-Chairperson inter alia adopting her terms and conditions in full as follows :
 1. **Honorarium** : An honorarium of Rs.2250/-per month will be paid to her.

2. **Traveling Allowance** : For journeys and halts in connection with affairs of Punjab Communications Limited, she can draw traveling and daily allowance at rates/class admissible to the Managing Director or the Senior most Officer of the Company provided that for air travel she will have to take prior approval of the minister-in-charge of the Department. Travel to home district or constituency cannot be treated as official tours, unless it is really an official tour.
3. **House Rent Allowance** : Unfurnished one kanal house with a covered area as permissible on single storey may be allowed to her. However, the monthly rent of this house should not exceed Rs.15,000/- per month. If she occupies her own house, she may be paid rent as assessed by the Public Works Department subject to ceiling of Rs.15,000/- per month.
4. **Telephone facilities** : Phone with STD facility will be provided to her at her residence but the liability of the company in respect of use of such facility will be limited to 1500 local calls for two months.
5. **Car** : One Contessa Car may be placed at her disposal for official use. The POL expenditure is fixed Rs 7000/- p.m. as admissible under the existing economy and austerity measures instructions, in addition to Rs 4000/- p.m. meant for local use only. In case of tours outside, then she may be allowed to mileage rate/traveling allowance and daily allowance at rates/class admissible to the Managing Director or the Senior most officer of the Company.
6. **Entertainment Expenditure** : Entertainment expenditure upto Rs.1000/- p.m. may be allowed to her and Minister-in-charge can approve higher expenditure not exceeding Rs.1,500/- in particular in a particular month if she is satisfied that the expenses became unavoidable for good reasons. No expenditure incurred purely on entertainment of Vice Chairman should be booked to business promotion or official parties of the Company.
7. **Staff** : Necessary Staff may be provided to her from the existing strength of the Punjab Communications Limited and no fresh recruitment on this account may be made in view of the ban on the recruitment and economy/austerity measures imposed by the State Government.
8. **Leave** : She will be governed under the leave rules framed by the Company for its employees provided that she should take the leave of absence from the minister-in-charge and keep him informed of her tour programmes formally or informally in advance as far as possible.
9. **Medical Facilities** : Medical facilities may be provided to her under the rules of the Punjab Communications Limited as long as she functions as Vice-Chairman.
10. **Tenure of Office** : The tenure of appointment of Non-official Chairman will be for the period of one year i.e. from 9.6.2005 to 8.6.2006. The Government may however, curtail the period of tenure at any time or may extend it from time to time."

By order of the Board

August 28, 2006
Regd. Office:
B-91, Phase-VIII, Industrial Area,
S.A.S. Nagar, Mohali - 160 071

(Satinder Pal Singh)
Managing Director

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the company. A blank Proxy form is enclosed. The proxy form appointing therein a proxy, duly stamped compiled and signed should however be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
2. Explanatory statement relating to special business is enclosed as **Annexure I** to this Notice as required under section 173 (2) of the Companies Act, 1956 and form an integral part of this notice.
3. The Register of members and Transfer Books of the company will remain closed from the 16th Day of September, 2006 to 28th day of September, 2006 (both days inclusive).
4. Pursuant to the provisions of Section of 205A of the Companies (Amendment) Act, 1999, the amount of dividend which remains unclaimed for a period of 7 years from the day when amount is transferred to Unpaid Dividend Account would be transferred to the "Investor Education and Protection Fund" and the shareholders would not be able to make any claims as to the amount of dividend so transferred to the fund. The Company has already transferred unclaimed dividend for the year 1995-1996 to 1997-98 to the Investor Education & Protection Fund.
5. Information pursuant to Clause 49 (VI) (A) (a) & (c) of the Listing Agreement requires disclosures on the reappointment of the Directors which is annexed as **Annexure II** to this notice.
6. Members/Proxies are requested to fill the Attendance Slip for attending the meeting and are requested to bring the same.
7. Members who hold shares in dematerialised form are requested to bring their Client ID and DPID numbers for easy identification of attendance at the meeting.
8. Members are requested to notify change in address, if any, to the company's registered share transfer agents, quoting their Folio Number/ DP Ids / Client Ids and relevant particulars.
9. Members are requested to bring their copy of the Annual Report alongwith them to the Annual General Meeting.

ANNEXURE TO THE NOTICE**ANNEXURE I****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 5**

Pursuant to Article 132 of the Articles of Association of the company, the Directors have the right to appoint a person or persons as an Additional Director or Directors. Pursuant to this Article the Directors have appointed Sh. Satinder Pal Singh, IAS as an Additional Director on the Board to hold office upto the date of the Annual General Meeting. In exercise of this power, the company has received notice from Punjab Information & Communication Technology Corporation Ltd. under Section 257 for notifying the candidature of Sh. Satinder Pal Singh, IAS for his appointment as the Director of the company. As per the provisions of the Companies Act, 1956, consent of the shareholders by way of Ordinary Resolution is required for the appointment of any Director. Directors of your company recommend this resolution to be passed.

Further pursuant to Article 171 of the Articles of Association of the company, the holding corporation has a right to appoint Managing Director of the company. The Government of Punjab vide its order bearing No. 19/30/90-AS-6/1055 dated 9th June, 2006 has appointed Shri Satinder Pal Singh, IAS as Managing Director of the Company. Further, in exercise of the power vide Article 171, the company has received notice from Punjab Information & Communication Technology Corporation Ltd vide their letter No. PICT:SECTL:2164 dated 9th June, 2006 appointing Sh. Satinder Pal Singh, IAS as Managing Director of the company.

The appointment of Shri Satinder Pal Singh, IAS as Managing Director is subject to the approval of shareholders by way of Ordinary Resolution. Directors of your company recommend this resolution to be passed.

Sh. Satinder Pal Singh being the appointee, may be deemed to be concerned or interested in this Resolution.

Brief resume of Sh. Satinder Pal Singh is given here below:

Sh. S. P. Singh is a 1988 Batch IAS Officer and is at present Managing Director of Punjab Alkalies and Chemicals Limited and Member, Executive Committee of Alkali Manufacturers Association of India. He is a Post Graduate in English from Punjabi University. He has also served as Managing Director, CITCO for 4 years, Special Secretary, Personnel for 2 years, Commissioner, MC, Amritsar and Commissioner, MC, Ludhiana for two and half years each. He has also served as Managing Director, PRTC, Patiala for one year. Sh Satinder Pal Singh has an expertise in General Management & Administration.

Currently, Sh. Satinder Pal Singh is also on the Board/Executive Committee/Member on Committees of Board of the following Companies:

1)	Punjab Alkalies & Chemicals Limited,	Managing Director
2)	Alkali Manufacturers Association of India,	Member, Executive Committee
3)	Punjab Digital Industrial Systems Ltd,	Chairman
4)	Share Transfer Committee-Puncom	Chairman
5)	Writing of Committee-Puncom	Chairman
6)	Strategy Committee-Puncom	Member
7)	Share Transfer Committee -PACL	Chairman
8)	Shareholder Grievances Committee -PACL	Member
9)	Captive Power Generation Project Committee-PACL	Chairman
10)	PACL Corporate Planning Committee	Chairman
11)	PACL Corporate Office Building Committee	Chairman

The Shareholding of Sh. S.P. Singh, IAS as per Clause 49 (IV) (E) (v) is NIL.

Item No. 6

Shri Sukhdev Wadhwa was appointed as Director in the capacity of Chairman vide Punjab Government's Order bearing No. 8/16/03-11B/3851 dated 31.12.2004. Subsequently the Punjab Government vide its order bearing No. 8/16/03-11B/547 dated 15.2.2005 issued his terms and conditions. Now the Government of Punjab vide their order bearing no. 8/16/03-AS/153 dated 30.1.2006 has extended his term for a period of two years upto 12th January, 2008.

As the new Corporate Governance Clause of the listing agreement vide Clause I (B) requires the approval of the shareholders in general meeting, the same is placed before the members for their approval.

Sh Sukhdev Wadhwa being the appointee, may be deemed to be concerned or interested in this resolution.

Item No. 7

Smt. Sonia Arora was appointed as Director in the capacity of Vice Chairman vide Punjab Government's Order bearing No.8/16/03-11B/1478 dated 26.5.2005. Subsequently the Punjab Government vide its order bearing No.8/16/03-11B/2091 dated 15.9.2005 issued her terms and conditions. Now the Government of Punjab vide their order bearing no.8/16/03-AS1/1181 dated 27.6.2006 has extended her term for a period of one year upto 8th June, 2007.

As the new Corporate Governance Clause of the listing agreement vide Clause I (B) requires the approval of the shareholders in general meeting, the same is placed before the members for their approval.

Smt Sonia Arora being the appointee, may be deemed to be concerned or interested in this resolution.

ANNEXURE II**INFORMATION PURSUANT TO CLAUSE 49 (IV) (G) OF THE LISTING AGREEMENT**

A brief resume of the Directors who are being re-appointed alongwith the name of the companies in which they hold directorship of the Board is given below. The details regarding appointment of new Directors have already been given under explanatory statement vide item nos. 5 .

A) Brief Resume of Sh. V. P. Chandan, IRSSE

Sh. V. P. Chandan, IRSSE is M. Tech and has served as an Additional Member (Signal & Telecom) in the Ministry of Railways, Railway Board. He has served for 36 years on Indian Railways service of Signal Engineers (IRSSE). He has also served for 4 years as President, Qualcomm (India) Inc. - a multinational R & D Company. He has an expertise in General Management and Administration.

As on 28th August, 2006, he is holding position of CEO of Kalindee Rail Nirman (Engineers) Ltd. He is Chairman of the Audit Committee and Shareholders Grievances Committee of Punjab Communications Limited. The shareholding of Sh V P Chandan as per Clause 49 (IV) (E) (v) is NIL.

B) Brief Resume of CA Rajiv Dewan

Mr. Rajiv Dewan, aged 44 years is a Fellow member of the Institute of Chartered Accountants of India and is a practicing Chartered Accountant. Mr. Dewan possesses a rich and varied experience in tax planning, management consultancy, business restructuring, capital market operations, SEBI related matters and other corporate laws. Prior to starting his own practice, Mr. Dewan worked in senior positions in some of the renowned textile companies of North India.

As on 28th August, 2006, he is on the Board of Abhishek Industries Ltd, Malwa Industries Ltd, Malwa Millenium Designs Ltd and Punjab Communications Limited as a director. He is a Member of Audit Committee, Investor Grievance Redressal Committee in Puncom, Member, Audit Committee, Investor Grievances & Share Transfer Committee in Abhishek Industries Limited and Member of Audit Committee in Malwa Industries Limited. The shareholding of CA Rajiv Dewan as per Clause 49 (IV) (E) (v) is NIL.

August 28, 2006
Regd. Office:
B-91, Phase-VIII, Industrial Area,
S.A.S. Nagar, Mohali - 160 071

By order of the Board

(Satinder Pal Singh)
Managing Director

PUNJAB COMMUNICATIONS LTD.

Registered Office : B-91, Phase VIII, Indl. Area, S.A.S. Nagar (Mohali) - 160 071

ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND OVER AT THE ENTRANCE OF THE MEETING HALL

Joint shareholders may obtain additional Attendance Slip at the Venue of the meeting

DP. Id*	
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Regd. Folio No.	
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Client Id*	
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NAME AND ADDRESS OF THE SHAREHOLDER

No. of share(s) held :

I hereby record my presence at the 25th ANNUAL GENERAL MEETING of the Company held on Thursday, the 28th September, 2006 at 11.00 A.M. at B-93, Phase - VIII, Industrial Area, S.A.S. Nagar (Mohali) - 160071 (Punjab).

Signature of the shareholder or proxy

* Applicable for investors holding shares in electronic form.

----- **TEAR HERE** -----**PUNJAB COMMUNICATIONS LTD.**

Registered Office : B-91, Phase VIII, Indl. Area, S.A.S. Nagar (Mohali) - 160 071

PROXY FORM

DP. Id*	
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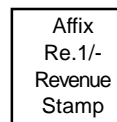
Regd. Folio No.	
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Client Id*	
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I/We.....of
..... being a member/members of Punjab Communications Ltd.
hereby appoint.....of
.....of failing him
..... of

as my / our proxy to vote for me / us and on my / our behalf at the 25th ANNUAL GENERAL MEETING to be held on Thursday, the 28th September, 2006 at 11.00 A.M. or at any adjournment thereof.

Signed this..... day of.....2006



* Applicable for investors holding shares in electronic form.

Signature

Notes : 1. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

2. The proxy need not be a member of the Company.

FOR YOUR INFORMATION

- All correspondence relating to shares of the company may please be sent to the following addresses :

Registered Share Transfer Agents : Alankit Assignments Limited
(Both for Physical & Demat Category) DP & RTA
Alankit House,
2E/21, Jhandewalan Extension,
New Delhi - 110055
Ph.: (011) 51540060-63, 42541955
Fax : 91-11-51540064

Company's Registered Office : B-91, Phase-VIII, Industrial Area,
S.A.S. Nagar, Mohali-160071 (Punjab)
Phone :+ 91 172 2237101 (4 Lines), 3046900 (4 Lines)
Fax :+ 91 172 2237125 & 3046919

- Annual General Meeting of the company is scheduled to be held on 28th day of September 2006, (Thursday) at 11.00 A.M. at B-93, Phase-VIII, Industrial Area, S.A.S. Nagar, Mohali-160071 (Punjab) (Notice Enclosed).
- Shareholders intending to require information about accounts to be explained in the meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.
- The Trading of Puncom's scrip has come under compulsory demat for all investors w.e.f. August 28, 2000 (ISIN INE609A01010).
- The Annual Report also covers reports on "Management Discussion & Analysis' and 'Corporate Governance".
- The shares of your company are listed with The Bombay Stock Exchange Ltd., Mumbai (BSE) only.

Annual General Meeting

Date & Time : 28th September, 2006, Thursday, at 11.00 a.m.
Venue : B-93, Phasse VIII, Industrial Area, SAS Nagar, Mohali

Our Website :
www.puncom.com

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