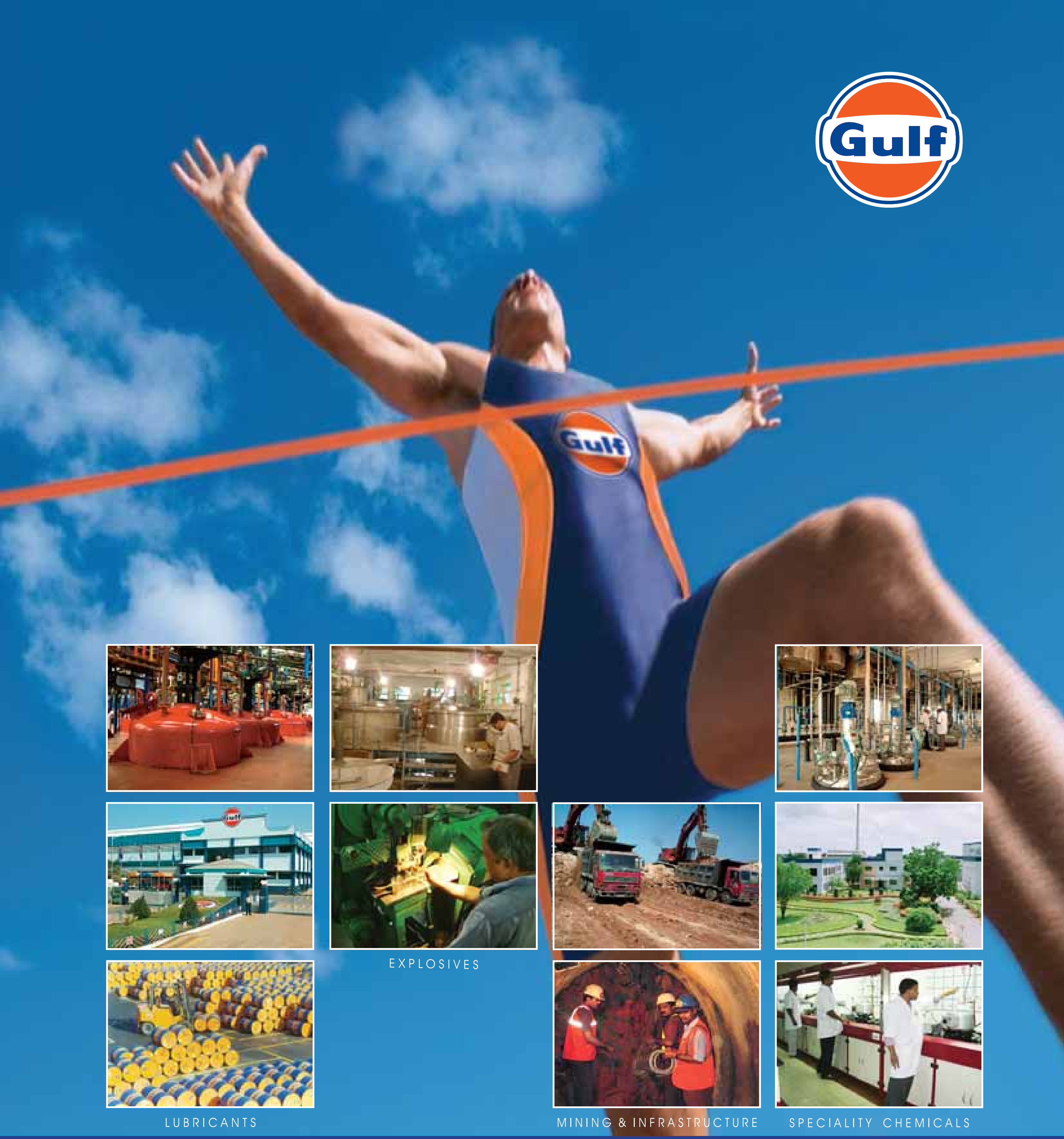


GULF OIL Corporation Limited

45th Annual Report
2005-2006

HINDUJA GROUP

EVENTS OF THE YEAR

Tie up with Indian Oil for distribution of Car Care Products

Launch of co-branded Lubes with Ashok Leyland Limited

Inauguration of Lubricants Distributors' meet at Lonavala, Maharashtra

Iron ore screening operation at Juribahal mine, Barbil, Orissa

Operation of Mobile Iron ore crushing plant at Langalota mine, Barbil, Orissa

Dump yard at Koyagudem. Adjudged as the"Best Mine" in Singareni Collieries, A.P. in 2005

Our explosives & accessories selected for the High-tech open cast mine using In-pit Crushing & Conveying systems RGOC2, Singareni

Views of the Speciality Chemicals Plant at Pashamylaram, Andhra Pradesh

GULF OIL Corporation Limited

FORTY FIFTH ANNUAL REPORT 2005-2006

Board of Directors

(As on 24th May, 2006)

S.G. Hinduja, *Chairman*
R.P. Hinduja, *Vice Chairman*
K.N. Venkatasubramanian
H.C. Asher
I.N. Chatterjee
A.V. Dujean
A.K.Das, *Alternate to S.G.Hinduja*
P. N. Ghatalia
Vinoo S. Hinduja
V. Ramesh Rao
(Executive Director till 7th November, 2005)
M.S.Ramachandran
(Effective 25th October, 2005)
S. Pramanik, *Managing Director*

Committees of the Board

Audit:	P.N.Ghatalia, Chairman	H.C.Asher	I.N.Chatterjee
Remuneration:	P.N.Ghatalia,Chairman	I.N.Chatterjee	
Share Transfer & Investor Grievance	I.N.Chatterjee,Chairman	S.Pramanik	

Executive Team

Corporate:	Nitin R Shah	***VP (Finance)***	V.Satish Kumar	***GM (Internal Audit)***
	Dr. N.Sriram	***GM (Agro)***		
Lubricants Division:	N.C.Sekharan	***Head-Lubes***	N.Chandrasekaran	***VP (Finance&Accounts)***
	Dr. Y.P.Rao	***VP (Technical)***	S.Vishwanathan	***Sr.GM (Filters)***
	R.Varadarajan	***VP (Sales & Marketing)***	A.Kathane	***Sr.GM (North)***
	Firdaus Tarachand	***GM (Finance)***	S.Das	***GM (South)***
	S.Jambavdekar	***GM (Operations)***	Sebin Jose	***GM (HR & Administration)***
Explosives Division:	S. Chakrabarti	***Chief Operating Officer***	P. Divakaran	***GM (Finance)***
	B.Sudhakar	***GM (Hyderabad Works)***	A.D.Sao	***GM (Marketing)***
Speciality Chemicals Division:	Dr.M.V.Rao	***VP(Operations)***	A.N.Patwari	***GM(R&D)***
	M.V.Balakrishnan	***Sr.GM (Commercial)***	S.V.Gandre	***Head (Marketing)***
Contracts Division:	T.T.Das	***Head-IDLconsult***		

Deputy Company Secretary A. Satyanarayana

Bankers
State Bank of India
State Bank of Hyderabad
The Jammu & Kashmir Bank Limited
Oriental Bank of Commerce
ICICI Bank Limited
Andhra Bank

Auditors
A F Ferguson & Co., Chartered Accountants, Secunderabad
Shah & Co., Chartered Accountants, Mumbai (Branch Auditors)

Registered/Corporate Office
Kukatpally
Hyderabad 500 072
Andhra Pradesh

CONTENTS

A TEN YEAR REVIEW

(Rs. in lakhs)

Year	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	**2005-06**
INCOME & DIVIDENDS										
Sales	13319.08	14682.85	14257.44	15191.43	19569.69	25250.68	40534.71	41551.04	47340.47	**50724.65**
Profit Before Tax	952.40	1203.77	557.48	568.29	6084.32	978.55	1132.93	2798.39	2215.07	**2543.43**
Profit After Tax	565.46	959.52	502.48	508.29	5464.32	769.55	1531.52	2290.80	2003.07	**2278.60**
Profit After Tax as Percentage of Sales	4.25%	6.53%	3.52%	3.35%	27.92%	3.05%	3.78%	5.51%	4.23%	**4.49%**
Dividend per fully paid Equity Share of Rs.10 (Rupees)	2.20	2.50	2.50	2.50	5.00	3.00	5.00	6.00	6.50	**7.00**
Dividend	169.36	192.45	192.47	200.04	400.09	416.15	693.59	832.30	901.66	**971.02**
CAPITAL EMPLOYED										
Net Fixed Assets	2329.33	2977.37	3986.85	4056.82	4196.39	8024.33	7943.98	8215.47	10560.95	**11367.26**
Net Working Capital	4418.05	5016.84	4946.58	5306.10	10046.86	17173.69	12593.26	9837.19	8130.11	**9597.43**
Other Assets	1080.72	1165.41	1126.05	1718.79	1404.98	2211.82	984.10	2394.70	4839.49	**5278.71**
Total Capital Employed	7828.10	9159.62	10059.48	11081.71	15648.23	27409.84	21521.34	20447.36	23530.55	**26243.40**
NETWORTH & LOANS										
Share Capital	769.80	769.80	800.17	800.17	800.17	1387.17	1387.17	1387.17	1387.17	**1387.17**
Reserves	3270.97	4038.04	4007.68	4293.93	9317.35	12943.00	10454.43	11246.72	12221.67	**13393.06**
Tangible Networth	4040.77	4807.84	4807.85	5094.10	10117.52	14330.17	11841.60	12045.21	12827.12	**14284.78**
Profit After Tax as a Percentage of Networth	13.99%	19.96%	10.45%	9.97%	54.01%	5.37%	12.93%	19.02%	15.62%	**15.95%**
Earning Per Share of Rs.10 (Rupees)	7.35	12.46	6.28	6.35	68.29	8.12	11.04	16.51	14.44	**16.43**
Bank Loans	2135.95	2060.28	1889.47	2433.45	2482.68	8101.00	5781.66	5139.17	4347.97	**3960.81**
Secured Debentures	350.00	250.00	50.00	300.00	300.00	300.00	300.00	200.00	100.00	**–**
Other Loans	1301.38	2041.50	3312.16	3254.16	1182.69	2805.99	1511.36	884.90	3795.74	**4186.88**
Total Loans	3787.33	4351.78	5251.63	5987.61	3965.37	11206.99	7593.02	6224.07	8243.71	**8147.69**
No.of.Shareholders at year end	4045	4109	4125	48380	47393	46969	48945	47605	45893	**43480**

Notes: Sales figure includes Excise Duty

NOTICE OF THE FORTY FIFTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Forty Fifth Annual General Meeting** of the Company will be held at 2.30 p.m. on Wednesday, the **27th day of September, 2006** at 'Kohinoor', Hotel Taj Residency, Banjara Hills, Hyderabad - 500 034 to transact the following:

ORDINARY BUSINESS

1. To consider and adopt the Directors' Report, the Auditors' Report, the Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended 31st March 2006.

2. To declare dividend for the financial year ended 31st March 2006.

3. To appoint a Director in place of Mr. P.N.Ghatalia, who retires by rotation under Article 122 of the Articles of Association of the Company and is eligible for re-appointment.

4. To appoint a Director in place of Mr.S.G.Hinduja, who retires by rotation under Article 122 of the Articles of Association of the Company and is eligible for re-appointment.

5. To appoint a Director in place of Mr. R.P.Hinduja, who retires by rotation under Article 122 of the Articles of Association of the Company and is eligible for re-appointment.

6. To consider, and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

   "RESOLVED that M/s. Deloitte Haskins & Sells (DHS), Chartered Accountants, Secunderabad be and are hereby appointed Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be negotiated and fixed by the Board of Directors of the Company in addition to actual out-of-pocket expenses incurred by them for the purpose of audit.**"**

   M/s A.F.Ferguson & Co., Chartered Accountants, now part of M/s. Deloitte Haskins & Sells, have informed the Company that they are not seeking reappointment as auditors of the Company for the year 2006-07. M/s Deloitte Haskins & Sells have conveyed their willingness to be appointed as auditors of the Company.

7. To consider, and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

   "RESOLVED that M/s. Shah & Co., Chartered Accountants, Mumbai be and are hereby appointed as Branch Auditors of the Company for its Lubricants Division at Mumbai from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be negotiated and fixed by the Board of Directors of the Company in addition to actual out-of-pocket expenses incurred by them for the purpose of audit."

SPECIAL BUSINESS:

8. To consider, and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

   "RESOLVED that pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr.M.S. Ramachandran, who was appointed as Additional Director of the Company and who, under Section 260 of the Companies Act, 1956 holds office only upto the date of this Annual General Meeting and being eligible, offers himself for appointment and in respect of whom the Company has received notice in writing from a Member, pursuant to the provisions of Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Mr. M.S.Ramachandran for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

9. To consider, and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

   "**RESOLVED that** pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, the Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment thereof for the time being in force), and the applicable laws, Rules, Guidelines, Regulations, Notifications and Circulars, if any, issued by the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), the Government of India (GOI), the Foreign Investment Promotion Board (FIPB), and other concerned and relevant authorities, and other applicable Indian laws, rules and regulations, if any, and relevant provisions of Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company and the Stock Exchanges where the Shares of the Company are listed and subject to such approval(s), consent(s) permission(s) and sanctions(s) as may be required from GOI, FIPB, RBI, SEBI and any other appropriate authorities, institutions or bodies, as may be necessary and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission or sanction which may be agreed by the Board of Directors of the Company ("the Board") (which term shall be deemed to include 'Offering Committee' or any other Committee constituted or hereafter be constituted for the time being exercising the powers conferred on the Board by this Resolution), which the Board be and is hereby authorized to accept, if it thinks fit in the interest of the Company, the consent and approval of the Company be and is hereby accorded to the Board to issue Securities (as defined below) by way of a direct issuance and allotment of Shares in the form of Equities, Shares, Warrants, Bonds or Debentures, Depository Receipts, (whether Global Depository Receipts (GDRs), American Depository Receipts (ADRs) or any other form of Depository Receipts), or any other debt instrument either convertible or nonconvertible into Equity Shares whether optionally or otherwise, including Foreign Currency Convertible Bonds (FCCBs), whether expressed in Foreign Currency or Indian Rupees (all of which are hereinafter collectively referred to as "Securities") whether secured or unsecured, and further the Board of Directors be and are authorized, subject to applicable laws and regulations, to issue the Securities to investors (including but not limited to Foreign Banks, Financial Institutions, Foreign Institutional Investors, Qualified Institutional Buyers, Mutual Funds, Companies, other Corporate Bodies, Non- Resident Indians, Foreign Nationals and other eligible investors as may be decided by the Board (hereinafter referred to as "Investors") whether or not such Investors are members, promoters, directors or their relatives, of the Company by way of one or more private or public offerings (and whether in any domestic or international markets), through a public issue(s), private placement(s), Qualified Institutions Placement, preferential issue(s) or a combination thereof in such manner and on such terms and conditions as the Board deems appropriate at their absolute discretion. Provided that the issue size shall not exceed US$ 100 million or Rs. 470 crores inclusive of such premium as may be payable on the Equity Shares, at such time or times and at such price or prices and in such tranche or tranches as the Board in its absolute discretion deems fit.

RESOLVED also that without prejudice to the generality of the above, the aforesaid issuance of the Securities may have to be subject to such terms or conditions as are in accordance with prevalent market practices and applicable Laws and Regulations, including but not limited to, the terms and conditions relating to payment of interest, dividend, premium on redemption, the terms for issue of additional Shares or variations in the price or period of conversion of Securities into Equity Shares or terms pertaining to voting rights or options for redemption of Securities.

RESOLVED FURTHER that the Board be and is hereby authorised to seek, at their absolute discretion, listing of Securities issued and allotted in pursuance of this resolution, listed on any Stock Exchanges in India, and/or Luxembourg/London/Nasdaq/New York Stock Exchanges and/or any other Overseas Stock Exchanges.

RESOLVED FURTHER that the Board be and is hereby authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted upon conversion of any Securities referred above as may be necessary in accordance with the terms of offering, and that the Equity Shares so allotted shall rank in all respects pari passu with the existing Equity Shares of the Company.

RESOLVED FURTHER that subject to the approvals stated above, the Company be also permitted to retain oversubscription upto 25% of the amount issued and the Board of Directors or Committee of Directors constituted for the purpose be authorised to decide the quantum of oversubscription to be retained.

RESOLVED FURTHER that the Board of Directors be and are hereby authorised to do all such acts, deeds, matters and changes as it may at its discretion deem necessary or desirable for such purpose including, if necessary, creation of such mortgages and/or charges in respect of the Securities on the whole or any part of the undertaking of the Company under Section 293(1)(a) of the Companies Act, 1956 and to execute such documents or writing as they may consider necessary or proper and incidental to this Resolution.

RESOLVED FURTHER that the Board of Directors or any Committee thereof be and is hereby authorised to do all such acts, deeds, matters and things as it may at its discretion deem necessary, expedient or desirable for such purpose including without limitation to the utilization of issue proceeds, finalizing the pricing, terms and conditions relating to the issue of aforesaid Securities including amendments or modifications thereto as may be deemed fit by them, to sign, execute and issue consolidated receipt/s for the Securities, listing application, various agreements such as Subscription Agreement, Depository Agreement, Trustee Agreement, undertakings, deeds, declarations, Letters and all other documents and to do all such acts, deeds, matters and things, and to comply with all the formalities as may be required in connection with and incidental to the aforesaid offering of Securities, including but not limited to the post issue formalities and with power on behalf of the Company to settle any question, difficulties or doubts that may arise in regard to any such issue or allotment of the Securities as it may in its absolute discretion deem fit.

RESOLVED FURTHER that the Board of Directors or any Committee thereof be and are hereby authorized to enter into and execute all such arrangements/agreements as may be required for appointing Managers (including Lead Managers), Merchant Bankers, Underwriters, Financial and/or Legal Advisors, Tax Advisors, Consultants, Depositories, Custodians, Principal Paying/Transfer/Conversion agents, Listing Agents, Registrars, Trustees and all such agencies as may be involved or concerned in such offerings of Securities, whether in India or abroad, and to remunerate all such agencies including the payment of commissions, brokerage, fees or the likes, and also to seek the listing of such Securities or Securities representing the same in one or more stock exchanges whether in India or outside India, as may be required by applicable laws."

By Order of the Board

Mumbai
24th May, 2006

A SATYANARAYANA
DEPUTY COMPANY SECRETARY

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

   Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.

2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.

3. The Register of Members and Share Transfer Books will be closed from 17th September, 2006 to 27th September,2006 (both days inclusive) in connection with the ensuing Annual General Meeting and the payment of Dividend.

4. Dividend recommended by the Board and approved by the Members at the AGM, will be paid on or before October 26, 2006. In respect of shares held in physical form, the dividend will be payable to those members whose names appear on the Register of Members on September 27, 2006. In respect of shares held in electronic form, dividend will be payable to the beneficiary owners of the shares as on September 27, 2006 as per details furnished by the Depositories for this purpose.

5. In terms of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the Investor Education and Protection Fund. Accordingly, in the year 2006-07, the Company would be transferring the unclaimed dividend for the year 1998-99 to the Investor Education and Protection Fund. Members who have not encashed their Dividend Warrant for the year ended March 31, 1999 or thereafter are requested to write to the Company / Registrars and Share Transfer Agents.

6. Members holding shares in dematerialized mode are requested to instruct their respective Depository Participants regarding Bank Accounts in which they wish to receive the dividend. However, the Bank details as furnished by the respective Depositories to your Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Stock Exchanges. Your Company/Registrar and Share Transfer Agents will not act on any direct request from Members holding shares in dematerialized form for change/deletion of such Bank details.

7. Members holding shares in physical form are requested to inform the Company of any change in their addresses immediately for future communication at their correct addresses and Members holding shares in demat form are requested to notify to their Depository Participants.

8. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Share Transfer Agents to enable them to consolidate their holdings into one folio.

9. As required under Clause 49 of the Listing Agreement, brief information of Directors, being appointed/reappointed, is given in the Directors' Report.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No.8

The Board appointed Mr. M.S.Ramachandran as an Additional Director on the Board, on 25th October, 2005. Pursuant to Section 260 of the Companies Act, 1956, Mr.M.S.Ramachandran ceases to be a Director at this Annual General Meeting.

A Notice has been received along with the requisite deposit from a Member signifying his intention to propose Mr. M.S.Ramachandran as a Director of the Company. Mr.M.S.Ramachadran is a Bachelor in Mechanical Engineering. He has vast knowledge and experience of Oil and Gas industry. He was Chairman of Indian Oil Corporation Limited, Chennai Petroleum Corporation Limited, IBP Co. Ltd., Indian Oil Tanking Ltd., Indian Oil Petronas and Director of ONGC Ltd., Petronet LNG Ltd. Lubrizol India Pvt Ltd and India Oil Blending Ltd. He is also the recipient of the Chemtech-Pharma Bio Hall of Fame Award 2005 and many other such awards. His skills and know-how include Leadership in Complex Organization, Energy Policy, Mergers, Acquisitions, International Trade, Shipping and Retail Marketing.

No Director of the Company, except Mr.M.S.Ramachandran, is interested in the resolution.

The Board recommends this resolution for your approval.

Item No.9

With a view to augment long term financial resources of the Company and to meet costs in connection with the expansion and/or diversification projects, it is proposed to raise an amount not exceeding US$ 100 millions or Rs.470 crores through issue of Foreign Currency Convertible Bonds (FCCBs) and / or American Depository Receipts (ADRs) or Global Depository Receipts (GDRs) and/or Qualified Institutions Placement and/or any other suitable financial instruments as contained in the Resolution.

The salient features are mentioned in the resolution and will be issued on such terms and conditions as may be appropriate at the time of issue.

The FCCBs/ADRs/GDRs/any other financial instruments including Qualified Institutions Placement, would be listed on the London and/or any other Stock Exchange within or outside India.

The Special Resolution gives adequate flexibility and discretion to the Board to finalise the terms of the issue in consultation with the lead managers, under writers, legal advisers and experts or such other authorities as need to be consulted including in relation to the pricing of the issue.

The consent of the shareholders is, therefore, sought to authorise the Board of Directors as set out in the Resolution to issue in one or more tranches the securities referred to therein in the international market to Foreign Financial Institutions, to Foreign Investors/Collaborators/Companies and/or to Foreign Investment Institutions operating in India, whether shareholders of the Company or not, through a public issue or private placement basis and/or preferential basis or Qualified Institutions Placement.

None of the Directors is as such concerned or interested in the resolution.

The Board recommends this resolution for your approval.

By Order of the Board

Mumbai
24th May, 2006

A SATYANARAYANA
DEPUTY COMPANY SECRETARY

REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT DISCUSSION AND ANALYSIS TO SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2006

Your Directors have pleasure in presenting their Forty-Fifth Annual Report and Audited Accounts for the year ended 31st March 2006.

1. FINANCIAL RESULTS

	2005-06 Rupees lakhs	2004-05 Rupees lakhs
Profits after providing for Depreciation of Rs. 701.57 lakhs (Rs. 785.62 lakhs) and before extraordinary items and taxation	**2887.78**	2446.30
Extraordinary items		
Compensation under Voluntary Retirement Scheme	**344.35**	231.23
Profit Before taxation	**2543.43**	2215.07
Taxation		
Current	**135.00**	308.00
Deferred	**20.00**	(96.00)
FBT	**109.83**	-
Profit After taxation	**2278.60**	2003.07
Balance brought forward from previous year	**2436.68**	1761.73
Balance available for appropriation	**4715.28**	3764.80
Appropriations:		
Proposed Dividend	**971.02**	901.66
Provision for additional tax on proposed dividend	**136.19**	126.46
Transfer to General Reserve	**500.00**	300.00
Balance carried to Balance Sheet	**3108.07**	2436.68
EPS	**16.43**	14.44

2. DIVIDEND

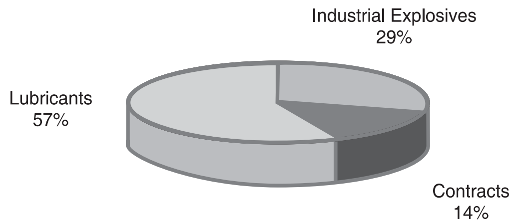
The Directors recommend the payment of Dividend of Rs. 7.00 Per share (Rs. 6.50 per share) on the paid up capital of the Company. The dividend of Rs. 9.71 crores (Rs. 9.02 crores), if approved by the Shareholders at the Forty-fifth Annual General Meeting, will be paid out of the profits for the current year to all Shareholders of the Company whose names appear on the Register of Members as on date of Book Closure.

3. OPERATIONS

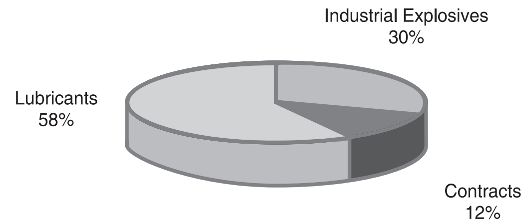
The total revenue of the Company increased to Rs. 507.25 crores (Rs. 473.40 crores). The profit before extraordinary items and taxation was Rs. 28.88 (Rs. 24.46 crores). The profit before tax was Rs. 25.43 crores (Rs. 22.15 crores) after making a higher provision for VRS spend in the current year. The profit after the provision of tax of Rs.1.35 crores, Fringe Benefit Tax of Rs. 1.10 crores and deferred tax of Rs 0.20 crores, was Rs. 22.79 crores (Rs. 20.03 crores) resulting in 14% higher EPS of Rs. 16.43 for the year.

DIVISIONAL PERFORMANCE

3.1 Business Operations



2005-06 Total Revenue : Rs. 507.25 crores



2004-05 Total Revenue : Rs. 473.40 crores

3.2 Industrial Explosives

The Explosives Division is engaged in the manufacture of detonators, detonating fuse, industrial explosives such as cartridged, bulk, emulsion and ANFO, Boosters, single or double or multi-layer clad plates.

Coal India Limited (CIL), a major customer of the Company increased the prices of bulk and cartridge explosives to compensate the major input cost of petroleum derivatives for the year 2005-06. At the same time CIL has imposed several unilateral and arbitrary conditions, which were not in the purchase conditions. Your company took up the case legally with CIL. CIL has already taken steps to mitigate the problem. The turnover of the Division for the year was Rs. 147.87 crores (Rs. 137.90 crores) representing a growth of 7%.

The Division has completed restructuring of its products portfolio to achieve overall increase in margins. The Division also leveraged its knowledge bank by offering mining related services to large customers and bagged two new projects for drilling and blasting. Dependence on Coal India Limited for business is being consciously reduced, by aggressively venturing into non-coal business, including civil, infrastructure and defence sectors.

The Explosives Division along with R&D has launched two versions of the electronic detonator 'e-DET' products. Field trials for both have been successfully completed. These introductions would bring the detonator range at par with the latest international developments in the mining field. The products will be introduced shortly in PSU and non-PSU organizations.

Further release of 115 persons under VRS was accepted during the year from Hyderabad and Rourkela factories. However, production capacity was unaffected due to streamlining of manpower and processes. Production for some products were increased through outsourcing.

The increased activity in the Capital Goods market helped the demand for clad metal plates. The Metal Cladding Group finalized major export orders during the year and presently caters to 50% of the Indian market. The Group has posted a turnover of Rs.6.04 crores (Rs.5.51 crores) representing a growth of 10%.

The Special Products Group, catering to special requirements of Defence and Space departments, executed several prestigious orders meeting stringent six-sigma criteria. The Group has posted a turnover of Rs.2.75 crores (Rs.1.63 crores) representing a growth of 69%.

3.3 Contracts (IDLconsult)

The Division successfully completed the Koyagudem Project awarded by Singareni Collieries Company Limited (SCCL), within the stipulated time. Currently the Division's main activities are in the Iron Ore sector in Barbil, Orissa where work in 9 Iron Ore mines is progressing satisfactorily. The total turnover of this Division has increased to Rs. 72 Crores (Rs. 54.51 crores), recording a growth of 33% over last year.

The Division is growing in a dynamic way and has gained invaluable experience by working in various Mining Projects with large customers around the Country. It has gained accolades for excellent execution at Koyagudem mine in SCCL where excavation of 12 million cubic meters was entrusted to the Company. It was adjudged as the Best Mine in Singareni by a joint evaluation committee from Singareni Collieries and Director General of Mines Safety last year. In the Barbil region, the Division's work in Kasia iron ore mine was recognised when the mine was declared a Model Mine by the Director General of Mines Safety.

The thrust towards total mining services was undertaken in the year. The Division took up crushing and screening assignments on behalf of its clients to make available saleable material at the customer's pithead.

These operations have set the platform for sustainable development and growth of the Division in the fast growing mining sector.

3.4 Lubricants

The automotive industry maintained a good overall growth rate during the year 2005-06, with the motorcycles segment registering an even higher growth rate. The year also witnessed the introduction of Euro 2 vehicle exhaust emission norms across the country and the more stringent Euro 3 norms in the 11 select metros. As a consequence, both engine designs and fuel quality changed considerably during the year, providing the Division an opportunity to introduce several new products that are required to cater to the changed business environment.

During the year, the Lubricants Division had embarked on a strategy of upgrading the automotive product mix in favour of higher performance oils. A number of new products, which were introduced during the year found good response from the customers. Despite the discontinuation of several low-end products, which accounted for a large combined volume of sales during the previous year, the Division was able to maintain overall volumes in the critical automotive segment by selling more high value products, thus generally improving the product mix and margins. The year witnessed an astronomical and unprecedented increase in the costs of base oils, a prime raw material used by the lube industry. Despite these significant increases in the cost of base oils and other chemical inputs, the Division was able to maintain total margins during the year, using the strategy of upgrading the product mix and effecting timely price revisions, required to pass on a fair portion of the additional costs to the market.

During the year, the Division had also worked on a strategy of consolidating its Industrial business. The product line was rationalised, prices revised and non-profitable businesses divested. While this resulted in a minor reduction in sales volumes, gross margins from this product line improved. The Division was also able to retain successfully the business of some of its prestigious Original Equipment Manufacturers (OEM) and Industrial customers.

Another market trend seen by the Commercial Vehicle segment was the keen interest shown by various OEMs in mandating the use of Long Drain Oils of high performance level, especially for their latest vehicles. The Division had been working closely with Ashok Leyland Ltd to jointly develop a world class Diesel Engine Oil with a service capability more than twice that of the existing engine oils for Euro 2 and 3 vehicles in long haul service. This product, together with a number of other high performance and longer service lubricants and fluids required by Ashok Leyland vehicles was launched as Ashok Leyland/Gulf co-branded family of oils during the last quarter of the year. The response from the vehicle dealers and fleet owners has been heartening. The product line is also being simultaneously marketed through the conventional Gulf trade channels.

The 4-Stroke Motorcycle Oil segment witnessed the highest segment growth during the year. In implementing a well-planned strategy to increase its brand market share in this segment, the Division developed high-performance oil for the modern high-speed motorcycles. The product was subjected to extensive field evaluation, which proved its unique capability of extended service, being significantly higher than that of the existing product offerings of the industry. This new product was launched during the year in a very attractive and newly designed package, supported with promotion and sales schemes. It has found good acceptance in the market, recording a significant increase in the sales of Motorcycle Oils during the year as compared to the last year. The Division also won for the first time, the factory-fill business of a major Motor Cycle OEM in the country.

Gulf Car Care Product (CCP) line, which was launched last year registered an excellent growth in volume with the expansion of conventional retail outlets and shopping malls. During the year, the Division entered into an MOU with Indian Oil Corporation Ltd, India’s largest oil company owning the largest number of fuel retail outlets, for test marketing of CCP in selected outlets covering 5 metros.

Gulf Filters product line registered spectacular growth during the year. A number of new products covering various vehicle applications were introduced during the year.

During the year, the Division was reaccredited with the Directorate General of Quality Assurance, Ministry of Defence for the supply of lubricants. This will enable the Division to participate in the prestigious business of Defence lubricants in the future.

The Division continues to view itself as a responsible corporate citizen. After a thorough revamp of the Environmental Management System during the year, the Division obtained the accreditation of the prestigious ISO 14001 Environmental Management System for its lubricants manufacturing facility at Silvassa.

3.5 Speciality Chemicals

The API plant comprising of 5 production blocks with 180 KL reactor capacity has been planned as a fully cGMP compliant facility. Pre-commissioning qualifications for design / installation have been completed.

Products planned for the production blocks have been finalised in the R & D and process development laboratories. Trial samples have been found acceptable on stability tests by prospective customers in India and abroad. The API product range includes anti-histamines, cardiac, anti-depressants, arthritic and cephalosporins.

The Division participated in the International CPhI exhibition at Madrid, Spain. This was the second such participation and has helped in concluding product specific tie-ups in markets of Germany, UK and Canada. Trial outputs have been accepted by major Indian Pharma Companies and foreign customers in Germany, Spain, Brazil, Mexico and various SAARC countries.

The manufacturing facilities have also been inspected and approved by India based MNCs and a few foreign buyers. The R & D laboratories have been upgraded to GLP standards and the work resulted in several items being developed during the year. The Division has filed 2 DMFs with European Regulatory Authorities (EDQM) and similar DMFs for three more products are in final stages of completion.

3.6 Other Business Groups

IDL Finance Limited, a subsidiary of the Company, acquired the Building Products Division of the Company with effect from 1st April, 2005 and renamed as IDL Buildware Limited to reflect the new product range. The subsidiary achieved a turnover of Rs.224 lakhs and added 2 new products to its existing range.

The 4 Wind Mills (1MW) located at Ramagiri District generated 6,87,400 units (3,97,782 units). The Hyderabad factory received the benefit of the generation through the APSEB grid.

3.7 Exports

Exports of the Lubricants Division were Rs.17.20 crores (Rs.18.47 crores). In addition to various countries covered in the previous year, new markets covering Siera Leone, Iran, Taiwan, Malaysia and Uganda.

During the year, export of explosives and accessories to South East Asia, Middle East, Gulf countries, Africa and Mediterranean countries was Rs.14.74 crores (Rs.14.07 crores).

4. INTERNAL CONTROL SYSTEMS

The Company's internal control systems governed by well framed policies and guidelines is supplemented by well-established audit processes that assists Corporate Management in identifying issues and associated risks and ensure that all assets are safeguarded and protected against any loss from unauthorized use or disposition; transactions are authorized, recorded; and reliable MIS generated at divisional and different operating levels.

Internal Audit, an independent appraisal function, examines and evaluates the adequacy and effectiveness of the internal control systems, appraises periodically about activities and audit findings to the Audit Committee, statutory auditors and the top management.

Internal audits are undertaken on a continuous basis with specific focus on processes, risk based audit and compliances. A summary of audit observations and 'Action Taken Reports' were placed and discussed in the Audit Committee meetings 4 times during the year.

5. FIXED DEPOSITS

Fixed Deposits from the public and the shareholders as on 31st March 2006 amounted to Rs. 667.79 lakhs. At the end of 31st March 2006, 102 deposits amounting to Rs. 95.88 lakhs, which had matured, remained unclaimed. The Company has given intimation to the depositholders concerned about the maturity of their deposits.

During the year, the interest rate was reduced in line with the general trends by 0.5% p.a. for 3 years maturity. Matured deposits amounting to Rs.15,000 remaining unclaimed for a period of 7 years were transferred to the Investor Education and Protection Fund of the Central Government, under Section 205 C of the Companies Act, 1956.

6. ORISSA SALES TAX

During the year, the Supreme Court in the Special Leave Petition (SLP) filed by the Orissa Government, remanded the case back to the Orissa High Court to consider 1 pending year's case along with the 9 other years where the High Court had passed orders and SLP had been filed by the Government of Orissa. The Orissa High Court, however held the transactions to be of inter-State nature. The Company has filed an SLP in the Supreme Court and the Hon'ble Supreme Court has issued notice to the State of Orissa. The matter is sub judice.

7. RESEARCH & DEVELOPMENT

Your Company has made systemic and substantial investment in the Research and Development (R & D) Centres at Hyderabad and Silvassa. Both these Centres have been recognized by the Department of Scientific and Industrial Research, Government of India.

The R & D Centre at Hyderabad is engaged in development of special purpose industrial explosives, precision initiation devices for industrial use, defence, space and infrastructure sectors; and Active Pharma Ingredients (API) and intermediates. During the year, the Centre was successful in developing low weight emulsion boosters, new underground coal mining explosives and special explosives required for oil exploration. The Electronics Group which has been working on the development of electronic detonators was successful in having their products approved by the Director General of Mines Safety after controlled field trials. The Organic Chemistry Group was able to develop several processes for commercialization, one of which was for a European customer. It was also able to develop processes for manufacture of antihistamines, antiepileptics and three cephalosporins

The Centre at Silvassa engaged in the development of specialised lubricants and greases was successful in development of formulations for long drain lubricants which reduces operating costs, lubricants suited for environmental friendly new vehicle population, and in achieving overall cost reduction while ensuring product performance.

8. SUBSIDIARIES

IDL Agro Chemicals Limited incurred a loss of Rs. 79.50 lakhs (against a profit of Rs. 0.66 lakhs).

IDL Buildware Limited, formerly known as IDL Finance Limited has taken over the Building Products Group operations from the Company. The Company incurred a loss of Rs.97.39 lakhs.

IDL Arom International Limited reported a marginal profit of Rs 0.09 lakhs (loss of Rs.1.13 lakhs) .

Gulf Carassorie Limited reported a profit of Rs.0.36 lakhs (loss of Rs.2.39 lakhs)

Gulf Oil Bangladesh Limited incurred a loss of Rs.48.17 lakhs (Rs.118.49 lakhs).

PT Gulf Oil Lubricants Indonesia incurred a loss of Rs.143.29 lakhs (Rs.72 lakhs)

9. HUMAN RESOURCES / INDUSTRIAL RELATIONS

Specially designed and focused Competency Development programs were organised in-house across all levels of employees with special emphasis on the development of sales and marketing field force. Several employees were sponsored for specialised external training programs based on current and future requirements. Steps were also initiated to build the cultural capability of the organisation integrated with the key sources of competitive advantage and to align HR practices to enhance cultural capabilities.

As a prelude to the implementation of the Balances Scorecard (BSC), all management staff in the IDL Divisions set SMART performance goals for FY 06. A team of consultants helped in the preparation of individual Score Cards and assisted in the transition to the BSC concepts / structure. Specialised BSC Software was installed for supporting new monitoring systems.

Specialised man-power was deployed for new businesses in car care products, filters and marketing of lubricant vending machines and active pharmaceutical ingredients.

10. OUTLOOK FOR THE CURRENT YEAR

The fundamentals of the Indian economy remain strong and sustainable. The macro economic indicators are currently at a new high. The economy grew at 8% whilst growth of the manufacturing sector was 9%. Cement products, construction, mining, pharmaceuticals, 2-wheelers, and metal sectors were immensely benefited by the buoyant economy. The Government has announced reforms to energise the power and mining sectors, and made policy announcements to de-bottleneck the allotment of the coal mines so that competitive mining is available to steel, cement and power producers. Development of infrastructure continues to be a major priority for the Union and State Governments.

In this background the outlook of the activities of the Company’s 4 major Divisions are expected to be as follows:

10.1 Industrial Explosives

During the last 2 to 3 years, there has been a boom in the field of mineral excavation and mining, which has surpassed all growth of past years since Independence. Many mining companies have seen a turnaround due to increase in global demand of Iron, Aluminium, Coal and other minerals. It is a matter of great pleasure that the mineral industry has become a large revenue earner for the country. In the Financial Year 2004, total mineral export from India was over Rs 65,000 crore, which was 2% of GDP. In Financial Year 2005, over 66% of the income of the companies affiliated to CAPEXIL (Chemical and Allied Products Export Promotion Council) with a real value of over Rs 204,000 crore ($4550 Million) has come from export of minerals and ores. Over 4181 members of CAPEXIL contribute to over 9% of total export income of the country. Other mining companies both in public and private sector have also shown spectacular growth in mineral and end products. Your Company sees this as a great opportunity to grow and expand its business in the coming years.

New sites showing potential for bulk explosives usage have been identified and trials / demonstrations have been carried out successfully. Actions have already been taken to install support facilities for the supply of bulk explosives on a regular basis at 6 locations namely Noamundi and Jaduguda in Jharkhand, Barbil and Jharsuguda in Orissa, Barabani in West Bengal and Manuguru in Andhra Pradesh. The existing fleet of 39 Pump Trucks is being increased to cater to the emerging demand.

It is proposed to increase turnover of the Explosives Division further in the coming year. To achieve this growth, the Company will concentrate on increasing sale of value added products such as electronic Detonators, Defence products and metal cladding activities besides expanding drilling, blasting and mining services. The new bulk explosive silo locations are expected to be fully operative and start contributing to the business in the current year. It is planned to expand business in non-coal and infrastructure segments where growth in business during the next few years is expected to be on the increase. Further capacity enhancement through de-bottlenecking and rationalization of operations at Rourkela Works and bulk explosive locations have been started in the current year.

10.2 Contracts (IDLconsult)

The Division has gained the image as one of the most techno-commercially efficient mining contractor having a large technical pool to execute quality work. Keeping mining contracts as the prime focus, the Division is set to exploit its experience and capability to execute quality work by starting owned mining and ore beneficiation operations. Based on the Indian Mines & Minerals Policy the Division has started the ground work in this direction. Besides, leveraging the experience gained by the Division in shaft sinking and under ground tunnel work in Delhi Metro Rail Project, similar projects in other major cities are also of interest to the Division.

The boom in Indian manufacturing and infrastructure industries has set the Indian mining industry on an upswing. The increase in production and consumption of major minerals like coal, iron ore, bauxite and limestone has put pressure on production of ores. With all the major heavy industries and the infrastructure industry growing at a fast pace, the power requirements are also increasing in similar proportion resulting in the growing demand for coal production in India. Coal production in India is growing at an average of 5% per year over the last 5 years. The Indian steel industry is also growing at a fast pace with the requirement of steel and cement growing exponentially. This is resulting in growth of iron ore production at a pace of 10-15% per year. Limestone production is also on an upswing to meet the demand of 10% growth of cement industry as observed over the last 3 years. This scenario is about to set the situation of privatisation of several valuable mineral blocks by the Government. The IDLconsult Division is poised to take advantage of this emerging scenario in India.

The Division is presently exploring opportunities for mining contracts in the Gulf region where demand has emerged based on high growth of infrastructure activities.

10.3 Lubricants

During the year 2006-07, Commercial Vehicles are expected to show good growth but increase in volumes of long drain oils could depress lube growth. While the Passenger Car segment is also expected to show decent growth, the Diesel models are expected to become more popular. 2 Wheeler (4 stroke) vehicles are expected to show encouraging growth providing opportunity for growth in 4T engine oils. Industrial Lubes are expected to grow moderately.

Low emission engine technology will drive Lubricant technology leading to the need for better quality base oils (Group 1 to 2/3), requirement for latest additive technology, and increase in use of CNG for city transportation. Also expectations of Original Equipment Manufacturers' (OEM) need for longer drain Oils in the commercial segment and better engine designs could show reduction in overall oil consumption. However, entry of global OEMs in Commercial Vehicles as well as passenger car segments is expected to increase competitiveness in the input costs.

Base Oils costs are expected to further increase, though less steeper than the previous year. The increase in base oil production capacity of PSU refineries will be a welcome sign but may still fall short of domestic demand and shortages will have to be met by by imports. At the same time, global supply constraints could push up the base oil costs. The Company is taking timely steps to adjust product prices to cover increase in input costs and ensure timely initiatives in future to protect margins.

The Company will continue its focus in commercial vehicle segment and leverage Ashok Leyland tie up to increase market share besides pursuing new OEM tie-ups. The Company shall also be strengthening its position in the 4T segment. We are formulating plans for Brand building and higher visibility and will continue promotion through motor sports. Our efforts to strengthen distribution channels in order to increase sales volume per distributor in the existing areas and add distributors in potential vacant areas would continue.

In the areas of auto ancillary business, more products including Long Life Lube Filters are being evaluated for introduction into this channel during the year. The test marketing of Car Care Products (CCP) having been completed successfully, the Division is hopeful of entering into an agreement with Indian Oil Corporation Limited for a national launch in the current year. In the meanwhile, discussions with other retail chains are continuing for marketing this range of products more widely in the country. The Division is also engaged in extending its CCP range, as well as examining the prospects of marketing related accessories through this channel.

10.4 Speciality Chemicals

India is evolving as a valuable sourcing point for key APIs. The estimated exports from India will touch USD 4.3 billion by 2007. Many generic pharmaceutical companies are now in dialogue with a large number of Indian companies either to import the APIs or tie up with R&D laboratories for Contract Research. The comparatively lesser cost of production and availability of skilled manpower in Research and Development makes India a very good sourcing point for API products and R&D services.

The Company's manufacturing facility has already stimulated a lot of interest among prospective customers. The facility has been audited by some multinational companies operating in India. These Pharma majors have approved our facility for the supply of APIs to their Indian operations and non-regulated markets. The facility has also been audited by a few agents/ traders for placing our materials in international markets. This would open up new avenues for positioning our products in international markets.

The Division has identified prominent cardiovascular, antihistamine, antidepressants and fluoroquinolone antibiotics as target areas. These are growing markets and the Division expects a fair share of these markets. It is also proposed to enter into the growing cephalosporins antibiotic segment which has good growth potential for third and fourth generation cephalosporins. A few lifestyle drugs in the cardiovascular, antidepressant and lipid lowering segments are under development in R & D.

The Division has also been able to enter semi-regulated markets like Brazil, Mexico and Turkey either directly or through agents based in Germany and Mumbai. This business is also expected to grow further with the approval of the initial supplies to these markets along with tie up with a European Company to manufacture their patented products both for domestic market as well as for exports on an exclusive supply basis.

Application for Certificate of Suitability for two of the products is pending. The Company has also submitted Drug Master Files for three of the products to gain access to the European markets. With greater emphasis on marketing logistics and thrust on Research and Development, the Division should be able to get a fair share of the API market.

10.5 Other Business Groups

The Company has initiated plans to develop properties owned by it at Hyderabad and Bangalore in association with one of its subsidiaries, namely IDL Arom International Ltd. Future plans include development of Technology Parks in IT and Bio Technology sectors.

11. MANAGEMENT OF RISKS

11.1 Environmental Risks

Risks related to protection of the environment, safety of operations and health of people at work is maintained regularly with reference to statutory regulations prescribed by the government authorities and General Safety Directions (GSDs) prepared in accordance with the rules pertinent to the industry. The Company has organised its operations in such a way that they do not merely fulfill legal requirements concerning emission, waste water and waste disposal but actually works to even stricter self imposed standards.

One of the Divisions is in the Industrial Explosives sector, which is classified as a hazardous industry. In order to limit the risk during the process of manufacture, regular safety audits are conducted by internal teams as well as external teams and General Safety Directions (GSDs) are strictly enforced at all locations where explosives and blasting accessories are manufactured. Also, strict compliance with the requirements of the Explosives Act and Rules is undertaken to ensure that the adjacent neighbourhoods are protected. To ensure this, all our factories maintain not only inner safety distances as prescribed by the Explosives Rules but also strictly adhere to the requirement of outer safety distances as prescribed by the Explosives Rule and monitored by the Petroleum and Explosives Safety Organisation (PESO) of the Government of India, for protection of the environment.

11.2 Business Risks

Markets

All the Divisions of the Company operate in highly competitive markets where competition from all India players as well as regional players is high. Therefore, there is a risk of cost increases, especially due to petro products, not being possible to be passed on to ultimate consumers. The Company is in direct contact with the industry associations to ensure that there is a suitable consensus on pricing policies by the majority of the producers.

Raw Materials

Some of the major raw materials inputs to our Lubricants Division, Industrial Explosives Division and Speciality Chemicals Division are petro products, which are mainly imported. The demand-supply positions for these items such as Base Oils, Ammonium Nitrate and solvents are affected by global market situations and the availability and prices of such items are volatile, especially on account of the current crude oil price movements. To limit the risks, the Company enters into long-term contracts with suitable escalation clauses to ensure regular supplies.

Industrial Explosives and Contract Divisions

Both the Explosives and Contract Divisions are operating in the mining and infrastructure sectors, which are dominated by the PSUs where the tendering system is in vogue. For the Explosives Division, Coal India Limited, the major customer, has introduced new norms whereby vendor rating has become critical to release of business and the earlier system of distribution of orders on matching L1 prices has been dispensed with. The Company has made all efforts to ensure that all requirements for qualifying in the various PSU tenders are complied with. The Contracts Division on the other hand is also ensuring that it meets the bidding criteria prescribed by the various PSUs so that it is not disqualified on technical grounds.

Exports

The Lubricants Division, Explosives Division and the Speciality Chemicals Division are active in the export market. All these Divisions have drawn up plans to obtain export orders to compensate for lower domestic demand, especially for high end products and obtain better price realisations.

11.3 Other Risks

Financial Risks

Financial risk management is done by the Finance Department at the various business Divisions and at Corporate Office under policies approved by the Board of Directors. Written policies for overall foreign exchange loss risks and liquidity are in place. Interests risks arising out of financial debt is normally done at fixed rates or linked to LIBOR and appropriate Bank lending rates. A credit risk policy is also in place to ensure that sale of products are made to customers after evaluation of their ability to meet financial commitments by allotting specific credit limits to customers.

Litigation Risks

In matters of tax law and other statutory obligations the outcome of litigation cannot always be predicted. Hence, appropriate financial provisions, insurance policies and credit lines are taken to limit the risk for the Company.

IT Risks

The Company is dependent on several business softwares operated from the Corporate Office and the business Divisions. Failure of system networks resulting in disruption of operations and consequential loss of business is attempted to be minimised by critical systems being operated on secured servers with regular maintenance and back up of data. Firewall and virus protection software are regularly updated to ensure a virus free environment as far as possible.

12. DIRECTORS

Mr. K. N. Venkatasubramanian relinquished Chairmanship of the Board. In terms of Article 139 of the Articles of Association of the Company, the Directors elected Mr. Sanjay G. Hinduja as Chairman at the Board Meeting held on August 1, 2005. Mr. K. N. Venkatasubramanian continues as a Director of the Company.

Mr. P.N.Ghatalia, Mr.S.G.Hinduja and Mr.R.P.Hinduja, in accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, retire by rotation at the 45th Annual General Meeting of the Company.

Mr.M.S.Ramachandran, was appointed by the Board as Additional Director of the Company, whose term is valid till the next Annual General Meeting. He is eligible for appointment.

P.N.GHATALIA

P.N.Ghatalia retired as a Senior Partner in Price Waterhouse with vast experience in the professional field. He was also an active member in Board of Societe Generale, Member of the Board of Advisory Committee of Priyadarshni Academy Award, Member of Board of various District Committees and a Member of the Accounting Standards Committee of the Securities and Exchange Board of India (SEBI).

S.G.HINDUJA

S.G.Hinduja is a Graduate in Business Administration from Richmond College, London. He has professional experience with Credit Suisse First Boston - Syndication Department and Chase Manhattan Bank and has rich experience and knowledge of the Global Oil and Energy Sector. He is the Chairman of Gulf Oil International Limited.

R.P.HINDUJA

R.P.Hinduja is a Graduate in Science in Economics from the University of Pennsylvania, Philadelphia, USA and has work experience as Analyst in Amas S.A.Geneva, Switzerland and as Auditor with Arthur Andersen S.A.Geneva. He is the Co-Chairman of HTMT Limited.

M.S.RAMACHANDRAN

M.S.Ramachandran is a Bachelor in Mechanical Engineering. He has vast knowledge and experience of Oil and Gas industry. He was Chairman of Indian Oil Corporation Limited, Chennai Petroleum Corporation Limited, IBP Co. Ltd., Bongaigaon Refineries & Petrochemicals Ltd., Indian Oil Tanking Ltd., Indian Oil Petronas and Director of ONGC Ltd., Petronet LNG Ltd. He has received several awards including Chemtech Pharma Bio Hall of Fame Award in 2005 and National Institute of Industrial Engineers Lakshya Business Visionary Award in 2004.

Details of Directorships in other Companies are as per the Annexure to the Report on Corporate Governance.

13. STATUTORY INFORMATION

Information on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and the Statement under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, are annexed to this full Report. However, as per the provisions of Sec.219 (1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company.

14. INFORMATION ON STOCK EXCHANGES

The Equity Shares of the Company is listed on The Hyderabad Stock Exchange Limited and Bombay Stock Exchange Limited.

15. CORPORATE GOVERNANCE

A detailed report on the subject forms part of this report. The Statutory Auditors of the Company have examined the Company's compliance and have certified the same as required under the SEBI Guidelines. Such certificate is reproduced in this report.

16. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, on the basis of informative documents made available to them, confirm that:

a. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

b. They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.

c. They have taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

d. They have prepared the annual accounts on a going concern basis.

17. SUBSIDIARY COMPANIES

The Report and Accounts of the Subsidiary companies are annexed to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956. However, in the context of mandatory requirement to present consolidated position of the Company including subsidiaries, at the first instance, members are being provided with the Report and Accounts of the Company treating these as abridged accounts as contemplated by Section 219 of the Companies Act, 1956. Members desirous of receiving the full Report and Accounts of the subsidiaries will be provided the same on receipt of a written request from them.

18. AUDITORS

Messrs A. F. Ferguson & Company, the existing Statutory Auditors of the Company are now part of Messrs Deloitte Haskins & Sells (DHS) and it has been proposed that DHS be appointed as the Statutory Auditors of the Company. Accordingly, Messrs A.F.Ferguson & Co. have expressed their unwillingness to be reappointed at the conclusion of the ensuing Annual General Meeting. DHS have also expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

19. PREFERENTIAL ISSUE

During the year, the Company has allotted 10,00,000 Warrants convertible into one Equity share of Rs.10 each at a price of Rs. 505. The Company has received Rs. 505 Lakhs as application money and the same has been utilized as under :

a. Implementation of Project Rs.293 lakhs

b. Re-payment of Long Term Debt of Rs.150 Lakhs

c. General Corporate Requirements Rs.62 Lakhs

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank the customers, vendors, business partners, shareholders, bankers and other stakeholders for their faith reposed in the Company and thank the Government of India, State Governments and regulatory authorities and agencies for their support and looks forward to their continued encouragement. Your Directors place on record their sincere appreciation of the contribution of all employees which has enabled the growth of the Company's business in very competitive market conditions and for taking advantage of emerging opportunities.

For and on behalf of the Board of Directors

Mumbai
May 24, 2006

S.G. HINDUJA
Chairman

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis sections describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company will continue to be in the forefront of its diverse interests and sustain growth activities through emphasis on TQM, adoption of emerging technologies, innovation through research, good corporate governance, adherence to fair business practices and effective use of physical, technological, R & D, information and financial resources, thus fulfilling the aspirations of customers, shareholders, employees and financiers.

2. BOARD OF DIRECTORS

(A) **Composition:** The Board of Directors of the Company headed by a Non-executive Chairman, consists of the following Directors as on 31st March, 2006 categorised as indicated.

(i) Chairman (Non-executive) Mr. Sanjay G Hinduja

(ii) Non-Executive Directors:

(a) Promoter Group:
Mr. Sanjay G. Hinduja
Mr. I. N. Chatterjee
Mr. Alain V. Dujean
Mr. Ramkrishan P Hinduja
Mr. Abin K. Das, Alternate Director to Mr. Sanjay G. Hinduja
Ms. Vinoo S. Hinduja
Mr.V.Ramesh Rao@

(b) Independent:
Mr. K. N. Venkatasubramanian
Mr. Pravin N. Ghatalia
Mr. H. C. Asher
Mr. M. S. Ramachandran@@

(iii) Managing Director: Mr. Subhas Pramanik

@ Non-executive Director effective 8th November, 2005
@@ Appointed effective 25th October, 2005

(B) Attendance of each director at the Board Meetings and the last AGM and details of membership of Directors in other Boards and Board Committees:

Name of the Director	No. of Board Meetings Attended	Whether attended last AGM	No. of Memberships of other Boards as on 31/03/06 (including private companies)	No. of Memberships of other Committees	No. of Chairmanships in other Committees
Sanjay G Hinduja	5	No*	1	-	-
K N Venkatasubramanian	4	Yes	10	-	2
Hemraj C Asher	6	No*	22	3	3
I N Chatterjee	6	Yes	4	-	-
A K Das	-	No	15	4	-
Alain Vincent Dujean	4	Yes	-	-	-
Pravin N Ghatalia	6	No	7	7	3
Ramkrishan P Hinduja	2	No*	7	-	-
S Pramanik	6	Yes	5	-	-
V Ramesh Rao	4	Yes	3	-	-
Vinoo S Hinduja	2	No*	2	-	-
M.S.Ramachandran@	1	N.A.	1	-	-

*Chairman of the Audit Committee and other Directors could not reach the venue of AGM, due to heavy unprecedented rain/floods in Mumbai.

@ Appointed effective 25th October, 2005

(C) **Details of Board Meetings held during the Year 2005 – 2006:**

Date of the Meeting	Board Strength	No. of Directors Present
20.04.2005	10	7
25.05.2005	10	6
30.07.2005	10	10
25.10.2005	10	7
15.12.2005	11	7
25.01.2006	11	9

(D) **Code of Conduct**

The Board of Directors has laid down Code of Conduct for all Board Members and Senior Management of the Company. The text of the Code of Conduct is uploaded on the website of the Company – www.gulfoilcorp.com. The Directors and Senior Management personnel have affirmed compliance with the Code applicable to them, during the year ended March 31, 2006. The Annual Report of the Company contains a Certificate duly signed by the Managing Director in this regard.

(E) **CEO & CFO Certification**

The Managing Director and Vice President (Finance) have certified to the Board of Directors of the Company that:

(a) They have reviewed financial statements and the cash flow statement for the year and that to the best of their 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 the existing accounting standards, applicable laws and regulations.

(b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting; and that they have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

(d) They 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 they 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.

3. AUDIT COMMITTEE

The Audit Committee was constituted in February 1987. The current terms of reference are in full conformity with the requirements of Section 292A of the Companies Act, 1956.

Composition

Chairman: Mr. Pravin N Ghatalia

Members: Mr. I N Chatterjee
Mr. Hemraj C Asher

Meetings and Attendance:

Audit Committee Meetings held during the year 2005 – 06 and attendance details:

Date of the Meeting	Committee Strength	No. of Directors present
24.05.2005	3	3
30.07.2005	3	3
24.10.2005	3	3
24.01.2006	3	3

Company Secretary/Deputy Company Secretary/Assistant Company Secretary of the Company is the Secretary to the Committee.

Mr. S Pramanik, Managing Director and Mr. V Ramesh Rao, Executive Director (Lubricants Division) (upto 7.11.2005) were invitees for all the Audit Committee Meetings. Mr.Nitin R Shah, Vice President (Finance) (since the date of his joining) and Mr. V Satish Kumar, General Manager, Internal Audit attended all the meetings.

The Statutory Auditors of the Company were invited to join the Audit Committee in all the meetings for discussing the Quarterly Unaudited results and the Final Audited Accounts before placing it to the Board of Directors. The Audit Committee held discussions with the Statutory Auditors on the yearly Audit Plan, matters relating to compliance of Accounting Standards, their observations arising from the annual audit of the Company's Accounts and other related matters.

4. SUBSIDIARIES

There are no material non-listed Indian subsidiaries of the Company.

5. REMUNERATION COMMITTEE

The terms of reference are review of the Compensation policy for the Executive Directors. Accordingly, they are authorised to negotiate, finalise and approve the remuneration for Managing Director/ Whole-time Directors on behalf of the Company.

Composition

Chairman:	Mr. Pravin N. Ghatalia
Member:	Mr. I. N. Chatterjee

Meetings and Attendance

Date of the Meeting	Committee Strength	No. of Directors present
25.05.2005	2	2

Remuneration policy

1) For Managing Director & Executive Director

The total remuneration subject to shareholders approval consists of:

- a fixed component – consisting of salary and perquisites,
- a variable component by way of commission as determined by the Board within the limits approved by the shareholders.

2) (A) For Non – Executive Directors

An amount of Rs. 20,000 for each Board Meeting, Audit Committee Meeting and Meeting of the Committee of Directors, Rs.5000 for each Remuneration Committee and Rs. 2000 for each Share Transfer Committee meeting plus reimbursement of actual travel and incidental expenditure not exceeding Rs. 2000 is paid (as per the provisions of Section 309, 310 of the Companies Act, 1956).

Non Executive Directors : (Sitting Fees only)	Rs in lakhs
Mr. K N Venkatasubramanian	2.40
Mr. Pravin N. Ghatalia	3.05
Mr. I N. Chatterjee	3.15
Mr. H C Asher	2.40
Mr. Sanjay G. Hinduja	1.20
Mr. Ramkrishan P. Hinduja	0.40
Mr. Alain V. Dujean	0.80
Ms. Vinoo S Hinduja	0.40
Mr. Abin K. Das	-
Mr.M.S.Ramachandran@	0.20
Mr.V.Ramesh Rao@@	0.20
Total	**14.20**

@ Appointed effective October 25, 2005
@@ non-executive director with effect from 8.11.2005

(ii) 1% Commission on the net profits of the Company will be paid to the non whole-time directors based on the decision of the Board of Directors, for which a provision of Rs.6.51 lakhs has been made in the accounts.

(B) For Executive Directors

(Rs. in lakhs)

	Managing Director	**Executive Director**
Salaries	27.32	13.67
Commission	6.51	3.94
Contribution to Provident Fund and Superannuation Fund	4.61	3.12
Benefits	0.51	0.78
Total	**38.95**	**21.51**

Managing Director and the Executive Director are under contract of employment with the company with 6 months' notice period from either side. There is no severance fee payable to the Executive Directors. The Company does not have any stock option scheme.

6. SHAREHOLDERS / INVESTOR GRIEVANCE COMMITTEE

Composition – 2 Directors

Name of the Members of the Committee:

Mr. I N Chatterjee, Chairman

Mr. S Pramanik

The Shareholders/ Investor Grievance Committee specifically looks into redressing of shareholders/ investors complaints in matters such as transfer of shares, non-receipt of declared dividends and ensure expeditious share transfer process.

Number of Shareholders Complaints received so far : 58

Not solved to the satisfaction of the shareholders : NIL

7. GENERAL BODY MEETINGS

Location, time and venue where last three AGMs held

Financial Year	Location of AGM	Date & Time of AGM
2004-05	Convention Centre,Hotel Viceroy, Tank Bund Road,Hyderabad	1.08.2005, 10.30 AM
2003 - 04	Hari Hara Kala Bhavan, Secundrabad	21.07.2004, 4 PM
2002 – 03	'KLN' Prasad Auditorium, FAPCCI, Hyderabad	20.09.2003, 3 PM

Five Special Resolutions were passed in the last Annual General Meeting.

During the year under review, an Ordinary Resolution under Section 293(1) (a), was passed by the members through postal ballot. The matter related to transfer by way of sale or otherwise, its building products division to one of its subsidiaries. Mr.A.Ravi Shankar, Partner, Ravi & Subramaniam, Practising Company Secretaries, was appointed as Scrutinizer to conduct the postal ballot. In all 1793 ballot forms were received, out of which 859 forms (involving 28741 shares) were invalid. 884 forms (involving 9548790 shares) representing 68.83% of the equity capital, were in favour and 50 forms (involving 797 shares) representing 0.008% of the equity capital, were against the resolution.

8. **DISCLOSURES**

Related Parties

Name	Nature of the Relationship
IDL Agro Chemicals Limited	100% Subsidiary of the Company
IDL Buildware Limited (Formerly IDL Finance Limited)	100% Subsidiary of the Company
GULF Carosserie India Limited	95% Subsidiary of the Company
IDL Arom International Limited	100% Subsidiary of the Company
GULF OIL Bangladesh Limited	51% Subsidiary of the Company
PT.GULF OIL Lubricants Indonesia	75% Subsidiary of the Company
Mr Subhas Pramanik	Managing Director
Mr V Ramesh Rao	Executive Director (Lubricants Division) (upto 7.11.2005)

There were no material transactions with any of the related parties, that may have potential confict with the interest of the Company at large.

Board Disclosures - Risk Management

The Company has laid down procedures to inform the Board of Directors about the Risk Management and its minimization procedures. The Audit Committee and the Board of Directors review these procedures periodically.

9. **STRICTURES AND PENALTIES**

There were no strictures or penalties imposed on the Company by either Stock Exchanges or SEBI or any Statutory Authority for non-compliance on any matter related to Capital Markets during the last three years.

10. **MEANS OF COMMUNICATION**

The quarterly and half yearly reports, are normally published in the Economic Times / Business Standard in two centers – Mumbai and Hyderabad, in the local newspaper – Vartha and are displayed on the Website of the Company www.gulfoilcorp.com.

The Management Discussion and Analysis Report forms part of the Directors' Report.

11. **GENERAL SHAREHOLDERS INFORMATION**

AGM :

Date - 27th September, 2006

Venue - 'Kohinoor', Hotel Taj Residency, Banjara Hills, Hyderabad - 500 034.

Time - 2.30 P.M.

Financial Calendar :

- ❖ Unaudited results for 1st quarter of next Financial Year by 31.07.2006
- ❖ Unaudited results for 2nd quarter of next Financial Year by 31.10.2006
- ❖ Unaudited results for 3rd quarter of next Financial Year by 31.01.2007
- ❖ Audited results for next Financial Year by 30.06.2007

Date of Book Closure – September 17th, 2006 to 27th September, 2006

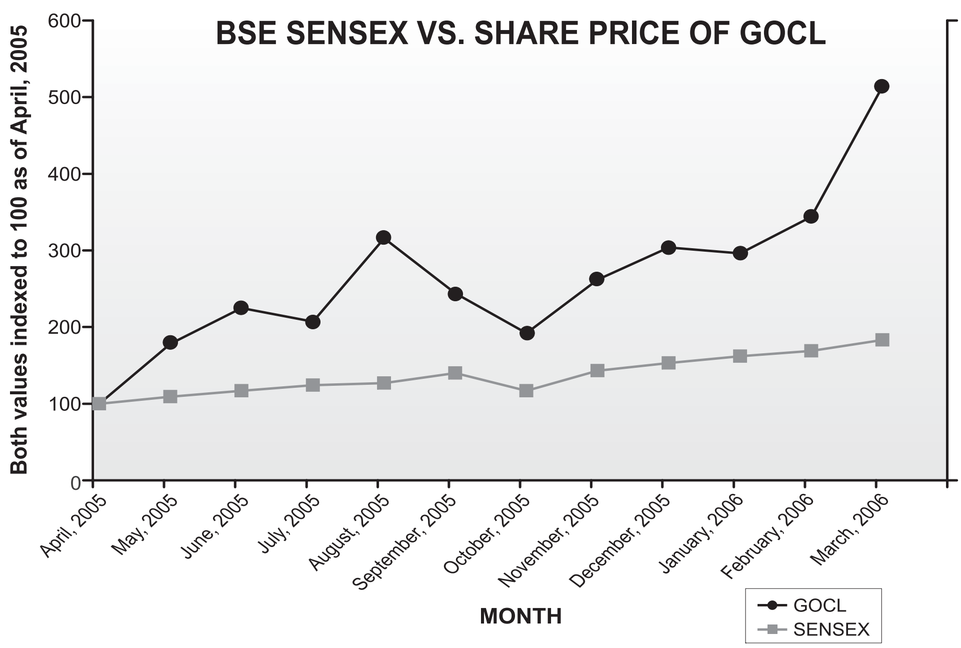
Date of Dividend Payment – 5th October, 2006

Listing of Equity Shares – Bombay Stock Exchange Limited – Code : 506480
The Hyderabad Stock Exchange Limited – Code : 026

Market Price Data(in Rupees): in respect of the Company's shares on BSE, monthly high and low during the last Financial Year

(Rs.)

	High	Low
April, 2005	229.30	195.00
May, 2005	377.20	193.05
June, 2005	485.00	342.00
July, 2005	487.00	413.00
August, 2005	687.00	400.00
September, 2005	644.70	460.00
October, 2005	524.00	367.00
November, 2005	573.80	386.00
December, 2005	672.30	501.25
January, 2006	698.90	580.00
February, 2006	760.00	545.00
March, 2006	1029.25	666.00



Distribution of Shareholding as on 31.03.2006

No. of Shares	Shareholders		No. of Shares	
	No.	%	No.	%
Up to 5000	42896	98.66	728579	5.25
5001 – 10000	311	0.71	222770	1.61
10001 – 20000	124	0.29	181953	1.31
20001 – 30000	39	0.09	98903	0.71
30001 – 40000	17	0.04	61738	0.45
40001 – 50000	19	0.04	83910	0.60
50001 – 100000	19	0.04	141162	1.02
100000 and above	55	0.13	12352732	89.05
Total	**43480**	**100.00**	**13871747**	**100.00**

Pattern of Shareholding as on 31.03.2006

Category	No. of Holders	No. of Shares	% of Share Holding
Promoters	2	6800980	49.03
Non-promoters Holding			
Institutional Investors:			
Mutual Funds & UTI, Banks, Financial Institutions & Others	9	728994	5.26
Private Corporate Bodies	312	2711034	19.54
Indian Public	43099	2627811	18.94
NRIs/ OCBs	56	940328	6.78
FIIs	2	62600	0.45
GRAND TOTAL	**43480**	**13871747**	**100.00**

Dematerialisation of shares and liquidity – 4621599 shares were dematerialised amounting to 46.29% of the total paid up capital. Shares of the Company are listed on the Bombay Stock Exchange Limited and Hyderabad Stock Exchange and frequently traded on the Bombay Stock Exchange Limited.

Outstanding GDRs/ADRs/Warrants or any convertible instruments :

The Company has allotted 10,00,000 warrants convertible into equity shares. Each warrant is convertible into one equity share of Rs. 10 each at a price of Rs. 505 (including Rs. 10 face value), in one or more trenches on or before the expiry of 18 months from the date of allotment i.e. 15th December, 2005 by paying the balance amount.

Name & Address of Registrar & Transfer Agents:

Sathguru Management Consultants Private Limited,
Plot No. 15, Hindi Nagar, Behind Saibaba Temple,
Panjagutta, Hyderabad 500034.

Details of Share Transfer System

The authority relating to Share Transfers has been delegated to the Share Transfer Committee consisting of Mr. I N Chatterjee and Mr. Subhas Pramanik. The Committee has met four times during the year for approving transfers, transmissions, etc. Operations with regard to dematerialization are being complied with, in conformity of the regulations prescribed.

The name and designation of Compliance Officer is Mr. A Satyanarayana, Deputy Company Secretary.

The Registrar and Share Transfer Agents are handling all the Share Transfers and related transactions.

As on March 31, 2006, there were no requests pending for demats / overdue beyond the due dates.

Details of Addresses for Correspondence:

Registered Office	GULF OIL Corporation Limited Kukatpally, Sanathnagar (IE) PO HYDERABAD 500 018 Ph – 91 40 2381 0671 – 79 Fax – 91 40 2381 3860 www.gulfoilcorp.com
Registrar and Share Transfer Agents	M/s. Sathguru Management Consultants Pvt Ltd, Plot no. 15, Hindi Nagar, Behind Saibaba Temple, Panjagutta, Hyderabad 500 034 Ph – 91 40 2335 6507/ 6975 Fax – 91 40 2335 4042 sta@sathguru.com
ISIN for the Equity Shares	IN E 077F01019
Dividend for the last three years	2005-06 : 70% 2004-05 : 65% 2003-04 : 60%

12. NON MANDATORY REQUIREMENTS

The Board has constituted a Remuneration Committee and the terms of reference of this Committee are given in para 5 above.

Whistle Blower Policy

The Company is in the process of establishing a structured mechanism for employees to report to the management, concerns about unethical bahaviour or violation of the Company's Code of Conduct.

ANNEXURE

DIRECTORSHIPS IN OTHER COMPANIES:

List of outside Company Directorships:

P.N. Ghatalia	Sanjay G. Hinduja	Ramkrishan P Hinduja	M.S.Ramachandran
1. Ashok Leyland Limited 2. Ennore Foundries Limited 3. Foseco India Limited 4. Kamath Hotels (India) Limited 5. NRC Limited 6. Schenectady Herdilla Limited 7. Star Paper Mills Limited	1. Hinduja Group India Limited	1. Hinduja TMT Limited 2. Aasia Management & Consultancy Pvt. Limited 3. Grant Investrade Limited 4. Hinduja Group India Limited 5. In 2 Cable (India) Limited 6. Planet-e-Shop Holdings India Pvt. Limited 7. Shop 24 Seven India Pvt. Limited	1. Supreme Petro Chemicals Limited

Chairman of the Board of Directors of other Companies

—	—	—	—

Chairman / member of the Committees of Director of other companies in which he/she is a Director

a) Audit Committee 1. Ashok Leyland Limited 2. Ennore Foundries Limited 3. Foseco India Limited 4. Kamath Hotels (India) Limited 5. NRC Limited 7. Schenectady Herdilla Limited	—	—	—
b) Investor/Shareholder Grievance Committee 1. Foseco India Limited	—	—	—
c) Remuneration Committee 1. Foseco India Limited 2. Kamath Hotels (India) Limited	—	—	—

DECLARATION ON CODE OF CONDUCT

This is to confirm that the Board has laid down a code of conduct for all Board members and senior management personnel of the Company. The code of conduct has also been posted on the website of the company. It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the Code of Conduct of the Company for the financial year ended on 31st March 2006, as envisaged in Clause 49 of the Listing agreement with stock exchanges.

MAY 19, 2006

S.PRAMANIK
Managing Director

AUDITORS' CERTIFICATE

To The Members of GULF OIL Corporation Limited

1. We have examined the compliance of conditions of Corporate Governance by GULF OIL Corporation Limited, for the year ended on 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the company.

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

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

For **A.F.Ferguson & Co.,**
Chartered Accountants

Place: Hyderabad
Date: 24 May, 2006

A.C.Gupta
Partner
M.No. 8538

AUDITORS' REPORT

To The Members of GULF OIL Corporation Limited

1. We have audited the attached Balance Sheet of GULF OIL Corporation 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 in which a report of a branch audited by branch auditor and forwarded to us has been appropriately dealt with. 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 paragraph 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   e. on basis of the written representations received from the directors as on 31st March 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   f. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

      (a) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;

      (b) in case of the Profit and Loss Account, of the profit for the year ended on that date; and

      (c) in case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **A. F. FERGUSON & CO.,**
Chartered Accountants

A.C.GUPTA
Partner
M No. 8538

Hyderabad
May 24, 2006

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF GULF OIL CORPORATION LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

(b) In accordance with the phased programme of verification adopted by the Company, physical verification of assets at some locations has been carried out during the year by the management and no material discrepancies have been noticed. The frequency of verification is at reasonable intervals.

(c) There has been no disposal of substantial part of the fixed assets during the year.

(ii) (a) Inventory has been physically verified by the management at reasonable intervals during the year.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory 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. No material discrepancies were noticed on physical verification between physical stocks and book records.

(iii) According to the information and explanations given to us, the Company during the year has not granted / taken any loans, secured or unsecured to / from companies, firms or other parties as per the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph (iii) (b), (c), (d), (e), (f) and (g) of the Order are not applicable.

(iv) 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 purchase of Inventory and fixed assets and with regard to the sale of goods and services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor we have been informed of any instance of major weakness in the aforesaid internal control system.

(v) As explained to us, and according to the information and explanations given to us, there are no transactions that need to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956 and exceeding the value of five lakhs rupees in respect of each party during the financial year.

(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Receive Bank of India and the provisions of section 58A, 58AA or any other relevant provisions of the Companies Act ,1956 and the rules framed thereunder as applicable. As explained to us, the Company has not received any order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other Tribunal.

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

(viii) To the best of our knowledge, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 except in respect of the products of Lubes division, for which, in our opinion, prima facie, the prescribed accounts and records have been maintained and are being made up. We are not required to and, accordingly have not made a detailed examination of the records.

(ix) (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in accordance with generally accepted auditing practices in India, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues as applicable with the appropriate authorities though there has been some delays in a few cases.

(b) As at 31st March 2006, according to the records of the Company and the information and explanations given to us, the following are the particulars of dues on account of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess matters that have not been deposited on account of any dispute:

Name of the statute	Nature of dues	Period to which the amount relates	Amount (Rs lakhs)	Forum where dispute is pending
1. Lubricants Division				
Sales Tax Act	Sales Tax	1997-98, 1999-00, to 2002-03	243.87	Deputy Commissioner
		1996-97 to 1997-98 2001-02 to 2003-04	114.68	Assistant Commissioner
		1994-98 to 1996-97 1998-99 to 1999-00	43.28	Appellate Tribunal

Name of the statute	Nature of dues	Period to which the amount relates	Amount (Rs lakhs)	Forum where dispute is pending
		1998-99 to 2000-01	3.89	Commercial Tax Officer
		1994-95	311.67	High Court
Central Excise	Excise Duty	1997-98	13.65	Appellate Tribunal
Income Tax Act	Income Tax	2000-01	20.22	Appellate Tribunal
2. Other Units				
Central Excise	Excise Duty	1980-87	6.12	Asst. Commissioner, Central Excise and Customs
		1992-96	1.11	Commissioner Appeals, Central Excise and Customs
Sales Tax Act	Sales Tax	1994-95, 1995-96 and 1998-99	1287.80	Sales Tax Appellate Tribunal
		2002-03	262.84	Appellate Deputy Commissioner Sales Tax
Income Tax Act	Income Tax	1994-95	22.47	Income Tax Appellate Tribunal
		1997-98	64.73	- do -
		1999-00	0.28	- do -
		2001-02	10.27	- do -
		2003-04	61.84	Income Tax Appellate Tribunal
		2002-03	54.65	Commissioner of Income Tax

(x) The Company does not have accumulated losses as at 31st March, 2006. The Company has not incurred cash losses during the financial year covered by our audit

(xi) According to the information and explanations given to us the Company has defaulted in repayment of dues to financial institutions, banks and debenture holders as stated below:

Amount of Loan & Interest (Rs. Lakhs)	Due Date for repayment	Details of Payment	
		Rs. Lakhs	Date
33.97	30/4/05	27.78 6.19	6/5/05 13/5/05
34.06	30/5/05	27.78 6.28	*2/6/05* 29/6/05
28.19	30/6/05	12.21 15.98	4/7/05 30/7/05
33.81	31/7/05	2.58 31.23	2/8/05 30/8/05
33.45	31/8/05	33.45	22/9/05
27.78	30/9/05	27.78	30/11/05
33.32	31/10/05	33.32	30/12/05
33.23	30/11/05	33.23	30/12/05
33.56	31/12/05	28.12 5.44	16/1/06 9/3/06
32.70	31/1/06	4.92 27.78	4/3/06 9/3/06
32.18	28/2/06	32.18	29/3/06

Amount of Loan & Interest (Rs. Lakhs)	Due Date for repayment	Details of Payment	
		Rs. Lakhs	Date
7.39	30/4/05	7.39	13/5/05
7.68	31/5/05	7.68	29/6/05
7.01	30/6/05	7.01	4/7/05
7.70	31/7/05	3.37 4.33	2/8/05 30/8/05
7.95	31/10/05	7.95	30/11/05
7.75	30/11/05	7.75	30/12/05
3.81	31/1/06	3.81	8/3/06
6.98	28/2/06	6.98	8/3/06

(xii) The Company during the year has not granted any loan and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The Company is not a nidhi /mutual benefit fund/ society to which the provisions of special statute relating to chit fund are applicable.

(xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer / trader in securities.

(xv) According to the information and explanations given to us, in our opinion, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) According to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short term basis have not been used for long term investment.

(xviii) The Company has not made any preferential allotment of shares to parties covered under Section 301 of the Companies Act, 1956.

(xix) According to the information and explanations given to us, the Company has created security for debentures issued.

(xx) The Company has not raised any money by way of public issue, during the year.

(xxi) According to the information and explanations given to us, during the year, no fraud on or by the Company has been noticed or reported.

For **A. F. FERGUSON &CO.,**
Chartered Accountants

A.C.GUPTA
Partner
M No. 8538

Hyderabad
May 24, 2006

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Capital	1	**1387.17**	1387.17
(b) Warrants Convertible to Equity Shares	1A	**505.00**	-
(c) Reserves & Surplus	2	**13393.06**	12221.67
		15285.23	13608.84
2. Loan Funds			
(a) Secured Loans	3	**8147.69**	8243.71
(b) Unsecured Loans	4	**2810.48**	1678.00
		10958.17	9921.71
3. Deferred Tax Liability		**1081.41**	1375.25
TOTAL		**27324.81**	24905.80
II. APPLICATION OF FUNDS			
1. Fixed Assets			
(a) Gross Block		**14030.07**	15190.78
(b) Less : Depreciation		**7522.85**	8004.93
(c) Net Block	5	**6507.22**	7185.85
(d) Capital Work-in-Progress and advances on Capital Account		**2463.69**	2377.46
(e) Incidental expenditure during construction	5A	**2396.35**	997.64
		11367.26	10560.95
2. Investments	6	**3575.78**	3335.29
3. Deferred Tax Asset		**1783.89**	2097.73
4. Current Assets, Loans and Advances			
(a) Inventories	7	**8845.55**	7450.19
(b) Sundry Debtors	8	**12483.53**	8656.77
(c) Cash and Bank Balances	9	**2345.91**	3504.71
(d) Loans and Advances	10	**4107.80**	3595.02
		27782.79	23206.69
Less: Current Liabilities and Provisions			
(a) Current Liabilities	11	**16563.44**	13453.22
(b) Provisions	12	**1621.92**	1623.36
		18185.36	15076.58
Net Current Assets		**9597.43**	8130.11
5. Miscellaneous Expenditure (to the extent not written off or adjusted)	13	**1000.45**	781.72
TOTAL		**27324.81**	24905.80
Notes on the Accounts	18		

Schedules 1 to 18 annexed hereto form part of these accounts.

Per our report attached
For A.F.FERGUSON & CO.
Chartered Accountants

For and on behalf of the Board of Directors

A.C.GUPTA
Partner

A.SATYANARAYANA
Secretary

S. PRAMANIK
Managing Director

S.G. HINDUJA
Chairman

Hyderabad,
May 24, 2006

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

	Schedule		Year ended 31st March 2006 (Rupees Lakhs)		Year ended 31st March 2005 (Rupees Lakhs)
INCOME					
Income from sales and other operations		**50724.65**		47340.47	
Less: Excise duty		**4809.84**		4298.70	
			45914.81		43041.77
Other Income	**14**		**2365.38**		2421.50
			48280.19		45463.27
EXPENDITURE					
Cost of Materials	**15**		**24662.06**		23971.98
Expenses	**16**		**20028.78**		18259.37
Depreciation			**701.57**		785.62
			45392.41		43016.97
PROFIT BEFORE EXTRA ORDINARY ITEMS AND TAXATION			**2887.78**		2446.30
Extra-ordinary items					
Compensation under Voluntary Retirement Scheme			**344.35**		231.23
PROFIT BEFORE TAXATION			**2543.43**		2215.07
Provision for Taxation					
Current Tax			**135.00**		308.00
Deferred Tax			**20.00**		(96.00)
Fringe Benefit Tax			**109.83**		-
PROFIT AFTER TAXATION			**2278.60**		2003.07
Balance Brought forward from Previous Year			**2436.68**		1761.73
BALANCE AVAILABLE FOR APPROPRIATION			**4715.28**		3764.80
APPROPRIATIONS					
Proposed Dividend			**971.02**		901.66
Dividend Tax			**136.19**		126.46
Transfer to General Reserve			**500.00**		300.00
Balance Carried to Balance Sheet			**3108.07**		2436.68
Earnings per share (Note 18)					
- Basic			**16.43**		14.44
- Diluted			**16.21**		14.44
Notes on the Accounts	**18**				

Schedules 1 to 18 annexed hereto form part of these accounts.

Per our report attached
For A.F.FERGUSON & CO.
Chartered Accountants

For and on behalf of the Board of Directors

A.C.GUPTA
Partner

A.SATYANARAYANA
Secretary

S. PRAMANIK
Managing Director

S.G. HINDUJA
Chairman

Hyderabad,
May 24, 2006

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

	2005-2006		2004-2005	
	Rupees lakhs	**Rupees lakhs**	Rupees lakhs	Rupees lakhs
(A) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and extraordinary items		**2,887.78**		2,446.30
Adjustments for:				
Depreciation	**701.57**		785.62	
Dividend received	**(83.70)**		(89.62)	
Miscellaneous Expenditure written off	**2.53**		3.26	
Loss / (Profit) on sale of Fixed Assets	**(623.54)**		(1760.24)	
Sale of Development Rights in Property	**(350.00)**		-	
Interest Received	**(97.32)**		(260.14)	
Profit on sale of investment	**(986.01)**		(368.25)	
Interest expenses	**932.92**	**(503.55)**	858.83	(830.54)
Operating Profit before working Capital changes		**2,384.23**		1,615.76
Adjustments for:				
Trade and other Receivables - (Increase)/ Decrease	**(4192.12)**		(829.14)	
Inventories - (Increase)/ Decrease	**(1450.85)**		(1605.83)	
Trade Payables - Increase/(Decrease)	**3,178.24**	**(2464.73)**	4,552.93	2,117.96
Cash generated from Operations		**(80.50)**		3,733.72
Direct Taxes paid(net of refunds)	**(200.49)**		(218.40)	
Fringe Benefit Tax paid	**(109.83)**			
Interest paid	**(981.00)**	**(1291.32)**	(935.14)	(1153.54)
Cash inflow/(outflow) before extraordinary item		**(1371.82)**		2,580.18
Extra ordinary items				
(i) Compensation under voluntary retirement Scheme		**(565.61)**		(427.55)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**(1937.43)**		2,152.63
(B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	**(2044.04)**		(3194.35)	
Sale of Fixed Assets	**652.19**		1,823.24	
Sale of Development Rights in Property (see Note:1)	**175.00**		-	
Purchase of Investments				
Subsidary Company	**(2.00)**		(680.70)	
Others	**(1335.70)**		(1570.20)	
Sale of investments - Current	**2,344.28**		463.40	
Advance to subsidiary Companies	**(12.89)**		(47.48)	
Loans Realised	**250.00**		600.00	
Interest Received	**84.91**		260.14	
Dividend received	**83.70**		89.62	
NET CASH INFLOW/(USED) IN INVESTING ACTIVITIES		**195.45**		(2256.33)

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

	2005-2006		2004-2005	
	Rupees lakhs	**Rupees lakhs**	Rupees lakhs	Rupees lakhs
(C) CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from borrowings	**3,516.91**		4,487.98	
Proceeds from Fixed Deposits	**(242.95)**		(359.66)	
Repayment of borrowing	**(2164.02)**		(1970.39)	
Share application money pending allotment	**505.00**		-	
Loans from Companies	**2,700.00**		-	
Repayment of Loans to Companies	**(2700.00)**		-	
Dividend paid	**(900.09)**		(826.37)	
Dividend tax paid	**(126.46)**		(106.64)	
NET CASH INFLOW/(OUTFLOW) FROM FINANCIAL ACTIVITIES		**588.39**		1,224.92
Net increase/(decrease) in cash and cash equivalents		**(1153.59)**		1,121.22
Cash and Cash Equivalents as at the commencement of the year- Cash and Bank Balances		**3,504.71**		2,383.49
Less: Transferred to IDL Buildware Ltd. (Note:2)		**(5.21)**		
		3,499.50		2,383.49
Cash and Cash Equivalents as at the end of the year - Cash and Bank Balances		**2,345.91**		3,504.71

1 The Company during the year sold development rights of a property to wholly owned subsidiary for a consideration of Rs. 350 lakhs against which it has received 1,75,000 10% Redeemable cumulative preference shares of Rs. 100 each in the aforesaid subsidiary and the balance amount in cash.

2 In the current year, the Company has transferred assets & liabilities relating to Building Products Division to its subsidiary IDL Buildware Limited and this being a non-cash transaction is not reflected in above cash flow statement (Note 22 on Schedule 18).

Per our report attached
For A.F.FERGUSON & CO.
Chartered Accountants

For and on behalf of the Board of Directors

A.C.GUPTA
Partner

A.SATYANARAYANA
Secretary

S. PRAMANIK
Managing Director

S.G. HINDUJA
Chairman

Hyderabad,
May 24, 2006

SCHEDULES TO THE ACCOUNTS

	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
Schedule 1		
SHARE CAPITAL		
AUTHORISED		
2,50,00,000 (previous year: 1,50,00,000) Equity shares of Rs.10 each	**2500.00**	1500.00
ISSUED AND SUBSCRIBED		
1,38,71,747 Equity shares of Rs.10 each fully paid	**1387.17**	1387.17
Of the above		
(a) 93,005 shares are allotted as fully paid up pursuant to a contract without payment being received in cash		
(b) 52,15,025 shares are allotted as fully paid up bonus shares by capitalisation of Reserves.		
(c) Pursuant to the merger scheme as approved by BIFR, 3,03,747 shares have been allotted effective 31st March,1999 to the shareholders of IDL Salzbau (India) Limited.		
(d) 58,70,000 shares allotted effective 1st January, 2002 consequent to the amalgamation of erstwhile Gulf Oil India Limited to the shareholders of erstwhile Gulf Oil India Limited		
Schedule 1A		
WARRANTS CONVERTIBLE TO EQUITY SHARES		
10,00,000 warrants, Rs.50.50 paid for each warrant as application money Each warrant is convertible into one Equity Share of Rs.10 at a price of Rs.505 (including Rs.10 face value), in one or more trenches on or before the expiry of 18 months from the date of allotment i.e. 15 December, 2005 by paying the balance amount	**505.00**	-
Schedule 2		
RESERVES AND SURPLUS		
a) CAPITAL RESERVE		
Per last Balance Sheet	**0.75**	0.75
b) EXPORT ALLOWANCE RESERVE		
Per last Balance Sheet	**10.50**	10.50
c) DEBENTURE REDEMPTION RESERVE		
Per last Balance Sheet	**233.31**	233.31
Less : Transfer to General Reserve	**233.31**	
	-	233.31
d) GENERAL RESERVE		
Per last Balance Sheet	**9540.43**	9240.43
Add : Transfer from Debenture Redemption Reserve	**233.31**	-
Add : Transfer from Profit & Loss Account	**500.00**	300.00
	10273.74	9540.43
e) PROFIT & LOSS ACCOUNT		
Per Account Annexed	**3108.07**	2436.68
	13393.06	12221.67

SCHEDULES TO THE ACCOUNTS (Continued)

	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
Schedule 3		
SECURED LOANS		
a. Debentures		
15% Non-Convertible Debentures privately placed with Unit Trust Of India	**-**	100.00
b. From Banks		
(i) Cash Credit (includes Working Capital Demand Loan)	**2879.05**	2920.99
(ii) Overdraft against term deposit receipts	**152.56**	146.75
(iii) Foreign Currency Working Capital Loan	**929.20**	1280.23
(iv) Term Loans		
(a) EXIM Bank	**1,500.00**	-
(b) ICICI Ltd.	**-**	30.00
(c) Bank of Bahrain & Kuwait B.S.C.	**19.75**	253.71
(d) Syndicate bank	**1870.88**	2214.01
(e) State Bank of Indore	**750.06**	1207.76
c. Other Loans		
Indian Renewable Energy Development Authority	**4.10**	5.74
d. Interest accrued and due on loans taken over from IDL Salzbau (India) Limited payable to Housing and Urban Development Corporation	**42.09**	84.52
	8147.69	8243.71
Schedule 4		
UNSECURED LOANS		
Fixed Deposits [See note 13(j)] (interest accrued and due Rs. 5.76 lakhs; 31.03.05 Rs. 28.07 lakhs)	**667.79**	933.05
Deferred Hire Purchase Credits	**73.14**	92.78
Sales Tax deferment *	**-**	48.39
Short term:		
Buyer's credit from bank	**-**	536.58
Dealers' deposits	**69.55**	67.20
Others	**2000.00**	-
	2810.48	1678.00

* Sales tax deferment liability pertaining to Building Products Division was transferred to a subsidiary with effect from 1-4-05 (refer note 22)

SCHEDULES TO THE ACCOUNTS

5. FIXED ASSETS:

(Rupees Lakhs)

	COST				DEPRECIATION				NET BOOK VALUE	
	31.03.2005	Additions	Deductions/ Adjustments	**31.03.2006**	31.03.2005	For the Year	On Deductions/ Adjustments	**31.03.2006**	**31.03.2006**	31.03.2005
Land-Freehold	324.10	117.66	28.36	**413.40**	-	-	-	**-**	**413.40**	324.10
Land-Leasehold	17.48	-	-	**17.48**	3.83	0.18	-	**4.01**	**13.47**	13.65
Buildings	2345.95	39.10	221.19	**2163.86**	787.06	55.84	87.74	**755.16**	**1408.70**	1558.89
Leasehold Improvements	6.80	-	-	**6.80**	6.80	-	-	**6.80**	**-**	-
Plant & Machinery Equipments etc.	10558.23	228.81	1,046.50	**9740.54**	5,950.14	519.74	688.03	**5781.85**	**3958.69**	4608.09
Furniture, Fixtures & Office appliances	895.24	105.40	31.95	**968.69**	526.35	71.22	23.43	**574.14**	**394.55**	368.89
Vehicles	677.46	67.94	50.51	**694.89**	365.23	55.64	44.39	**376.48**	**318.41**	312.23
Technical Knowhow	165.07	-	140.66	**24.41**	165.07	-	140.66	**24.41**	**0.00**	0.00
	14990.33	**558.91**	**1519.17**	**14030.07**	**7804.48**	**702.62**	**984.25**	**7522.85**	**6507.22**	**7185.85**
Plant & Machinery given on Lease	**200.45**	**-**	**200.45**	**-**	**200.45**	**-**	**200.45**	**-**	-	-
	15190.78	**558.91**	**1719.62**	**14030.07**	**8004.93**	**702.62**	**1184.70**	**7522.85**	**6507.22**	**-**
31.03.2005	14588.83	745.58	143.63	**15190.78**	7299.94	785.62	80.63	**8004.93**	-	**7185.85**

Notes:-

1) Assets costing Rs. 73.56 lakhs (previous year Rs.313.28 lakhs) have been acquired on hire purchase, the legal ownership of which will be transferred to the Company after the final payment.
2) Depreciation for the year includes Rs.1.05 lakhs (previous year Rs.Nil) incurred during construction period
3) Deductions include transfer of assets of Building Products Division to a subsidiary of the Company (refer Note 22)

		As at 31st March 2006 (Rupees Lakhs)		As at 31st March 2005 (Rupees Lakhs)
5A. INCIDENTAL EXPENDITURE DURING CONSTRUCTION				
Payment to and provisions for Employees :				
Salaries,Wages & Bonus		**237.16**		89.18
Company Contribution to Provident Fund, Gratuity Fund and Other Funds		**36.38**		11.41
Workmen and Staff Welfare Expenses		**14.15**		3.73
Interest Expenses	**389.71**		128.11	
Less : Interest Income (on LC Margin Money)	**0.67**	**389.04**	0.23	127.88
Raw materials Consumed for trial production		**2131.87**		582.54
Stores, Spares parts and Loose Tools consumed		**187.46**		52.76
Processing Cost		**87.38**		51.97
Power,Fuel & Water		**334.75**		131.55
Rates & Taxes		**6.57**		1.63
Insurance		**35.07**		26.13
Advertising		**17.90**		10.43
Distribution Expenses		**47.64**		7.53
Repairs				
Plant & Machinery		**213.44**		128.65
Building		**124.80**		78.32
Others		**28.88**		28.76
Depreciation		**1.05**		-
Travelling Expenses		**34.73**		16.99
Bank Charges and Other Financial Charges		**46.68**		13.15
Postage,Telephone & Telex		**12.91**		4.40
Legal & Professional		**115.52**		76.22
Transportation Charges		**38.13**		10.86
Subscriptions		**0.65**		-
Landscaping		**31.74**		31.74
Maintenance charges		**61.63**		-
Other Miscellaneous Expenses		**173.31**		61.85
Less :				
Sale Proceeds from Trial Run Production	**1632.05**		275.87	
Closing stock of Trial Run Production-Finished Goods and Work in process	**359.37**		257.75	
Other Income	**21.07**		16.42	
		2396.35		997.64

SCHEDULES TO THE ACCOUNTS (Continued)

		As at 31st March 2006 (Rupees Lakhs)		As at 31st March 2005 (Rupees Lakhs)
Schedule 6				
INVESTMENTS				
At cost, unless otherwise stated				
UNQUOTED- LONG TERM				
TRADE				
Shares in subsidiary companies				
IDL Agro Chemicals Limited 2,40,000 Equity shares of Rs.10 each		**24.00**		24.00
IDL Buildware Limited (formerly IDL Finance Limited)				
19,70,000 (Previoius Year: 1,70,000) Equity shares of Rs. 10 each (18,00,000 equity shares acquired during the year)		**203.41**		23.41
2,00,000 8% Redeemable Cum Preference Shares of Rs. 100 each		**200.00**		-
IDL Arom International Limited				
1,20,007 (Previous Year: 1,00,000) Equity Shares of Rs. 10 each (20,007 equity shares acquired during the year)		**12.00**		10.00
1,75,000 10% Redeemable Cum Preference Shares of Rs. 100 each		**175.00**		-
Gulf Oil Bangladesh Limited 1,77,939 Equity Shares of Bangladesh Taka 50 each		**71.91**		71.91
PT Gulf Oil Lubricants Indonesia 15,000 shares of Indonesia Rp.8,61,900 each equivalent to US $ 1,500,000		**680.70**		680.70
Gulf Carosserie India Limited				
3,80,001 Equity shares of Rs. 10 each	**38.00**	**-**	38.00	-
Less: Diminution in value	**38.00**	**-**	38.00	-
NON-TRADE				
500 Shares of Rs.10 each in IDL Chemicals Employees' Co-operative Credit Society Limited, Hyderabad		**0.05**		0.05
500 Shares of Rs.10 each in IDL Chemicals Employees' Co-operative Credit Society Limited, Rourkela		**0.05**		0.05
27,978 units of Rs.10 each in UTI Bond Fund of Unit Trust of India		**2.97**		2.97
Pachora Peoples Co-operative Bank Limited 2 shares of Rs. 100 each		**-**		-
Gulf Ashley Motors Limited 1,14,000 Equity Shares of Rs 100 each		**114.00**		114.00
Patancheru Enviro-Tech Limited 58460 Equity Shares of Rs 10 each		**3.00**		3.00

SCHEDULES TO THE ACCOUNTS (Continued)

	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
QUOTED-LONG TERM		
NON-TRADE		
Ashok Leyland Limited 1,00,000 Equity Shares of Rs. 1 each	**24.23**	24.23
Hinduja TMT Limited 96 (Previous Year 91,696) Equity shares of Rs. 10 each (91,600 equity shares sold during the yeaer)	**0.06**	58.16
Jammu & Kashmir Bank Ltd. 2,400 Equity shares of Rs. 10 each	**0.91**	0.91
Indusind Bank Limited 43,14,623 (Previous Year: 57,14,623) Equity Shares of Rs. 10 each fully paid	**2063.49**	2321.90
(18,00,000 equity shares purchased and 32,00,000 equity shares sold during the year)	**3575.78**	3335.29

Notes:

1. Aggregate Carrying cost of quoted investments	**2088.69**	2405.20
2. Aggregate Market Value of quoted investments	**2072.97**	3171.39
3. Aggregate cost of unquoted investments	**1487.09**	930.09
4. The Company during the year has re-classified current investments as Long Term investments.		

Schedule 7

INVENTORIES
(At lower of cost and net realisable value)

Stores & Spares	**175.84**	178.41
Packing Materials and Fuel	**242.92**	194.41
Raw Materials	**4241.13**	3616.81
Work-in-Process	**553.29**	301.64
Finished Goods	**3100.75**	2695.51
Excise Duty on Finished Goods	**531.62**	463.41
	8845.55	7450.19

Schedule 8

SUNDRY DEBTORS - UNSECURED

a) Debts outstanding for a period exceeding six months:		
Considered good	**2100.84**	2594.51
Considered doubtful	**1780.60**	1495.38
b) Other Debts :		
Considered good *	**10382.69**	6062.26
	14264.13	10152.15
Less : Provision for doubtful debts	**1780.60**	1495.38
	12483.53	8656.77

* includes due from subsidiary Rs. 25.91 lakhs (31-3-05 Rs. Nil)

SCHEDULES TO THE ACCOUNTS (Continued)

	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
Schedule 9		
CASH AND BANK BALANCES		
Cash/Cheques on hand	**299.26**	289.90
With Scheduled Banks @:		
Current Account	**1023.12**	1871.20
Fixed Deposits/Margin account	**1023.53**	1343.61
	2345.91	3504.71

@ including Rs.Nil lakhs (31.03.05 Rs.0.10 lakhs) in Export Earner's Foreign currency account.

	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
Schedule 10		
LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise specified)		
Loan to Companies	**162.41**	400.00
Advances to Subsidiary Companies (interest free) *		
IDL Agro Chemicals Limited	**114.73**	61.87
IDL Arom International Limited	**6.45**	6.33
PT. Gulf Oil Lubricants Indonesia	**-**	45.52
IDL Buildware Limited (formerly IDL Finance Limited)	**262.98**	-
Advances recoverable in cash or in kind or for value to be received:		
Considered good	**2715.84**	2521.97
Considered doubtful	**63.70**	65.79
	2779.54	2587.76
Less: Provision for doubtful advances	**63.70**	65.79
	2715.84	2521.97
Share application money (towards equity shares of Gulf Oil Yantai Limited-pending allotment)	**293.95**	-
Balance with Excise Authorities on Current Account	**551.44**	559.33
	4107.80	3595.02

* Maximum amount outstanding during the year
IDL Agro Chemicals Limited-Rs.113.07 Lakhs, 31-03-2005 Rs.61.87 lakhs
IDL Arom International Limited-Rs. 9.84 Lakhs, 31-03-2005 Rs.6.33 lakhs
PT. Gulf Oil Lubricants Indonesia- Rs. Nil, 31-03-2005 Rs.45.52
IDL Buildware Limited- Rs. 637.44 Lakhs, 31-03-2005 Rs.Nil

	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
Schedule 11		
CURRENT LIABILITIES		
Acceptances	**3146.29**	1191.68
Sundry Creditors	**13318.34**	12181.07
Dues to Subsidary Companies	**13.09**	12.98
Interest accrued but not due	**46.71**	30.05
Unpaid/Unclaimed Dividends	**39.01**	37.44
	16563.44	13453.22
Schedule 12		
PROVISIONS		
Provision for Taxation (net of Advance Tax)	**70.51**	136.00
Proposed dividend	**971.02**	901.66
Tax on dividend	**136.19**	126.46
Miscellaneous - Leave encashment	**93.59**	85.50
- Gratuity	**350.61**	373.74
	1621.92	1623.36

SCHEDULES TO THE ACCOUNTS (Continued)

	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
Schedule 13		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Payments under Voluntary Retirement Scheme	**1000.45**	779.19
Deferred Revenue Expenses	**-**	2.53
	1000.45	781.72

	Year ended 31st March 2006 (Rupees Lakhs)	Year ended 31st March 2005 (Rupees Lakhs)
Schedule 14		
OTHER INCOME		
Dividend		
- Other Investments	**83.70**	89.62
Profit on sale of Property	**572.79**	1757.31
Profit/(loss) on Sale/Scrap of other Fixed Assets	**50.75**	2.93
Profit on sale of investments	**986.01**	368.25
Sale of Development Rights in Property	**350.00**	-
Insurance Claims	**52.84**	23.39
Export Incentives (DEPB)	**163.73**	131.65
Miscellaneous	**105.56**	48.35
	2365.38	2421.50
Schedule 15		
COST OF MATERIALS		
Raw Materials Consumed :		
Opening Stock	**3280.42***	2473.95
Add : Purchase	**19960.82**	17972.95
	23241.24	20446.90
Less: Closing Stock	**3910.31**	3283.89
	19330.93	17163.01
Purchase of Finished Goods	**4044.06**	5281.28
(Increase)/Decrease in Finished Goods and Work-in-Process:		
Closing Stock		
Finished Goods	**2938.95**	2437.76
Work-in-Process	**355.72**	301.64
	3294.67	2739.40
Opening Stock :		
Finished Goods	**2437.76**	2236.68
Work-in-Process	**301.64**	324.65
Less: Stocks transferred to IDL Buildware Limited	**(43.74)**	-
	2695.66	2561.33
	(599.01)	(178.07)
Packing Materials Consumed	**1987.32**	1811.49
	24763.30	24077.71
Less: Scrap realisation	**101.24**	105.73
	24662.06	23971.98

* excludes Rs. 3.47 lakhs stocks transferred to IDL Buildware Limited

SCHEDULES TO THE ACCOUNTS (Continued)

		Year ended 31st March 2006 (Rupees Lakhs)		Year ended 31st March 2005 (Rupees Lakhs)
Schedule 16				
EXPENSES				
Payments to and provisions for Employees :				
Salaries, Wages and Bonus		**3241.57**		3139.91
Contribution to Provident Fund, Gratuity Fund and other Funds		**382.56**		504.20
Workmen and Staff Welfare Expenses		**431.61**		388.07
		4055.74		4032.18
Interest Expense:				
On Debentures and Fixed Loans	**398.18**		365.32	
Other	**534.74**		493.51	
		932.92		858.83
Less: Interest Income (Gross): (Tax deducted at source Rs. 18.35 Lakhs; 2004-05 Rs.21.04 Lakhs)				
On deposits, income-tax refunds, loans to employees etc.		**97.32**		260.14
Net Interest		**835.60**		598.69
Stores, Spare Parts and Loose Tools consumed		**89.00**		147.58
Processing Charges		**516.42**		391.60
Power, Fuel and Water		**482.40**		561.79
Rent		**163.68**		146.57
Rates and Taxes		**210.25**		227.22
Expenses on Operation Contracts		**5831.63**		4664.99
Insurance		**241.01**		230.74
Advertising		**568.09**		438.01
Distribution Expenses		**1857.02**		1843.89
Commission on sales		**126.91**		158.75
Discount on sales		**2179.11**		1,867.30
Repairs to Buildings		**24.58**		51.79
Repairs to Machinery		**98.39**		135.43
Travelling Expenses		**499.05**		445.05
Bank charges and other Financial charges		**326.42**		255.83
Directors' Fees		**14.20**		12.38
Commission to non-wholetime Directors		**6.51**		1.49
Postage, Telephone and Telex		**173.07**		165.92
Legal & Professional charges		**262.25**		340.50
Provision for doubtful debts		**350.87**		286.00
Bad Debts written off		**0.86**		0.50
Deferred Revenue expenses		**2.53**		2.40
Software expenditure		**12.18**		0.86
Miscellaneous		**1101.01**		1251.91
		20028.78		18259.37

SCHEDULES TO THE ACCOUNTS (Continued)

Schedule 17

CAPACITY, PRODUCTION, STOCKS, SALES AND CONSUMPTION: (See Note 2 below)

(a) Quantitative information in respect of goods produced / purchased:

Item	Unit	CAPACITY PER ANNUM					
		Licenced		Installed*		Production	
		2005-2006	2004-2005	**2005-2006**	2004-2005	**2005-2006**	2004-2005
Detonators	Millon Nos	**192.00**	192.00	**192.00**	192.00	**69.57**	89.42
Detonating Fuse	Millon Metres	**45.00**	45.00	**22.50**	22.50	**17.68**	20.57
Safety Fuse	Millon Metres	**87.78 #**	87.78 #	**-**	-	**-**	-
Industrial Explosives-Cartridged, Bulk, Emulsion and ANFO	Tonnes	**123000**	123000	**118000**	118000	**39741.10**	38762.12
Boosters	Tonnes	**190.00**	190.00	**90.00**	90.00	**62.25**	83.71
Penta Erythritol Tetra Nitrate(PETN) @	Tonnes	**1440**	1440	**-**	-	**-**	-
Exploders	Numbers	**500**	500	**500**	500	**-**	-
Single or double or Multilayer clad plates '$	Sq.Metres Corresponding to Tonnes	**!**	!	**!!**	!!	**1448.54** **54.30**	1628.33 56.43
Gypsum Wall @@ (Partition) Board	Sq.Metres	**-**	316800	**-**	79200	**-**	16804.33
Gypsum Ceiling Board @@	Sq.Metres	**-**	150480	**-**	37620	**-**	32369.23
Gypsum Marble Board @@	Sq.Metres	**-**	115500	**-**	-	**-**	-
Special Gypsum Plaster @@	Tonnes	**-**	6600	**-**	1375	**-**	1020.60
Lubricating Oils	KL	Not Applicable		**75000**	75000	**36983**	38483

* Installed Capacity is as certified by the Managing Director and not verified by the auditors, being a technical matter

Notes:

1. Licenced capacity includes letter of intent issued by Government of India.

\# As given in the licence, 12 millions coils per annum which is equivalent to 87.78 million metres

@ Only Bhiwandi Plant for which a separate licence has been obtained, However, the plant has since been closed.

! 1,00,000 Sq metres corresponding to maximum tonnage of 25,000 tonnes of cladding plates

!! Installed Capacity is not estimatable as production can be increased substantially with the facilities available merely by increasing the size/weight of clad plates

$ Excludes product meant for development production of intermediate products captively consumed and products 'for which no separate licence was required, has not been included above.

@@ These products relate to Building Product Division of the Company which has been transferred with effect from 1-4-05 to a subsidiary company-IDL Buildware Limited

2. Information relating to trial run production of Speciality Chemicals Division not given as the Division has not yet started commercial production.

SCHEDULES TO THE ACCOUNTS (Continued)

(b) Stock of Finished Goods / Sales, including income from other Operations:

		STOCK OF FINISHED GOODS				SALES			
		31.03.2006		31.03.2005		**2005-2006**		2004-2005	
Item	Unit	**Qty**	**Rupees Lakhs**	Qty	Rupees Lakhs	**Qty**	**Rupees Lakhs**	Qty	Rupees **Lakhs**
Detonators	Millon Nos	**16.75**	**988.26**	21.69	1023.13	**74.41**	**4169.38**	83.91	4126.60
Detonating Fuse	Millon Metres	**2.69**	**84.76**	2.62	81.16	**18.45**	**799.92**	21.07	887.08
Safety Fuse - Purchased	Millon Metres	**0.11**	**2.29**	-	-	**0.53**	**16.08**	1.28	50.58
Cartriged ANFO & NCN (High Explosives)	Tonnes	**834.74**	**172.23**	736.76	141.32	**39627.17**	**8719.45**	38537.62	7370.92
Boosters	Tonnes	**15.96**	**24.52**	15.12	22.47	**63.44**	**113.08**	82.95	147.81
Single or double or	Sq.Metres	**-**	**-**	-	-	**1448.54**	**675.91**	1628.33	610.48
Multilayer clad plates	Corresponding to Tonnes	**-**	**-**	-	-	**54.31**	**-**	56.43	-
Gypsum Wall (Partition) Board	Sq.Metres	**-**	**-**	4193.33	19.41	**-**	-	17292.33	91.35
Gypsum Ceiling Board	Sq.Metres	**-**	**-**	11870.75	10.36	**-**	**-**	32015.60	42.84
Special Gypsum Plaster	Tonnes	**-**	**-**	35.77	1.55	**-**	**-**	656.08	37.08
Lubricating Oils	KL	**2506**	**1525.62**	2262	1024.42	**48679**	**28336.22**	62166	27441.41
Filters	Nos	**99647**	**40.97**	25293	17.08	**452009**	**202.89**	268276	136.65
Car Care Products	KL	**30.00**	**79.21**	42.00	71.14	**29.00**	**116.30**	34.00	55.12
GRACO	NO'S	**137.00**	**21.09**	609.00	25.71	**239.00**	**45.18**	56.00	6.48
Floriculture (cut flowers)		**-**	**-**	-	-	**-**	**-**	-	169.59
Speciality Chemicals	Tonnes	**-**	**161.80**	-	257.76	**-**	**-**	-	-
Income from Operation - Contracts		**-**	**-**	-	-	**-**	**7400.31**	-	5689.69
Income from Property (Rent)		**-**	**-**	-	-	**-**	**35.78**	-	31.20
Others		**-**	**-**	-	-	**-**	**94.14**	-	445.59
			3100.75		2695.51		**50724.65**		47340.47

(c) Purchase of Finished Goods:

Item	Unit	**2005-2006** Qty	**2005-2006** Rupees Lakhs	2004-2005 Qty	2004-2005 Rupees Lakhs
Safety Fuse	M.Metres	**0.61**	**12.37**	1.33	23.53
Grease/Unprocessed Oils	MT	**11929.00**	**3751.98**	23274.00	5117.69
Filters	Nos	**526363**	**166.26**	157558	55.18
Car Care Products	KL	**21**	**68.55**	35	54.69
GRACO	Nos	**187**	**16.78**	665	30.19
D Cord	M Metres	**0.90**	**28.12**		
			4044.06		5281.28

(d) Raw Materials Consumed:

Item	Unit	**2005-2006** Qty	**2005-2006** Rupees Lakhs	2004-2005 Qty	2004-2005 Rupees Lakhs
Coating Materials	Tonnes	**445.54**	**368.48**	450.61	277.08
Chemicals	Tonnes	**35021.76**	**4963.10**	36464.71	4800.27
Metals	Tonnes	**832.18**	**989.92**	926.63	819.00
Yarn & Paper	Tonnes	**389.84**	**155.24**	250.69	230.90
Base Oil	Tonnes	**30729.13**	**9984.86**	32594.15	8723.30
Additives	Tonnes	**2453.31**	**2457.27**	1707.61	1839.52
Miscellaneous			**412.06**		472.94
			19330.93		17163.01

SCHEDULES TO THE ACCOUNTS (Continued)

18. NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

1. ACCOUNTING POLICIES

The accounts have been prepared primarily on the historical cost convention and in accordance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The significant accounting policies followed by the company are stated below:

I. FIXED ASSETS:

Fixed assets are shown at cost less depreciation. Cost comprises the purchase price and other attributable expenses.

II. DEPRECIATION ON FIXED ASSETS:

(i) The Company follows the straight-line method of charging depreciation on all its fixed assets. The depreciation has been provided in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956 on all the assets.

(ii) Leasehold land is being amortised in equal installments over the lease period.

(iii) Technical Know-how is being amortised over a period of five to seven years.

III. INVESTMENTS:

Current Investments are valued at lower of cost and fair value; Long Term Investments are valued at cost. Where applicable, provision is made where there is a permanent fall in valuation of Long Term Investments.

IV. INVENTORIES:

Inventories are valued at lower of cost and net realisable value. The method of arriving at cost of various categories of inventories is as below:

(a)	Stores and Spares, Raw and Packing material	First - in - First - out method/ Weighted Average method
(b)	Finished goods and work-in-process	Weighted average cost of production, which comprises direct material costs, and appropriate overheads.

V. SUNDRY DEBTORS AND ADVANCES:

Specific debts and advances identified as irrecoverable or doubtful are written off or provided for respectively.

VI. FOREIGN EXCHANGE TRANSACTIONS:

Transactions made during the year in foreign currency are recorded at the exchange rate prevailing at the time of transaction. Assets and Liabilities related to foreign currency transactions remaining unsettled at the year end are translated at the contract rates, when covered by forward cover contracts and at year-end rate in other cases. Realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account. Gain/loss on transaction of long term liabilities incurred to acquire fixed assets is treated as an adjustment to the carrying cost of fixed assets.

VII. REVENUE RECOGNITION:

(a) Sale of goods is recognised at the point of despatch of finished goods to customers. Sales include amount recovered towards excise duty but exclude sales tax. Export incentive under the Duty Entitlement Pass Book scheme has been recognized on the basis of credits afforded in the passbook.

(b) Income from services is recognized at the time of rendering the services.

(c) Dividend income from investment is recognised when the owner’s right to receive payment is established.

VIII. RESEARCH AND DEVELOPMENT EXPENSES:

Research and Development expenditure of a revenue nature is written off in the year in which it is incurred and expenditure of a capital nature is added to fixed assets.

IX. RETIREMENT BENEFITS:

Retirement benefits to employees are provided for by means of gratuity, superannuation and provident fund.

The gratuity liability is determined based on the demands made by the Life Insurance Corporation of India (LIC) under the Group Gratuity Scheme.

Payments in respect of superannuation are made to the fund administered by LIC. Provision in respect of leave encashment is made based on actuary valuation as at year end.

SCHEDULES TO THE ACCOUNTS (Continued)

X. TAXES ON INCOME:

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred tax is recognised subject to the consideration of prudence in respect of deferred tax assets, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or subsequent periods.

XI. SEGMENT REPORTING:

The accounting policy adopted for Segment Reporting is in line with the accounting policy of the Company with the following additional policy for Segment Reporting:-

Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to the segments on a reasonable basis, have been included under "Unallocated Expenses". Inter Segment transfers are at cost.

XII. MISCELLANEOUS:

(a) Deferred revenue expenses are written off over the expected period of future benefits.

(b) Payments under the Voluntary Retirement Scheme are being written off over a period of five years.

(c) Campsite expenditure; i.e., Expenditure on setting up camps for execution of Operation contracts is written off over the period of the contract.

2. Managerial Remuneration:

	2005-06 Rs. Lakhs	2004-05 Rs. Lakhs
Salaries	**40.99**	48.34
Commission	**10.45**	2.98
Contribution to Provident Fund and Super annuation Fund	**7.73**	8.78
Benefits	**1.29**	3.21
Commission to non-wholetime Directors	**6.51**	1.49
	66.97	64.80

Note:

Having regard to the fact that there is an overall contribution to Gratuity Fund, the amount applicable to an individual employee is not ascertainable and accordingly, contribution to Gratuity Fund has not been considered in the above computation.

3. Computation of Net Profit and Directors Commission:

		2005-2006 Rupees Lakhs		2004-2005 Rupees Lakhs
Profit before Taxation		**2543.43**		2215.07
ADD:				
Depreciation	**701.57**		785.62	
Directors Remuneration	**66.97**		64.80	
		768.54		850.42
		3311.97		3065.49
LESS:				
Depreciation under Section 350 of the Companies Act, 1956	**701.57**		787.62	
Profit on sale of Investment	**986.01**		368.25	
Sale of Development Rights in Property	**350.00**		-	
Profit/(loss) on Sale/Scrap of Fixed Assets	**623.54**	**2661.12**	1760.24	2916.11
		650.85		149.38

SCHEDULES TO THE ACCOUNTS (Continued)

		2005-2006 Rupees Lakhs	2004-2005 Rupees Lakhs
	Commission:		
	(a) Managing Director @ 1%	**6.51**	1.49
	(b) Whole-time Directors @ 1% upto 7-11-05	**3.94**	1.49
	(c) Non-Wholetime Directors @ 1%	**6.51**	1.49
4.	**Payment to Auditors (Excluding Service Tax)**		
	Audit Fees	**11.50**	11.50
	Tax Audit	**2.00**	2.00
	Other Services	**9.10**	9.57
	Reimbursement of Expenses	**0.75**	1.07
5.	**Payments to Branch Auditors (Excluding Service Tax)**		
	Audit Fees	**6.00**	6.00
	Tax Audit	**2.00**	2.00
	Other Services	**3.50**	3.91
	Reimbursement of Expenses	**1.25**	0.81
6.	**Expenditure in Foreign Currency**		
	Interest	**185.02**	168.21
	Commission on Exports	**40.12**	18.24
	Other-Travelling expenses, books & periodicals etc.,	**177.43**	525.36
	Royalty	**264.71**	276.42
7.	**Earnings in Foreign Exchange**		
	Export on F O B Basis	**3155.04**	3171.08
8.	**Amount remitted during the year in foreign Currency on account of dividend**		
	Number of non-resident Shareholders	**2**	2
	Number of Shares held	**6800980**	6800980
	Dividend remitted (Rupees Lakhs)	**442.07**	408.06
	Dividend on account of year	**2004-05**	2003-04
9.	**Value of Imports on C I F Basis**		
	Raw Materials	**7951.55**	8440.84
	Capital Goods	**68.39**	49.18
	Stores & Spares	**0.78**	1.71
	Traded Goods	**2488.98**	3453.31
10.	**Capital Commitments**		
	Estimated amount of contracts remaining to be executed on capital account	**29.96**	205.24

SCHEDULES TO THE ACCOUNTS (Continued)

11. Consumption of Material

	2005-2004		2004-2005	
	Rupees Lakhs	**Percentage**	Rupees Lakhs	Percentage
(a) Raw Material				
Imported	**9632.95**	**49.83**	9150.48	53.32
Indigeneous	**9697.98**	**50.17**	8012.53	46.68
	19330.93	**100**	17163.01	100
(b) Components and Spare Parts	-		-	

Note : Components and Spare Parts referred to in para 4 D (c) of Part II of Schedule VI to the Companies Act,1956 are assumed to be those incorporated in goods produced and not those used for maintenance of Plant and Machinery

12. CONTINGENT LIABILITIES

	As at 31st March, 2006 Rupees Lakhs	As at 31st March, 2005 Rupees Lakhs
(a) Bills Discounted	**-**	134.05
(b) Claims against the Company not acknowledged as debts hence not provided		
(i) Income Tax Demands	**541.66**	494.74
(ii) Sales Tax Demands (see Note 14)	**2276.24**	1881.17
(iii) Excise Demands	**20.89**	22.70
(iv) Additional Demands towards cost of land	**3.81**	3.81
(v) Claims of workmen/ex-employees	**94.51**	118.07
(vi) Other Matters	**271.73**	236.86

13. SECURED LOANS:

(a) 15% Non-Convertible Debentures privately placed with Unit Trust Of India are secured by an equitable mortgage of the immovable properties of the Company. These Debentures were redeemed on 28th August 2005.

(b) Loan from banks on Cash Credit account including foreign currency demand loan is secured by hypothecation of all movable assets of the Company including raw materials, finished goods, work-in-process, Stores and Spares and present and future book debts of the Company and by a second charge on all the fixed assets of the Company, both present and future.

(c) Loan from Indian Renewable Energy Development Agency Limited is secured by bank guarantee issued by State Bank of Mysore.

(d) The term loan from ICICI Ltd. is secured by specified fixed assets of Lubricants Division.

(e) Term loan from Jammu and Kashmir Bank is secured by a first charge on all immovable and movable properties and second charge on other assets including raw materials, finished goods, work-in-process and book debts of Lubricants Division.

(f) Foreign Currency Term Loan from Bank of Bahrain & Kuwait B.S.C is secured by a pari-passu first charge on all fixed assets of Lubricants division.

(g) The Term loans from State Bank of Indore and Syndicate Bank are secured by first charge on the fixed assets of the Company.

(h) The term loans from Export Import Bank of India are secured by exclusive first charge on all the fixed assets of Speciality Chemical Division of the Company.

(i) Interest accrued and due on loans taken over from erstwhile IDL Salzbau (India) Limited amounting to Rs.42.09 lakhs is secured by first charge on all immovable properties and second charge on other assets including raw materials, finished goods, work-in-process, stores and spares and book debts of Building Products Division. Consequent to the transfer of all the immovable properties and other assets including raw materials, finished goods, work-in-process, stores and spares, and book debts of Building Products Division to a subsidiary of the Company (refer note 22), the Company is in the process of obtaining a No Objection certificate from the lender.

(j) Fixed Deposits to the extent of Rs.375.86 Lakhs were secured by a second charge on all tangible movable property and fixed assets including all movable machinery and plant, machinery spares and stores, tools and accessories and other movables both present and future as approved by the Controller of Capital Issues vide his letter dated 1st November, 1980.

(k) In respect of loans fully repaid during the previous year/current year to the banks and Public Financial Institutions, satisfaction of charge is under process.

SCHEDULES TO THE ACCOUNTS (Continued)

14. SALES TAX

(a) In respect of taxability under the Central Sales Tax Act, 1956, of stock transfers from Rourkela Unit to its consignment agents outside the state of Orissa, the amount deposited under protest by the Company with the Orissa Sales Tax authorities in respect of this matter stands at Rs. 150.17 Lakhs as on 31 March, 2006 and along with interest of Rs.69.30 Lakhs accrued till 1st June, 1998 on the said deposit is included under Loans and Advances (Schedule 10).

The Honourable High Court of Orissa vide it's order dated 11th April 2006, has held that the Stock Transfers are Inter-State Sales. The Company has filed Special Leave Petition (SLP) in the Honourable Supreme Court of India. The Apex Court, while hearing SLP, considering the merits of case, ordered, "Issue of Notice" to the State of Orissa and granted time to parties, for filing of written statements. Since the matter being sub-judice, status quo has been maintained. No provision has been made in respect of disputed deposit (including interest thereon) as the Company is hopeful of recovering the same.

(b) Further, in the previous years the Company received various demands from Assistant Commissioner, Sales Tax, Rourkela through appeal orders in respect of assessment years 1994-95, 1995-96 and 1998-99 amounting to Rs. 1294.08 Lakhs treating the stock transfers to various branches/consignment agents of the Company as sales under Central Sales Tax. The Company filed petition in the Honourable High Court of Orissa, Cuttack for full stay of the demand of Asst. Commissioner of Sales Tax Rourkela since in earlier assessment years on the similar cases Honourable High Court has decided the matter in favour of the Company. The Honourable High Court of Orissa has granted full stay for payment of Sales Tax demands till the disposal of Company's Appeal filed before Orissa Sales Tax Tribunal.

15. FIXED ASSETS

Buildings include:

(i) Rs.7.09 lakhs, which represents the cost of ownership flats Rs.7.08 lakhs and Rs.0.01 lakhs being the value of Share money in Sett Minar Co-operative Housing Society Limited.

(ii) Rs.4.70 lakhs, which, represents the cost of ownership flats Rs.4.43 lakhs and Rs.0.27 lakhs being the value of 270 ordinary shares of Rs.100 each, fully paid up in Shree Nirmal Commercial Limited.

16. TAXATION

(i) Pursuant to the scheme of merger with IDL Salzbau (India) Limited (ISIL) sanctioned by the BIFR, the Company has considered the tax losses of Rs. 1498.36 lakhs allowable upto 31st March, 1999 in computing the Company's income for the year ended 31st March, 1999 giving a tax benefit of Rs. 524.43 lakhs in that year. However, the tax losses and tax benefits thereon do not include funded interest accrued on the loans taken by ISIL from the Financial Institutions as the tax benefit on such interest shall accrue to the company as and when the interest is paid to the Financial Institutions.

In the current year the Company has paid an amount of Rs. 42.43 lakhs, being the interest due to the Institution.

(ii) Pursuant to the scheme of amalgamation of erstwhile Gulf Oil India Limited with the Company, brought forward tax losses of Rs. 3462.77 lakhs as at 31st December, 2001 have been considered in computing the Company's tax liabilitities for the year 2001-02.

(iii) Deferred tax

		31st March 2006 Rupees Lakhs	31st March 2005 Rupees Lakhs
(a)	Deferred tax assets arising on account of timing differences:-		
	Unabsorbed business loss/depreciation #	**988.63**	1328.37
	Provision for doubtful debts/advances	**598.83**	547.65
	Other timing differences	**196.43**	221.71
		1783.89	2097.73
(b)	Deferred tax liabilities arising on account of timing differences:-		
	Depreciation	**1081.41**	1375.25

\# Relates mainly to erstwhile Gulf Oil India Limited, in view of the Company's future profit projections the Company expects to fully realise the deferred tax asset.

17. MISCELLANEOUS:

(a) There are no claims for interest payment from any supplier with reference to Interest on delayed payments to Small and Ancillary Industrial Undertakings Ordinance, 1992.

SCHEDULES TO THE ACCOUNTS (Continued)

(b) "Sundry Debtors – Debts outstanding for a period exceeding six months, Considered good", include Rs. 565.16 lakhs (net of provision) due from certain customers which are outstanding from earlier years against some of whom the Company has initiated appropriate legal proceedings and is hopeful of recovering the dues in full; pending finalisation in this matter, no provision has been considered necessary for this amount.

(c) The net exchange gain / loss, (i.e., difference between the spot rate on the dates of the transactions and the actual rate at which the transactions are settled/appropriate rates applicable at the year end) debited to Profit & Loss Account is Rs. 231.54 Lakhs (Previous Year Rs.219.75 Lakhs credited to Profit & Loss Account).

(d) Exchange difference in respect of forward exchange contracts to be recognised in the Profit and Loss Account in the subsequent accounting period is Rs. 17.57 Lakhs Debit (Previous year: Rs. Nil)

(e) (i) The Company has entered into the following derivative instruments:

The following are the outstanding Forward Exchange Contracts entered into by the company as on 31st March, 2006:

Currency	Amount	Buy/Sell	Cross Currency
US Dollar	6366454	Buy	Indian Rupees

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

Amounts receivable/(payable) in foreign currency on account of the following:

	Rupees Lakhs	Currency	Amount
Export of Goods	1196.30	U S D	2684882
Export of Goods	65.89	Euro	122325
Import of Goods	(3796.14)	USD	8441925
Import of Goods	(11.01)	Euro	20217
FCNRB Loan	(19.75)	USD	44446

The above disclosures have been made consequent to an announcement by the Institute of Chartered Accountants of India in December, 2005, which is applicable to the financial periods ending on or after 31st March, 2006. Therefore, figures for the previous year have not been disclosed.

(f) (i) Sundry creditors include Rs. 257.37 lakhs (31st March, 2005 Rs.353.48 lakhs) due to Small Scale Industrial undertakings (SSIs). Names of SSIs to whom the Company owes sums outstanding for more than 30 days as on 31st March 2006. Asiatic Enterprises B.N.Khatua, Behera Industries Pvt Ltd, Chemical Udyog, G S Sulphochem, H B Gum Industires Pvt Ltd, Hindustan Metal & Wire Products, Industrial Packaging Industries, Kalinga Wrappers, Kraft Box (P) Limited, Krishna Speciality Chemicals Pvt Ltd., Lake Land Chemicals (India) Limited, Lara Industries (P) Ltd, Penguin Paperplast (P) Limited, Plasto Craft Industries , R P Chemicals, Reliance Electrical & Metal Pvt Ltd, Steeloy Corporation, Time Poly Plast Private Ltd, Tirupathi Polychem, Elite Engineers, HighPlastics Pvt Ltd, G.Vittal Rao & Sons, Plasto Craft Industires, Unique Rubber Products, Anukampa Polymers & Technologies (P) Ltd, Industrial Plastics, Krimesh Enterprises, Lara Industries (P) Ltd, Sankala Industries, Vasu-N-Dhara , Krimesh Emterprises. Ekasila Chemicals Limited, Mythri Packaging & Chemicals Pvt Ltd, Kats Organics Pvt Limited

(ii) The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings on the basis of the information available with the Company.

18. EARNINGS PER SHARE

		Year ended 31st March, 2006	Year ended 31st March, 2005
a.	Profit after Tax (Rs. Lakhs)	**2278.60**	2003.07
b.	Weighted average number of Equity Shares outstanding during the year	**13871747**	13871747
c.	Potential equity shares on conversion of share warrants	**183372**	-
d.	Weighted Average number of equity shares in computing diluted earnings per share	**14055119**	13871747
e.	Face value of each Equity Share (Rs.)	**10**	10
f.	Earnings per Share		
	-Basic (Rs.)	**16.43**	14.44
	-Diluted (Rs.)	**16.21**	14.44

SCHEDULES TO THE ACCOUNTS (Continued)

19. RELATED PARTY DISCLOSURES:

Information relating to Related Party transactions as per " Accounting Standard 18" issued by the Institute of Chartered Accountants of India.

(A)

Name of the Related Party	Relationship
Gulf Oil (Mauritius) Inc.	Associate
N N Investments BV, Netherlands	Associate
IDL Agro Chemicals Limited	Subsidiary
IDL Buildware Limited (formerly IDL Finance Limited)	Subsidiary
IDL Arom International Limited	Subsidiary
Gulf Carosserie India Limited	Subsidiary
Gulf Oil Bangladesh Limited	Subsidiary
PT. Gulf Oil Lubricants Indonesia	Subsidiary
Mr. S.Pramanik, Managing Director	Key Management Personnel
Mr. V.Ramesh Rao, Executive Director (Lubricants Division) (till 7th November 2005)	Key Management Personnel

(B) Details of transactions between the Company and Related Parties and the status of outstanding balances at the year end:

Rs. Lakhs

Particulars	Subsidiaries		Associates		Key Management Personnel	
	31.03.06	31.03.05	**31.03.06**	31.03.05	**31.03.06**	31.03.05
Sales	**28.91**	532.53				
Transfer of Building Products Division	**637.44**	-				
Royalty			**264.71**	276.42		
Expenses paid	**76.04**	21.07				
Purchase & Other Services	**17.93**	-	**2.50**	-		
Advances given	**-**	55.45				
Investment in Preference Shares	**375.00**	-				
Investment in Equity shares	**182.00**	680.70				
Sale of Development Rights in Property	**350.00**	-				
Dividend paid			**442.07**	408.06	**0.24**	0.27
Directors' Remuneration					**60.46**	63.31
<u>Outstanding balances:</u>						
(a) Receivables	**409.35**	113.72				
(b) Payables	**13.09**	12.98	**218.90**	221.63		

20. Disclosure as required by Accounting Standard 19, "Leases" issued by the Institute of Chartered Accountants of India are given below:

a) Operating Lease:

(i) Where the Company is a Lessee:

The Company's significant leasing arrangements are in respect of operating leases for premises (residences, office, storage godowns for finished goods etc.). The leasing arrangements, which are not non-cancellable

SCHEDULES TO THE ACCOUNTS (Continued)

range generally between 11 months to 5 years and are usually renewable by mutual consent on agreed terms. The aggregate lease rents payable are charged as rent in the Profit and Loss Account.

(ii) The company has taken certain Plant and Machinery under non-cancellable leases.

Rs. Lakhs

	31st March, 2006			31st March, 2005		
	Total	**Payments not later than one year**	**Payments later than one year but not later than five years**	Total	Payments not later than one year	Payments later than one year but not later than five years
Total of future minimum payments at the balance sheet date	**116.64**	**24.34**	**92.30**	-	-	-

Lease Rent charged to Profit & Loss account for the year amounting to Rs. 2.05 lakhs (excludes Rs.1.31 lakhs charged to incidental expenditure during construction) [Previous year Rs. NIL]

(b) Where the Company is Lessor:

Details in respect of assets given on operating lease :

Rs.Lakhs

	Gross Block		Accumulated Depreciation as on		Depreciation for the year	
	31-3-2006	31-3-2005	**31-3-2006**	31-3-2005	**2005-06**	2004-05
Building	**30.17**	37.26	**9.40**	10.68	**0.45**	0.52
Plant & Machinery	**80.32**	80.32	**39.20**	33.94	**5.26**	5.96

The assets given on lease are not non-cancellable and range between 11 months to 5 years generally and are usually renewable by mutual consent, on mutually agreeable terms. The aggregate lease rentals are recognised as income from property in the Profit & Loss account.

Initial direct costs are recognized as an expense in the year in which these are incurred.

b) Hire Purchase:

(i) The Company has taken plant and machinery, motor vehicles under hire purchase arrangements for which the ownership will be transferred to the Company at the end of the hire purchase term.

(ii) Reconciliation between the total of minimum hire purchase payments at the balance sheet date and the present value:

Rs. Lakhs

	31st March, 2006			31st March, 2005		
	Total	**Payments not later than one year**	**Payments later than one year but not later than five years**	Total	Payments not later than one year	Payments later than one year but not later than five years
Total of minimum hire purchase payments at the balance sheet date	**83.20**	**39.97**	**43.23**	104.50	74.62	29.88
Less: Future Finance Charges	**10.06**	**5.62**	**4.44**	11.72	9.04	2.68
Present value of minimum hire purchase payments at the balance sheet date	**73.14**	**34.35**	**38.79**	92.78	65.58	27.20

SCHEDULES TO THE ACCOUNTS (Continued)

21. SEGMENT INFORMATION FOR THE YEAR ENDED 31st MARCH 2006

(i) Primary Business Segments Rs. Lakhs

	Explosives		Building Products		Lubricating Oils		Others		Unallocated		Eliminations		Total	
REVENUE	**2006**	2005	**# 2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
External	**20280.31**	17687.89	**-**	259.83	**25958.10**	25099.52	**49.28**	200.85	**1992.50**	2215.18	**-**	-	**48280.19**	45463.27
Inter-segment	**-**	-	**-**	-	**27.77**	27.20	**-**	-	**-**	-	**(27.77)**	(27.20)		
Total Revenue	**20280.31**	17687.89	**-**	259.83	**25985.87**	25126.72	**49.28**	200.85	**1992.50**	2215.18	**(27.77)**	(27.20)	**48280.19**	45463.27
RESULT														
Segment result	**951.94**	(137.49)	**-**	(66.27)	**1445.10**	1584.99	**5.39**	(9.54)	**-**	-	**-**	-	**2402.43**	1371.69
Unallocated Corporate Expenses net of unallocated income													**1237.25**	1583.68
Interest Expense													**(932.92)**	(858.83)
Interest Income													**97.32**	260.14
Dividend Income													**83.70**	89.62
Profit before Taxation & Extraordinary Expenditure													**2887.78**	2446.30
Extraordinary Expenditure													**344.35**	231.23
Net Profit													**2543.43**	2215.07
OTHER INFORMATION														
Segment Assets	**15310.66**	13667.30		757.54	**15736.83**	12524.10	**292.10**	315.09	**14170.58**	12718.35			**45510.17**	39982.38
Segment Liabilities	**6193.79**	4749.50		62.96	**9735.49**	6935.54	**12.82**	18.88	**14282.84**	13578.54			**30224.94**	25345.42
Capital Expenditure	**179.59**	*(111.74)		0.12	**312.99**	335.27	**0.52**	19.36	**1550.75**	2951.44			**2043.85**	3194.45
Depreciation	**474.16**	472.14	**-**	58.99	**187.33**	211.50	**13.21**	17.96	**26.87**	25.03			**701.57**	785.62
Non-cash expenses other than depreciation	**-**	-	**-**	-	**2.53**	1.86	**-**	-	**12.18**	1.40			**14.71**	3.26

* transferred to "Unallocated"

(ii) Information about Secondary Business Segments (in Rupees Lakhs)

	India		Outside India		Total	
	2006	2005	**2006**	2005	**2006**	2005
Revenue by geographical market on FOB basis	**45125.15**	42292.19	**3155.04**	3171.08	**48280.19**	45463.27
Inter-Segment	**-**	-	**-**	-	**-**	-
Total	**45125.15**	42292.19	**3155.04**	3171.08	**48280.19**	45463.27
Carrying amount of segment assets	**44247.98**	39264.67	**1262.19**	717.71	**45510.17**	39982.38
Additions to Fixed Assets	**2043.85**	3194.45	**-**	-	**2043.85**	3194.45

(iii) Notes:

(a) Business Segment

The Company has considered business segment as the primary segment for disclosure.

Segments have been identified and reported taking into account the Organisation structure, the nature of products and services, the deferring risks and returns of the segments.

The business segments of the Company are (I)Explosives,(ii) Building Products # (iii) Lubricating Oils and (iv) Others. Others include Floriculture and Property Income

(b) Geographical Segment

The Geographical segments considered for disclosure are as follows:

- Revenue with in India includes sales to customers located within India and earnings in India.
- Revenue outside India includes sales to customers located outside India and earnings outside India

Building Products Division of the Company has been transferred w.e.f 01.04.2005 to a subsidiary (IDL Buildware Ltd) {refer note 22}

22. Transfer Of Building Products Division:

Consequent to the approval of the shareholders of the Company for the transfer of Building Products Division, all the liabilities, unsecured loans, movable and immovable properties (including all other current assets) belonging to the said Division were transferred to IDL Buildware Limited (formerly IDL Finance Limited) a wholly owned subsidiary of the Company with effect from 1st April 2005 for a net consideration of Rs. 637.44 lakhs.

23. Incidental Expenditure During Construction:

The Speciality Chemicals Plant at Pashamylaram, has been planned by modifying a sick API Unit (started in 1996) acquired by Company in April 2004. The plant, therefore, had to be fully modified and the product lines changed to meet current market requirements to become commercially viable.

Modification work was started during May-June 2004 and specialist staff recruited for the purpose. The five production blocks with 77 Reactors (180 KL Capacity) were erected in sequence over the last 12 months but due to stringent procedures now specified by the Regulatory Authorities, as a result, trial runs for the full plant could not be run. However, trial runs for establishing individual processes for some of the critical equipment supplied had to be undertaken to establish the processes and confirm equipment specification versus supplies. In these processes, cost of specialist staff, process development cost, equipment modification costs, electricity and water charges, fuel costs and raw material costs had to be incurred. These incidental expenses incurred during construction till 31 March 2006 amounting to Rs.2396.35 Lacs (Schedule 5A), including Rs.1398.71 Lacs incurred during the year is being carried at cost.

With the Andhra Pradesh Pollution Control Board (APPCB) approval being obtained by the end of April, 2006, complete trial runs of the full plant have been started and once the plant is ready for commercial production, the above expenses shall be capitalized along with equipment cost under appropriate heads under Fixed Assets.

24. Sale Of Development Rights In Property:

Other Income (Schedule 14) includes Rs.350 lakhs accrued in respect of sale of Development Rights in Property, to a wholly owned subsidiary. The Company is in the process of formalizing the terms of arrangement in respect of the sale of such rights.

25. Previous year's figures have been regrouped / recast wherever necessary.

For and on behalf of the Board of Directors

Hyderabad,	A.SATYANARAYANA	S. PRAMANIK	S.G. HINDUJA
May 24, 2006	**Secretary**	**Managing Director**	**Chairman**

STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956

Rs.in Lakhs

Name of the Subsidiary	Financial year ending of the Subsidiary	Number of Shares	Extent of Holding	For the Financial years of the Subsidiary		For the previous Financial Years since it became a Subsidiary	
				Profits/(Losses) not dealt with in the Books of Accounts of the Holding Company (Except to the extent dealt with in Col.6)	Profits/(Losses) dealt with in the Books of Accounts of the Holding Company	Profits/(Losses) not dealt with in the Books of Accounts of the Holding Company (Except to the extent dealt with in Col.6)	Profits/(Losses) dealt with in the Books of Accounts of the Holding Company
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
IDL AGRO CHEMICALS LIMITED	31.03.2006	240000	100%	(79.50)	nil	(90.69)	nil
IDL BUILDWARE LIMITED	31.03.2006	1970000	100%	(97.39)	nil	(96.21)	nil
IDL AROM INTERNATIONAL LIMITED	31.03.2006	120007	100%	0.09	nil	14.18	nil
GULF CARROSSERIE INDIA LIMITED	31.03.2006	380001	95%	0.34	nil	(108.29)	nil
GULF OIL BANGLADESH LIMITED	31.03.2006	177939	51%	(24.57)	nil	(142.14)	nil
PT. GULF OIL LUBRICANTS INDONESIA	31.03.2006	15000	75%	(107.47)	nil	(177.77)	nil

For and on behalf of the Board of Directors

Mumbai	A.SATYANARAYANA	S. PRAMANIK	S.G. HINDUJA
May 24, 2006	**Secretary**	**Managing Director**	**Chairman**

SCHEDULE – 1

Information pursuant to Part IV of Schedule VI of the Companies Act, 1956

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	State Code
876	01
Balance Sheet Date	
31.03.06	

II. Capital Raised During the Year (Amount in Rs. '000)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	50500

III. Position of Mobilisation and Deployment of Funds (Amt in Rs. '000)

Total Liabilities	Total Assets
2624340	2624340
Sources of Funds	
Paid up Capital	Reserves & Surplus
138717	1339306
Convertible Warrants	
50500	
Secured Loans	Unsecured Loans
814769	281048
Application of Funds	
Net Fixed Assets	Investments
1136726	357578
Net Current Assets	Misc. Expenditure
959743	100045
Accumulated Losses	
NIL	

IV. Performance of the Company (Amt in Rs. '000)

Turnover/Other Income	Total Expenditure
5309003	5054660
Profit (+)/Loss (-) Before Tax	Profit (+)/Loss (-) After Tax
254343	227860
Earning per Share in Rs.	Dividend Rate %
16.43	70

V. Generic Name of Principal Products/Services Of Company (As per monetary terms)

IDL DIVISION Product Description	Item Code No.
1. Ind. Explosives Permitted Types	360200.01
2. Other	360200.09
3. Detonating Fuse	360300.01
4. Detonators Containing and Explosives Electrically Ignited, Not-ordinance	360300.11
5. Detonators, Plain Not-Ordinance	360300.12
LUBRICANTS DIVISION	
6. Lubricating Oils	2710.95
7. Brake Fluids	3811.00
8. Coolant	3819.00
9. 2T Oils	3824.90

Mumbai	A.SATYANARAYANA	S. PRAMANIK	S.G. HINDUJA
May 24, 2006	**Secretary**	**Managing Director**	**Chairman**

REPORT OF THE AUDITORS' TO THE BOARD OF DIRECTORS OF GULF OIL CORPORATION LIMITED

1. We have examined the attached consolidated balance sheet of GULF OIL Corporation Limited and its subsidiaries ("the Group") as at 31st March, 2006 and also the consolidated Profit and Loss Account and the consolidated cash Flow statement for the year ended on that date, annexed thereto, in which are incorporated the returns from the branch, audited by other auditors. These consolidated financial statements are the responsibility of the management of GULF OIL Corporation Limited. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.800.39 lakhs as at 31st March, 2006 and total revenues of Rs.1293.55 lakhs and cash Flows amounting to Rs.350.95 lakhs for the year ended on that date as considered in the consolidated financial statements. These financial statements, except the financial statements of Gulf Oil Bangladesh Limited, have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors. In respect of Gulf Oil Bangladesh Limited, in the absence of audited financial statements, unaudited financial statements have been considered for the purposes of consolidation.

4. The board of directors of GULF Carosserie India Limited a subsdiary of the Company, had in priciple decided to look into various options and procedures for winding up of that Company and accordingly the accounts drawn on the basis that the going concern assumption is not applicable, have been considered for these consolidated financial statements.

5. We report that consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

6. On the basis of the foregoing and the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of GULF OIL Corporation Limited and its subsidiaries, in our opinion, the consolidated financial statements, subject to:

   (i) our inability to comment on the recoverability of debts outstanding for a period exceeding six months, considered good amounting to Rs. 89.19 Lakhs (refer Note 9 (a) (ii), Schedule 17);

   (ii) the accounts of a subisidiary, IDL Arom International Limited, being prepared on a going concern basis (refer Note 9 (h), schedule 17)

   give a true and fair view in conformity with accounting principles generally accepted in India :

   a) in the case of the consolidated balance sheet, of the consolidated state of affairs of the group as at 31st March, 2006,

   b) in the case of the consolidated profit and loss account of the consolidated results of operations of the Group for the year ended on that date,

   and

   c) in the case of the cash flow statement, of the consolidated cash flows of the Group for the year ended on that date.

For **A. F. FERGUSON & CO.,**
Chartered Accountants

A.C.GUPTA
Partner
M No. 8538

Hyderabad
May 24, 2006

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

		Schedule	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
I.	**SOURCES OF FUNDS**			
1.	Shareholders' Funds			
	(a) Capital	1	**1387.17**	1387.17
	(b) Warrants Convertible to Equity Shares		**505.00**	-
	(c) Reserves & Surplus	2	**12521.72**	11994.84
			14413.89	13382.01
2.	Minority Interests		**161.31**	198.14
3.	Loan Funds			
	(a) Secured Loans	3	**8303.74**	8870.76
	(b) Unsecured Loans	4	**3152.16**	1721.18
			11455.90	10591.94
4.	Deferred Tax Liability		**1081.63**	1375.00
	TOTAL		**27112.73**	**25547.09**
II.	**APPLICATION OF FUNDS**			
1.	**Fixed Assets**			
	(a) Gross Block		**15552.84**	15339.05
	(b) Less : Depreciation		**8549.68**	8062.38
	(c) Net Block	5	**7003.16**	7276.67
	(d) Less: Lease Terminal Adjustment A/C		**1.97**	5.47
	(e) Capital Work-in-Progress and advances on Capital Account		**2510.97**	2412.41
	(f) Incidental expenditure during construction	5A	**2394.17**	997.64
			11906.33	10681.25
2.	**Investments**	6	**2208.94**	2525.45
3.	**Deferred Tax Asset**		**1891.48**	2137.57
4.	**Current Assets, Loans and Advances**			
	(a) Inventories	7	**9082.93**	8021.67
	(b) Sundry Debtors	8	**12799.79**	8837.72
	(c) Cash and Bank Balances	9	**2670.36**	4177.46
	(d) Loans and Advances	10	**3937.77**	3541.97
			28490.85	24578.82
Less:	Current Liabilities and Provisions			
	(a) Current Liabilities	11	**16814.50**	13613.18
	(b) Provisions	12	**1632.51**	1616.91
			18447.01	15230.09
	Net Current Assets		**10043.84**	9348.73
5.	**Miscellaneous Expenditure** (to the extent not written off or adjusted)	13	**1062.14**	854.09
	TOTAL		**27112.73**	**25547.09**
	Notes on the Accounts	17		

Schedules 1 to 17 annexed hereto form part of these accounts.

Per our report attached
For A.F.FERGUSON & CO.
Chartered Accountants

For and on behalf of the Board of Directors

A.C.GUPTA	A. SATYANARAYANA	S. PRAMANIK	S. G. HINDUJA
Partner	**Secretary**	**Managing Director**	**Chairman**

Hyderabad
May 24, 2006

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

	Schedule		Year ended 31st March 2006 (Rupees Lakhs)		Year ended 31st March 2005 (Rupees Lakhs)
INCOME					
Income from sales and other operations		**52207.56**		47912.96	
Less: Excise Duty		**4811.08**		4298.70	
Net Income from sales and other operations			**47396.48**		43614.26
Other Income	**14**		**2050.71**		2423.59
			49447.19		46037.85
EXPENDITURE					
Cost of Materials	**15**		**25662.74**		24455.69
Expenses	**16**		**20893.69**		18637.88
Depreciation			**777.20**		803.63
			47333.63		43897.20
PROFIT / (LOSS) BEFORE EXTRA ORDINARY ITEMS AND TAXATION			**2113.56**		2140.65
Extra-ordinary item					
Compensation under Voluntary Retirement Scheme			**344.35**		231.23
PROFIT BEFORE TAXATION			**1769.21**		1909.42
TAXATION					
Current Tax			**146.28**		312.40
Deferred Tax-(Credit)			**(47.28)**		(136.82)
Fringe Benefit Tax			**111.71**		-
PROFIT AFTER TAXATION			**1558.50**		1733.84
Share of Minority Interest in Losses /(Profits)			**35.82**		55.84
			1594.32		1789.68
Balance Brought forward from Previous Year			**2166.84**		1705.08
BALANCE AVAILABLE FOR APPROPRIATION			**3761.16**		3494.76
Proposed Dividend			**971.02**		901.66
Dividend Tax			**136.19**		126.46
Transfer to General Reserve			**500.00**		299.80
Balance Carried to Balance Sheet			**2153.95**		2166.84
Earnings per share (Note 10)					
- Basic			**Rs. 11.49**		Rs. 12.90
- Diluted			**Rs. 11.34**		Rs. 12.90
Notes on the Accounts	**17**				

Schedules 1 to 17 annexed hereto form part of these accounts.

Per our report attached
For A.F.FERGUSON & CO.
Chartered Accountants

For and on behalf of the Board of Directors

A.C.GUPTA
Partner

A. SATYANARAYANA
Secretary

S. PRAMANIK
Managing Director

S. G. HINDUJA
Chairman

Hyderabad
May 24, 2006

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

		2005-2006		2004-2005	
		Rupees lakhs	**Rupees lakhs**	Rupees lakhs	Rupees lakhs
(A)	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net Profit before tax and extraordinary items		2113.56		2140.65
	Adjustments for:				
	Depreciation	777.20		803.63	
	Dividend received	(83.70)		(89.63)	
	Miscellaneous Expenditure written off	33.10		11.41	
	Interest received	(112.25)		(269.84)	
	Loss / (Profit) on sale of Fixed Assets	(622.51)		(1758.16)	
	Profit on sale of investment	(986.01)		(368.25)	
	Interest expenses	983.44		889.90	
	Lease Equalisation Charge	(3.50)		(3.67)	
	Prelimnary Expenses written off	1.18	(13.05)	1.40	(783.21)
	Operating Profit/(Loss) before working Capital changes		2100.51		1357.44
	Adjustments for:				
	Trade and other Receivables - (Increase)/ Decrease	(4301.51)		(957.26)	
	Inventories - (Increase)/ Decrease	(1061.26)		(2083.61)	
	Trade Payables - Increase/(Decrease)	3175.80		4566.37	
			(2186.97)		1525.50
	Miscellaneous Expenditure incurred during the year		(21.07)		(75.70)
	Cash generated from Operations		(107.53)		2807.24
	Direct Taxes paid (net of refunds)	(314.25)		(231.48)	
	Interest paid	(1031.46)	(1345.71)	(966.18)	(1197.66)
	Cash inflow/(outflow) before extraordinary / prior period items		(1453.24)		1609.58
	Extra ordinary items				
	(i) Compensation under voluntary retirement Scheme		(565.61)		(427.53)
	(ii) Foreign Currency Translation Reserve (arising on account of currency translation)		(38.76)		25.91
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			**(1980.09)**		**1207.96**
(B)	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of Fixed Assets	(2053.55)		(3227.19)	
	Sale of Fixed Assets	677.29		1839.58	
	Purchase of Investments	(1335.70)		(1570.20)	
	Sale/Redemption of investments	2344.27		463.40	
	Loans Realised	250.00		600.00	
	Interest received	99.84		269.84	
	Dividend received	83.70		89.63	
	NET CASH INFLOW/(USED) IN INVESTING ACTIVITIES		**65.85**		**(1534.94)**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006 (continued)

	2005-2006		2004-2005	
	Rupees lakhs	**Rupees lakhs**	Rupees lakhs	Rupees lakhs
(C) CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from borrowings	3669.52		5105.05	
Proceeds from Fixed Deposits	(242.95)		(359.66)	
Repayment of borrowing	(2772.88)		(1996.57)	
Share application money pending allotment	505.00		-	
Loans from Companies	2975.00		-	
Repayment of Loans to Companies	(2700.00)		-	
Dividend paid	(900.09)		(826.37)	
Dividend tax paid	(126.46)		(106.64)	
Proceeds from issue of Equity share Capital in respect of a subsidiary	-		211.38	
NET CASH INFLOW/(OUTFLOW) FROM FINANCIAL ACTIVITIES		**407.14**		**2027.19**
Net increase/(decrease) in cash and cash equivalents		**(1507.10)**		**1700.21**
Cash and Cash Equivalents as at the commencement of the year- Cash and Bank Balances		4177.46		2477.25
Cash and Cash Equivalents as at the end of the year - Cash and Bank Balances		**2670.36**		**4177.46**

Per our report attached
For A.F.FERGUSON & CO.
Chartered Accountants

For and on behalf of the Board of Directors

A.C.GUPTA
Partner

A. SATYANARAYANA
Secretary

S. PRAMANIK
Managing Director

S. G. HINDUJA
Chairman

Hyderabad
May 24, 2006

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

		As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
1.	**SHARE CAPITAL**		
	AUTHORISED		
	2,50,00,000 (Previous year : 1,50,00,000) Equity shares of Rs.10 each	**2500.00**	1500.00
	ISSUED AND SUBSCRIBED		
	1,38,71,747 Equity shares of Rs. 10 each fully paid	**1387.17**	1387.17

Of the above

(a) 93,005 shares are allotted as fully paid up pursuant to a contract without payment being received in cash

(b) 52,15,025 shares are allotted as fully paid up bonus shares by capitalisation of Reserves.

(c) Pursuant to the merger scheme as approved by BIFR, 3,03,747 shares have been allotted effective 31st March,1999 to the shareholders of IDL Salzbau (India) Limited.

(d) 58,70,000 shares allotted effective1st January, 2002 consequent to the amalgamation of erstwhile Gulf Oil India Limited to the shareholders of erstwhile Gulf Oil India Limited

1A	**WARRANTS CONVERTIBLE TO EQUITY SHARES**		
	10,00,000 warrants, Rs.50.50 paid for each warrant as application money	**505.00**	-

Each warrant is convertible into one Equity Share of Rs.10 at a price of Rs.505 (including Rs.10 face value), in one or more trenches on or before the expiry of 18 months from the date of allotment i.e. 15th December, 2005 by paying the balance amount.

2.	**RESERVES AND SURPLUS**		
	Capital Reserve on Consolidation		
	At commencement of the year	**9.13**	9.13
	Add : On increase in Group's interest	**2.42**	-
		11.55	9.13
	CAPITAL RESERVE		
	At commencement of the year	**8.25**	8.25
	EXPORT ALLOWANCE RESERVE		
	At commencement of the year	**10.50**	10.50
	DEBENTURE REDEMPTION RESERVE		
	At commencement of the year	**233.31**	233.31
	Less: Transfer to General Reserve	**233.31**	-
		-	233.31
	GENERAL RESERVE		
	At commencement of the year	**9540.90**	9241.10
	Add: Transer from Debenture Redemption Reserve	**233.31**	-
	Add: Transfer from Profit and Loss Account	**500.00**	299.80
		10274.21	9540.90
	Foreign Currency Translation Reserve		
	At commencement of the year	**25.91**	-
	Add : for the year	**37.35**	25.91
		63.26	25.91
	PROFIT AND LOSS ACCOUNT		
	As Per Account Annexed	**2153.95**	2166.84
		12521.72	11994.84

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
3. SECURED LOANS		
A. Debentures		
15% Non-Convertible Debentures privately placed with Unit Trust Of India	**-**	100.00
B. From Banks		
(i) Cash Credit (includes Working Capital Demand Loan)	**2883.69**	3543.24
(ii) Overdraft against term deposit receipts	**303.97**	146.75
(iii) Foreign Currency Working Capital Loan	**929.20**	1280.23
(iv) Term Loans		
(a) EXIM Bank	**1500.00**	-
(b) ICICI Ltd.	**-**	30.00
(c) Bank of Bahrain & Kuwait B.S.C.	**19.75**	253.71
(d) Andhra Bank	**-**	4.80
(e) Syndicate Bank	**1870.88**	2214.01
(f) State Bank of Indore	**750.06**	1207.76
C. Other Loans		
Indian Renewable Energy Development Authority	**4.10**	5.74
D. Interest accrued and due on loans taken over from IDL Salzbau(India) Limited payable to Housing and Urban Development Corporation	**42.09**	84.52
	8303.74	8870.76
4. UNSECURED LOANS		
Fixed Deposits [See note 5(j)] (interest accrued and due Rs. 5.76 lakhs; 31.03.05 Rs. 28.07 Lakhs)	**667.79**	933.05
Deferred Hire Purchase Credits	**73.14**	92.78
Sales Tax deferment	**37.06**	48.39
Lease Obligations	**19.67**	43.18
Short term:		
Buyer's credit from Bank	**-**	536.58
Dealers' deposits	**79.50**	67.20
others	**2275.00**	-
	3152.16	1721.18

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

5. FIXED ASSETS:

(Rupees Lakhs)

	COST				DEPRECIATION				NET BOOK VALUE	
	31.03.2005	Additions	Deductions	**31.03.2006**	31.03.2005	For the Year	On Deductions	**31.03.2006**	**31.03.2006**	31.03.2005
Assets on Own Use										
Land-Freehold	332.03	117.66	2.97	**446.72**	-	-	-	**-**	**446.72**	332.03
Land-Leasehold	17.48	-	-	**17.48**	3.83	0.18	-	**4.01**	**13.47**	13.65
Buildings	2346.81	39.10	13.44	**2372.47**	787.21	62.78	4.57	**845.42**	**1527.05**	1559.60
Leasehold Improvements	6.80	-	-	**6.80**	6.80	-	-	**6.80**	**-**	-
Plant & Machinery Equipments etc.	10571.10	228.81	36.16	**10763.75**	5956.70	572.88	27.64	**6501.94**	**4261.81**	4614.40
Furniture, Fixtures & Office appliances	925.41	105.86	11.08	**1020.19**	535.05	77.99	12.90	**600.14**	**420.05**	390.36
Vehicles	677.46	67.94	50.51	**694.89**	365.23	55.64	37.09	**383.78**	**311.11**	312.23
Technical Knowhow	165.07	-	-	**165.07**	165.07	-	-	**165.07**	**-**	-
Live Stock	7.72	0.15	1.18	**6.69**	-	-	-	**-**	**6.69**	7.72
	15049.88	**559.52**	**115.34**	**15494.06**	**7819.89**	**769.47**	**82.20**	**8507.16**	**6986.90**	**7229.99**
Assets given on Lease										
Vehicles	3.90	-	-	**3.90**	2.96	0.37	-	**3.33**	**0.57**	0.94
Furniture & Fixtures	33.60	-	-	**33.60**	27.96	3.13	-	**31.09**	**2.51**	5.64
Plant & Machinery	200.45	-	200.45	**-**	200.45	-	200.45	**-**	**-**	-
	237.95	**-**	**200.45**	**37.50**	**231.37**	**3.50**	**200.45**	**34.42**	**3.08**	**6.58**
Assets taken on Lease										
Furniture & Fixtures	25.70	-	13.02	**12.68**	4.02	2.21	2.55	**3.68**	**9.00**	21.68
Vehicles	25.52	-	16.92	**8.60**	7.10	3.07	5.75	**4.42**	**4.18**	18.42
	51.22	**-**	**29.94**	**21.28**	**11.12**	**5.28**	**8.30**	**8.10**	**13.18**	**40.10**
	15339.05	**559.52**	**345.73**	**15552.84**	**8062.38**	**778.25**	**290.95**	**8549.68**	**7003.16**	-
31.03.2005	14726.85	776.15	163.95	15339.05	7341.28	803.63	82.53	8062.38	**-**	**7276.67**

Notes:-

1. Assets costing Rs. 73.56 lakhs (previous year Rs.313.28 lakhs) have been acquired on hire purchase, the legal ownership of which will be transferred to the Company after the final payment.
2. Freehold land of Rs. 25.14 lakhs acquired from ISIL is yet to be registered in the name of the Company.
3. Depreciation for the year includes Rs. 1.05 lakhs (previous year Rs. Nil) incurred during construction period.

	As at 31st March 2006 (Rupees Lakhs)		As at 31st March 2005 (Rupees Lakhs)	
5A. INCIDENTAL EXPENDITURE DURING CONSTRUCTION				
Payment to and provisions for Employees :				
Salaries,Wages & Bonus		**237.16**		89.18
Company Contribution to Provident Fund, Gratuity Fund and Other Funds		**36.38**		11.41
Workmen and Staff Welfare Expenses		**14.15**		3.73
Interest Expenses	**389.71**		128.11	
Less : Interest Income (on LC Margin Money)	**0.67**	**389.04**	0.23	127.88
Raw materials Consumed for trial production		**2131.87**		582.54
Stores, Spare parts and Loose Tools consumed		**187.46**		52.76
Processing Cost		**87.38**		51.97
Power,Fuel & Water		**334.75**		131.55
Rates & Taxes		**6.57**		1.63
Insurance		**35.07**		26.13
Advertising		**17.90**		10.43
Distribution Expenses		**47.64**		7.53
Repairs				
Plant & Machinery		**213.44**		128.65
Building		**124.80**		78.32
Others		**28.88**		28.76
Depreciation		**1.05**		-
Travelling Expenses		**34.73**		16.99
Bank Charges and Other Financial Charges		**46.68**		13.15
Postage,Telephone & Telex		**12.91**		4.40
Legal & Professional		**115.52**		76.22
Transportation Charges		**38.13**		10.86
Subscriptions		**0.65**		-
Landscaping		**31.74**		31.74
Maintenance charges		**61.63**		-
Other Miscellaneous Expenses		**171.13**		61.85
Less :				
Sale Proceeds from Trial Run Production	**1632.05**		275.87	
Closing stock of Trial Run Production-Finished Goods and Work in process	**359.37**		257.75	
Other Income	**21.07**		16.42	
		2394.17		997.64

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

	As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
6. INVESTMENTS		
At cost, unless otherwise stated		
LONG TERM		
QUOTED		
NON - TRADE		
Ashok Leyland Limited 1,00,000 Equity Shares of Re.1 each	**24.23**	24.23
Hinduja TMT Limited 96 (Previous Year 91,696) Equity shares of Rs. 10 each (91,600 equity shares sold during the year)	**0.06**	58.16
Jammu & Kashmir Bank Ltd. 2,400 Equity Shares of Rs.10 each	**0.91**	0.91
Indusind Bank Limited 43,15,023 (Previous Year - 57,15,023) Equity Shares of Rs.10 each fully paid (18,00,000 equity shares purchased and 32,00,000 equity shares sold during the year)	**2063.67**	2322.08
UNQUOTED		
NON - TRADE		
500 Shares of Rs.10 each in IDL Chemicals Employees' Co-operative Credit Society Limited, Hyderabad	**0.05**	0.05
500 Shares of Rs.10 each in IDL Chemicals Employees' Co-operative Credit Society Limited, Rourkela	**0.05**	0.05
27,978 units of Rs.10 each in UTI Bond Fund of Unit Trust of India	**2.97**	2.97
Pachora Peoples Co-operative Bank Limited 2 shares of Rs.100 each	**-**	-
Gulf Ashley Motors Limited 1,14,000 Equity Shares of Rs.100 each	**114.00**	114.00
Patancheru Enviro-Tech Limited 58,460 Equity Shares of Rs. 10 each	**3.00**	3.00
	2208.94	**2525.45**

Notes:

1. Aggregate Carrying cost of quoted investments	**2088.87**	2405.38
2. Aggregate Market Value of quoted investments	**2073.17**	3171.59
3. Aggregate cost of unquoted investments	**120.07**	120.07
4. The Company during the year has re-classified current investments as Long Term Investments.		

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

		As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
7.	**INVENTORIES**		
	At lower of cost and net realisable value		
	Stores & Spares	**182.86**	202.23
	Packing Materials and Fuel	**274.05**	224.10
	Raw Materials	**4243.60**	4008.96
	Work-in-Process	**560.95**	301.64
	Finished Goods	**3289.13**	2821.33
	Excise Duty on Finished Goods	**532.34**	463.41
		9082.93	8021.67
8.	**SUNDRY DEBTORS - UNSECURED**		
	(a) Debts outstanding for a period exceeding six months:		
	Considered good	**2278.87**	2633.32
	Considered doubtful	**1791.27**	1496.30
	(b) Other Debts :		
	Considered good	**10520.92**	6204.40
		14591.06	10334.02
	Less : Provision for doubtful debts	**1791.27**	1496.30
		12799.79	8837.72
9.	**CASH AND BANK BALANCES**		
	Cash/Cheques on hand	**299.97**	290.43
	With Scheduled Banks @:		
	Current Account	**1073.55**	1937.03
	Fixed Deposits/Margin account	**1296.84**	1950.00
		2670.36	4177.46
	@ including Rs. NIL lakhs (31.03.05 Rs.0.10 lakhs) in Export Earner's Foreign currency account.		
10.	**LOANS AND ADVANCES**		
	(Unsecured, considered good unless otherwise specified)		
	Loan to Companies	**162.41**	400.00
	Advances recoverable in cash or in kind or for value to be received:		
	Considered good	**2928.42**	2582.64
	Considered doubtful	**65.78**	65.79
		2994.20	2648.43
	Less : Provision for doubtful advances	**65.78**	65.79
		2928.42	2582.64
	Share application money (towards equity shares of Gulf Oil Yantai Limited-pending allotment)	**293.95**	-
	Balance with Excise Authorities on Current Account	**552.99**	559.33
		3937.77	3541.97

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

		As at 31st March 2006 (Rupees Lakhs)	As at 31st March 2005 (Rupees Lakhs)
11.	**CURRENT LIABILITIES**		
	Acceptances	**3146.29**	1191.68
	Sundry Creditors	**13582.43**	12354.01
	Interest accrued but not due	**46.77**	30.05
	Unpaid/Unclaimed Dividends	**39.01**	37.44
		16814.50	13613.18
12.	**PROVISIONS**		
	Provision for Taxation (net of Advance Tax)	**73.29**	129.55
	Proposed dividend	**971.02**	901.66
	Tax on dividend	**136.19**	126.46
	Miscellaneous - Leave encashment	**97.87**	85.50
	- Gratuity	**354.14**	373.74
		1632.51	1616.91
13.	**MISCELLANEOUS EXPENDITURE**		
	(to the extent not written off or adjusted)		
	Payments under Voluntary Retirement Scheme	**1000.45**	779.19
	Deferred Revenue Expenses	**60.11**	71.05
	Software Expenditure	**-**	1.16
	Preliminary Expenses	**1.58**	2.69
		1062.14	**854.09**

		Year ended 31st March 2006 (Rupees Lakhs)	Year ended 31st March 2005 (Rupees Lakhs)
14.	**OTHER INCOME**		
	Dividend		
	-Other Investments	**83.70**	89.63
	Profit on sale of Property	**572.79**	1757.31
	Profit/(loss) on Sale/Scrap of other Fixed Assets	**49.72**	0.85
	Profit on sale of investments	**986.01**	368.25
	Insurance Claims	**53.00**	23.39
	Export Incentives (DEPB)	**163.73**	131.65
	Miscellaneous	**140.33**	52.51
	Provision no longer required written back	**1.43**	-
		2050.71	**2423.59**
15.	**COST OF MATERIALS**		
	Raw Materials Consumed :		
	Opening Stock	**3676.04**	2473.95
	Add : Purchase	**20140.24**	18514.19
		23816.28	20988.14
	Less : Closing Stock	**3912.78**	3676.04
		19903.50	17312.10
	Purchase of Finished Goods	**4380.51**	5652.31
	(Increase) / Decrease in Finished Goods and Work-in-Process:		
	Closing Stock		
	Finished Goods	**3127.33**	2587.40
	Work-in-Process	**363.38**	301.64
		3490.71	2889.04

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

			As at 31st March 2006 (Rupees Lakhs)		As at 31st March 2005 (Rupees Lakhs)
	Opening Stock :				
	Finished Goods		**2587.40**		2330.38
	Work-in-Process		**301.64**		324.65
			2889.04		2655.03
			(601.67)		(234.01)
	Packing Materials Consumed		**2081.63**		1831.01
			25763.97		24561.41
	Less: Scrap realisation		**101.23**		105.72
			25662.74		24455.69
16.	**EXPENSES**				
	Payments to and provisions for Employees :				
	Salaries, Wages and Bonus		**3450.32**		3280.59
	Contribution to Provident Fund, Gratuity Fund and other Funds		**391.31**		504.20
	Workmen and Staff Welfare Expenses		**427.05**		379.57
			4268.68		4164.36
	Interest Expense:				
	On Debentures and Fixed Loans	**932.92**		365.32	
	Other	**50.52**	**983.44**	524.58	889.90
	Less: Interest Income (Gross): (Tax deducted at source Rs. 18.81 Lakhs; Previous year Rs.21.04 Lakhs)				
	—On deposits, income-tax refunds, loans to employees		**112.25**		269.84
			871.19		**620.06**
	Stores, Spare Parts and Loose Tools consumed		**99.78**		159.17
	Processing Charges		**544.68**		391.60
	Power, Fuel and Water		**539.20**		561.79
	Rent		**193.80**		169.89
	Rates and Taxes		**234.26**		238.46
	Expenses on Operation Contracts		**5831.63**		4664.99
	Insurance		**248.56**		233.32
	Advertising		**621.78**		464.78
	Distribution Expenses		**1948.59**		1852.68
	Commission on Sales		**148.73**		158.75
	Discount on Sales		**2179.48**		1867.30
	Repairs to Buildings		**25.55**		53.70
	Repairs to Machinery		**99.58**		136.06
	Travelling Expenses		**561.27**		477.73
	Bank charges and other Financial charges		**327.85**		257.05
	Directors' Fees		**14.24**		12.38
	Commission to non- wholetime Directors		**6.51**		1.49
	Postage, Telephone and Telex		**191.89**		176.32
	Agriculture & Farm Maintenance		**78.91**		31.04
	Legal & Professional charges		**289.57**		355.56
	Provision for doubtful debts		**352.02**		286.69
	Bad debts written off		**0.86**		0.50
	Miscellaneous expenditure written off :				
	Deferred Revenue expenses		**20.92**		10.55
	Software expenditure		**12.18**		0.86
	Preliminary Expenses		**1.18**		1.40
	Miscellaneous		**1180.80**		1289.40
			20893.69		18637.88

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

17. NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

1 (a) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21)- "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.

(b) The subsidiaries (which along with Gulf Oil Corporation Limited, the parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

Name	Country of Incorporation	Percentage of voting power as At 31st March, 2006
IDL Builware Limited (Formerly IDL Finance Limited)	India	100.00
IDL Agro Chemicals Limited	India	100.00
IDL Arom International Limited	India	100.00
Gulf Carosserie India Limited	India	95.00
Gulf Oil Bangladesh Limited	Bangladesh	51.00
PT Gulf Oil Lubricants Indonesia	Indonesia	75.00

2. ACCOUNTING POLICIES

The accounts have been prepared primarily on the historical cost convention and in accordance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. Financial statements of a foreign subsidiary, prepared in accordance with the Accounting Standards of that country have been recast for the purpose of consolidation with the Indian Parent. The significant accounting policies followed by the company are stated below:

I. FIXED ASSETS:

Fixed assets are shown at cost less depreciation. Cost comprises the purchase price and other attributable expenses.

II. DEPRECIATION ON FIXED ASSETS:

(i) The Group, except Gulf Oil Bangladesh Limited and P.T.Gulf Oil Lubricants, Indonesia follows the straight line method of charging depreciation on all its fixed assets. The depreciation has been provided in the manner and at the rates prescribed in Schedule XIV to the Companies Act, 1956 on all the assets. In respect of Gulf Oil Bangladesh Limited, the depreciation has been provided using straight line method over the useful lives of the assets as summarized below:

Plant and Machinery	
Office equipment	10 Years
Computer/Computer software	4 Years
Mould	5 Years
Vehicles	5 Years
Furniture and Fixtures	10 Years

In respect of PT Gulf Oil Lubricants, Indonesia, the depreciation on Office furniture & equipment has been computed on a straight-line method, based on the estimated useful lives of the related assets, for 4 years at the rates of 25 % p.a.

(ii) Leasehold land is being amortised in equal instalments over the lease period.

(iii) Technical Know-how is being amortised over a period of five to seven years.

III. INVESTMENTS:

Current Investments are valued at lower of cost and fair value; Long Term Investments are valued at cost. Where applicable, provision is made where there is a permanent fall in valuation of Long Term Investments.

IV. INVENTORIES:

Inventories are valued at lower of cost and net realisable value. The method of arriving at cost of various categories of inventories is as below:

(a)	Stores and Spares, Raw and Packing material	First – in – First – out method/ Weighted Average method
(b)	Finished goods and work-In-process	Weighted average cost of production, which comprises direct material costs, direct wages, appropriate overheads.
(c)	Finished goods-Traded	First-in-First-out basis.

V. SUNDRY DEBTORS AND ADVANCES:

Specific debts and advances identified as irrecoverable or doubtful are written off or provided for respectively.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

VI. FOREIGN EXCHANGE TRANSACTIONS:

Transactions made during the year in foreign currency are recorded at the exchange rate prevailing at the time of transaction. Assets and Liabilities related to foreign currency transactions remaining unsettled at the year end are translated at the contract rates, when covered by forward cover contracts and at year-end rate in other cases. Realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the profit and loss account. Gain/loss on transaction of long term liabilities incurred to acquire fixed assets is treated as an adjustment to the carrying cost of fixed assets.

Exchange differences arising on account of the assets or liabilities & income or expenditure of non integral foreign operations are recorded in foreign currency translation reserve.

VII. REVENUE RECOGNITION:

(a) Sale of goods is recognised at the point of despatch of finished goods to customers. Sales include amount recovered towards excise duty but exclude sales tax. Export incentive under Duty Entitlement Pass Book scheme has been recognized on the basis of credits afforded in the pass book.

(b) Income from services is recognized at the time of rendering the services.

(c) Dividend income from investment is recognised when the owner's right to receive payment is established.

VIII. RESEARCH AND DEVELOPMENT EXPENSES:

Research and Development expenditure of a revenue nature is written off in the year in which it is incurred and expenditure of a capital nature is added to fixed assets.

IX. RETIREMENT BENEFITS:

Retirement benefits to employees are provided for by means of gratuity, superannuation and provident fund.

The gratuity liability is determined based on the demands made by the Life Insurance Corporation of India (LIC) under the Group Gratuity Scheme.

Payments in respect of superannuation are made to the fund administered by LIC. Provision in respect of leave encashment is made based on actuary valuation as at year end.

X. TAXES ON INCOME:

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred tax is recognised subject to the consideration of prudence in respect of deferred tax assets, on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or subsequent periods.

XI. SEGMENT REPORTING:

The accounting policy adopted for Segment Reporting is in line with the accounting policy of the Company with the following additional policy for Segment Reporting:-

Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to the segments on a reasonable basis have been included under "Unallocated Expenses". Inter Segment transfers are at cost.

XII. MISCELLANEOUS:

(a) Deferred revenue expenses are written off over the expected period of future benefits.

(b) Payments under the Voluntary Retirement Scheme are being written off over a period of five years.

(c) Software expenditure is amortised over a period of three/four years.

(d) Preliminary Expenses are written off over a period of five/ten years.

(e) Campsite expenditure; i.e., Expenditure on setting up camps for execution of Operation contracts is written off over the period of the contract.

3. MANAGERIAL REMUNERATION:

	2005-06 Rupees Lakhs	**2004-05** Rupees Lakhs
Salaries	**40.99**	48.34
Commission	**10.45**	2.98
Contribution to Provident Fund and Super annuation Fund	**7.73**	8.78
Benefits	**1.29**	3.21
Commission to non-wholetime Directors	**6.51**	1.49
	66.97	**64.80**

Note:

Having regard to the fact that there is a overall contribution to Gratuity Fund, the amount applicable to an individual employee is not ascertainable and accordingly, contribution to Gratuity Fund has not been considered in the above computation.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

4. CONTINGENT LIABILITIES

	As at 31st March, 2006 Rupees Lakhs	As at 31st March, 2005 Rupees Lakhs
(a) Bills Discounted	—	134.05
(b) Claims against the Company not acknowledged as debts hence not provided		
(i) Income Tax Demands	**545.97**	494.74
(ii) Sales Tax Demands	**2280.56**	1881.17
(iii) Excise Demands	**20.89**	22.70
(iv) Additional Demands towards cost of land	**3.81**	3.81
(v) Claims of workmen/ex-employees	**94.51**	118.07
(vii) Other Matters	**372.46**	236.86

5. SECURED LOANS:

(a) 15% Non-Convertible Debentures privately placed with Unit Trust Of India are secured by an equitable mortgage of the immovable properties of the Parent Company. These Debentures were redeemed on 20th August, 2005.

(b) Loan from banks on Cash Credit account including foreign currency demand loan is secured by hypothecation of all movable assets of the Parent Company including raw materials, finished goods, work-in-process, Stores and Spares and present and future book debts of the Parent Company and by a second charge on all the fixed assets of the Parent Company, both present and future.

(c) Loan from Indian Renewable Energy Development Agency Limited is secured by bank guarantee issued by State Bank of Mysore.

(d) The term loan from ICICI Ltd. is secured by specified fixed assets of Lubricants division (i.e., erstwhile Gulf Oil India Limited) of the Parent Company.

(e) Term Loan from Jammu and Kashmir Bank is secured by a first charge on all immovable and movable properties and a second charge on other assets including raw materials, finished goods, work in process and book debts of Lubricants division of the Parent Company.

(f) Foreign Currency Term Loan from Bank of Bahrain & Kuwait B.S.C is secured by a first charge on all fixed assets of Lubricants Division of the Parent Company.

(g) The Term loans from State Bank of Indore and Syndicate Bank are secured by first charge on the fixed assets of the Parent Company.

(h) The term loans from Export Import Bank of India are secured by exclusive first charge on all the fixed assets of Speciality Chemical Division of the Parent Company.

(i) Interest accrued and due on loans taken over from erstwhile IDL Salzbau (India) Limited amounting to Rs.42.09 lakhs is secured by first charge on all immovable properties and second charge on other assets including raw materials, finished goods, work-in-process, stores and spares and book debts of Building Product Division of the Parent Company. Consequent to the transfer of all the immovable properties and other assets including raw materials, finished goods, work-in-process, stores and spares, and book debts of Building Products Division to a subsidiary of the Company, the Company is in the process of obtaining a No Objection certificate from the lender.

(j) Fixed Deposits to the extent of Rs.375.86 Lakhs were secured by a second charge on all tangible movable property and fixed assets including all movable machinery and plant, machinery spares and stores, tools and accessories and other movables both present and future as approved by the Controller of Capital Issues vide his letter dated 1st November, 1980.

(k) Term loan from Andhra Bank is secured by hypothecation on all the movable assets and existing and future crops and orchards, a lien on term deposits of Rs.4.94 Lakhs and deposit of title deeds for land admeasuring 9.29 acres of a subsidiary IDL Agro Chemicals Limited.

(l) In respect of loans fully repaid during the previous year/current year to the banks and Public Financial Institutions, satisfaction of charge is under process.

(m) In respect of Gulf Oil Bangaladesh Limited, one of the subsidiaries, cash credit / overdraft facilities from the Bank are secured by hypothecation of imported goods and stocks of finished products, first charge on fixed and floating assets of the aforesaid company and lien on duly discharged fixed deposit receipts.

6. SALES TAX

(a) In respect of taxability under the Central Sales Tax Act, 1956, of stock transfers from Rourkela Unit of the Parent Company to its consignment agents outside the state of Orissa, the amount deposited under protest by the Company with the Orissa Sales Tax authorities in respect of this matter stands at Rs. 150.17 Lakhs as on 31 March, 2006 and along with interest of Rs.69.30 Lakhs accrued till 1st June, 1998 on the said deposit is included under Loans and Advances (Schedule 10).

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

The Honourable High Court of Orissa vide it's order dated 11th April 2006, has held that the Stock Transfers are Inter-State Sales. The Company has filed Special Leave Petition (SLP) in the Honourable Supreme Court of India. The Apex Court, while hearing SLP, considering the merits of case, ordered, "Issue of Notice" to the State of Orissa and granted time to parties, for filing of written statements. Since the matter being sub-judice, status quo has been maintained. No provision has been made in respect of disputed deposit (including interest thereon) as the Company is hopeful of recovering the same

(b) Further, in the previous years the Company received various demands from Assistant Commissioner, Sales Tax, Rourkela through appeal orders in respect of assessment years 1994-95, 1995-96 and 1998-99 amounting to Rs. 1294.08 Lakhs treating the stock transfers to various branches/consignment agents of the Company as sales under Central Sales Tax. The Company filed petition in the Honourable High Court of Orissa, Cuttack for full stay of the demand of Asst. Commissioner of Sales Tax Rourkela since in earlier assessment years on the similar cases Honourable High Court has decided the matter in favour of the Company. The Honourable High Court of Orissa has granted full stay for payment of Sales Tax demands till the disposal of Company's Appeal filed before Orissa Sales Tax Tribunal.

7. FIXED ASSETS

(a) Buildings include:

a. Rs.7.09 lakhs, which represents the cost of ownership flats Rs.7.08 lakhs and Rs.0.01 lakhs being the value of Share money in Sett Minar Co-operative Housing Society Limited.

b. Rs.4.70 lakhs, which, represents the cost of ownership flats Rs.4.43 lakhs and Rs.0.27 lakhs being the value of 270 ordinary shares of Rs.100 each, fully paid up in Shree Nirmal Commercial Limited.

8. TAXATION

(i) Pursuant to the scheme of merger with ISIL sanctioned by the BIFR, the Parent Company has considered the tax losses of Rs.1498.36 lakhs allowable upto 30th March, 1999 in computing the company's income for the year ended 31st March, 1999 giving a tax benefit of Rs.524.43 Lakhs in that year. However, the tax losses and tax benefits thereon do not include funded interest accrued on the loans taken by ISIL from the Financial Institutions as the tax benefit on such interest shall accrue to the Parent company as and when the interest is paid to the Financial Institutions.

In the current year the Parent Company has paid an amount of Rs.42.43 lakhs, being the interest due to the Institutions.

(ii) Pursuant to the scheme of amalgamation of erstwhile Gulf Oil India Limited with the Parent Company, brought forward tax losses of Rs.3462.77 Lakhs as at 31st December, 2001 have been considered in computing the Company's tax liabilities for the year 2001-02.

(iii) Deferred tax:- Net

	31st March,2006 Rupees Lakhs	31st March 2005 Rupees Lakhs
(a) Deferred tax assets arising on account of timing differences:-		
Unabsorbed business loss/depreciation #	1096.22	1368.21
Provision for doubtful debts/advances	598.83	547.65
Other timing differences	196.43	221.71
	1891.48	2137.57
(b) Deferred tax liabilities arising on account of timing differences:-		
Depreciation	1081.63	1375.00

\# Relates mainly to erstwhile Gulf Oil India Limited, in view of the Parent Company's future profit projections the Company expects to fully realise the deferred tax asset.

In view of losses incurred by IDL Buildware Limited (formely IDL Finance Limited) one of the subsidiaries and no taxable income in the current year, the aforesaid Company has not recorded the deferred tax liability as on 31st March, 2006 arising on account of timing differences - depreciation amounting to Rs. 1,22,00,000 as stipulated in Accounting standard - 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. Deferred tax liability/asset shall be provided in the books in the year the aforesaid Company starts making profits and is liable to tax.

9. MISCELLANEOUS:

(a) "Sundry Debtors – Debts outstanding for a period exceeding six months, Considered good", include :

(i) Rs. 565.16 lakhs (net of provision) due from certain customers of the Parent Company which are outstanding from earlier years against some of whom the Parent Company has initiated appropriate legal proceedings and is hopeful of recovering the dues in full; pending finalisation in this matter, no provision has been considered necessary for this amount.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

(ii) Rs. 89.19 Lakhs in respect of subsidiary companies which are outstanding from earlier years. In respect of these debts, appropriate legal proceedings have been initiated for recovery of the amounts, and subsidiaries are hopeful of recovering the debts in full; Pending finalisation in this matter, no provision has been considered necessary for the amount.

(b) Loans and advances of IDL Buildware Limited (formerly IDL Finance Limited), one of the subsidiaries, include Rs. 5,76,099 due from certain parties which are outstanding from earlier years. The aforesaid Company is hopeful of recovering these dues in full and no provision has been considered necessary for this amount.

(c) The net exchange gain / loss, (i.e., difference between the spot rate on the dates of the transactions and the actual rate at which the transactions are settled/appropriate rates applicable at the year end) debited to Profit & Loss Account is Rs. 231.54 Lakhs (Previous Year Rs.219.75 Lakhs credited to Profit & Loss Account).

(d) Exchange difference in respect of forward exchange contracts to be recognised in the Profit and Loss Account in the subsequent accounting period is Rs. 17.57 Lakhs Debit (Previous year: Rs. Nil)

(e) (i) The Company has entered into the following derivative instruments:
The following are the outstanding Forward Exchange Contracts entered into by the company as on 31st March, 2006:

Currency	Amount	Buy/Sell	Cross Currency
US Dollar	6366454	Buy	Indian Rupees

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

Amounts receivable/(payable) in foreign currency on account of the following:

	Rupees Lakhs	Currency	Amount
Export of Goods	1196.30	U S D	2684882
Export of Goods	65.89	Euro	122325
Import of Goods	(3796.14)	USD	8441925
Import of Goods	(11.01)	Euro	20217
FCNRB Loan	(19.75)	USD	44446

The above disclosures have been made consequent to an announcement by the Institute of Chartered Accountants of India in December, 2005, which is applicable to the financial periods ending on or after 31st March, 2006. Therefore, figures for the previous year have not been disclosed.

(f) Gulf Carosserie India Limited one of the subsidiaries had entered into collaboration agreement with SIPAL, Arexons Spa, Italy, in terms of which it was agreed by the said collaborator to subscribe to 20% of the Capital of the Company for which a sum of Rs.10,00,000 had been received as share application money pending the final approval of the Reserve Bank of India. As the final approval of the Reserve Bank of India has not been forthcoming, the Company has decided to repay/remit the said amount with required approvals and till that time to consider the said share application money as current liability.

(g) IDL Buildware Limited (formerly IDL Finance Limited) one of the subsidiaries had applied to the Reserve Bank of India vide its application dated: 1st July, 1997 seeking a certificate of registration to carry on the business of a Non Banking Financial Institution as required under Section 45-IA of the Reserve Bank of India Act, 1934. The Company's application was rejected by the Reserve Bank of India vide its order dated 31st October, 2001. The Company has received a letter no. DBNS.(H) No.5874/04.08.081/2001-2002 dated 26th December, 2001 from the Reserve Bank of India directing the Company to ensure that within a period of three years from the date of the letter i.e.26th December, 2001, the financial assets of the Company are disposed off and the Company is converted into a Non Banking Non Finance Company or is wound up. Accordingly, the aforesaid Company has taken steps to enter into manufacturing activity, amended its object clause and discontinued the non banking financial business by deleting the non banking financial business clauses in Memorandum of Association.

(h) The Board of Directors of one of the subsidiaries, IDL Arom International Limited at the meeting held on 28th January, 2005 had in principle decided to look into various options and procedures for voluntary winding up of the Company as there were no existing business immediately available, however these accounts of the aforesaid Company for the current year are prepared under Going Concern basis as the Board has identified property development as a possible line of business towards which the Company has acquired Development Rights in Property from its Holding company, GULF OIL Corporation Limited (GOCL), however the business has not commenced.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

(i) In terms of the royalty and technical assistance agreement entered into between Gulf Oil Bangladesh Limited (Subsidiary Company) and Gulf Oil Mauritius Inc., provision has been made @ 6 % on total turnover of the earlier years, commensurate with the maximum limit prescribed by Board of Investment/Bangladesh Bank, subject to permission from Bangladesh Government. Royalty and technical fees provided in the accounts up to 31st March 2005 was reversed during the year as the Board of Investment (BOI) rejected its remittance.

The aforesaid company has considered the Royalty and technical fees as a contingent liability on the ground that the GOIM may claim the said amount in future with the permission of BOI and Bangladesh Bank.

10. EARNINGS PER SHARE

	Year ended 31st March, 2006	Year ended 31st March, 2005
a. Profit after Tax (Rs. Lakhs)	**1594.32**	1789.68
b. Weighted average number of Equity shares outstanding during the year	**13871747**	13871747
c. Potential equity shares on conversion of share warrants	**183372**	—
d. Weighted Average number of equity shares in computing diluted earnings per share	**14055119**	—
e. Face value of each Equity Share (Rs.)	**10**	10
f. Earnings per Share		
-Basic (Rs.)	**11.49**	12.90
-Diluted (Rs.)	**11.34**	12.90

11. RELATED PARTY DISCLOSURES:

Information relating to Related Party Transactions as per " Accounting Standard 18" issued by the Institute of Chartered Accountants of India.

(A)

Name of the Related Party	**Relationship**
Gulf Oil (Mauritius) Inc.	Associate
N N Investments BV, Netherlands	Associate
Mr. S.Pramanik, Managing Director	Key Management Personnel
Mr. V.Ramesh Rao, Executive Director (Lubricants Division) (until 7th November 2005)	Key Management Personnel

(B) Details of transactions between the Company and Related Parties and the status of outstanding balances at the year end:

Rs. Lakhs

Particulars	**Associates**		**Key Management Personnel**	
	31.03.06	31.03.05	31.03.06	31.03.05
Dividend paid	442.07	408.06	0.24	0.27
Directors' Remuneration			60.46	63.31
Purchase & Other Services	2.50	-	-	-
Royalty	264.71	276.42		
Outstanding balance Payable	218.90	221.63		

12. Disclosure as required by Accounting Standard 19, "Leases" issued by the Institute of Chartered Accountants of India are given below:

a) Operating Lease:

a. Where the Company is a Lessee:

i) The Parent Company's significant leasing arrangements are in respect of operating leases for premises

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

(residences, office, storage godowns for finished goods etc.). The leasing arrangements, which are not non-cancellable range generally between 11 months to 5 years and are usually renewable by mutual consent on agreed terms. The aggregate lease rents payable are charged as rent in the Profit and Loss Account.

ii. The Company has taken certain Plant and Machinery under non-cancellable leases

Rs. Lakhs

	31st March, 2006			31st March, 2005		
	Total	**Payments not later than one year**	**Payments later than one year but not later than five years**	Total	Payments not later than one year	Payments later than one year but not later than five years
Total of future minimum payments at the balance sheet date	**116.64**	**24.34**	**92.30**	-	-	-

Lease Rent charged to Profit & Loss account for the year amounting to Rs. 2.05 lakhs (excludes Rs.1.31 lakhs charged to incidental expenditure during construction) [Previous year Rs. NIL]

(b) Where the Company is Lessor:

Details in respect of assets given on operating lease :

Rs.Lakhs

	Gross Block		Accumulated Depreciation as on		Depreciation for the year	
	31-3-2006	31-3-2005	**31-3-2006**	31-3-2005	**2005-06**	2004-05
Building	**30.17**	37.26	**9.40**	10.68	**0.45**	0.52
Plant & Machinery	**80.32**	80.32	**39.20**	33.94	**5.26**	5.96

The assets given on lease are not non-cancellable and range between 11 months to 5 years generally and are usually renewable by mutual consent, on mutually agreeable terms. The aggregate lease rentals receivable are recognised as income from property in the Profit & Loss account.

Initial direct costs are recognized as an expense in the year in which these are incurred.

b) Hire Purchase:

(i) The Company has taken plant and machinery, motor vehicles under hire purchase arrangements for which the ownership will be transferred to the Company at the end of the hire purchase term.

(ii) Reconciliation between the total of minimum hire purchase payments at the balance sheet date and the present value:

Rs. Lakhs

	31st March, 2006			31st March, 2005		
	Total	**Payments not later than one year**	**Payments later than one year but not later than five years**	Total	Payments not later than one year	Payments later than one year but not later than five years
Total of minimum hire purchase payments at the balance sheet date	**83.20**	**39.97**	**43.23**	104.50	74.62	29.88
Less: Future Finance Charges	**10.06**	**5.62**	**4.44**	11.72	9.04	2.68
Present value of minimum hire purchase payments at the balance sheet date	**73.14**	**34.35**	**38.79**	92.78	65.58	27.20

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

c) Finance Lease:

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as Finance Lease. Fixed Assets acquired by way of Finance Lease are stated at amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation and impairment loss.

(i) Particulars of Lease payments made during the year:

Rs. Lakhs

Particulars	**2005-06**	2004-05
Principal	**13.94**	15.21
Lease Finance Charges	**5.63**	9.94

(ii) The break up of minimum lease payments outstanding at the balance sheet date is as under:

Rs.Lakhs

Particulars	**31st March 2006**			31st March 2005		
	Lease Payments	**Principal**	**Interest**	Lease Payments	Principal	Interest
Payable within one year	**12.03**	**10.59**	**1.44**	19.57	13.94	5.63
Payable after one year but within five years	**10.34**	**9.08**	**1.26**	33.06	29.24	3.82
Total	**22.37**	**19.67**	**2.70**	52.63	43.18	9.45

13 SEGMENT INFORMATION FOR THE YEAR ENDED 31st MARCH 2006

(i) Primary Business Segments

Rs. Lakhs

	Explosives		Building Products		Lubricating Oils		Others		Unallocated		Eliminations		Total	
REVENUE	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
External	**20280.31**	17687.89	**223.15**	259.83	**27159.17**	25644.86	**142.05**	230.09	**1642.51**	2215.18			**49447.19**	46037.85
Inter-segment					**50.74**	27.20	**17.13**	14.97	**350.00**		**(417.87)**	(42.17)	**-**	-
Total Revenue	**20280.31**	17687.89	**223.15**	259.83	**27209.91**	25672.06	**159.18**	245.06	**1992.51**	2215.18	**(417.87)**	(42.17)	**49447.19**	46037.85
RESULT														
Segment result	**951.94**	(137.49)	**(97.11)**	(66.27)	**1235.20**	1304.17	**(76.23)**	(13.00)					**2013.80**	1087.41
Unallocated Corporate Expenses net of unallocated income													**887.25**	1583.68
Interest Expense													**(983.44)**	(889.90)
Interest Income													**112.25**	269.83
Dividend Income													**83.70**	89.63
Profit before Taxation & Extraordinary Expenditure	**951.94**	(137.49)	**(97.11)**	(66.27)	**1235.20**	1304.17	**(76.23)**	(13.00)					**2113.56**	2140.65
Extraordinary Expenditure													**344.35**	231.23
Net Profit	**951.94**	(137.49)	**(97.11)**	(66.27)	**1235.20**	1304.17	**(76.23)**	(13.00)					**1769.21**	1909.42
OTHER INFORMATION														
Segment Assets	**15310.66**	13667.30	**700.34**	757.74	**16446.30**	13968.50	**875.48**	453.38	**12226.96**	11930.26			**45559.74**	40777.18
Segment Liabilities	**6193.79**	4749.50	**86.03**	62.96	**9865.31**	7063.48	**129.78**	61.90	**14709.63**	15259.19			**30984.54**	27197.03
Capital Expenditure	**179.59**	(111.74)	**0.16**	0.12	**325.83**	367.73	**25.05**	19.97	**1548.35**	2951.44			**2078.98**	3227.52
Depreciation	**474.16**	472.14	**63.08**	58.99	**199.34**	225.15	**13.75**	22.32	**26.87**	25.03			**777.20**	803.63
Non-cash expenses other than depreciation	**-**	-	-	-	**22.07**	3.19	**-**	0.07	**12.21**	1.40			**34.28**	4.66

(ii) Information about Secondary Business Segments (in Rupees Lakhs)

	India		Outside India		Total	
	2006	2005	**2006**	2005	**2006**	2005
Revenue by geographical market	**45091.08**	42319.35	**4356.11**	3718.50	**49447.19**	46037.85
Inter-Segment	-	-	**-**	-	**-**	-
Total	**45091.08**	42319.35	**4356.11**	3718.50	**49447.19**	46037.85
Carrying amount of segment assets	**43631.76**	38615.07	**1927.98**	2162.11	**45559.74**	40777.18
Additions to Fixed Assets	**2066.14**	3197.56	**12.84**	29.96	**2078.98**	3227.52

SCHEDULES TO THE CONSOLIDATED ACCOUNTS (continued)

(iii) Notes:

(a) Business Segment

The Company has considered business segment as the primary segment for disclosure.

Segments have been identified and reported taking into account the Organisation structure, the nature of products and services, the deferring risks and returns of the segments

The business segments of the Company are (i) Explosives, (ii) Building Products (iii) Lubricating Oils and (iv) Others. Others include Floriculture and Property Income, farm produce and trading in chemicals.

(b) Geographical Segment

The Geographical segments considered for disclosure are as follows:

- Revenue with in India includes sales to customers located within India and earnings in India.
- Revenue outside India includes sales to customers located outside India and earnings outside India

14. Incidental Expenditure During Construction:

The Speciality Chemicals Plant at Pashamylaram, has been planned by modifying a sick API Unit (started in 1996) acquired by Company in April 2004. The plant, therefore, had to be fully modified and the product lines changed to meet current market requirements to become commercially viable.

Modification work was started during May-June 2004 and specialist staff recruited for the purpose. The five production blocks with 77 Reactors (180 KL Capacity) were erected in sequence over the last 12 months but due to stringent procedures now specified by the Regulatory Authorities, as a result, trial runs for the full plant could not be run. However, trial runs for establishing individual processes for some of the critical equipment supplied had to be undertaken to establish the processes and confirm equipment specification versus supplies. In these processes, cost of specialist staff, process development cost, equipment modification costs, electricity and water charges, fuel costs and raw material costs had to be incurred. These incidental expenses incurred during construction till 31 March 2006 amounting to Rs.2394.17 Lacs (Schedule 5A), including Rs.1396.53 Lacs incurred during the year is being carried at cost.

With the Andhra Pradesh Pollution Control Board (APPCB) approval being obtained by the end of April, 2006, complete trial runs of the full plant have been started and once the plant is ready for commercial production, the above expenses shall be capitalized along with equipment cost under appropriate heads under Fixed Assets.

15. Previous year's figures have been regrouped / recast wherever necessary.

For and on behalf of the Board of Directors

A.SATYANARAYANA **Secretary**	S. PRAMANIK **Managing Director**	S. G. HINDUJA **Chairman**

Hyderabad
May 24, 2006

NOTES

ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

(For Shares held in physical form)

From : Date :

To :

Dear Sirs,

Please fill-in the information in CAPITAL LETTERS in ENGLISH ONLY. Please TICK wherever is applicable.

Folio No.									

Name of First Holder

Bank Name

Branch Name

Bank & Branch Code : (9 Digits Code Number appearing on the MICR Band of the cheque supplied by the Bank. Please attach a Xerox copy of a cheque of your bank duly cancelled for ensuring accuracy of the bank name, branch name and code number)

Account Type		Savings		Current		Cash Credit	

A/c No. (as appearing in the cheque leaf)									

I, hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, the Company / Registrar will not be held responsible. I agree to avail the ECS facility provided by Reserve Bank of India as and when implemented by the Company.

I further undertake to inform the Company / Registrar any changes in my Bank / Branch and Account Number.

Signature of the first holder

GULF OIL Corporation Limited

Regd. Office: Kukatpally, Sanathnagar (IE) PO, Hyderabad 500 018

ATTENDANCE SLIP

Folio No: .... DP ID: .... Client ID No. ....

Shareholders Names: Mr./ Mrs./Miss. ....
(in block letters)

IN CASE OF PROXY
Name of the Proxy: Mr./Mrs./Miss. ....
(in block letters)

No. of shares held: ………………………………...

I certify that I am a registered Shareholder/ proxy for the registered Shareholder of the Company.

I hereby record my presence at the 45th Annual General Meeting of the Company held on Wednesday, the 27th day of September, 2006 at "Kohinoor", Hotel Taj Residency, Banjara Hills, Hyderabad - 500 034.

Signature of the Shareholder/ Proxy

Notes: 1. Please bring this Attendance Slip when coming to the Meeting.
2. Please do not bring with you any person who is not a member of the Company.

GULF OIL Corporation Limited

Regd. Office: Kukatpally, Sanathnagar (IE) PO, Hyderabad 500 018

PROXY

I/ We ………………………………………………………...………………………………….

of ………….......................................…………………in the district of ……………...................................………………………………..

being a member(s) of GULF OIL Corporation Limited hereby appoint ………...……………………

of…………………………in the district of…………………………… or failing him ……………………… of…………………………in the district of ……………………as my/ our Proxy to vote for me/ us on my/ our behalf at the Forty-fifth Annual General Meeting of the Company to be held on Wednesday, the 27th day of September, 2006 at "Kohinoor", Hotel Taj Residency, Banjara Hills, Hyderabad - 500 034 and at any adjournment thereof.

As witness my/ our hand(s), this………………..day of ……………..2006.

1 Rupee Revenue Stamp

Folio No. .... Signature of the Shareholder(s)

DP ID .... Client ID No. ....

Note: Proxy form, complete in all respects, should be deposited with the Company not less than 48 hours before the Meeting.