



35TH

Report **ANNUAL REPORT**
2004-2005

For M/s. ALCOBEX METALS LTD.


G. C. KANUNGA
Managing Director.

ALCOBEX METALS LIMITED



ALCOBEX METALS LIMITED, NEW DELHI

BOARD OF DIRECTORS

Shri G. C. Kanunga (Managing Director)
 Shri B. L. Kanunga
 Shri S.R. Kanunga
 Shri Manoj Kanunga
 Prof. A. D. Bohra
 Dr. Dharmendra Kumar Kankaria
 Ms. Jyoti Sharma (Nominee IDBI upto 4-5-2005)
 Shri H.D. Maheswhari (Nominee – IDBI w.e.f. 4-5-2005)
 Shri Thampy Mathews (Nominee IDBI – w.e.f. 24.07.03) (IIBI)
 Shri Romesh Lal (Nominee PNB – upto 15.06.04)
 Shri L.P. Agarwal (Nominee PNB – w.e.f. 15.06.04)
 Shri D.K. Sharma (Nominee BOI – upto 26-7-2005)
 Shri S.C. Arora (Nominee – BOI w.e.f. 26-7-2005)
 Shri K.S. Sharma (Nominee UTI – w.e.f. 15.12.03)

BANKERS

Punjab National Bank, Chopasni Road, Jodhpur
 Bank of India, Chopasni Road, Jodhpur
 Vijaya Bank, Station Road, Jodhpur
 Bank of Baroda, Sojati Gate, Jodhpur
 The Bank of Rajasthan Ltd., Sojati Gate, Jodhpur

AUDITORS

M/s RAY & RAY, Chartered Accountants
 205, Ansal Bhawan, 2nd Floor,
 16, Kasturba Gandhi Marg
 New Delhi – 110 001

REGISTRAR & SHARE TRANSFER AGENTS

M/s Karvy Computershare Private Limited,
 'Karvy House', 46, Road No. 4,
 Street No.1, Banjara Hills,
 Hyderabad – 500 034
 Phones: (040) 23312454, 23320251
 23320751, 23320752
 Fax No.:(040) 23311968

REGISTERED OFFICE

4223/1, Ansari Road, Daryaganj,
 New Delhi – 110 002
 Phones: (011) 23273496, 23274641
 Fax No.:(011) 23286565
 Email :sales@alcobex.com

HEAD OFFICE & WORKS	ZINC UNIT: (Closed)
24/25 Heavy Industrial Area, Jodhpur – 342 003 Phones : (0291) 2740366, 2740626, 2740629, 2740671, 2740731, 2741974 Email : sales@alcobex.com Fax No.:(0291) 2741990 Telex No.: 0552-217, Gram: ALCOBEX	16 th Mile Stone, S.H.No. 9, Udaipur Chittor Road, Shisham Ki Ghati, Dabok, Distt. Udaipur (Raj.) Phones: (0294) 2655176, 2655254 Fax No.:(0294) 2524667



NOTICE

Notice is hereby given that the Thirty Fifth Annual General Meeting of the Members of Alcobex Metals Limited will be held on Thursday the 29th day of September, 2005 at 10.00 A.M. at Surat Garden, Behind D-4, Opp. Ram Mandir, Ram Mandir Marg, Vasant Kunj, New Delhi-110070 to transact the following business:

ORDINARY BUSINESS :

1. To consider and adopt Balance Sheet of the Company as at 31st March, 2005, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Shri B.L. Kanunga, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Shri Manoj Kanunga, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s. Ray & Ray, Chartered Accountants, Delhi be and are hereby appointed Auditors of the Company for holding office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 1,21,000/- per annum exclusive of travelling and other out of pocket expenses."

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass the following resolution with or without modification(s), as an Ordinary Resolution.

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from the present Rs. 10,00,00,000/- (Rupees Ten Crores only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs. 10/- (Rupees Ten only) each to Rs. 45,00,00,000/- (Rupees Forty Five Crores only) divided into 1,50,00,000 (One Crore Fifty Lakh) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 3,00,00,000 (Three Crores) Redeemable Preference Shares of Rs.10/- (Rupees Ten Only) each."

RESOLVED FURTHER THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956, existing Clause "V" of the Memorandum of Association of the Company be and is hereby amended by deletion of the same and substituting in place and read thereof the following new Clause "V":

The Authorised Share Capital of the Company is Rs. 45,00,00,000/- (Rupees Forty Five Crores only) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each and 3,00,00,000 (Three Crores) Redeemable Preference Shares of Rs. 10/- (Rupees Ten only) each with power to the company to increase and/or reduce the capital of the company in accordance with the provisions of the act and to divide the shares in the increased capital into several classes and attach thereto respectively such preferential, qualified or special rights, privileges and conditions in such manner as may be permitted for the time being. The rights and privileges attached to any shares having preferential, qualified or special rights, privileges or conditions attached thereto may be altered or dealt with in accordance with the clauses of the accompanying Articles of Association but not otherwise.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable and expedient for giving effect to this resolution and/or otherwise considered by them in the best interest of the Company."

6. To consider and if thought fit, to pass the following resolution with or without modification(s), as a SPECIAL resolution-

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article 5 (a) and 5 (b) of the Articles of Association be and is hereby deleted and the following article be substituted in its place as new Article 5:

The Authorised Share Capital of the Company is Rs. 45,00,00,000/- (Rupees Forty Five Crores Only) divided into 1,50,00,000 (One Crore Fifty Lakh) Equity Shares of Rs. 10/- (Rupees Ten only) each and 3,00,00,000 (Three Crores) Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten only) each with power to the company to increase or reduce the said capital and to issue any part of its capital, original or increased, with or without any preference, priority or special privileges or subject to any postponement of rights or to any conditions or restrictions, so that the conditions of issue shall otherwise be subject to the power herein contained.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable and expedient for giving effect to this resolution and/or otherwise considered by them in the best interest of the Company."



7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution-

"RESOLVED THAT pursuant to Sections 81 and 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and the Guidelines issued by the Securities and Exchange Board of India (SEBI) for Preferential Allotment of Shares (including any amendment to or re-enactment thereof), the Memorandum and Articles of Association of the Company and the listing Agreement(s) entered into by the company with the Stock Exchange(s) where the Securities of the Company are listed and subject to the approvals, sanctions, permissions and consents of the Stock Exchange(s), Securities and Exchange Board of India (SEBI), Reserve Bank of India, Government of India and all other Authorities and/or agencies including Bank(s), Financial Institution(s) concerned if any (hereinafter collectively referred to as 'Appropriate Authorities') and such other consents, approvals, alterations, modifications, changes and variation, if any, that may be specified under any such consent, approvals, permissions and sanctions and as may be accepted/agreed to by the Board of Directors of the Company (hereinafter referred to as 'The Board' which terms shall include any committee(s) which the Board may constitute to exercise various powers including the powers conferred by these Resolutions) the consent authority and approval of the company be and is hereby accorded to the Board to offer, issue and allot by way of Preferential Allotment, 60,01,300 Equity Shares of Rs. 10/- (Rupees Ten Only) each at par to Bank(s)/Financial Institution(s) namely Industrial Development Bank of India (IDBI) and Industrial Investment Bank of India (IIBI), Rajasthan State Industrial & Investment Corporation Ltd. (RIICO), Unit Trust of India (UTI) and or such other Banks/Financial Institutions and promoters/their relatives & friends in accordance with the Corporate Debt Restructuring Scheme (CDRS) approved by the Corporate Debt Restructuring Cell, in one or more tranches, as per details given below:

- (a) Issue of 40,00,000 (Forty Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each at par aggregating to Rs. 4,00,00,000/- (Rupees Four Crores only) in lieu of conversion of Term Loans by the Bank(s)/Financial Institution(s) namely Industrial Development Bank of India (IDBI) and Industrial Investment Bank of India (IIBI), Rajasthan State Industrial & Investment Corporation Ltd. (RIICO), Unit Trust of India (UTI) and/ or such other Banks/Financial Institutions under the Corporate Debt Restructuring Scheme (CDRS) as re-worked out and approved by Corporate Debt Restructuring Cell situated at Mumbai.
- (b) Issue of 1,01,300 (One Lakh One Thousand Three Hundred) Equity Shares of Rs. 10/- (Rupees Ten Only) each at par aggregating to Rs. 10,13,000/- (Rupees Ten Lakh Thirteen Thousand only) in lieu of conversion of liquidated damages charged (on principal) by the Banks/Financial Institutions namely Industrial Development Bank of India (IDBI) and Industrial Investment Bank of India (IIBI) and or such other Banks/Financial Institutions under the Corporate Debt Restructuring Scheme (CDRS) as approved by Corporate Debt Restructuring Cell situated at Mumbai.
- (c) Issue of 19,00,000 (Nineteen Lacs) Equity Shares of Rs. 10/- (Rupees Ten Only) each at par aggregating to Rs. 1,90,00,000/- (Rupees One Core Ninety Lacs only) in lieu of payments to the promoters/their relatives & friends as mentioned under the Corporate Debt Restructuring Scheme (CDRS) as approved by Corporate Debt Restructuring Cell situated at Mumbai.

RESOLVED FURTHER that the new Equity Shares referred to hereinabove shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the existing Equity Shares of the company.

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion it may consider necessary expedient or desirable and to settle any question or doubt that may arise in relation thereto in order to give effect to this resolution or otherwise considered by the Directors in the best interest of the Company."

8. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution

"RESOLVED THAT Sections 80, 80A, 81 and 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof) the Memorandum and Articles of Association of the company and the listing agreement(s) entered into by the company with the Stock exchange(s) where the Securities of the Company are listed and subject to the approvals, sanctions, permissions and consents of the Stock Exchange(s), Securities and Exchange Board of India (SEBI), Reserve Bank of India, Government of India and all other Authorities and/or agencies including Bank(s) Financial Institution(s) concerned if any (hereinafter collectively referred to as 'Appropriate Authorities') and such other consents, approvals, alterations, modifications, changes and variation, if any, that may be specified under any such consent, approvals, permissions and sanctions and as may be accepted/agreed to by the Board of Directors of the Company (hereinafter referred to as 'The Board' which terms shall include any committee(s) which the Board may constitute to exercise various powers including the powers conferred by these Resolutions) the consent, authority and approval of the company be and is hereby accorded to the Board to offer, issue and allot 2,60,00,000 (Two Crore Sixty Lacs) Redeemable Preference Shares of Rs. 10/- (Rupees Ten Only) each at par aggregating Rs. 26,00,00,000/- (Rupees Twenty Six Crores Only) in lieu of conversion of funding of overdue interest on Term Loans and Working Capitals by the Financial Institutions/Banks



namely Industrial Development Bank of India (IDBI) and Industrial Investment Bank of India (IIBI), Rajasthan State Industrial & Investment Corporation Ltd. (RIICO), Unit Trust of India (UTI) and Punjab National Bank. Bank of India, Bank of Baroda, Vijaya Bank, The Bank of Rajasthan Ltd. or such other Banks/Financial Institutions under the Corporate Debt Restructuring Scheme (CDRS) as re-worked out and approved by Corporate Debt Restructuring Cell situated at Mumbai on preferential basis."

RESOLVED FURTHER THAT the approval of the Company be and is hereby accorded to the Board to issue and allot 2,60,00,000 Redeemable Preference Shares of Rs.10/- (Rupees Ten Only) each at par aggregating to Rs. 26,00,00,000/- (Rupees Twenty Six Crores Only) in lieu of conversion of funding of overdue interest of Term Loans and Working Capitals by the Financial Institutions/Banks namely Industrial Development Bank of India (IDBI) and Industrial Investment Bank of India (IIBI), Rajasthan State Industrial & Investment Corporation Ltd. (RIICO), Unit Trust of India (UTI) and Punjab National Bank, Bank of India, Bank of Baroda, Vijaya Bank, The Bank of Rajasthan Ltd. (BOR) or such other Banks/Financial Institutions under the Corporate Debt Restructuring Scheme (CDRS) as re-workout and approved by Corporate Debt Restructuring Cell situated at Mumbai on preferential basis.

RESOLVED FURTHER THAT the Board be and is hereby authorised to determine and fix the terms and conditions attached to issue of the preference shares as aforesaid including the period of redemption thereof as it may deem fit and that for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to take all such actions and to give all such directions, or to do all such acts, deeds, matters and things as may be necessary or desirable and to settle any question or difficulty that may arise in this regard.

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as its absolute discretion it may consider necessary expedient or desirable and to settle any question or doubt that may arise in relation thereto in order to give effect to this resolution or otherwise considered by the Directors in the best interest of the Company."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
- "**RESOLVED** that pursuant to the provisions of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act 1956 (including any statutory modifications or re-enactment thereof), the Memorandum and Articles of Association of the Company and the listing Agreement(s) entered into by the company with the Stock Exchange(s) where the securities of the company are listed and subject to the approvals, sanctions, permissions and consents of the Stock Exchange(s), Securities and Exchange Board of India (SEBI), Reserve Bank of India, Government of India and all other authorities and/or agencies including Bank(s), Financial Institutions concerned, if any (hereinafter collectively referred to as "Appropriate Authorities" and such other consents, approvals, permissions and sanctions and as may be accepted/agreed to by the Board of Directors of the company (hereinafter referred to as 'The Board' which term shall include any committee(s) which the Board may constitute to exercise various powers including the powers conferred by these Resolutions) the consent, authority and approval the company be and is hereby accorded to the Board to sale/dispose off the Land, Building, Plant & Machinery and other assets of the closed Udaipur Unit of the company at a price not less than Rs. 400.00 lacs (Rupees Four Hundred Lacs Only) in accordance with the terms and conditions of the Corporate Debt Restructuring Scheme (CDRS) re-worked out and approved by Corporate Debt Restructuring Cell Situated at Mumbai.

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion it may consider necessary, expedient or desirable and to settle any question or doubt that may arise in relation thereto in order to give effect to this resolution or otherwise considered by the Directors in the best interest of the company."

10. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:-

"**RESOLVED THAT** as per the recommendation of Remuneration Committee and in accordance with the provisions of Section 269, 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and subject to such consents/approvals as may be required, Mr. G. C. Kanunga, be and is hereby reappointed as Managing Director of the Company for the period of five years i.e. from 15th day of June, 2006 to 14th June, 2010 at such salary and perquisites as per details given below :

The Salary and perquisites of Mr. G. C. Kanunga, Managing Director shall be as under :-

SALARY:

- (i) Shri G.C. Kanunga's existing salary is Rs.40,000/- per month as Managing Director. He shall be paid the existing salary or such increase in his salary may be done, as may be decided by the Board upon the recommendation of the Remuneration Committee but not exceeding Rs. 1,00,000/- per month.

Perquisites:

The existing perquisites which he will continue to enjoy is classified into following three categories as per the Company's rules and regulations, namely:-

35th Annual Report 2004-2005**CATEGORY – A**

- (i) Medical Reimbursement: Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (ii) Leave Travel Concession: Travelling expenses incurred for not more than two journeys each year to any place within India and return for self and family.
- (iii) Fees of Clubs including Institutions: Fees subject to a maximum of two clubs/institutions.
- (iv) Personal Accident Insurance: Premium not to exceed Rs. 5000/- (Rupees Five Thousand) per annum.

Explanation: For the purposes of (i) and (ii) above, "family" shall mean the spouse and the dependent children.

CATEGORY – B

- (i) Company's contribution to Provident Fund of 12% of the salary as per rules of the company or such other percentage as may be specified from time to time.
- (ii) Gratuity: Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- (iii) Earned/Privilege Leave on full pay as per rules of the company.

CATEGORY – C

Other benefits, schemes, privileges and amenities as are applicable to senior executives of the Company in accordance with the Company's practices, rules and regulations in force from time to time.

RESOLVED FURTHER THAT the duties of the Managing Director shall be the overall supervision of the company, handling day to day affairs of the Company appointment and termination of services of employees, operating Bank account, signing cheques, promissory notes, bills of exchange, regularly reporting to the Board on the activities of the Company and to perform all other duties that the Board may delegate to the Managing Director from time to time.

RESOLVED FURTHER THAT in the event of absence or inadequacy of net profits in any financial year during the tenure of the Managing Director, the remuneration shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 or any statutory Modifications thereof and the same shall be treated as the minimum remuneration payable to the said Managing Director."

11. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:-

"RESOLVED THAT subject to the provisions of Section 314(1) and other applicable provisions, if any, of the Companies Act, 1956, the Company's Consultant, Shri Bharat Kanunga, be paid remuneration of Rs.20,000/- per month with effect from 1st April, 2005 plus re-imbursment of actual out of pocket expenses incurred by him."

By Order of the Board of Directors

Place: Jodhpur

Dated: 6th Sept., 2005

(G.C. KANUNGA)

Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY, THE PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN FORTY EIGHT HOURS BEFORE THE MEETING.
2. The Members/Proxies should bring the Attendance slips duly filled in for attending the meeting.
3. The Register of Members and Shares Transfer Books of the Company will remain closed from Tuesday, 20th September, 2005 to Thursday, 29th September, 2005 (Both days inclusive).
4. There is no unpaid or unclaimed dividend pursuant to the provisions of Section 205A of the Companies Act, 1956 for the year 1997-98.
5. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business Item Nos. 5 to 11 is enclosed.
6. The Company's Equity Shares are listed at the following Stock Exchanges and listing fees to them have been paid for the F.Y. 2005-2006.
 - (1) The Delhi Stock Exchange Association Limited,
West Plaza, I.G. Stadium, Indraprastha Estate,
New Delhi – 110 002.

35th Annual Report 2004-2005

- (2) The Stock Exchange, Mumbai,
Pheroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
Mumbai – 400 001.
- (3) The Jaipur Stock Exchange Limited,
Stock Exchange Building,
Jawahar Lal Nehru Marg, Malviya Nagar,
Jaipur – 302 017.

7. BRIEF RESUME OF PERSON PROPOSED TO BE APPOINTED/ RE-APPOINTED AS DIRECTOR OF THE COMPANY AT THE ANNUAL GENERAL MEETING:

Particulars	Shri B. L. Kanunga	Shri Manoj Kanunga
Age	56 Years	38 Years
Date of Appointment	12.09.1992	01.12.1985
Qualifications	B.E.	Graduate
Expertise in specific functional areas	Thirty two years vast industrial experience in Marketing, Finance & General Administration	Twenty years industrial experience liaison with Central & State Government & personnel & labour department general administration
Directorship of other Companies	M/s. Alcobex Investment Pvt.Ltd.	M/s-Sai Sum Hydro Power Pvt.Ltd.
Chairman/Member of the Committees of the Board of the Companies on which he/she is a Director	None	None

8. BRIEF RESUME OF PERSON PROPOSED TO BE APPOINTED/ RE-APPOINTED AS MANAGING DIRECTOR OF THE COMPANY AT THE ANNUAL GENERAL MEETING:

Particulars	Mr. G. C. Kanunga
Age	69 Years
Date of Appointment	01.09.1970
Qualifications	Under-graduate
Expertise in specific functional areas	Fifty years vast industrial experience
Directorship of other Companies	None
Chairman/Member of the Committees of the Board of the Companies on which he/she is a Director	None

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEM NOS. 5 TO 11 IS ATTACHED HERewith:

Item No. 5 & 6:

The Present Authorised Share Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crores only) divided into 1,00,00,000 Equity Shares of Rs. 10/- each. For the purpose of implementation of Corporate Debt Restructuring Scheme (CDRS) as re-worked out and approved by Corporate Debt Restructuring (CDR) Cell situated at Mumbai and in order to facilitate the further issue of Equity Shares and issue of Preference Shares, the present Authorised Share Capital of the Company requires to be increased to Rs. 45,00,00,000/- (Rupees Forty Five Crores only) divided into 1,50,00,000 (One Crore Fifty Lakh) Equity Shares of Rs. 10/- (Rupees Ten Only) each and 3,00,00,000 (Three Crores) Redeemable Preference Shares of Rs.10/- (Rupees Ten Only) each.

Consequent to the aforesaid increase in authorized share capital, the relevant provisions of the Memorandum and Articles of Association of the Company would be required to be altered.

Sections 94, 16 and 31 of the Companies Act, 1956, prescribe the approval of the Shareholders of the Company respectively for the above purposes.

35th Annual Report 2004-2005

A duly altered draft copy of the Memorandum and Articles of Association of the Company is available at the Registered Office of the Company for inspection of the Members.

Your Directors recommend the above resolutions for your approval.

None of the Directors of the Company shall be deemed to be concerned or interested in the said resolution.

Item No. 7:**I. Number of Shares being Issued, Details of the Allottees, Purpose of the Issue, etc:**

Pursuant to the financial assistance provided by Financial Institutions/Banks and in accordance with the Corporate Debt Restructuring (re-worked out) Package as approved by the Corporate Debt Restructuring Cell, Mumbai, the Company needs to issue equity shares as per para (a), (b) and (c) of the resolution proposed vide Item No. 7 and as given below:

- (a) 40,00,000 Equity Shares of Rs. 10/- each at par aggregating to Rs.4,00,00,000/- (Rupees Four Crores only) in lieu of conversion of Term Loans by the Bank(s)/Financial Institution(s) namely Industrial Development Bank of India (IDBI) and Industrial Investment Bank of India (IIBI), Rajasthan State Industrial & Investment Corporation Ltd. (RIICO), Unit Trust of India (UTI) and or such other Banks/Financial Institutions.
- (b) 1,01,300 Equity Shares of Rs.10/- each at par aggregating to Rs. 10,13,000/- (Rupees Ten Lakh Thirteen Thousand only) in lieu of conversion of liquidated damages charged (on principal) by the Banks/Financial Institutions namely Industrial Development Bank of India (IDBI) and Industrial Investment Bank of India (IIBI) and or such other Banks/Financial Institutions.
- (c) 19,00,000 Equity Shares of Rs.10/- each at par aggregating to Rs. 1,90,00,000/- (Rupees One Core Ninety Lacs only) in lieu of payments to the promoters/their relatives & friends.

The consent of the shareholders is being sought to enable the company for issuing further equity share capital at a price of Rs.10/- per share pursuant to the provision of Section 81(1A) and all other applicable provisions of the Companies Act 1956 and in terms of the provisions of the listing agreement with the various Stock Exchanges where the company's equity shares are listed and in accordance with the SEBI Guidelines for preferential issue to promoters, financial institutions and banks on Corporate Debt Restructuring Scheme (CDRS) basis.

The relevant date on the basis of which price of the resultant shares shall be calculated is 31st August, 2005.

The shares issued on preferential basis vide Item No. 7, shall be subject to a lock in period of One year.

The above referred shares shall be allotted by the Company in accordance with the SEBI's Guidelines for Preferential Allotment of Shares as altered or re-enacted from time to time.

The said resolution is an enabling resolution conferring authority on the Board to cover all contingencies and corporate requirements.

Your Directors recommend the resolution for approval of the members.

II. The Share holding pattern of the company before and after the said issue is given as under

Sr. No.	Category	Pre-issue Shareholding Pattern (as on 31.08.2005)		Post-issue shareholding pattern	
		No. of shares held	%	No. of shares held	%
A.	Promoters	43,71,232	53.96	62,71,232	44.48
	Total (A)	43,71,232	53.96	62,71,232	44.48
B.	Institutional Investors:				
	(a) Mutual Funds & UTI	5,200	0.06	5,200	0.04
	(b) Banks/Financial Institutions	---	--	41,01,300	29.08
	Total (B)	5,200	0.06	41,06,500	29.12
C.	Public				
	(a) Private Corporate Bodies	9,30,468	11.48	9,30,468	6.61
	(b) Others	27,93,100	34.48	27,93,100	19.79
	Total (C)	37,23,568	45.96	37,23,568	26.40
	Total	81,00,000	100.00	1,41,01,300	100.00

III. Other Details:

- (i) The said preferential issue shall be subject to the guidelines issued by the Securities and Exchange Board of India

35th Annual Report 2004-2005

- (ii) The proposed preferential allotment shall not result in change in Management control. Voting rights shall change in accordance with the shareholding pattern as above mentioned.
- (iii) A copy of the certificate received from the auditors of the Company in connection with the pricing of the proposed preferential issue shall be available for inspection during business hours on all working days at the Registered Office of the Company till the date of the ensuing Annual General Meeting.

A Copy of the Corporate Debt Restructuring Package as approved by the CDR Cell, Mumbai is available at the Registered Office of the Company for inspection of the members.

Mr. G.C.Kanunga, Mr.Babulal Kanunga, Mr. S.R.Kanunga and Mr. Manoj Kanunga, Directors will be deemed to be interested or concerned in the resolution to the extent of the shares allotted to them or to their relatives as per the CDR Scheme.

No other Director shall be deemed to be interested or concerned in the above resolution.

Item No. 8:

Pursuant to Financial Assistance from Financial Institution and Bank and terms & conditions in accordance with the CDR (re-worked out) Package, the Company has to issue 2,60,00,0000 (Two Crore Sixty Lacs) Redeemable Preference Shares of Rs. 10/- each at par aggregating to Rs.26,00,00,000/- (Rupees Twenty Six Crores only) in lieu of conversion of overdue interest on Term Loans and Working Capitals by the Financial Institution and Bank namely IDBI, IIBI, RIICO, UTI, Punjab National Bank, Bank of India, Bank of Baroda, The Rajasthan Bank Ltd., and Vijaya Bank.

Section 81 of the Companies Act, 1956 provides that when a company proposes to increase its subscribed capital by allotment of further shares, such further shares shall be offered to existing equity shareholders of the company in the manner laid down in Section 81. The section further provides under sub-section 1A that further shares may be offered to any person in any manner, whatsoever, if a special resolution to that effect is passed by the company in General Meeting.

The Listing Agreement with Stock Exchanges provide inter alia that a listed company in the first instance should offer all shares and securities to be issued for subscription pro-rata to the existing holders unless the shareholders in General Meeting decide otherwise.

The Company's issue of Redeemable Preference Shares is being made for the first time. The Preference Shares are being issued on private placement basis.

The said resolution is an enabling resolution conferring authority on the Board to cover all contingencies and corporate requirements.

Your Directors recommend the resolution for approval of the members.

None of the Directors shall be deemed to be interested or concerned in the resolution.

Item No. 9

In accordance with the terms & conditions of the Corporate Debt Restructuring Scheme CDRS (re-worked out) proposal approved by Corporate Debt Restructuring Cell, situated at Mumbai, the Company proposes to sale its Udaipur unit which has been closed down with its assets, i.e. Land, Building, Plant & Machinery and others at a price not less than Rs. 400 lacs. The sale proceeds will be routed through TRA and will be kept by the company as additional funds for the present working operations of the company. As per Section 293 (1) (a) of the Act, the Board of Directors' power to sell, lease or otherwise dispose of the whole or part of the undertaking of the company can be exercised only with the consent of the shareholders of the Company in General Meeting.

The consent of the shareholders is being sought to enable the Board of Directors of the Company to sale of Udaipur Unit at a price not less than Rs. 400 lacs pursuant to the section 293(1)(a) and all other provisions of the companies Act 1956.

The said resolution is an enabling resolution conferring authority on the Board to cover all contingencies and corporate & legal requirements.

Your Directors recommend the resolution for approval of the members.

None of the Directors shall be deemed to be interested or concerned in the resolution.

Item No. 10:

The Board of Directors at their meeting held on, 6th Sept. 2005 have re-appointed Mr. G. C. Kanunga as a Managing Director for a period of five years w.e.f. 15.06.2006, pursuant to the recommendation received from the Remuneration Committee and in accordance with the provisions of Section 198, 269,309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII to the said Act. The Board has made the aforesaid re-appointment of Mr. G. C. Kanunga, subject to the terms and conditions including payment of remuneration to him as specified in the resolution passed at the Board Meeting held on 6th Sept., 2005.

**35th Annual Report 2004-2005**

During Mr. G. C. Kanunga's tenure as Managing Director, the Company has made all round progress. In view of highly satisfactory services provided by him to the Company the Board of Directors of the Company is of the view that Mr. G. C. Kanunga, Managing Director be reappointed for a period of five years with effect from 15th June, 2006 till 14th June, 2010.

The aforesaid re-appointment of Mr. G. C. Kanunga as a Managing Director of the Company is however, subject to approvals from the Shareholders of the Company in accordance with the provisions of Section 269, 1981309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act.

Your Directors recommend the resolution for approval of the members.

None of the Directors Except Mr. B.L. Kanunga, Mr. S.R. Kanunga and Mr. Manoj Kanunga shall be deemed to be interested or concerned in the aforesaid resolution for the aforesaid re-appointment.

Item No. 11

Mr. Bharat Kanunga who is a son of Mr. G. C. Kanunga, Managing Director is rendering services as consultant to the company to assist Export Department for promotion of export sales and buying raw materials for the company. He has vast experience in export markets and due to his negotiating ability, the company has been obtaining good export orders. Looking to the valuable services being rendered by him, the Board of Directors of the company is of the view to revise the monthly remuneration to Rs.20,000/- w.e.f. from 1-4-2005 and reimbursement of other out of pocket expenses incurred by him.

Your Directors recommend the resolution for approval of the members.

None of the Directors Except Mr. G. C. Kanunga, Managing Director Mr. B.L. Kanunga, Mr. S.R. Kanunga and Mr. Manoj Kanunga shall be deemed to be interested or concerned in the resolution.

By Order of the Board of Directors

Place: Jodhpur
Dated: 06th Sept., 2005

(G.C. KANUNGA)
Managing Director

