



ASIAN ELECTRONICS

ASIAN ELECTRONICS LIMITED

**ANNUAL REPORT
2006-2007**

Generating Savings for Generations

A HISTORICAL PERSPECTIVE

Particulars	Year ended March 31,				
	2007	2006	2005	2004	2003
<i>(Rs. in lacs except data per share, other information and Ratios)</i>					
Revenue account					
Gross Revenue	38006	16363	11348	9358	9335
Operating profit (PBDIT)	9992	3875	2682	2592	2139
Financial Charges	1388	780	627	785	817
Depreciation	899	840	772	945	857
Extra-ordinary item:					
Premium on revision of interest	—	—	163	81	—
Provision for taxation – Current	1012	190	88	60	36
– Deferred	1	(478)	(45)	258	189
– F.B.T.	28	28	—	—	—
Profit after tax	7705	2255	1078	463	239
Cash generation	8604	3095	1850	1408	1097
PBIDT as a percentage of total revenue	26	24	24	28	23
Return on net worth %	24	23	18	16	12
Capital account					
Share capital	1392	894	* 938	* 938	* 938
Net worth	35196	13719	10540	11356	11046
Loan funds	16501	15879	8464	6386	7396
Net block	4910	4345	4925	7451	7491
Net current assets	43802	24978	15170	11450	11827
Debt-Equity Ratio	0.47	1.15	0.80	0.56	0.68
Per share data					
Earnings Rs.	53	24	13	5	3
Book value Rs.	253	153	124	133	129
Dividend %	45	25	18	15	10
* Inclusive of Preference Share Capital of Rs. 88 lacs					
Other information					
Number of shareholders	8952	10990	7666	6748	8186

Board of Directors

Mr. Suresh H. Shah	<i>Chairman & Managing Director</i>
Dr. K. U. Mada	
Mr. G. S. Dahotre	<i>(upto 23.12.2006)</i>
Mr. S. Padmanabhan	
Mr. K. C. Narang	<i>(upto 23.12.2006)</i>
Mr. Arun B. Shah	<i>(w.e.f. 23.12.2006)</i>
Mr. Sanjay K. Asher	<i>(w.e.f. 23.12.2006)</i>
Mr. Richard B. Saldanha	<i>(w.e.f. 30.7.2007)</i>
Mr. Sushil Kumar Jiwarajka	<i>(w.e.f. 30.7.2007)</i>
Mr. Ashok Sharma	<i>Executive Director (upto 15.6.2007)</i>
Mr. Jinendra Shah	<i>Executive Director</i>
Mr. V. Rajagopal	<i>Executive Director (upto 15.6.2007)</i>

Sr. Vice President (Finance) & Company Secretary

Mr. Rasik D. Goradia

Auditors

Messrs S. R. Batliboi & Co.

Solicitors

Messrs Motiwalla & Company

Bankers

Bank of India

Centurion Bank of Punjab Ltd.

Uco Bank

The Hongkong and Shanghai Banking Corporation Ltd.

Industrial Development Bank of India Ltd.

State Bank of India

R & T Agent

Intime Spectrum Registry Ltd.

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W), Mumbai - 400 078.

Phone : (91-22) 2596 3838

Fax : (91-22) 2594 6969

E-mail : isrl@intimespectrum.com

Registered Office

D-11, Road No. 28,
Wagle Industrial Estate,
Thane - 400 604.

Corporate Office

1219, Maker Chambers V,
Nariman Point, Mumbai - 400 021.

Branch Offices

Ahmedabad, Bangalore, Kolkata
Chennai, Delhi, Hyderabad.

Works

Plot No. 68, MIDC Industrial Area,
Satpur, Nashik - 422 007.

DTA Unit

Survey No. 9/2/1, Mumbai-Agra Road,
Post Vilholi, Nashik - 422 010.

EOU

Survey No. 15, Plot No. 1,
Mumbai-Agra Road, Near Octroi Naka,
Vilholi, Nashik - 422 010.

Solan Unit

Plot No. 1, Second Floor,
Industrial Estate, Chamba Ghat,
Dist. Solan - 173 213,
Himachal Pradesh.

Center Rosa Complex,
Village Majhgaon, Rajgarh Road,
Solan - 173 213.

Silvassa Unit – II

Survey No. 126-P, Building A,
Gala Nos. 103, 104, 113 & 114,
Electronic Indl. Estate, Amli,
Silvassa - 396 230.

Silvassa Unit – III

Survey No. 126-P, Building A,
Gala No. 101, 102, 115 & 116
Electronic Indl. Estate,
Amli, Silvassa - 396 230.

Silvassa Unit – IV

Tirupati Industrial Estate, 66 KV Road,
Amli, Silvassa - 396 230.

Chennai Unit

4/197-B, Vikram Sarabhai Estate,
Taramany,
Chennai - 600 042.

Luminaire Manufacturing Unit

Plot No. 55, Anna Industrial Estate,
Vanagaram, Mettukuppam,
Chennai - 600 095.

Annual General Meeting

Thursday, 27th September, 2007 at 11.30 a.m.

Venue:

Registered Office of the Company
at D-11, Road No. 28, Wagle Indl. Estate,
Thane - 400 604.

Transport Facility

A bus has been arranged for transport from Thane Railway Station (East) to enable the Members to attend the Annual General Meeting (AGM) at the Registered Office of the Company at Thane on Thursday, 27th September, 2007 at 11.30 a.m. The bus will leave at 11.00 a.m. sharp from Thane Station (East) near Anand Cinema.

Members interested in attending the AGM may avail the facility.

Secretarial Department of the Company is situated at the Registered Office of the Company at Thane.

Phone : + (91-22) 25835504/05

Fax : + (91-22) 25827636

Email : secdept@aelgroup.com

Website : www.aelgroup.com

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NOTICE OF THE 42ND ANNUAL GENERAL MEETING

Notice is hereby given that the Forty second Annual General Meeting of the Members of Asian Electronics Ltd. will be held at the Registered Office of the Company at D-11, Road No. 28, Wagle Industrial Estate, Thane - 400 604, on Thursday, the 27th September, 2007 at 11.30 A.M., for the purpose of transacting the following business.

1. To receive, consider and adopt the Audited Accounts of the Company and the Reports of the Directors and Auditors for the year ended March 31, 2007.
2. To declare Dividend, if any.
3. Dr. K. U. Mada, who retires by rotation at this meeting expressed his desire not to be re-appointed and the vacancy thereby caused be not filled-up.
4. To appoint a Director in place of Mr. Arun Shah, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

AS SPECIAL BUSINESS

6. To appoint Mr. Sushil Jiwrajka, (who was appointed as an additional Director by the Board of Directors pursuant to Articles 161 of the Company's Articles of Association and who holds office under the said Articles and Section 260 of the Companies Act, 1956 only upto the date of this meeting, and in respect of whom the Company has received a notice in writing alongwith a deposit of Rs. 500/- under section 257 of the said Act, from a member signifying his intention to propose Mr. Sushil Jiwrajka as a candidate for the office of Director) as a Director of the Company and to consider and, If thought fit, to pass 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. Sushil Jiwrajka be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

7. To appoint Mr. Richard Saldanha, (who was appointed as an additional Director by the Board of Directors pursuant to Articles 161 of the Company's Articles of Association and who holds office under the said Articles and Section 260 of the Companies Act, 1956 only upto the date of this meeting, and in respect of whom the Company has received a notice in writing alongwith a deposit of Rs. 500/- under section 257 of the said Act, from a member signifying his intention to propose Mr. Richard Saldanha as a candidate for the office of Director) as a Director of the Company and to consider and,

If thought fit, to pass 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. Richard Saldanha be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT pursuant to Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the re-appointment of Mr. Jinendra Shah as Executive Director of the Company for a period of two years from 4th May, 2007 to 3rd May, 2009 upon the terms and conditions including remuneration and perquisites as set out fully in the draft Agreement to be entered into between the Company and Mr. Jinendra Shah, a copy of which is placed before the meeting and initialled by the Chairman for the purpose of identification be and is hereby approved."

9. 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 198, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the revision in the remuneration payable to the Chairman & Managing Director Mr. Suresh H. Shah with effect from 1.4.2007, as set out fully in the draft Agreement to be entered into between the Company and Mr. Suresh H. Shah, a copy of which is placed before the meeting and initialled by the Chairman for the purpose of identification."

10. 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 198, 309 and 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the revision in the remuneration payable to the Executive Director Mr. Jinendra Shah with effect from 1.4.2007, as set out fully in the draft Agreement to be entered into between the Company and Mr. Jinendra Shah, a copy of which is placed before the meeting and initialled by the Chairman for the purpose of identification."

11. 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 16, 31, 94 and all other applicable provisions, if any, of the Companies Act, 1956 and provisions of Article 67 of the Articles of Association of the Company and subject to the approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, each of the 2,50,00,000 (Two Crore Fifty Lacs) equity shares of the nominal value of Rs. 10/- each in the authorised share capital of the Company be sub-divided into 5,00,00,000 (Five Crore) equity shares of Rs. 5/- each AND THAT clause V (being the capital clause) of the Memorandum of Association and Article 3 of the Articles of Association of the Company relating to equity shares be altered accordingly.

RESOLVED FURTHER THAT the Board of Directors of the Company (“the Board” which expression shall also include a committee thereof) be and are hereby authorized to issue new share certificates representing the sub-divided equity shares with new distinctive numbers, consequent to the sub-division of shares as aforesaid and/or suitably adjust shareholders’ accounts maintained with the Depositories, subject to the rules as laid down in the Companies (issue of Share Certificates) Rules, 1960, and the Articles of Association of the Company and to inform the Depositories and the Registrar and Transfer Agents of the Company and execute all such documents, instruments and writings as may be required in this connection and to delegate all or any of the power herein vested in this Board, to any committee thereof or to any Director(s) or Company Secretary, to give effect to the aforesaid resolution.”

12. 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 94 of the Companies Act, 1956 and other applicable provisions, if any, authorised share capital of the Company be increased from Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 5,00,00,000 (Five Crores) of Rs. 5/- (Rupees Five Only) to Rs. 40,00,00,000/- (Rupees Forty Crores Only) divided into 8,00,00,000/- (Eight Crores) of Rs. 5/- (Rupees Five Only) by creation of additional 3,00,00,000 (Three Crores) equity shares of Rs. 5/- (Rupees Five Only)

RESOLVED FURTHER THAT , Clause V of the Memorandum of Association be substituted by the following clause.

- V. Authorised Share Capital of the Company is Rs. 40,00,00,000/- (Rupees Forty Crores only) divided into 8,00,00,000 (Eight Crores) Equity Shares of Rs. 5/- (Rupees Five) each with power to increase or reduce the

capital of the Company and to divide the shares in capital for the time being into several Classes and to attach thereto respectively such preferential, deferred, qualified or special right, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or amalgamate or abrogate any such rights, privileges, or conditions in such a manner as may be for the time being provided by the Articles of Association of the Company.

“RESOLVED FURTHER THAT the Board of Directors (including any committee/s thereof) be and is hereby authorized to do all such acts, deeds and things as may be necessary or expedient to give effect to this resolution.”

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

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 3 of the Articles of Association be substituted by the following clause.

3. Authorised Share Capital of the Company is Rs. 40,00,00,000/- (Rupees Forty Crores only) divided into 8,00,00,000 (Eight Crores) Equity Shares of Rs. 5/- (Rupees Five) each with power to increase or reduce the capital of the Company and to divide the shares in capital for the time being into several Classes and to attach thereto respectively such preferential, deferred, qualified or special right, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or amalgamate or abrogate any such rights, privileges or conditions in such a manner as may be for the time being provided by the Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors (including any committee/s thereof) be and is hereby authorized to do all such acts, deeds and things as may be necessary or expedient to give effect to this resolution.”

14. 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 the Companies Act, 1956, the Articles of Association of the Company, Clause 7 and other relevant clauses of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchases Scheme) Guidelines, 1999 (SEBI ESOS Guidelines) and Clause 19 and other relevant clauses of the Asian Electronics Limited Employees Stock Option Scheme/Employee Stock Purchase Scheme, 2005 as adopted by the Company at its Extraordinary

General Meeting held on September 8, 2005 and the amended Scheme at its General Meeting held on December 23, 2006 (the "Scheme"), and subject to approvals, consents, permissions, sanctions and the like of the Securities and Exchange Board of India (SEBI), the Stock Exchanges where the Company's Shares are listed and all other Statutory and other Authority, if and to the extent required, and subject to such conditions and modifications as may be prescribed, stipulated or imposed by SEBI, Stock Exchange(s) or any other authority while granting such approvals, consents, permissions, sanctions and the like, which may be agreed to by the Board of Directors of the Company (herein referred to as "Board" which term shall include any Committee constituted by the board including the compensation committee) in its sole discretion, the Scheme be and hereby modified as follows:

Clause 2 of the Scheme be modified by insertion of the following definitions therein, and the other sub-clauses be appropriately re-numbered:

- (i) "Granted options" shall mean the Options granted to employee(s) by the Compensation Committee/Board in terms of the Scheme, prior to the Second Modification to the Scheme.
- (ii) "Vested Options" shall mean such of the Granted Options which have vested in employees in terms of the Scheme, prior to the Second Modification to the Scheme.
- (iii) "Second Modification" shall mean the amendments to the Scheme as approved at the Annual General Meeting of the Company held on 27th September, 2007.

Clause 8(a) of the Scheme be replaced with the following:

- (a) "Vesting Period" Unless otherwise specified a minimum of one year's vesting period would apply from the date of grant to all options granted under this Scheme. Without prejudice to the options granted before the Second Modification of the Scheme, the vesting schedule will involve a vesting of 100% or balance of the 100% on the date of Annual General meeting held on 27th September, 2007.

The Following Clause 8(f) shall be added after the existing Clause 8(e):

- (f) The Compensation Committee is empowered to grant Options to the Directors of the Lighting Division of Asian Raymold Lighting Private Limited pursuant to the amalgamation of the Lighting Division of Asian Raymold Lighting Private Limited with Asian Electronic Limited and make necessary adjustment with regard thereto.

The Following Clause 22 shall be inserted after the existing Clause 21:

- 22. Without prejudice to the other provisions of the Scheme, the Compensation Committee shall, in their first meeting after the Second Modification ("First Compensation Committee Meeting"), re-grant all the Granted Option ("Re-Granted Options"), and the Re-Granted Options shall have complete continuity in all respects, including as regards vesting schedule from the date on which the Granted Options were granted before the Second Modification, and the computation of the one year lock in period between the grant of options and vesting of options in terms of Clause 9.1 of the Scheme shall be computed from the date of original grant before the First and the Second Modification. Further, and Vested Options re-granted at the First Compensation Committee Meeting shall be continued to be vested in the employee concerned, from the date of the First Compensation Committee Meeting with effect from original date of vesting before the First Modification.

RESOLVED FURTHER THAT for the purpose of granting, vesting, exercising and relinquishment of the Options, and for creating, offering, issuing, allotting and listing of the Options, the Board be and is hereby authorised to evolve, decide upon and bring into effect the Scheme and to make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, usual, proper or desirable for such purpose.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of its powers to the Compensation Committee of the Company to give effect to the aforesaid resolution.

RESOLVED FURTHER THAT any Director of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, expedient and usual to implement these resolution and/or otherwise considered by them in the best interest of the Company."

By Order of the Board of Directors
For Asian Electronics Ltd.

Regd. Office:
D-11, Road No. 28
Wagle Indl. Estate
Thane - 400 604

Thane, 30th July, 2007

R. D. Goradia
Sr. Vice President (Finance) &
Company Secretary

Notes:

- (a) The explanatory statement relating to the special business mentioned in the notice as required under Section 173[2] of the Companies Act, 1956, is annexed to the Notice.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS 48 HOURS BEFORE THE MEETING.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday the 18th September, 2007 to Thursday the 27th September, 2007 (both days inclusive).
- (d) If dividend on shares as recommended by the Directors is approved at the meeting, payment of such dividend will be made to those members whose names appear on the Company's Register of Members on 27th September, 2007.

In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd. for this purpose.

- (e) Members are requested to quote their folio number in all correspondence with the Company.
- (f) Consequent upon the amendment of Section 205A of the Act and the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund.

The company has already transferred unclaimed dividends declared upto the financial year ended 31st March, 1999 to the Investor Education & Protection Fund established under Section 205C pursuant to Sub-section (6) of Section 205(A) of the Companies Act, 1956.

Members who have not yet encashed their dividend warrant(s) for the financial year ended March 2000 onwards, are requested to make their claims to the Company accordingly, without any delay. It may be noted that the unclaimed dividend for the financial year ended 31st March, 2000 is due for transfer to the Fund on 17th November, 2007.

- (g) The Companies (Amendment) Act, 1999 has introduced nomination facility for shareholders. Those shareholders who are interested in making nomination are requested to file

with the Company the prescribed Form 2 B which can be had from the Company on request.

- (h) Members holding shares in the dematerialised mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, change in name etc. to their Depository Participant (DP). These changes will be automatically reflected in Company's records, which will help the Company to provide efficient and better service to the members.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6

Mr. Sushil Jiwarajka was appointed as an Additional Director of the Company by the Board of Directors pursuant to the provisions contained in Article 161 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. He will hold office upto the date of this Annual General Meeting. As required under section 257 of the said Act, a notice has been received from a member alongwith a deposit of Rs. 500/- signifying his intention to propose Mr. Sushil Jiwarajka as a candidate for the office of Director. It is in the interest of the Company to avail of his services as a member of the Board.

The Board recommends the resolution for your approval. None of the Directors of the Company, except for Mr. Sushil Jiwarajka, is interested in this Resolution.

ITEM NO. 7

Mr. Richard Saldanha was appointed as an Additional Director of the Company by the Board of Directors pursuant to the provisions contained in Article 161 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. He will hold office upto the date of this Annual General Meeting. As required under section 257 of the said Act, notice has been received from a member alongwith a deposit of Rs. 500/- signifying his intention to propose Mr. Richard Saldanha as a candidate for the office of Director. It is in the interest of the Company to avail of his services as a member of the Board.

The Board recommends the resolution for your approval. None of the Directors of the Company, except for Mr. Richard Saldanha, is interested in this Resolution.

ITEM NO. 8

Mr. Jinendra Shah has been re-appointed as Executive Director of the Company for a period of 2 years from 4th May, 2007 to 3rd May, 2009 by the Board of Directors on 14th June, 2007 subject to the approval of the Company in General Meeting upon the terms and conditions including remuneration and perquisites payable to

him, as set out in the draft Agreement to be entered into by the Company with Mr. Jinendra Shah.

The remuneration and perquisites payable to Mr. Jinendra Shah are in conformity with the requirements and limits under Schedule XIII of the Companies Act, 1956. Consequently, no approval of the Central Government is required for his reappointment.

Mr. Jinendra Shah has been Executive Director of the Company for the past 9 years. The Board considers it advantageous for the Company to continue to avail his services as Executive Director.

The material provisions of the Draft Agreement relating to Mr. Jinendra Shah's reappointment are as under:

1. Mr. Jinendra Shah to be Executive Director of the Company from 4th May, 2007 to 3rd May, 2009 (both days inclusive), subject to earlier determination in pursuance of the provisions of the Agreement.
2. Mr. Jinendra Shah shall function as Executive Director subject to any directions, limitations or restrictions from time to time given or imposed by the Board and/or Managing Director.
3. During his employment under this Agreement, Mr. Jinendra Shah shall devote his whole time and attention to the business of the Company and shall use his best endeavours to promote its interest and welfare.
4. Mr. Jinendra Shah to be entitled to the following remuneration:
 - a. Salary : Rs. 80,000/- p.m.
 - b. Commission : 1% of net profit restricted to 25% of annual basic salary.
 - c. House Rent Allowance : Rs. 39,000/- p.m.
 - d. Medclaim Insurance : Rs. 12,000/- p.a.

All other terms and conditions including other perquisites payable to Mr. Jinendra Shah remain unchanged.

5. Notwithstanding anything to the contrary herein contained, it is expressly agreed that:
 - (A) Where the Company has profits in a financial year, the remuneration of Mr. Shah by way of salary, commission and perquisites set out in Part A, as mentioned above shall not, subject to the provisions of Sections 198 and 349 of the Companies Act, 1956, exceed 5% of its net profits for that financial year, provided that if there is more than one such managerial person, shall not exceed 10% for all of them together.
 - (B) Where in any financial year during the currency of the tenure of Mr. Shah as Executive Director, the Company has no profits or its profits are inadequate, the Company

shall pay to Mr. Shah, remuneration by way of salary and perquisites as aforesaid in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956.

And Provided Always that the perquisites specified in Part B and Part C of Clause 4 shall not be included in the computation of the ceiling on remuneration specified in Clause 5 above.

6. Mr. Shah shall not, so long as he functions as the Executive Director, be paid any sitting fees for attending meetings of the Board or any Committee thereof.
7. Mr. Shah shall not so long as he functions as Executive Director become interested or otherwise concerned directly or through his wife and/or minor children, if any, in any selling agency of the Company without the prior approval of the Central Government.
8. During the currency of this Agreement Mr. Shah shall not engage directly or indirectly in any other business trade, occupation or employment whatsoever provided, however, that it shall be permissible for Mr. Shah with the previous sanction of the Board to hold any directorship or directorships, share or shares of any other company or companies and the holding of any such permitted directorship or shares shall not be deemed a contravention of this clause. Mr. Shah may, however hold share or shares quoted on a recognised Stock Exchange without the consent of the Board.
9. Mr. Shah shall not during the continuance of his employment hereunder or at any time thereafter divulge or disclose to any person whomsoever or make any use whatsoever for his own purpose or for any purpose other than that of the Company of any information or knowledge obtained by him during his employment as to the business or affairs of the Company or its methods or as to any trade secrets or secret processes of the Company and Mr. Shah shall, during the continuance of his employment hereunder, also use his best endeavors to prevent any other person from so doing PROVIDED HOWEVER that any such divulgence or disclosure by Mr. Shah to officers and employees of the Company shall not be deemed to be a contravention of this clause.
10. In case Mr. Shah shall at any time be prevented by mental or physical disability, as determined in the Company's sole opinion by competent medical testimony, from discharging his duties as Executive Director during the term of his office, payments hereunder shall cease to be made by the Company as of the date of the determination of such disability and thereafter no payments of any kind shall be made to him under or by virtue of this appointment.

11. In either of the following events, the Company may by notice in writing to Mr. Shah terminate this Agreement with immediate effect if Mr. Shah:

- (a) be guilty of inattention or negligence in the conduct of business of the Company or of any other act or omission inconsistent with his duties as Executive Director or breach of this Agreement, as, in the opinion of the Board, renders his retirement from the office of Executive Director desirable; or
- (b) becomes disqualified as a Director for any reason other than an inadvertent breach of the provisions of Section 283 of the Companies Act, 1956, or failure through inadvertence or oversight to secure leave of absence from meetings of Directors (in either of which latter events he shall be re-appointed as a Executive Director).

12. Mr. Shah's employment as Executive Director shall forthwith determine if he shall become insolvent or make any composition or arrangement with his creditors or shall cease to be a Director of the Company.

13. Notwithstanding anything to the contrary herein contained:

- (a) the Company shall be entitled to terminate this Agreement at any time by giving Mr. Shah 3 month's notice in writing without assigning any reason or upon payment to Mr. Shah of salary and his other emoluments for a period of 1 month in lieu of notice.
- (b) Mr. Shah shall be entitled to terminate this Agreement at any time by giving to the Company 3 month's notice in writing without assigning any reason.

Upon termination of this Agreement as hereinabove provided, Mr. Shah shall cease to be the Executive Director of the Company and shall also ipso facto cease to be a Director of the Company.

14. The termination or determination of this Agreement for any reason whatsoever shall not affect the rights and claims which may have accrued to either party prior to the effective date of such termination or determination.

15. Upon termination of his service, Mr. Shah shall hand over charge to such person nominated for that purpose by the Company and shall deliver to such person such papers, documents and other property of the Company as may be in his possession, custody, control or power.

It is recommended that the reappointment of Mr. Jinendra Shah as Executive Director of the Company for a period of 2 years with effect from 4th May, 2007 on existing terms and conditions as to remuneration be approved, if deem fit and proper.

The Board of Directors considers that the remuneration proposed to be paid to Mr. Jinendra Shah is commensurate with his duties and

responsibilities as the Executive Director and therefore recommends the Resolution at Item No. 8 of the Notice. Approval of the members is necessary in view of the provisions of Schedule XIII to the Companies Act, 1956.

This may be treated as an abstract of the terms of remuneration payable to the Executive Director Mr. Jinendra Shah for the period from 4th May, 2007 to 3rd May, 2009 for the purpose of Section 302 of the Companies Act, 1956.

A copy of the draft Agreement referred to above is open for inspection by the Members at the Registered Office of the Company between 10 A.M. and 1.00 P.M. on any working day except Saturday, upto and including the date of the Annual General Meeting.

Mr. Jinendra Shah is concerned and interested in the Resolution at Item No. 8 since it relates to his own remuneration. None of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

ITEM NO. 9

The remuneration of the Chairman & Managing Director, Mr. Suresh H. Shah for the period from 1st April, 2004 to 31st March, 2009 by way of salary of Rs. 63,500/- per month and House Rent Allowance of Rs. 29,270/- per month and other benefits and perquisites were approved by the Members at the 39th Annual General Meeting held on 19th August, 2004.

For the year 2004-2005, remuneration and other perquisites payable to the Chairman & Managing Director, Mr. Suresh H. Shah were revised and he was entitled to monthly salary of Rs. 68,000/- p.m. and House Rent Allowance of Rs. 32,050/- p.m.

For the year 2005-2006, the remuneration and other perquisites payable to the Chairman & Managing Director, Mr. Suresh H. Shah were revised and he was entitled to a salary of Rs. 85,000/- p.m. + commission @ 1% of the Net Profit restricted to 25% of the annual basic salary and House Rent Allowance of Rs. 50,000/- p.m.

For the year 2006-2007, the remuneration and other perquisites payable to the Chairman & Managing Director, Mr. Suresh H. Shah were revised and he was entitled to a salary of Rs. 1,19,250/- p.m. + commission @ 1% of the Net Profit restricted to 25% of the annual basic salary, House Rent Allowance of Rs. 59,000/- p.m., Mediclaim Insurance of Rs. 12,000/- p.a. and Superannuation of Rs. 8,000/- p.m.

It is now proposed to revise the remuneration and other perquisites of the Chairman & Managing Director, Mr. Suresh H. Shah with effect from 1st April, 2007 in the following manner:

	Existing	Revised
(a) Salary	Rs. 1,19,250/- p.m.	Same
(b) Commission – payable when profits are adequate.	1% of net profit restricted to 25% of annual basic salary.	Same

	Existing	Revised		Existing	Revised
(c) House Rent Allowance	Rs. 59,000/- p.m.	Same	(d) Medclaim Insurance	Rs. 12,000/- p.a.	Same
(d) Medclaim Insurance	Rs. 12,000/- p.a.	Same	(e) Performance Bonus	–	Upto 33% of annual CTC as may be decided by the Board and/or Remuneration Committee.
(e) Superannuation	Rs. 8,000/- p.m.	Same			
(f) Performance Bonus	–	Upto 33% of annual CTC as may be decided by the Board and/or Remuneration Committee.			

All other terms and conditions including other perquisites payable to Mr. Suresh H. Shah shall remain unchanged.

This may be treated as an abstract of the terms of remuneration payable to the Chairman & Managing Director, Mr. Suresh H. Shah for the period from 1.4.2007 to 31.3.2008 for the purpose of Section 302 of the Companies Act, 1956.

The remuneration and perquisites payable to Mr. Suresh H. Shah are in conformity with the requirements and limits stipulated under Schedule XIII of the Companies Act, 1956. Consequently, no approval of the Central Government is required.

A copy of the draft Agreement referred to above is open for inspection by the Members at the Registered Office of the Company between 10 A.M. and 1.00 P.M. on any working day except Saturday, upto and including the date of the Annual General Meeting.

Mr. Suresh H. Shah is concerned and interested in the Resolution at Item No. 9 since it relates to his own remuneration. None of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

ITEM NO. 10

For the year 2006-2007, the remuneration and other perquisites payable to the Executive Director, Mr. Jinendra Shah were revised and he was entitled to a salary of Rs. 80,000/- per month + commission @ 1% of the net profits restricted to 25% of the Annual Basic Salary, HRA of Rs. 39,000/- per month and Medclaim Insurance of Rs. 12,000/- p.a.

It is now proposed to revise the remuneration payable to the Executive Director, Mr. Jinendra Shah with effect from 1st April, 2007 in the following manner:

	Existing	Revised
(a) Salary	Rs. 80,000/- p.m.	Same
(b) Commission – payable when profits are adequate.	1% of net profit restricted to 25% of annual basic salary.	Same
(c) House Rent Allowance	Rs. 39,000/- p.m.	Same

All other terms and conditions including other perquisites payable to Mr. Jinendra Shah shall remain unchanged.

This may be treated as an abstract of the terms of remuneration payable to the Executive Director, Mr. Jinendra Shah for the period from 1.4.2007 to 31.3.2008 for the purpose of Section 302 of the Companies Act, 1956.

The remuneration and perquisites payable to Mr. Jinendra Shah are in conformity with the requirements and limits stipulated under Schedule XIII of the Companies Act, 1956. Consequently, no approval of the Central Government is required.

A copy of the draft Agreement referred to above is open for inspection by the Members at the Registered Office of the Company between 10 A.M. and 1.00 P.M. on any working day except Saturday, upto and including the date of the Annual General Meeting.

Mr. Jinendra Shah is concerned and interested in the Resolution at Item No. 10 since it relates to his own remuneration. None of the other Directors of the Company is, in any way, concerned or interested in the Resolution.

ITEM NO. 11

The Company's shares are listed on the Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Limited (NSE). The shares of your Company are actively traded on both the exchanges.

In the recent past, the shares of your Company have been quoting above Rs. 1000/- per share of Rs. 10/- each. To improve the liquidity of the Company's shares, which may widen the ownership base and make it affordable to the small investors, it is proposed to sub-divide the nominal face value of the Company's equity shares from Rs. 10/- per share to Rs. 5/- per share. The date on which this sub-division would become effective, will be decided by the Board after obtaining the Shareholders' approval, which will be notified through the Stock Exchanges.

Shareholders attention is also invited to the fact that in view of the foregoing, the existing Capital Clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company relating to equity shares also need relevant amendment to give effect to the sub-division.