

BINNY



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ANNUAL REPORT AND ACCOUNTS

MARCH 2003

BINNY LIMITED

ANNUAL REPORT

MARCH - 2003

Executive Chairman	DIRECTORS M. Ethurajan M. Nandagopal R. Narayanan S. Natarajan M.E. Shanmugam P.H.M. Syed Ismail V.R. Venkatachalam
NOMINEES OF Government of India Karnataka Tamil Nadu	Atul Chaturvedi, IAS (Alternate Director - P.K. Gera, IAS) Ashok Dalwai, IAS A. Elangovan, IAS
IDBI	S. Jeyakumar
BIFR	K. Kannan
COMPANY SECRETARY	D. Kalaiyarasu
BANKERS	Indian Bank Oriental Bank of Commerce The Federal Bank Ltd. Bank of Baroda State Bank of India
AUDITORS	Fraser & Ross
REGISTERED OFFICE	106, Armenian Street, Chennai - 600 001.

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BINNY**TEXTILE DIVISION**

Manufacturing and marketing of wide range of cotton, silk, man-made fibre, blended fabrics and woollen blended fabrics like cotswool. Also manufacturing Angola for Defence Services

Mills at

Perambur
Chennai - 600 012.

Agraharam Road,
Bangalore - 560 023.

Regional
Sales Offices at

Court Chambers
New Marine Lines
Mumbai - 400 020.

Ganga Plaza Building,
18/13, W.E.A. Pusa Lane,
Karol Bagh,
New Delhi - 110 005.

2B, Ganesh Chandra Avenue
Calcutta - 700 013.

Showrooms at

Bangalore, Calcutta
and Chennai

BINTEX DIVISION

Marketing of cotton, polyester blended, woollen fabrics and Hosiery other than manufactured / produced by the company

106, Armenian Street,
Chennai - 600 001.

SERVICES DIVISION**AGENCY**

Marketing of Engineering and miscellaneous products

106, Armenian Street,
Chennai - 600 001.

SHIPPING

Shipping, Stevedoring, Clearing & Forwarding Agents, Ship Manning & Management. Also operating Cold Storage Plant at Cochin

106, Armenian Street,
Chennai - 600 001.

Branches at

Visakhapatnam
Cochin and
Tuticorin

TRAVEL

IATA and ITDC approved Travel Agents

LIC Building,
Anna Salai,
Chennai - 600 002.

BINNY**NOTICE**

NOTICE IS HEREBY GIVEN THAT the THIRTY FOURTH ANNUAL GENERAL MEETING of the company will be held

at 106 Armenian Street, Chennai 600 001

on Monday the 29th December 2003

at 10.00 a.m.

to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March 2003, the Profit and Loss Account for the year ended that date and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. M. Ethurajan, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. M. Nandagopal, who retires by rotation and being eligible, offers himself for reappointment
4. To appoint a Director in place of Mr. M.E. Shanmugam, who retires by rotation and being eligible, offers himself for reappointment
5. To appoint Auditors and fix their remuneration.

Resolved that Messrs. CNGSN & Associates, Chartered Accountants, Chennai be and are hereby appointed as Auditors of the Company from the conclusion of this Annual General Meeting until conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors of the company in place of Messrs. Fraser & Ross who have expressed their intention to retire themselves at the conclusion of the Annual General Meeting.

SPECIAL BUSINESS

6. To pass with or without modifications, if any, the following resolutions as Special Resolutions:
Resolved that the Scheme of Rehabilitation of the company sanctioned by the BIFR in its order dated 22nd October 2003 be and is hereby taken on record.
Resolved further that the Board of Directors of the company (hereinafter referred to as the Board which term shall include any Committee thereof in exercise of the powers conferred on the Board) be and is hereby authorised to implement the Scheme sanctioned by the BIFR in all respects and subsequent amendments, modifications, directions, permissions, sanctions and other terms and conditions issued thereafter by the BIFR/other authorities to the said scheme and settle all questions, difficulties, or doubts that may arise while implementing the said scheme with the Operating Agency, Financial Institutions, Banks, Government authorities, agencies other persons as they may in their absolute discretion, deem fit without being required to seek any further permission or consent or approval of the members to the end that the intent shall be deemed to have been given thereof expressly by the authority of the resolutions.
7. To consider and if thought fit, to pass with or without modifications the following Resolution as an Ordinary Resolution:
Resolved that pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act 1956, the Authorised Share Capital of the company be increased from Rs. 41,00,00,000 (Rupees Forty one crores only) to Rs. 100,00,00,000 (Rupees One hundred crores only) divided into
 - i) 4,00,00,000 equity shares of Rs. 5 each
 - ii) 20,00,000 Cumulative Redeemable Preference shares of Rs. 5 each with dividend rate @ 9.75% p.a. free of Incometax payable by the company.
 - iii) 15,80,00,000 Cumulative Redeemable Preference shares of Rs. 5 each with dividend rate to give a yield not higher than that of SBI's PLR rate of interest, after considering tax benefits if any.
8. To consider and if thought fit, to pass with or without modifications, if any, the following resolution as a Special Resolution.:
Resolved that the first two lines of the existing clause V of the Memorandum of Association of the company be deleted and the following be inserted in its place. The Authorised share capital of the company

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is Rs. 100,00,00,000 (Rupees one hundred crores only) divided into

- i) 4,00,00,000 equity shares of Rs. 5 each
- ii) 20,00,00,000 Cumulative Redeemable Preference shares of Rs. 5 each with dividend rate @ 9.75% p.a. free of Incometax payable by the company.
- iii) 15,80,00,000 Cumulative Redeemable Preference shares of Rs. 5 each with dividend rate to give a yield not higher than that of SBI's PLR rate of interest, after considering tax benefits if any.

9. To consider and if thought fit, to pass with or without modifications, the following resolutions as Special Resolutions.

Resolved that the existing Article 3 of the Articles of Association of the company be deleted and in its place the following new Article be substituted.

The share capital of the company is Rs. 100,00,00,000 (Rupees one hundred crores only) divided into

- i) 4,00,00,000 equity shares of Rs. 5 each
- ii) 20,00,00,000 Cumulative Redeemable Preference shares of Rs. 5 each with dividend rate @ 9.75% p.a. free of Incometax payable by the company.
- iii) 15,80,00,000 Cumulative Redeemable Preference shares of Rs. 5 each with dividend rate to give a yield not higher than that of SBI's PLR rate of interest, after considering tax benefits if any.

The rights in winding up to the payment off of capital paid-up and arrears of dividend, whether declared or not, upto the commencement of the winding up in priority to the equity shares but shall not confer any further right to participate in profits or assets.

10. To consider and if thought fit, to pass with or without modifications, the following resolutions as Special Resolutions:

Resolved that in terms of Section 81(1A) and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modifications or reenactments thereof) for the time being in force and the Memorandum and Articles of Association of the company and subject to such other necessary approvals, permissions and sanctions as may be required to be obtained from appropriate authority and further subject to such conditions and modifications as may be imposed/prescribed in granting such approvals/sanction and also subject to such terms and conditions as may be determined by the Board of Directors of the company (hereinafter referred to as the Board which expression shall be deemed to include any of the directors or any Committee of the Directors duly authorised in this regard) consent of the company be and is hereby accorded to the Board to issue, offer and allot in one or more tranches, upto a maximum of 15,80,00,000 Cumulative Redeemable Preference shares of Rs. 5 each, with a dividend rate to give a yield not higher than that of SBI's PLR rate of interest, after considering tax benefits if any, on private placement to the Promoters, their nominees and their associate companies/Bodies Corporate from out of money brought in or proposed to bring in by the Promoters as unsecured loan and on such terms and conditions as may be decided by the Board.

Resolved further that for the purpose of giving effect to the resolutions, the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and Articles as it may in its absolute discretion, deem necessary, expedient, desirable and to settle any questions, difficulties or doubt (including the amendment or modification of any terms hereof) that may arise with regard to allotment of Preference shares as aforesaid or any other matter and the consequential amendment thereto without being required to seek any further consent or approval of the members or otherwise to the end that the members shall deem to have expressed their approval expressly or otherwise giving authority to this resolution.

Resolved further that the Board be and is hereby authorised to delegate or any other authority otherwise confers herein any Committee of the Board or Executive Chairman or any officer of the company to give effect to the above resolutions.

11. To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary Resolution:

Resolved that pursuant to the direction of the BIFR in its order dated 22nd October 2003 and subject to the approval as may be necessary the consent of the company be and is hereby accorded in terms

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of Section 293(1)(a) and other applicable provisions if any of the Companies Act 1956 to the Board of Directors of company (hereinafter referred to as the Board which term shall be deemed to include any Committee which the Board may constitute to exercise its power) to mortgage and/or create charge over the Armenian Street property (land and building) at 106 Armenian Street, Chennai and Hoff Plant link coner 17280 spindles as additional collateral security for the amount of dues to the Indian Bank, not exceeding Rs 3247 lakhs in respect of loan availed by Binny Lorze Ltd. and,

b) further resolved that the Board of Directors be and are hereby authorised to finalise documents for creating the aforesaid charge/providing collateral security for the abovesaid amounts borrowed by Binny Lorze Ltd. from Indian Bank and to do all such acts and things as may be necessary for giving effect to the above resolution.

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

Resolved that pursuant to the direction of the BIFR in its order dated 22nd October 2003 and subject to the approval as may be necessary the consent of the company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions if any of the Companies Act 1956 to the Board of Directors of company (hereinafter referred to as the Board which term shall be deemed to include any Committee which the Board may constitute to exercise its power) to mortgage and/or create charge over the three properties viz. Carnatic Mill Village, Coal Yard and Belvedere Village as security to the consortium of banks consisting of Indian Bank, Oriental Bank of commerce, Bank of Baroda and The Federal Bank Ltd. for an amount not exceeding Rs. 950 lakhs for the interest payable on the loan/credit facilities availed by the company.

b) Resolved further that the Board of Directors be and are hereby authorised to finalise documents for creating the charge for the above said amount borrowed by the company from the abovesaid consortium of banks and to do all such acts and things as may be necessary for giving effect to the above Resolution.

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

Resolved that in supersession of the resolutions passed by the Members in the Annual General Meeting held on 28th December 2001, the securities of the company be and are hereby continued to be listed in the Stock Exchange, Mumbai.

Further resolved that the Board of Directors of the company be and are hereby authorised to make petition/applications to the Stock Exchange, Mumbai to accomplish the objectives of the above resolution.

Registered Office:
106, Armenian Street
Chennai 600 001
26th November 2003

BY ORDER OF THE BOARD

D. KALAIYARASU
COMPANY SECRETARY

NOTES:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to vote instead of himself and such proxy need not be a member. Proxy forms, complete in all respects, should be deposited at the Registered Office of the company not later than 48 hours before the commencement of the Meeting. Form of proxy is enclosed.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of items No.6 to 13 is annexed.
3. The Register of members and the Share Transfer Books of the Company will remain closed from Wednesday the 17th December 2003 to Wednesday the 24th December 2003 (both days inclusive.)
4. Members are requested to intimate changes, if any in their registered address to the company immediately.

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5. A separate resolution under Section 372A of the Companies Act 1956 is being forwarded to the Members for passing the resolution under Postal Ballot System as provided under Section 192A of the Companies Act 1956.
6. In terms of clause 49 of the Listing Agreement with Stock Exchanges, brief details pertaining to the Directors who are proposed to be reappointed at this meeting are attached.

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

ITEM No. 6

- A) The BIFR has sanctioned a Scheme of Rehabilitation in its order dated 22nd October 2003. The salient features of the Scheme are:

The dues of the secured creditors (excluding interest on the basic dues) should be discharged as one time settlement. After the settlement of the secured creditors, Binny Limited would be split into two companies. Binny Limited and Binny Karnataka Ltd; the effective date of demerger would be 1st April 2003.

BINNY LIMITED (BL)

- a) to be owned, managed and controlled by the Ethurajan Group.
- b) BL retain
 - B & C Mills at Perambur, Chennai, the Services Division including Cold Storage at Cochin, Mining in Andhra Pradesh, showrooms at Chennai and Calcutta, Regional Offices at Mumbai and Delhi, land and buildings belonging to the company in the State of Tamil Nadu and all current assets and liabilities and provisions and carried over losses relating to these divisions together with contributions brought in by the promoters.
 - BL would be shifting the plant location near Kancheepuram over an area of not less than 50 acres. The company will run 170 looms and a processing house.
 - the Bangalore Woollen, Cotton & Silk Mills together with the land relating to the Mills, Agraharam Road and Tank Bund property at Bangalore and all current assets and liabilities relating to the manufacturing operations.
 - The company will also run 90 picanol looms and 66 silk looms either at the same location or at a new location in Bangalore
- c) Binny Engineering Ltd. would be under Binny Limited.

BINNY KARNATAKA LTD (BKL)

to be owned, managed and controlled by the Co-promoters viz. ETA Group.

Ownership of the land and building at Bangalore excepting mill area, Agraharam Road, Tank Bund Road Properties would be vested with BKL at Book Value viz. Binny Fields, Binnypet, Binnyston Garden, Hosakere Road, Baiderahally, Commissariat Road, Recreation Hall, Magadi Road, Goripalayam, HMG Strathern, HMG Rother, HMG Chiddingston, HMG Hebbal Mills, Nandidurg Road property.

All the liabilities to institutions, State Bank of India, Debenture holders and Government of India as on 31.3.2001 amounting to Rs. 4588 lakhs would be frozen and transferred to BKL together with the contributions brought in by the Co-promoters and losses relating to the assets transferred to BKL.

The existing joint venture arrangement for development of Hebbal Mills and Binny Crescent properties in Bangalore with HMG Engineering Ltd. already agreed as per sanctioned scheme of 1994 would continue and the profit from the joint venture would be shared on 50 : 50 basis between Binny Karnataka Ltd. and HMG.

After the demerger, BKL would change the name of the company and shall not use the word "Binny" its emblem/ logo in any manner.

BIFURCATION OF SHARES

On demerger, the existing public shareholding of the company (other than the promoters and co-promoters) will stand cancelled and fresh shares would be issued to all the existing public shareholders at the face value of Rs. 5 each in Binny Limited and Binny Karnataka Ltd. Hence, for every one equity and preference share of Rs. 10 each owned by the public shareholders of Binny Limited on the date of sanction of scheme, the said shareholder will get two new equity shares (or preference shares as the case may be) of face value of Rs. 5 each one share of BL and one share of BKL.

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On demerger, for every one share of Rs. 10 each fully paid up and owned by the promoters in Binny Limited, they will get two new shares of face value of Rs. 5 each fully paid up in Binny Limited. Similarly, for every one share of Rs. 10 each fully paid up and owned by the co-promoters in BL they will get two new shares of face value of Rs. 5 each in BKL.

The promoters of BL will not have any shareholding in BKL. Similarly, co-promoters will not have any shareholding in Binny Ltd. With this arrangement, the Ethurajan Group and the ETA Group would be able to own, control and manage Binny Limited and Binny Karnataka Ltd. respectively as separate legal entities, completely independent of each other.

The Board of Directors of BL without any further act, deed or payment, the shares held by the members as at 22.10.2003 shall issue and allot to the Members as per their abovesaid entitlement after bifurcating the shareholding.

While allotting shares as aforesaid, the Board of Directors shall not issue and allot to the members in respect of their fractional entitlements, odd lots and less than marketable lot of 25 shares but dispose of such fractional entitlements in the marketable lots to any person as they deem fit and distribute the net sale proceeds thereof after deducting their expenses to the shareholders in proportion to their entitlement.

The Board of Directors of BL shall ascertain the shareholders of BKL and their respective shareholdings as on the date 22.10.2003 and intimate/advise/direct BKL to issue and allot shares to such shareholders as per their entitlements without any further act or deed or payment. Thereafter such shareholders shall be the shareholders of BKL.

BOARD RESTRUCTURE

After the completion of demerger as per the Scheme of Rehabilitation and payment of dues of secured creditors, the composition of the Board of Directors would be as under:

Binny Limited

M. Ethurajan

M.E. Shanmugam

M. Nandagopal

S. Natarajan

V.R. Venkatachalam

K. Kannan, BIFR Special Director

R. Narayanan, Independent Director

Binny Karnataka Ltd

P.H.M. Syed Ismail

Ashraf Abdul Rahman Buhari

N.D.S. Sadak Ansari

Abdul Kader Rahman

The Board brings to the notice of the members that the Scheme of Demerger and consequent vesting of properties are pursuant to the provisions of SICA 1985, the scheme will be effective and operational and valid in law without any further act, deed or thing on the part of the company. In view of the operation of law, notwithstanding the fact of any provisions of Companies Act, 1956 SEBI Rules and Regulations, Substantial Acquisition or any other law for the time being in force, the company will have to implement and give effect to the scheme. The members are therefore informed of the salient features of the scheme in the Explanatory Statement hereinabove. The BIFR order dated 22.10.2003 is available for inspection by the members at the Registered Office during the business hours.

The Directors shall be deemed to be interested to the extent of the shares held by them in the company.

ITEM Nos. 7,8,9

- i) Presently the authorised capital of the company is Rs. 41,00,00,000 divided into 3,90,00,000 equity shares of Rs. 10 each and 20,00,000 preference shares of Rs. 10 each. The BIFR in its order dated 22.10.2003 directed to split Binny Limited into Binny Limited and Binny Karnataka Ltd., the effective date of the demerger is 1.4.2003. It has inter alia directed to cancel the existing shares of Rs. 10 each and issue fresh shares for every one share held by the Members of the face value of Rs. 5 each one in BL and one in BKL as at the date of the BIFR order.
- ii) The BIFR permitted the promoters to convert their unsecured loan already brought in for the rehabilitation of the company Rs. 25 crores with a dividend rate to give a yield not higher than that of SBI's PLR rate of interest, after considering tax benefits, if any on the date of allotment.

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- iii) The promoters unsecured loan already brought in or propose to bring in for implementing the Scheme of Rehabilitation expressed their intention to convert the unsecured loan into cumulative redeemable preference shares not exceeding Rs. 79,00,00,000 with a dividend rate to give a yield not higher than that of SBI's PLR rate of interest after considering tax benefits, if any, on the date of allotment.
- iv) The existing authorised share capital and the classifications of shares, face value of the shares are not sufficient to implement the order of the BIFR as well as to issue further preference shares to the promoters and their nominees. Therefore it has become necessary to increase the authorised share capital of the company, reclassify the existing share capital and of face value of Rs. 5 each
- v) Consequently, the capital clause V of the MOA, has to be amended to increase and reclassify the existing share capital to enable the company to issue shares of Rs. 5 each

ARTICLES OF ASSOCIATION

The existing Article 3 of the Articles of Association is not adequate to implement the order of the BIFR and issue further above said preference shares. Therefore the present Article should be altered, amended suitably to enable the company for giving effect to the abovesaid such alteration/amendment.

The alterations of the capital clause of memorandum and Articles of Association are subject to the approval of the Members at the AGM of the company. The Board of Directors recommend the resolutions and place before the shareholders for approval.

None of the Directors is interested in the resolutions except the promoter directors inasmuch as to the issue of preference shares in private placement to them and their nominees.

ITEM No. 10

Issue of Preference shares

The promoters of the company expressed their intention to convert their unsecured loan not exceeding Rs. 79 crores as Cumulative Redeemable Preference shares with a dividend rate to give a yield not higher than that of SBI's PLR rate of interest, after considering the tax benefits if any, on the date of allotment. Accordingly, it is recommended by the Board of Directors of the company to issue not more than 15,80,00,000 fully paid up redeemable cumulative preference shares of Rs. 5 each to the promoters, their nominees in private placement which the promoters had already brought in or proposed to bring in to the company as unsecured loan to rehabilitate the company. The Board of Directors recommend the resolution for the approval of the shareholders.

The salient features of terms of issue of the redeemable cumulative preference shares are :

The terms of issue

1. Face value of Rs. 5 each. Every share shall be allotted on the basis of the application received on private placement from the promoters, their nominees, associates and bodies corporate. The decision of the Board as to the basis of allotment, shall be final and binding.
2. The Preference shares shall primarily be allotted to the promoters, their nominees, their associate companies, bodies corporate against their willingness to subscribe for the same with a dividend rate to give a yield not higher than that of SBI's PLR rate of interest, after considering the tax benefits if any, on the date of allotment.
3. The Preference shares shall be redeemable at par at the end of 3 years after complying with the provisions of the Companies Act, 1956 and any other enactment provision of any other law.
4. The Preference shares shall be redeemable at the option of the company after the end of one year from the date of allotment of such shares. The Board will announce the period during which redemption will take place in subsequent years.
5. The Preference shares shall be redeemed in one or more tranches.
6. The Preference shares carry dividend rate to give a yield not higher than that of SBI's PLR rate of interest, after considering tax benefits, if any prevailing at the time of allotment. The dividend will be paid to the shareholders whose names appear in the Register of members as on the relevant date/s for the purpose of payment of dividend.
7. The company reserves the right to amend the terms of preference shares set out, to such approvals as may be required, modifications of rights of preference shareholders can be made as per the provisions of the Act.

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8. The preference shares shall be issued in physical form only and these shares shall not be listed in any of the Stock Exchanges.

None of the directors is concerned or interested in the resolutions except the promoters who are deemed to be interested to the extent of allotment of preference shares to them.

ITEM No. 11

The BIFR in its order dated 22nd October 2003 directed the company to provide Armenian Street property and hof plant - link coner 17280 spindles as additional collateral security to Indian Bank for the loan/ advance /credit facility availed by Binny Lorze Ltd. for an amount not exceeding Rs. 3247 lakhs. The provision of additional collateral security shall be by way of mortgaging/creating charge on the above said assets of the company in favour of the Indian Bank and since the mortgage/creating charge on the assets of the company may be regarded as disposal of the company assets, it is necessary, for the members to pass a resolution under Section 293(1)(a) and other applicable provisions if any of the Companies Act,1956 before creating the said charge.

The Board of Directors recommend the resolution for approval of the members of the company.

The Directors Mr. M. Ethurajan, Mr. V.R. Venkatachalam and Mr. S. Natarajan are interested as they are also directors of Binny Lorze Ltd.

ITEM No. 12.

The crystallised dues to the secured creditors and consortium of banks (excluding the interest) have been discharged as per the BIFR order dated 22.10.2003. The interest dues to the consortium of banks amounting to Rs. 950 lakhs has to be paid before 31.12.2003. As directed by the BIFR till the payments are made, the company would provide the properties viz Belvedere Village, Carnatic Mill Village and Coal yard as security and mortgage/create charge in favour of the Consortium of banks which may be regarded as disposal of the company assets. Therefore it is necessary to pass resolution under Section 293(1)(a) of the Companies Act,1956 before creating the said mortgage/charge. The Board of directors recommend the resolution for approval of the members of the company.

None of the Directors is interested in this resolution.

ITEM No. 13

The members at the Annual General Meeting held on 28.12.2001 had passed resolutions for delisting the company's securities from the Stock Exchange, Mumbai. Since the Stock Exchange, Mumbai has not formulated any Rules/Regulations for such delisting, the securities could not be delisted immediately. Subsequently, considering the existing scenario and cater to the existing members in that region the Board of Directors at their meeting held on 30th July 2003 resolved to continue the listing of company's securities in the Stock Exchange, Mumbai and also informed to this Stock Exchange in this regard. Therefore it is necessary to pass resolution by the members to annul the resolution of delisting the securities. The resolutions are placed before the Members for their approval.

None of the Directors is interested in this resolution.

Registered Office:
106, Armenian Street

Chennai 600 001
26th November 2003

BY ORDER OF THE BOARD

D. KALAIYARASU
COMPANY SECRETARY