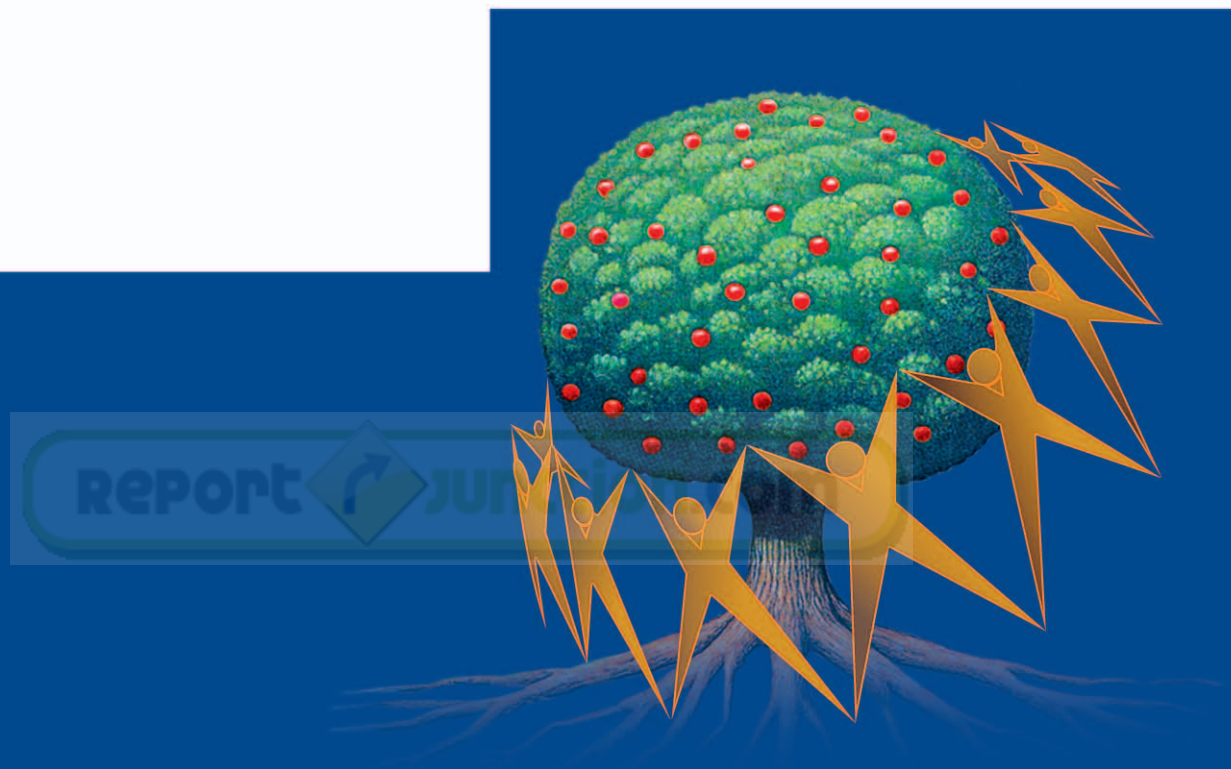


CATALYSING TO THE NATION'S GROWTH

Annual Report 2005 – 2006



Bharat Heavy Electricals Limited

*Brightening lives...
... Powering progress*

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Board of Directors

(As on 15.07.2006)

Shri Ashok K. Puri

Chairman & Managing Director

Shri Naresh Chaturvedi

Director

Dr. Surajit Mitra

Director

Shri Vineet Nayyar

Director

Shri Sanjay M. Dadlika

Director

(From 16.11.2005)

Shri Ashok K. Aggarwal

Director

(From 16.11.2005)

Shri Manish Gupta

Director

(From 16.11.2005)

Shri Shekhar Datta

Director

(From 16.11.2005)

Shri Raman Singh Sidhu

Director

(From 04.01.2006)

Shri Madhukar

Director

(From 05.07.2006)

Shri Ramji Rai

Director (E, R&D)

Shri S.K. Jain

Director (HR)

Shri A. K. Mathur

Director (IS & P)

Shri K. Ravi Kumar

Director (Power)

Shri C.S. Verma

Director (Finance)

Shri N.K. Sinha

Company Secretary

Management Committee

(As on 15.07.2006)

Ashok K. Puri

Ramji Rai

S.K. Jain

K. Ravi Kumar

A.K. Mathur

C.S. Verma

A. Bhattacharya

P.T. Deo

R.K. Belapurkar

C.P. Singh

S.K. Gupta

Dr. V. Gopalakrishnan

V.K. Pande

S.C. Vig

R.K. Singh

V. Viswanathan

D. Indran

M.L. Sah

P.S. Kulshrestha

R.K. Bhattacharya

S. Sathyanarayanan

V.K. Jain

Pankaj Sharma

B.P. Rao

- Chairman and Managing Director

- Engg. Research & Development
Corporate Research & Development
Corporate Monitoring, Materials
Management
Investment Planning, Manufacturing
Technology

- Human Resources
Human Resource Development Institute
Corporate Information Technology
Corporate Communication

- Power Business
Power Sector Regions - North, East, South & West
Spares & Services Business

- Industrial Systems including Captive Power
Plants &
Products Business
Transmission Business
Transportation Business
Ceramics Business Unit
Component Fabrication Plant

- Finance
Internal Audit & Taxation
Financial Services

- Corporate Planning & Development

- Heavy Electricals Plant
Electrical Machines Repair Plant
International Operations Business

- Heavy Power Equipment Plant

- Heavy Electrical Equipment Plant
Central Foundry Forge Plant
Pollution Control Research Institute

- High Pressure Boiler Plant
Seamless Steel Tube Plant
Industrial Valves Plant
Piping Centre
Welding Research Institute

- Transmission Business

- Power Sector - Marketing

- Power Sector- Western Region

- Electronics Division
Electronics Systems Division
Industrial Systems Group

- Power Sector-Southern Region

- Power Sector-Eastern Region

- Corporate Human Resource
Corporate Communication
Corporate Productivity
Health, Safety & Environment

- Corporate Engg. & Product Development
Advance Research Project
Technology Licensing & Joint Ventures

- Boiler Auxiliaries Plant

- Transformer Plant

- Power Sector-Northern Region

- Secretary, Management Committee



Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

FORM OF PROXY

FOLIO/ID NO.

NO. OF SHARES

I/We of
..... in
the District of
being a member/members of the above named Company, hereby appoint
of in the District of or failing
him/her
of in the District
of as my/our proxy
to vote for me/us on my/our behalf at the 42nd Annual General Meeting of the Company to be held on
15th September 2006 and at any adjournment thereof.

Signed this day of 2006.

Affix One
Rupee
Revenue
Stamp

- Notes : a) The form should be signed across the stamp as per specimen signature registered with the Company.
b) The form should be deposited at the Registered Office of the Company forty-eight hours before the
time for holding the Meeting.

Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

ATTENDANCE SLIP

42nd ANNUAL GENERAL MEETING

to be held on Friday, the 15th day of September, 2006

at 10.00 AM at FICCI Auditorium, Barakhamba Road, New Delhi-110 001.

NAME OF THE ATTENDING MEMBER
(IN BLOCK LETTERS)

Folio. / ID No.

No. of shares held

NAME OF PROXY

(IN BLOCK LETTERS, TO BE FILLED

IN IF THE PROXY ATTENDS INSTEAD OF THE MEMBER)

I hereby record my presence at the 42nd Annual General Meeting on 15th September 2006.

Signature of Member/Proxy

THIS ATTENDANCE SLIP DULY FILLED TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

TEAR HERE



Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

Dear Shareholder(s),

Re: Payment of dividend through Electronic Clearing Services (ECS)

In case you have not already sent the ECS/Bank Account particulars to our Registrars, viz, M/s Karvy Computershare Pvt. Ltd. or to your Depository Participant (in case of demat holding), we would request you to provide the said particulars in the format given below to facilitate prompt, safe and correct payment of dividend to be declared in the 42nd Annual General Meeting of the company to be held on 15th September 2006.

Please ensure that the details submitted by you to the Registrars / Depository Participant are correct as any error therein could result in the dividend amount being credited to wrong account.

Payment of dividend through ECS and / or to the designated Bank Account, which will appear on the dividend warrant, will help to prevent fraudulent encashment of dividend warrants.

Kindly help us in our endeavour to serve you better.

Yours faithfully

Sd/-

(N.K. Sinha)

Company Secretary

P.S. In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your Bank account particulars / ECS mandate.

FORM FOR ECS MANDATE/BANK ACCOUNT PARTICULARS

I/We do hereby authorise BHEL/my Depository Participant to

☐ Print the following details on my/our dividend warrant

☐ Credit my dividend amount to my Bank account by ECS

(Strike out whichever is not applicable)

My/our Folio No. DP ID No. Client A/c No.

Particulars of Bank Account :

- | | | |
|-----------------------------------------------------------------------------|---|-------|
| A. Bank Name | : | |
| B. Branch Name | : | |
| (Address for Mandate only) | : | |
| C. 9 digit code number of the bank & branch as appearing on the MICR cheque | : | |
| D. Account Type (Saving/Current) | : | |
| E. Account No. as appearing on the cheque book | : | |
| F. STD code & Telephone No. of Shareholder | : | |

I/we shall not hold the company responsible if the ECS could not be implemented or the Bank discontinue the ECS, for any reason.



M/s Karvy Computershare Pvt. Ltd.
UNIT : BHEL
Karvy House, 46, Avenue 4,
Street No.1, Banjara Hills,
HYDERABAD-500034

.....
Signature of the Shareholder(s)

Please attach the photocopy of a cheque or a blank cancelled cheque issued by your bank relating to your above account for verifying the accuracy of the 9 digit code number.



Form 2B

[See rules 4CCC and 5Dof Companies (Central Govt.'s) General Rules & Forms, 1956]

NOMINATION FORM

(To be filled in by individual (s) applying singly or jointly)

I/We and and
the holders of Shares bearing number (s) of Bharat Heavy Electricals
Limited wish to make a nomination and do hereby nominate the following person (s) in whom all rights of transfer
and/or amount payable in respect of shares shall vest in the event of my or our death.

Name (s) and Address (es) of Nominee (s)

Name :

Address :

Date of Birth* :

(*to be furnished in case the nominee is a minor)

** The Nominee is a minor whose guardian is

Name and Address

.....

.....

(* to be deleted if not applicable)

Signature :

Name :

Address :

Date :

Signature :

Name :

Address :

Date :

Signature :

Name :

Address :

Date :

Address, Name and Signature of two witnesses :

	Name and Address	Signature with date
1.		
2.		

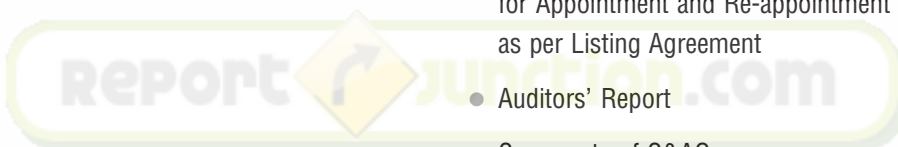
Instructions :

- The Nomination can be made by individuals only applying/holding shares on their own behalf singly or jointly, Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of power of attorney cannot nominate. If the shares are held jointly, all joint holders will sign the nomination form. Space is provided as a specimen, if there are more joint holders, more sheets can be added for signatures of holders of shares and witness.
- A minor can be nominated by a holder of shares and in that event the name and address of the Guardian shall be given by the holder.
- The nominee shall not be a Trust, Society, Body corporate, Partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A non-resident Indian can be a nominee on repatriable basis.
- Nomination stands rescinded upon transfer of share.
- Transfer of share in favour of a nominee shall be valid discharge by a Company against the legal heir.
- The intimation regarding Nomination/Nomination Form shall be filed in duplicate with Company/Registrar and Share Transfer Agent of the Company who will return one copy thereof to the shareholder.



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Bharat Heavy Electricals Limited

Regd. Office : BHEL House, Siri Fort, New Delhi - 110 049

NOTICE

Notice is hereby given that the 42nd Annual General Meeting of the Members of BHARAT HEAVY ELECTRICALS LIMITED will be held on 'Friday', the 15th September, 2006 at 10.00 A.M. at FICCI Auditorium, Barakhamba Road (Tansen Marg), New Delhi-110001, to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2006 and the Profit & Loss Account for the financial year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Vineet Nayyar, who retires by rotation and being eligible, offers himself for re appointment.
4. To appoint a Director in place of Shri Naresh Chaturvedi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To fix the-remuneration of the Auditors.

SPECIAL BUSINESS

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

"RESOLVED THAT Shri Sanjay M. Dadlika, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Shri Ashok K. Aggarwal, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with

Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Shri Manish Gupta, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Shri Shekhar Datta, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Shri Raman Singh Sidhu, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

“RESOLVED THAT Shri Madhukar, who was appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and who holds Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from the Director himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company.”

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

“RESOLVED THAT Shri C.P. Singh who has been appointed as an Additional Director pursuant to Article 67 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f 01/09/2006 to hold Office upto the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing, from himself pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company.”

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, and subject to approval of the Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises, Government of India, the Articles of Association of the Company be and is hereby altered in the following manner:

A) By deletion of existing Article 69 (22) together with all the conditions vide (i) to (iii) provided thereunder and substituting therefor Article 69 (22) with marginal notes reading as “To establish Joint Venture and Wholly Owned Subsidiaries” as follows:

69 (22) To establish financial Joint Ventures and Wholly Owned Subsidiaries in India or abroad provided the equity investment of the Company is limited to the following:

- i) 15 per cent of the networth of the Company in one project limited to Rs.1000 Crores.

- ii) 30 per cent of the networth of the Company in all projects put together.

B) By insertion of new sub-clause 23 under existing Article 69 numbered as Article 69(23) immediately after Article 69 (22) with the marginal notes reading as “Mergers and Acquisitions”.

69 (23) To approve Mergers & Acquisitions subject to the conditions that:

- (i) It shall be as per the growth plan and in the core area of functioning of the Company.
- (ii) Conditions / limits shall be as in the case of establishing joint ventures / subsidiaries, and within the overall ceiling of 30 per cent of the networth of the Company for Joint ventures / subsidiaries, Mergers & Acquisitions put together;
- (iii) The Cabinet Committee on Economic Affairs (CCEA) shall be kept informed in case of investments abroad.

C) By insertion of new sub-clause (d) under existing Article 69 (4) numbered as Article 69 (4) (d) with the marginal notes reading as “Sub-delegation of powers relating to Human Resource Management”.

69 (4) (d) to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub committees of the Board or to executives of the Company, as may be decided by the Board of Directors.”

By Order of the Board of Directors
Sd/-
(N. K. SINHA)
COMPANY SECRETARY

New Delhi

Dated: 11th August, 2006

Registered Office:

“BHEL House”, Siri Fort, New Delhi-110 049.

Notes:-

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



PROXY FORM DULY COMPLETED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS (48 HOURS) BEFORE THE SCHEDULED TIME OF THE ANNUAL GENERAL MEETING. BLANK PROXY FORM IS ENCLOSED.

2. Relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business, as set out above is annexed hereto.
3. Brief resume of each of the Directors proposed for appointment and re-appointment is given as Annexure-2 to the Directors' Report.
4. Shri Vineet Nayyar and Shri Naresh Chaturvedi, Directors, retire by rotation and being eligible, offer themselves for reappointment. However, as per terms of appointment, the tenure of Shri Vineet Nayyar is upto 28.02.2007.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from 5th September, 2006 -15th September, 2006 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.
6. Members are advised to submit their Electronic Clearing Service (ECS) mandates in the form (given elsewhere in the Annual Report) duly filled in and signed, to enable the Company to make remittance by means of ECS.
7. The Board of Directors have recommended a dividend of 145% for the financial year 2005-06 including interim dividend of 40% and special interim dividend of 85% already paid during the year.
8. The final dividend on the Equity Shares as recommended by the Board of Directors for the year ended 31st March, 2006 when sanctioned at the Annual General Meeting of the Company will be payable within 30 days from the date of declaration of dividend by the members i.e. on or before 14th October, 2006, to those shareholders whose name appears on the Company's Register of Members or as the beneficial owner of shares in the records of the Depository as on Tuesday, the 5th September, 2006.
9. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, as amended, the dividend amounts which remain unpaid / unclaimed for a period of 7 years, are required to be transferred to the Investors Education & Protection Fund of the Central Government. After that there remains no claim of the members whatsoever on the said amount. Accordingly, the dividend for the Financial year 1998 99 which remains unclaimed is due to be transferred to the said account after 30th September 2006 and for the further years commencing from 1999-2000 onwards on their respective due dates.

Members who have not claimed / encashed their Dividend so far for the financial year ended 31st March 1999 or any subsequent financial year(s) may approach the Company for obtaining payments thereof before expiry of the stipulated 7 years period.

10. Members may avail facility of nomination in terms of Section 109A of the Companies Act, 1956, by nominating in the Form-2B (given elsewhere in the Annual Report) any person to whom their shares in the Company shall vest in the event of their death.
11. Pursuant to Section 619(2) read with Section 224 (8) (aa) of the Companies Act, 1956, the Auditors of a Government Company shall be appointed or re appointed by the Comptroller and Auditor General (C&AG) of India and their remuneration has to be fixed by the Company in the Annual General Meeting. The appointment of Statutory Auditors of the Company for the year 2006-2007 is awaited from C&AG of India. The General Meeting may, authorise the Board to fix up an appropriate remuneration of Auditors for the year 2006-2007 after taking into consideration the increase in volume of work and prevailing inflation.
12. A corporate member shall be deemed to be personally present only if it is represented in accordance with Section 187 of the Companies Act, 1956 i.e. only if the corporate member sends certified true copy of the board resolution / power of attorney authorizing the representative to attend and vote at the Annual General meeting.
13. Members are requested to notify immediately any change of address:
 - i. to their Depository Participants (DPs) in respect of their electronic share accounts, and
 - ii. to the Company at its Registered Office in respect of their physical shares, if any , quoting their folio number, Banker's name and account number to ensure prompt and safe receipt of dividendwarrants.
14. Members attending the meeting are requested to complete the enclosed Attendance Slip and deliver the same at the entrance of the meeting venue. However, entry to the Auditorium will be strictly on the basis of the entry slip available at the counters at the venue and to be exchanged with attendance slip.
15. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company at least a week prior to the date of the meeting, so that the information required can be made readily available at the meeting.
16. Members are requested:-
 - i) to bring their copies of Annual Report, Notice and Attendance Slip at the time of the meeting.

- ii) to quote their Folio Nos. / ID Nos. in all correspondence
- iii) to note that no briefcase or bag will be allowed to be taken inside the auditorium for security reasons.
- iv) to note that no gifts will be distributed in the AGM.

By Order of the Board of Directors

Sd/
(N. K. SINHA)
COMPANY SECRETARY

New Delhi.

Dated: 11th August, 2006

Registered Office:

“BHEL House”, Siri Fort, New Delhi-110 049.

ANNEXURE TO THE NOTICE

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

The following explanatory statement sets out the material facts relating to the business mentioned in Item Nos. 6 to 13 of the accompanying Notice dated 11th August, 2006.

ITEM NO. 6

Shri Sanjay M. Dadlika aged 42 years is a Social Worker. As per the direction of the Govt. of India, Shri Dadlika was appointed as an Additional Director of the Company w.e.f. 16.11.2005 to hold the Office for a period of three years i.e. upto 15.11.2008 or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Dadlika holds office till the date of this Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Sanjay M. Dadlika is in any way concerned or interested in the resolution.

Shri Dadlika presently holds ten (10) equity shares in the company.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 7

Shri Ashok K. Aggarwal aged 55 years is an Industrialist. As per the direction of the Govt. of India, Shri Aggarwal was appointed as an Additional Director of the Company w.e.f. 16.11.2005 to hold the Office for a period of three years i.e. upto 15.11.2008 or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Aggarwal

holds office till the date of this Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Ashok K. Aggarwal is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 8

Shri Manish Gupta aged 64 years is a retired Civil Servant. As per the direction of the Govt. of India, Shri Gupta was appointed as an Additional Director of the Company w.e.f. 16.11.2005 to hold the Office for a period of three years i.e. upto 15.11.2008 or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Gupta holds office till the date of this Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Director himself, proposing his candidature for the Office of Director of the Company.

None of the Directors of the Company except Shri Manish Gupta is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO. 9

Shri Shekhar Datta aged 68 years is a Mechanical Engineer from London. As per the direction of the Govt. of India, Shri Datta was appointed as an Additional Director of the Company w.e.f. 16.11.2005 to hold the Office for a period of three years i.e. upto 15.11.2008 or until further orders, whichever event occurs the earliest. Having been so appointed, Shri Datta holds office till the date of this Annual General Meeting by virtue of Section 260 of the Companies Act, 1956 read with Article 67(iv) of the Articles of Association of the Company, and is eligible for re-appointment.

In terms of Section 257 of the Companies Act 1956, the Company has received a Notice in writing along with a deposit of Rs.500/- from the Director himself, proposing his candidature for the Office of Director of the Company.