



Empee Sugars and Chemicals Limited



Annual Report 2004–2005

CERTIFICATE

QUALITY MANAGEMENT

Empee Sugars & Chemicals Ltd
Ayyapareddypalem, Naidupeta Mandalam,
Nellore District, Andhra Pradesh, Pin Code 524 126
INDIA

has established and applied a Quality Management System
in accordance with the requirements of

DIN EN ISO 9001:2000

with respect to the following scope of supply:

Manufacture of Sugar, Alcohol and allied products

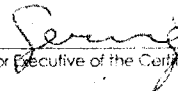
The fulfilment of the standard was verified by a Quality Audit.

Certified in Gosheim,
on April 01, 2004

This certificate is valid
until March 31, 2007



President of the Certification Body



Senior Executive of the Certification Body

GLOBALCERT GmbH
Hauptstraße 39 · D-78559 Gosheim

GCE GLOBALCERT



TGA-ZM-19-94-00



Certificate serial number
7000535399-001

BOARD OF DIRECTORS

Mr. M.P. Purushothaman Chairman & Managing Director
Mrs. A.K. Aruna
Mr. M. Ravindran
Mr. M. K. Mohan
Lt. General R.S. Nagra (Retd.)

COMPANY SECRETARY

Mr. Pradipta Kumar Das

AUDITORS

Mr. R. Rajagopalan
Chartered Accountant
15, Station Road
West Mambalam
Chennai – 600 033

BANKERS

Indian Bank
Union Bank of India
Bank of Maharashtra
Federal Bank Ltd.

REGISTERED OFFICE & FACTORY

Ayyapareddipalem
Naidupet – 524 126
Nellore Dist.
Andhra Pradesh

ADMINISTRATIVE OFFICE

'Empee Tower'
59, Harris Road
Pudupet
Chennai – 600 002

NOTICE TO SHARE HOLDERS

NOTICE is hereby given that the fifteenth Annual General Meeting of Empee Sugars and Chemicals Limited will be held on Friday, the 23rd December 2005 at 10.15 a.m. at the Registered Office of the Company at Ayyapareddipalem Village, Naidupet Mandal, Nellore District, Pin code - 524 126, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet of the Company as at 30th June 2005, the Profit and Loss Account for the year ended on that date, the reports of the Auditor and the Board of Directors thereon.
2. To appoint a Director in the place of Mr.M.Ravindran who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company and to fix their remuneration.

Mr.R.Rajagopalan, Chartered Accountant, Chennai, who retires at this meeting, being eligible offers himself for reappointment.

SPECIAL BUSINESS

To consider and if thought fit to pass with or without modification the following resolution:

4. As special resolution Reappointment of Chairman and Managing Director

RESOLVED that in accordance with the provisions of Section 198, 269 & 309 read with schedule XIII to the Companies Act, 1956, the consent of the Company be and is hereby accorded to the reappointment of Mr.M.P.Purushothaman as Chairman & Managing Director of the Company for a period of five years with effect from 25.12.2005 within the following terms as to remuneration as set out hereafter and with further liberty to the Board of Directors from time to time to alter the said terms in such manner as may be agreed to between the Board of Directors and Mr.M.P.Purushothaman, in the best interest of the company within the limitations in that behalf as contained in Schedule XIII to the said Act, viz:

A. Salary: Rs.1,00,000/- per month.

B. Perquisites: (The aggregate value whereof shall not exceed the annual salary in a year)

Rent-free furnished accommodation with service of personnel for maintenance and protection thereof.

Reimbursement of medical expenses for self and family.

Leave travel concession for the self and family once in a year in accordance with rules of the Company.

Private use of Company's car.

Free use of Telephone at residence.

Contribution to Provident Fund.

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

Encashment of earned leave as per Company's rules.

RESOLVED further that the remuneration shall not exceed Rs.1,50,000/- per month which the Company is entitled to pay in terms of para 1 of Section II of Part II of Schedule XIII, in the event of no profit or inadequacy of profits, during the tenure of his appointment.

5. As Ordinary resolution Appointment of Director

RESOLVED that Lt.General R.S.Nagra (Retd.) be and is hereby appointed as additional director of the company, liable to retire by rotation.

6. As Ordinary Resolution

Authority to Directors to borrow in excess of paid-up capital and free reserve

RESOLVED that in supersession to the earlier resolution pursuant to the provisions of section 293(1)(d) of the Companies act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its consent to the Board of Directors borrowing any sum or sums of money from time to time from any one or more of the company's bankers and/or from any one or more other persons, firms, bodies corporate, banks or financial institutions whether by way of cash credit, advance or deposits, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the company's assets and properties whether movable or immovable or stock-in-trade (including raw materials, and work-in-progress and all or any of the undertakings of the Company notwithstanding that the moneys to be borrowed together with moneys already borrowed by Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so however, that the total amount up to which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs.150 Crores only exclusive of interest, and the directors are hereby further authorized to execute such deeds of debentures and debenture trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Directors may think fit.

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EXPLANATORY STATEMENT

Item No.4 : Mr.M.P.Purushothaman was reappointed the Chairman & Managing Director of the Company with effect from 25.12.2000 for a period of 5 years and his term of office expires on 24.12.2005.

Statutorily the Company has to be managed by a Managing Director. Mr. M.P.Purushothaman was, for the first time appointed as Managing Director on 25.12.1990 for a period of 5 years upto 24.12.1995. He was then reappointed as Managing Director on 25.12.1995 for further period of 5 years upto 24.12.2000. He was again reappointed as Managing Director on 25.12.2000 for further period of 5 years which will expire on 24.12.2005. In view of the increased activities of the Company and the experience, expertise and contribution to the Company of Mr. M.P.Purushothaman, his reappointment as Chairman & Managing Director is considered essential. Mr.M.P.Purushothaman is well aware of the intricacies of company's business and is expected to duly discharge the function of Chairman & Managing Director as well. He is agreeable to continue to serve the company at the terms, if reappointed. Reappointment can be made at a time for a period not exceeding 5 years. The Board of Directors have recommended his reappointed as Chairman and Managing Director for a further period of 5 years from 25.12.2005 to 24.12.2010. The reappointment has to be approved by the company in general meeting. The approval is being sought by proposing the resolution under item No.4.

The approval of the Central Government is not necessary if the provisions of Schedule XIII are fulfilled. Having fulfilled the provisions of schedule XIII, Mr.M.P.Purushothaman is entitled to be appointed by the company without approval of the Central Government.

In compliance of clause (1) of Part III of schedule XIII the resolution approving the appointment and payment of remuneration is placed before the members for their approval.

This statement should be treated as an abstract of the terms of the contract with Mr.M.P.Purushothaman for the purpose of Section 302 of the Companies Act, 1956.

Mr.M.P.Purushothaman, Mrs.A.K.Aruna, Mr.M.Ravindran, Directors are deemed to be concerned or interested in the resolution.

Item No. 5

Lt.General R.S. Nagra(Retd.) was appointed as an additional director of the company, by the board of directors on 04.03.2005. He retires at the conclusion of this Annual General Meeting. Company has received a notice under section 257 of the Companies Act 1956,

from a member proposing his candidature for the office of the Director. The Directors of the company recommend the resolution for approval of the shareholders.

None of the directors are deemed to be concerned or interested in the resolution.

Item No.6 : At the Annual General Meeting of the Company held on 24.09.1992, the Company had accorded its consent under section 293(1)(d) of the companies Act, 1956, to the Board of Directors to borrow moneys up to a limit of Rs.50 Crores (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business). Keeping in view the expansion plans undertaken/to be undertaken by the Company and the further requirement of additional finance thereof, a fresh resolution is proposed superseding the earlier resolution, to empower the Board of Directors to borrow sum of money not exceeding Rs.150 Crores, in the manner(s) as enumerated in the resolution under item no 6. The Directors of the company recommend the resolution for approval of the shareholders.

None of the directors are deemed to be concerned or interested in the resolution.

/On behalf of the Board/

Place: Chennai.

M. P. PURUSHOTHAMAN

Date : 27.10.2005

Chairman & Managing Director

NOTE:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on a poll on his behalf and the proxy need not be a member. The proxy form duly completed and stamped must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
2. The Register of Members and Share Transfer Books of the Company were closed from 22nd December 2005 to 31st December 2005, both days inclusive.
3. Members/Proxies should bring the attendance slip duly filed in for attending the meeting.
4. Members are requested to intimate change if any, in their address to the Company at its Registered Office quoting their folio numbers.
5. Members/ Proxies attending the meeting are requested to bring their copy of the Annual Report for reference at the meeting.

/On behalf of the Board/

Place : Chennai

M. P. PURUSHOTHAMAN

Date : 27.10.2005

Chairman & Managing Director

DIRECTORS REPORT

To the members,

Your Directors are pleased to present the Fifteenth Annual Report together with the Audited Accounts for the financial year ended 30th June 2005.

FINANCIAL RESULTS

	Financial year ended 30.6.2005 (15 months)	Financial year ended 31.3.2004 (12 months)
		(Rs.'000)
Sales	881024	643871
Profit before Interest and Depreciation	117661	46946
Interest and other financial charges	44544	23965
Profit before depreciation	73117	22981
Depreciation	25908	20392
Net Profit/(Loss)	51001	2589

Performance of your company has turned around. The management of your company has been putting its effort all round to improve turn over and profitability, by continuously improving utilization, efficiency parameters and cost reduction and optimization, besides quality control and improvement.

Change of the financial year

Keeping in view the Sugar crushing season of the Company, the financial year has been changed from "April to March" to "July to June". With the change, the financial year will cover the entire crushing season and will reflect the true financial result of the total crushing operation. As a result the financial year under review that began on 1.4.2004 ended on 30.6.2005 and not on 31.3.2005. Financial year under review is for a period of 15 months. The previous year under comparison is from 1.4.2003 to 31.3.2004 consisting of 12 months.

DIVIDEND

In view of the accumulated losses, the directors have not recommended declaration of dividend for the year.

OPERATIONS

(I) Sugar Division:	Season 2004 - 2005	Season 2003 - 2004
Quantity of cane crushed (Tonnes)	216553	267997.96
Recovery (%)	9.45	9.28
Quantity of Sugar produced (Qtls)		
From Sugar cane	204751	248180
From Raw Sugar	200960	nil
TOTAL	405711	248180

(II) Industrial Alcohol Division:

	Period 2004 - 2005	Year 2003 - 2004
Quantity of RS produced (Ltrs)	8195946	5977364
Quantity of ENA produced by redistillation of the RS stock (Ltrs)	5643125	4738753

PERFORMANCE OF THE COMPANY

Your company's performance needs to be appraised against the backdrop of the industry's performance during 2004-05. From a situation of unmanageable production surpluses, the Indian sugar industry has moved to a state of deficit for the second year in a row. Sugar production touched a record 20.1 million tons in 2002-03 registered a fall of almost 31% to 13.8 million tons in 2003-04 and then further fall of 7% to 12.8 mn tons in the season 2004-05, owing to acute draught conditions and consequent drop in sugar cane output.

There was a decline in India's sugar output by around 36% in two consecutive years in the same line your company's cane crushing dropped by 36% to 216553 tons in 2004-05 compared to 341022 tons in 2002-03.

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This was due to the severe draught condition in the command area. The loss in production was however compensated by taking up raw sugar processing for the first time.

Recovery: The heartening point is that there has been a consistent improvement in the throughput. The recovery in the season 2004-05 improved to 9.45% from 9.28% in 2003-04 and 9.14% in 2002-03.

Realisations: Sugar prices revived during the year under review from abnormally low levels in the previous financial year as the country's production recorded a decline during the last two consecutive seasons. This decline corrected the imbalance between demand and supply, strengthening realizations. Your company capitalized effectively on this improvement through enhanced operational scale, product integration, and enhanced capacity utilization, ongoing cost cutting, and optimization, improvement in efficiency etc. in all areas of operation.

Cane dues

The company has paid off all old cane dues. It has embarked measures now plans to expand cane cultivation in new areas in the command area. The company is consistently endeavoring to convert the other crops to sugar cane by extending timely financial and other assistance, educating farming community, providing required seeds, manures including better varieties, fertilizers etc. for cultivation.

Raw sugar processing: Your Company has imported 44000 MT of raw sugar under advance license scheme and processed 20096 Mt during the year under review. Upto the date of this report company processed 42000 Mt of Raw sugar. Your company achieved yield of as high as 95 % from Raw sugar processed.

Distillery

The performance of the distillery improved substantially during year under review. There was a significant improvement in the yield, overall production and quality. The unit operated at a higher capacity and lower operational cost. The products of your company were well accepted by the market. There was a unprecedented hike in the price of molasses owing to fall in sugar cane crushing. India for the first time, had

to import molasses in large quantities to cover the sort fall, at much higher prices. The cost impact, however was setoff by the increased selling price of spirit. The IMFL industry is consistently growing, due to which demand and price for Spirit is firming up. The distillery continued to perform satisfactorily.

Keeping in view the increased demand for spirit owing to growth in the IMFL industry, your Company has undertaken expansion of the spirit manufacturing facility from 30 KL to 60 KL per day.(License for capacity expansion already in place). The expanded facility will be based on the latest technology of spirit manufacturing. The expanded capacity will be commissioned during the current financial year.

ONE TIME SETTLEMENT (OTS)

Your Company fully settled the term loan dues of Industrial Development Bank of India (IDBI) under OTS, during the year under review. In the similar lines Industrial Finance Corporation of India has also granted an OTS. Your Company has accepted the OTS and has paid Rs.100 lacs in the month July 2005. The balance will be settled within 6 months thereafter.

OPPORTUNITIES, THREAT AND OUT LOOK

Indian Sugar Industry

Indian sugar Industry has moved to a state of deficit for the second year in a row due to fall in sugar production from 20.1 million tons in 2002-03 to 13.8 million tons in 2003-04 and the 12.8 million tons in 04-05 . The sugar season of 2005-06 is expected to stage a strong recovery of more than 36 % over 2004-05, in production to about 17.4 mn tons. With expected consumption of 19.5 mn tons in 2005-06, production will fall short of the consumption in the next season. This would mean that the phenomenon of inventory feeding India's consumption will continue for the third consecutive year in season 05-06. This analysis shows that the ratio of closing inventory to next year's consumption is expected to fall further in season 05-06. The decline in the Inventory position will further correct the imbalance in the demand and supply and thereby strengthen the realization. A lower production in the preceding two seasons helped the industry liquidate its surplus inventory, as a result of which sugar prices are expected to firm up in 2005-06.

Raw Sugar Imports

With the Government relaxing Import of Raw sugar under Advance licence scheme with the obligation to re-export white sugar within 36 months. India has imported more than 2.00 mn tons raw sugar during 2004-05. Continued demand growths in 2005-06 as well as an export of 2.5 mn tonnes of hitherto imported raw sugar are expected to off set the import of raw sugar under advance licence scheme.

Ethanol & Co-Generation

Ethanol is an efficient, environment-friendly fuel whose use is being encouraged world over for reasons of economy and environment-friendliness. The Government of India is contemplating a long-term policy to facilitate the blending of ethanol with petrol, which will impart a long-term viability to the business of distillation and ensure better molasses realisations. Besides, the Central and State Governments are encouraging the generation of power from non-conventional renewable energy sources. Electricity Act 2003 has made it mandatory for power suppliers to buy a certain percentage of clean power generated from renewable energy sources. Whilst this has been implemented in various countries, various state governments in the country have come forward to announce their policy initiatives to encourage the cogeneration of power. This trend will result in a long term sustainability of the co-generation business in India's sugar industry.

Favourable government policy

The government is likely to accept the Tuteja Committee Report on partial decontrol of the industry by dispensing off with the monthly release system for free sale sugar. Decontrol of sugar releases will help the sugar mills to plan and time their sales as per the market conditions and thus realize better prices.

Several financial support schemes are also extended by the Govt. of India for the revival of sugar industry. The import of raw sugar under advance licence scheme with export obligation within 36 months has helped the sugar industry to utilize their idle capacity utilization and increase profitability. Sugar industry being a agro base as well a essential commodity, it is expected that Government at all levels will extend their supporting hand to the industry.

Global Sugar deficit

The global sugar market has experienced production deficit for the seasons 03-04 and 04-05. The global dynamics will revolve around Brazil, India and China as together they account for 35% of global production. Brazil's sugar production is closely linked to its ethanol policy, China is expected to become the largest importer by 2008 and India's production will barely meet its consumption. Hence, global sugar prices is expected to remain firm.

Around 50% of the sugar cane cultivated in Brazil is used for direct production of alcohol. Brazil's alcohol stocks has drastically come down. Hence there is a strong possibility of cane diversion for ethanol. With global oil prices remaining firm, significant amount of sugarcane diversion may happen for ethanol production. This would in turn have major impact on sugar production in Brazil which is the biggest sugar exporter in the world.

The global stock /consumption ratio has declined from a high of 47% in season 01-02 to 41.6% in season 04-05. Global sugar prices have significantly appreciated.

PRESENT AND FUTURE**Command Area**

The Govt. of A.P. has declared 12 revenue mandals of Gudur division in Nellore district comprising of 396 villages as the reserved zone for your company. Sugarcane cultivation is majorly in Nayudupet, Gudur, Kota, Vakadu, Chittamuru, Ozili and Pellakuru mandals. About 2500 families cultivate sugarcane from these mandals. Size of the land holdings are large and the sources of irrigation is mainly ground water sourced through bore wells and filter points. Crops cultivated in these areas are majorly paddy followed by commercial crops i.e. sugarcane and Ground nut. For the past 10 years considerable area under cultivation from different crops was converted to Aqua Culture. Aquaculture is slowly vanishing due to immunity deficiency against infections to the Aquaculture. Therefore, the farmers are now switching over to cultivation of agricultural crops. Due to power deficiency the farmers could not able to irrigate paddy crop, which needs water 2-3 times more than the sugar cane. Hence most of the farming communities prefer to switch over to sugarcane crop.

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Our survey reveals that the company's command area is having about 50,000 acres under cultivation, which has got the potential source of irrigation covered with 10,500 borewells and filter points. One borewell can cover about minimum 5 acres of cane. Even if we take 50% of the area for sugarcane crop in rotation with paddy crop, there is a bright scope to develop 20,000 to 25,000 acres under sugarcane crop to produce 7 - 7.5 Lakh Tons of sugarcane.

Pricing Policy:

The policies of the Govt. of India in respect of cane price are also remunerative to the farmers. Sugarcane is the only crop, which is totally protected in respect of statutory minimum price fixed by the Govt. of India. The State Govt. also encourage sugarcane cultivation by passing on the purchase tax @Rs.60/MT to the growers.

Irrigation development:**i) Major Irrigation Project:**

The Swarnamukhi river is traversing through the command area. The Govt. of A.P has taken up a major irrigation-barrage cum bridge project on this river near Vakadu located in company's reserved zone with balancing reservoir. The up coming project is likely to be completed within a period of 18 months. Once the project is completed there will not be any dearth for ground water in the command area. There is ample scope to develop further area under sugarcane crop by extensive field work .

ii) Canal Development - Telugu Ganga Canal:

The Govt. of A.P. has taken up the development of irrigation channels through Telugu Ganga Canal - which will help the farmers of Gudur, Venkatagiri, Pellakuru, Naidupeta, Ozili and Balayapalli Mandals, in bringing additional areas under assured irrigation. This will also help to re-charge the ground water in these areas in a big way.

iii) Subsidizing - Bore wells & PVC Pipes:

To improve the irrigation sources, company encourage the farming community for drilling of deep bore wells by providing subsidy for the deep bore wells drilled. For effective utilization of available water, company is providing PVC pipes on subsidized prices. This will help to increase cane area and yield considerably.

Structure of cane development department:

The Company has a strong Cane Development Department headed by the Chief Cane Manger who is a Post Graduate in Agriculture and having 25 years experience in sugar industry supported by Cane Manger & Dy Cane Manager.

The entire command area made into 6 divisions. Each division is being looked after by a qualified Sr. Agrl. Officer, who looks after 2000 acres under his supervision. Each division again divided into six/seven circles. Each circle is looked after by a qualified and well-experienced Field Assistant, who takes care of 300 to 350 acres. Entire cane development starts right from selection of soil, quality seed, appropriate packages of practices, integrated pest, and disease management, judicious application of organic and inorganic fertilizer management and close monitoring/supervision of the individual field.

Cane development programmes:

An intensive Cane Development Programme is implemented in an extensive manner in the reserved area.

A) Soil Enrichment - Through Green manure & Bio-Fertilise supply:

The majority of the soils in area are light soils. Company is encouraging the growers to raise green manure crops and application of bio-fertiliser, which is rich in nutrients in their fields before sugarcane planting. Your company is manufacturing and supplying bio-fertiliser to growers at subsidized rate.

B) Seed Development - Nursery Programme:

The success of the sugar factory mainly depends on selection of sugarcane seed material. Your company is identifying and procuring suitable varieties to the areas with high vigor and rich in sugar in different maturity groups from sugarcane research stations for its multiplication in three tier seed nursery programme.

C) Input Supplies :

Application of fertilizer on time increase the cane yield and recovery. Your Company is provides recommended quantity of fertilizers on loan basis for timely application to the cane crop. The company also educates the farmers about the different methods of fertilizer application like plough furrow method, pocketing and foliar spray etc.,

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Your company is also providing weedicide, pesticides, agricultural implements on subsidized prices.

D) Organizing Demonstration Plots:

Your company is conducting field demonstrations like trash mulching, paired row planting, drip irrigation, green manuring, ratoon management, different methods of fertilizer applications etc., in the growers fields to bring these recent cultivation techniques to all growers for immediate adoption in their respective fields. Your company is also providing financial help to growers for conducting demonstrations.

E) Imparting Technical Knowledge:

Your company is conducting Karshaka Sadassus (Growers meetings with eminent scientists) to clear the doubts in sugar cane cultivation and to know about new technologies to improve yield and quality. Your company releases pamphlets regularly to cane growing community on sugar cane cultivation, pest and disease management to take necessary steps in cultivation of sugar cane in time and to get higher yields in turn to make the crop profitable.

Your company is conducting agricultural tours for progressive cane growers to different cane growing areas with in the state and outside state for studying the different techniques implemented and to adopt the same for better results.

F) Infrastructure Development:

Your company is taking utmost care in developing internal roads from field point to road for easy transportation of cane to factory.

G) Harvest and Transport Management:

In sugarcane cultivation harvesting of cane is a major activity. Your company is arranging experienced and well trained harvesting labour to the cane growers at cheaper rates mobilising them from different places to motivate farmers for cane cultivation.

Your company always work to maintain cordial relationship with the growers and practice and follow the philosophy that "LET US CULTIVATE THE GROWER, THE GROWER IN TURN CULTIVATE QUALITY CANE FOR US"

Distillery operation

With the increased sugar cane crushing, sufficient molasses will be available for spirit production. Demand for spirit is consistently firming up coincident to the growth of the IMFL industry. Spirit prices are also firming up. Your Company has undertaken expansion of the spirit manufacturing facility from 30 KL to 60 KL per day. (License for capacity expansion already in place). The expanded facility will be based on the latest technology of spirit manufacturing. The expanded capacity will be commissioned during the current financial year.

Your Directors expect consistent growth in turnover and profitability. Keeping in view the upcoming business opportunities your company will consciously expand its volume of operation and also diversify in allied activities. and the profit and the company will consciously plough back to fund for the expansion activities.

The company will by 2006-07 have a well diversified business model with revenue streams for Sugar, Alcohol, Ethanol and Power.

DIRECTORS

The tenure of appointment of Mr.M.P.Purushothaman as Chairman & Managing Director expires on 24.12.2005. Keeping in view his experience and expertise and the increased activities of the company, a resolution is proposed in the notice for the Annual General Meeting for the reappointment of Mr.M.P.Purushothaman as Chairman and Managing Director, on terms detailed in the resolution. The proposed tenure of reappointment is for 5 years w.e.f . 25.12.2005.

Mr.M.Ravindran, Director is retiring by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Lt.General R.S. Nagra(Retd.) was appointed as an additional director of the company, by the board of directors on 04.03.2005. He retires at the conclusion of this Annual General Meeting. Company has received a notice under section 257 of the Companies Act 1956, from a member proposing his candidature for the office of the Director. Accordingly a resolution is proposed in the notice for the Annual General Meeting for the