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ANNUAL REPORT
2004-2005

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FACOR

FACOR ALLOYS LIMITED

Board of Directors

Umashankar Agrawal
Chairman

R. K. Saraf
Vice Chairman &
Managing Director

Ashim Saraf
Joint Managing Director

Anurag Saraf
Executive Director

C. N. Harman
Director (Technical)

K. Jayabharath Reddy,
IAS (Retd.)

P. V. R. K. Prasad,
IAS (Retd.)

Dr. Suresh Surana

Arye Berest

Keshaorao Pardhey

S. S. Sharma
Secretary

Executive

M. S. S. Sarma
General Manager

Bankers

Bank of India

Central Bank of India

State Bank of India

Syndicate Bank

State Bank of Bikaner & Jaipur

Solicitors

Mulla & Mulla, and
Craigie Blunt & Caroe

Auditors

Salve & Co.,
Chartered Accountants

Internal Auditors

D. C. Dhupia & Co.
Chartered Accountants

**Registrar & Share Transfer
Agents (for Both Physical &
Electronic)**

MCS Ltd.

Sri Venkatesh Bhavan,
Plot No. 27, Road No. 11,
M.I.D.C. Area, Andheri (East),
Mumbai - 400 093
Phone No. 28215235
Fax No. 28350456
E-mail : mcsnum@vsnl.com

FACOR ALLOYS LIMITED
Notice to Members
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Notice is hereby given that the SECOND ANNUAL GENERAL MEETING of the Members of the Company will be held at the Registered Office of the Company at New Administrative Building, Shreeramnagar -535 101, Garividi, Dist. Vizianagaram, Andhra Pradesh on Monday, the 19th September, 2005 at 4.30 p.m to transact, with or without modifications as may be permissible, the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr Umashankar Agrawal who retires from office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr Kesharao Pardhey who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr Ashim Saraf who retires from office by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

"RESOLVED THAT pursuant to provisions of section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs Salve & Company, Chartered Accountants, the retiring Auditors of the Company, be and they are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration plus service tax as applicable and reimbursement of expenses incurred by them incidental to their functions as the Board of Directors may fix in that behalf in consultation with the said Auditors."

AS SPECIAL BUSINESS

6. To consider, and if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 258 and all other applicable provisions, if any, of the Companies Act, 1956, the number of the existing directors of the Company for the time being in office be increased from eight to ten".

7. To appoint Mr. Arye Berest who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 along with a deposit of Rs 500/- from a member signifying his intention to propose Mr. Arye Berest as a candidate for the office of Director, as a Director of the Company and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Mr Arye Berest be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

8. To appoint Dr. Suresh Surana who was appointed as an Additional Director by the Board of Directors of the Company under Article 107 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956 upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 along with a deposit of Rs 500/- from a member signifying his intention to propose Dr. Suresh Surana as a candidate for the office of Director, as a Director of the Company and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the relevant provisions of the Companies Act, 1956 including Section 257, Dr. Suresh Surana be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

9. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the manner following:

The following new Article with the marginal Note thereto be inserted after the existing Article 107 in the Articles of Association as Article 107A:

Alternate Director 107A

Subject to the provisions of Section 313 of the Companies Act, 1956 the Board of Directors of the Company shall have power at any time, and from time to time, to appoint any person, as an Alternate Director to act for a Director (called "the original Director") during his absence for a period of not less than three months, from the State in which meetings of the Board are ordinarily held and such appointment shall have effect and such appointee whilst holding office as an Alternate Director shall be entitled to notice of meetings of the directors and to attend and vote thereat accordingly. However, he shall *ipso facto* vacate office if and when the original director returns to the said State or vacates office as a director."

10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 293(1)(e) of the Companies Act, 1956 and other applicable provisions, if any, of the said Act, consent of the Company be and is hereby accorded to the Board of Directors of the Company contributing from time to time by way of donations or otherwise to national, benevolent, charitable, public or general or other funds/institutions, not directly relating to the business of the Company or welfare of its employees, notwithstanding that the moneys to be contributed together with the moneys already contributed by the Company during any financial year will or may in the aggregate exceed a sum of Rs. 50,000/- (Rupees fifty thousand) or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the said Act, during the three financial years immediately preceding the financial year in

which such contributions are made, whichever is greater, but so that the aggregate amount of such contributions by the Board of Directors during any financial year will not exceed in the aggregate Rs.20.00 lacs (Rupees Twenty Lacs)

RESOLVED FURTHER that the Company in particular hereby approves of the contribution/donation amounting to Rs.10.00 lacs [Rs Ten lacs] made to the Chief Minister's Relief Fund, Andhra Pradesh towards Tsunami relief during the year ended 31st March, 2005."

11. To consider and if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956 and as required by the listing agreements with the stock exchanges, the consent of the members be and is hereby accorded for the payment of sitting fees for attending the Board Meetings or Committees thereof to the non-executive/independent directors of the Company as may be decided by the Board from time to time within such limits as may be prescribed by the said Act and/or the Central Government from time to time."

12. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT in partial modification of the resolution approved earlier on 27th October 2004, pursuant to sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such other approvals, if any, as may be necessary, the consent of the members of the Company be and is hereby accorded to the revision in the remuneration of the Managing Director, Mr R.K.Saraf with effect from 1st April 2005 for the remaining period of his office as set out in the draft supplemental agreement prepared in that behalf and placed before this meeting and initiated by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and / or the agreement in such manner and to such extent as may be agreed to between the Directors and Mr R.K.Saraf within the limits specified in Schedule XIII to the Act or any amendments thereto and that the agreement, when finalized, be executed by the Company by affixing its common seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

13. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT in partial modification of the resolution approved earlier on 27th October 2004, pursuant to sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such other approvals, if any, as may be necessary, the consent of the members of the Company be and is hereby accorded to the revision in the remuneration of the Joint Managing Director, Mr Ashim Saraf with effect from 1st April 2005 for the remaining period of his office as set out in the draft supplemental agreement prepared in that behalf and placed before this meeting and initiated by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and / or the agreement in such manner and to such extent as may be agreed to between the Directors and Mr Ashim Saraf, within the limits specified in Schedule XIII to the Act or any amendments thereto and that the agreement, when finalized, be executed by the Company by affixing its common seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

14. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT in partial modification of the resolution approved earlier on 27th October 2004, pursuant to sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such other approvals, if any, as may be necessary, the consent of the members of the Company be and is hereby accorded to the revision in the remuneration of the Executive Director, Mr. Anurag Saraf with effect from 1st April 2005 for the remaining period of his office as set out in the draft supplemental agreement prepared in that behalf and placed before this meeting and initiated by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and / or the agreement in such manner and to such extent as may be agreed to between the Directors and Mr Anurag Saraf within the limits specified in Schedule XIII to the Act or any amendments thereto and that the agreement, when finalized, be executed by the Company by affixing its common seal thereon in accordance with the relevant provisions contained in the Articles of Association of the Company."

15. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

"RESOLVED THAT in partial modification of the resolution approved earlier on 27th October 2004, pursuant to sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto as amended upto date and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such other approvals, if any, as may be necessary, the consent of the members of the Company be and is hereby accorded to the revision in the remuneration of the Director (Technical) Mr C.N.Harman with effect from 1st April 2005 for the remaining period of his office as set out in the draft supplemental agreement prepared in that behalf and placed before this meeting and initiated by the Secretary for the purpose of identification and which draft agreement, the broad details of which are given in the Explanatory Statement in respect of this item of the notice, is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and appointment and / or the agreement in such manner and to such extent as may be agreed to between the Directors and Mr C.N.Harman within the limits in that behalf as contained in the Schedule XIII to the Act or any amendments thereto and that the agreement, when finalized, be executed by the Company by affixing its common seal thereon in accordance with the relevant provisions contained

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in the Articles of Association of the Company."

16. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions of the Companies Act, 1956, and subject to such other approvals, sanctions and permissions as may be necessary and subject to such conditions as may be prescribed while granting such approvals, permissions or sanctions, consent of the Company be and is hereby given to the Board of Directors to invest a sum upto Rs 10.00 Crores [Rs Ten Crores only] in the fully paid-up equity shares of Rs. 10/- each of a Company under formation by the name FACOR Power Limited in such tranches as may be considered appropriate, and such investment will be over and above the limits, if any, available to the Board of Directors of the Company under Section 372A of the Companies Act, 1956.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to determine the actual sum to be so invested up to the above limit and to determine the time and manner of such investment and to do all such acts, deeds, matters and things as in its absolute discretion it may consider necessary, expedient or desirable including the delegation of the above authority in accordance with Section 292(1)(d) of the Companies Act, 1956 and to settle any question or doubt that may arise in relation thereto in order to give effect to this Resolution or otherwise considered by the Board to be in the best interest of the Company."

NOTES:

1. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of Item Nos. 5 to 16 of the notice set out above is annexed hereto.
2. 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 OF THE COMPANY.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 3rd September, 2005 to Monday, 19th September, 2005 both days inclusive.
4. Members are requested to send all correspondence relating to the Company's shares including share transfer documents, demat requests, change of address etc. to the Company's Registrar & Transfer Agents M/s MCS Ltd., Sri Venkatesh Bhawan, Plot No. 27, Road No. 11, MIDC, Andheri (E), MUMBAI - 400 093. Requests for change of address will be entertained only when shareholders' signatures on the letter intimating change of address tally with the specimen signatures recorded with the Company. While notifying change in address please ensure that the address is complete and the pin code number is clearly mentioned. Incorrect/incomplete address may lead to non-delivery of documents/communications sent by the Company/Registrar.
5. Shareholders intending to require information about accounts to be explained at the meeting are requested to furnish the queries to the Company at least 10 (ten) days in advance of the Annual General Meeting.
6. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company are requested to submit to the above Registrar & Transfer Agents, Form No.2B duly filled in and signed. The Form can be had from the Share Department at the Registered Office of the Company at Garividi [Vizianagaram].
7. The Company's securities are admitted in the National Securities Depository Ltd. and Central Depository Services (India) Ltd. and the ISIN No. allotted to the Company by them in respect of Equity Shares is INE 828G01013 and in respect of Preference Shares is INE 828G04017.

Registered Office
Shreeramnagar - 535101
Garividi; Dist. Vizianagaram
Andhra Pradesh
Dated: 30th July, 2005.

By Order of the Board,

S. S. SHARMA
SECRETARY

ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173 of the Companies Act, 1956:

ITEM NO.5

In terms of Section 224A of the Companies Act, 1956, if not less than 25% of the subscribed capital of the Company, is held either singly or in combination by public financial institutions, Government Companies, Central or State Governments, nationalized Banks or insurance companies carrying on general insurance business then the appointment or re-appointment of an Auditor of the Company has to be made by a Special Resolution.

In the case of your Company, the aforesaid categories of shareholders together at present hold and are likely to continue to hold more than 25% of the subscribed capital at the date of ensuing Annual General Meeting of the Company. Hence, it is necessary to pass a Special Resolution to re-appoint M/s Salve & Company as Auditors of the Company. M/s Salve & Company have furnished a Certificate to the Company to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.

ITEM NO.6

In view of the appointment of Mr Arye Berest and Dr Suresh Surana as Additional Directors on the Board, the number of directors now in office stands

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increased from eight to ten. The resolution as in this Item of the Notice, though not strictly necessary, is proposed to be passed by way of abundant caution in view of the provisions of Section 258 of the Companies Act, 1956.

ITEM NO.7

Mr Arye Berest was appointed as an Additional Director by the Board of Directors of the Company at its meeting held on 27-01-2005 as representing the foreign investors who have made substantial investments in the Company by way of Equity Capital, thanks to the efforts of the Promoters. Pursuant to Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Arye Berest as a candidate for the office of Director.

Mr Arye Berest, aged around 66 years, is a French National. He has qualified for business studies, polytechnique from London. His expertise is mainly in metals and minerals as well as finance and international trade. From 1974 to 1989 he was Director of Marc Rich Group. From 1991 onwards he has been Chairman of A.O.A. Securities Anstalt and President of Trusta Group. He holds Directorship in several foreign and Indian companies. Through the efforts of the Promoters, his group has made substantial investments in the Company. Further, his expertise in the above mentioned fields would be beneficial to the Company. Accordingly, it is in the interest of the Company that it continues to avail of his services as a member of the Board. The resolution in item no 7 of this Notice is accordingly commended for your approval.

Mr Arye Berest is interested in this resolution relating to his re-appointment as a member of the Board.

ITEM NO.8

Dr. Suresh Surana was appointed as an Additional Director by the Board of Directors of the Company at its meeting held on 25.4.2005. Pursuant to Section 260 of the Companies Act, 1956 read with Article 107 of Articles of Association of the Company, he holds office as a Director only until the forthcoming Annual General Meeting of the Company. A notice has been received from a member pursuant to Section 257 of the Companies Act, 1956 signifying his intention to propose Dr. Suresh Surana as a candidate for the office of Director.

Dr. Suresh Surana, aged about 43 years, is a Practicing Chartered Accountant by profession and has done his Graduation in Law from the Bombay University. With a merit ranking in all his professional examinations, he completed his Doctorate in Business Policy & Administration from the Bombay University. Dr. Surana has specialized in International Taxation and Corporate Advisory Services and has been advising many International groups. Having travelled extensively for professional assignments, he has vast international exposure. It is considered desirable that the Company should take the benefit of his vast and versatile experience. Accordingly, the resolution in Item No. 8 of this Notice is commended for your approval.

Dr. Suresh Surana is interested in this resolution relating to his appointment as a member of the Board.

ITEM NO.9

Section 313 of the Companies Act, 1956 provides for appointment of an Alternate Director by the Board of Directors of the Company, if so authorized by the Articles of Association of the Company or by a resolution passed by the Company in General Meeting, to act for such Director (to be called "the Original Director") during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held subject to other provisions mentioned in the said Section. Such a provision in the Articles becomes quite handy to cater to various needs.

The proposed alteration of Articles of Association of the Company by inserting new Article 107A is to empower the Board of directors to appoint such alternate Directors as and when the occasion arises. Accordingly the resolution in this Item No.9 of this Notice is commended for your approval.

None of the Directors of the Company is particularly interested in this resolution.

ITEM NO.10

The Company being a corporate citizen of Nation has social obligations to the Society at large. All should come forward voluntarily to extend their helping hand by donating generously to the Charitable and other funds/benevolent institutions engaged in deserving causes such as relief work, social welfare activity and other National causes at the time of need such as natural calamities/disasters etc. Such contributions / donations are conducive to the fulfillment of the Company's social obligations.

Section 293(1)(e) of the Companies Act, 1956, inter alia, provides that the Board of Directors of a public company shall not, except with the consent of the Company in General Meeting, contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, in a financial year any amounts exceeding Rs.50,000/- or 5% of its average net profits determined in accordance with the provisions of Section 349 and 350 of the said Act during the three immediately preceding financial years, whichever is greater.

It is because of this statutory requirement that the consent of the Company in general meeting is necessary in order to enable the Board to make the contributions as aforesaid, including the contribution/donation of Rs. 10 lacs made by your Company to the Chief Minister's Relief Fund, Andhra Pradesh, towards Tsunami relief during the financial year ended 31st March, 2005.

Considering the size of your Company and the extensive areas of its operations, your Directors consider that the amount of expenditure incurred on donations, subject to the limits set out in this resolution, is reasonable, and they accordingly commend the resolution for your acceptance.

None of the directors is interested in this resolution.

ITEM NO.11

The Securities and Exchange Board of India (SEBI) has vide its Circular No. SEBI/CFD/DIL/CG/1/2004/12/10 dated 29.10.2004 amended the listing agreement with the Stock Exchanges by substituting the existing Clause 49 of the listing agreement with a new clause 49. The amendment was initially

made effective from 1-4-2005. However, SEBI has vide its Circular dated 29-3-2005 extended the effective date to 31-12-2005 and it is not known whether the same will be modified/extended beyond this date in light of the proposed amendments to the Companies Act, which are on the anvil.

According to Clause 1(B) of the new Clause 49 all fees/compensation to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of the shareholders in general meeting.

The Company presently pays sitting fees to its non-executive/independent directors for attending the Board/Committee Meetings in terms of the relevant provisions of the Companies Act, 1956 and the Rules framed thereunder. Such payment upto now does not require the specific approval of the Shareholders, previous or otherwise. In terms of the above new Clause 49, which has to be complied with by 31.12.2005, payment of such fees has to require the previous approval of the shareholders.

Presently, the non-executive/independent Directors are paid sitting fees of Rs. 750/- for attending each of the Meetings of the Board of Directors or Committees of the Board of Directors of the Company. In order that the Company may be able to continue to pay such fees to the concerned directors even beyond 31st December, 2005, the resolution as in this item of the Notice is commended for your acceptance.

The following non-executive directors viz. Mr. Umashankar Agrawal, Mr. Jaybharath Reddy, Mr. P.V.R.K. Prasad, Mr. Kesharao Pardhy, Mr. Suresh Surana and Mr. Arye Berest are interested in the resolution to the extent of sitting fees that they will receive for attending the meetings of the Board of Directors of the Company/Committees of the Board of Directors of the Company.

ITEM NO.12

Mr. R.K. Saraf was appointed as Managing Director of the Company for a period of five years having overall supervision and control over the entire operations and affairs of the Company, with effect from 1st August 2004. His appointment and terms of remuneration were also approved by the Shareholders at the Annual General Meeting held on 27th October 2004.

During the financial year 2004-05, the overall performance of the Company has improved considerably due, inter alia, to his able guidance. Further, keeping in view his responsibility as well as the time, labour and efforts put in by him towards managing the affairs of the Company and the prevailing trend in remunerating managerial personnel in the industry, it is proposed to revise his remuneration with effect from 1st April 2005. The revised remuneration as contained in the draft supplemental agreement is as under:

- a. Basic Salary: Rs 40,000/- per month in the scale of Rs 40,000 - 5,000 - 65,000
- b. Perquisites:

In addition to the aforesaid salary, the Managing Director shall also be eligible to the perquisites as given hereunder; the monetary value of such perquisites being restricted in the aggregate to Rs 4,20,000/- per annum.

The perquisites payable to Mr. R.K. Saraf will include accommodation [furnished or otherwise] or House Rent Allowance in lieu thereof; reimbursement of expenses for utilization of gas, electricity, water, furnishing, medical reimbursement at actual for self and his family, leave travel concession at actual for self and his family, club fees, medical insurance and such other perquisites within the amount specified above. The said perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder [including any statutory modification(s) or re-enactment thereof, for the time being in force]. However, Company's contribution to Provident fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act and Gratuity payable and encashment of leave at the end of tenure, as per Rules of the Company, shall not be included in the computation of limits for the remuneration. Further, the Company shall provide car for use on Company's business and telephone at residence for official purpose. Provision of a car for use on Company's business and telephone at residence for official purpose are not to be considered as perquisites.

The term "Family" means the spouse, the dependent children and the dependent parents of the Managing Director.

The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The remuneration payable to the Managing Director by way of salary, dearness allowance, perquisites and any other allowances shall not, however, exceed the overall ceiling limit of Rs 9,00,000/- per annum.

The Board of Directors or any Committee thereof is entitled to determine and revise the salary and perquisites payable to the Managing Director of the Company at any time, such that the overall remuneration payable shall not exceed the aggregate limit of Rs 9,00,000/- as specified above.

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. R.K. Saraf, the Company has no profits or its profits are inadequate, then also the Company will pay remuneration to Mr. R.K. Saraf by way of salary, allowances and perquisites as specified above in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any, required.

Mr. R.K. Saraf is interested in this resolution. Mr. Umashankar Agrawal and Mr. Ashim Saraf being his relatives are also interested in this resolution.

The particulars set out above may be treated as an abstract of the Agreement between the said Managing Director and the Company pursuant to section 302 of the Companies Act, 1956.

The draft supplemental agreement between the Company and Mr. R.K. Saraf along with the earlier agreement with him is available for inspection by the Members of the Company at the Registered Office between 11 am to 1 pm on any working day upto and inclusive of the date of the Annual General Meeting.

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Mr Ashim Saraf was appointed as Joint Managing Director of the Company for a period of five years having supervision and control over the Plant at Garividi in Andhra Pradesh with effect from 1st August 2004. His appointment and terms of remuneration were also approved by the Shareholders at their Annual General Meeting held on 27th October 2004.

During the financial year 2004-05, the overall performance of the Company has improved considerably for which Mr. Ashim Saraf has contributed immensely. Further, keeping in view the time, labour and efforts put in by him towards managing the affairs of the Company as well as his qualification experience, other relevant factors and the prevailing trend in remunerating managerial personnel in the industry, it is proposed to revise his remuneration with effect from 1st April 2005. The revised remuneration as contained in the draft supplemental agreement is as under:

- a Basic Salary: Rs. 25,000/- per month in the scale of Rs 25,000 - 3,000 - 40,000
- b Perquisites:

In addition to the aforesaid salary, the Joint Managing Director shall also be eligible to the perquisites as given hereunder, the monetary value of such perquisites being restricted in the aggregate to Rs 6,00,000/- per annum.

The perquisites payable to the Joint Managing Director will include accommodation [furnished or otherwise] or House Rent Allowance in lieu thereof; reimbursement of expenses for utilization of gas, electricity, water, furnishing, medical reimbursement at actual for self and his family, leave travel concession at actual for self and his family at actual for self and his family, club fees, medical insurance and such other perquisites within the amount specified above. The said perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder [including any statutory modification[s] or re-enactment thereof, for the time being in force]. However, Company's contribution to Provident fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act, and Gratuity payable and encashment of leave at the end of tenure, as per Rules of the Company, shall not be included in the computation of limits for the remuneration. Further, the Company shall provide car for use on Company's business and telephone at residence for official purpose. Provision of a car for use on Company's business and telephone at residence for official purpose are not to be considered as perquisites.

The term "Family" means the spouse, the dependent children and the dependent parents of the Joint Managing Director.

The Joint Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The remuneration payable to the Joint Managing Director by way of salary, dearness allowance, perquisites and any other allowances shall not, however, exceed the overall ceiling limit of Rs 9,00,000/- per annum.

The Board or any Committee thereof is entitled to determine and revise the salary and perquisites payable to the Joint Managing Director of the Company at any time, such that the overall remuneration payable shall not exceed the aggregate limit of Rs.9,00,000/- as specified above.

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Ashim Saraf, the Company has no profits or its profits are inadequate, then also the Company will pay remuneration to Mr. Ashim Saraf by way of salary, allowances and perquisites as specified above in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any, required.

Mr Ashim Saraf is interested in this resolution. Mr. R.K. Saraf being his relative is also interested in this resolution.

The particulars set out above may be treated as an abstract of the Agreement between the said Joint Managing Director and the Company pursuant to section 302 of the Companies Act, 1956.

The draft supplemental agreement between the Company and Mr. Ashim Saraf along with the earlier agreement with him is available for inspection by the Members of the Company at the Registered Office between 11 am to 1 pm on any working day upto and inclusive of the date of the Annual General Meeting.

ITEM NO.14

Mr Anurag Saraf was appointed as Executive Director of the Company for a period of five years having supervision and control over the commercial as well as corporate activities of the Company, with effect from 1st August 2004. His appointment and terms of remuneration were also approved by the Shareholders at their Annual General Meeting held on 27th October 2004.

During the financial year 2004-05, the overall performance of the Company has improved considerably for which Mr. Anurag Saraf has contributed immensely. Further, keeping in view the time, labour and efforts put in by him towards managing the affairs of the Company as well as his qualification experience, other relevant factors and the prevailing trend in remunerating managerial personnel in the industry, it is proposed to revise his remuneration with effect from 1st April 2005. The revised remuneration as contained in the draft supplemental agreement is as under:

- a Basic Salary: Rs. 25,000/- per month in the scale of Rs 25,000 - 3,000 - 40,000
- b Perquisites:

In addition to the aforesaid salary, the Executive Director shall also be eligible to the perquisites as given hereunder, the monetary value of such perquisites being restricted in the aggregate to Rs 6,00,000/- per annum.

The perquisites payable to the Executive Director will include accommodation [furnished or otherwise] or House Rent Allowance in lieu thereof; reimbursement of expenses for utilization of gas, electricity, water, furnishing, medical reimbursement at actual for self and his family, leave travel

concession at actual for self and his family including dependents, club fees, medical insurance and such other perquisites within the amount specified above. The said perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder [including any statutory modification[s] or re-enactment thereof, for the time being in force]. However, Company's contribution to Provident fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act, and Gratuity payable and encashment of leave at the end of tenure, as per Rules of the Company, shall not be included in the computation of limits for the remuneration. Further, the Company shall provide car for use on Company's business and telephone at residence for official purpose. Provision of a car for use on Company's business and telephone at residence for official purpose are not to be considered as perquisites.

The term "Family" means the spouse, the dependent children and the dependent parents of the Executive Director.

The Executive Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

The remuneration payable to the Executive Director by way of salary, dearness allowance, perquisites and any other allowances shall not however exceed the overall ceiling limit of Rs 9,00,000/- per annum.

The Board or any Committee thereof is entitled to determine and revise the salary and perquisites payable to the Executive Director of the Company at any time, such that the overall remuneration payable shall not exceed the aggregate limit of Rs.9,00,000/- per annum as specified above.

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of Mr. Anurag Saraf, the Company has no profits or its profits are inadequate, then also the Company will pay remuneration to Mr. Anurag Saraf by way of salary, allowances and perquisites as specified above in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any, required.

Mr Anurag Saraf is interested in this resolution.

The particulars set out above may be treated as an abstract of the Agreement between the said Executive Director and the Company pursuant to section 302 of the Companies Act, 1956.

The draft supplemental agreement between the Company and Mr. Anurag Saraf along with the earlier agreement with him is available for inspection by the Members of the Company at the Registered Office between 11 am to 1 pm on any working day upto and inclusive of the date of the Annual General Meeting.

ITEM NO.15

Mr C.N.Harman was appointed as Director (Technical) of the Company for a period of five years with effect from 1st August 2004. His appointment and terms of remuneration were also approved by the Shareholders at their Annual General Meeting held on 27th October 2004.

During the financial year 2004-05, the overall performance of the Company has improved considerably for which Mr.C.N.Harman has contributed immensely. Further, keeping in view his responsibilities as well as technical knowledge, experience, other relevant factors and the prevailing trend in remunerating managerial personnel in the industry, it is proposed to revise his remuneration with effect from 1st April 2005. The revised remuneration as contained in the draft supplemental agreement is as under:

a) Basic Salary: Rs.33,000/- p.m in the scale of Rs. 33,000 - 3,000 - 48,000

b) Perquisites:

In addition to the aforesaid salary, the Director (Technical) shall also be eligible to the perquisites as given hereunder, the monetary value of such perquisites being restricted in the aggregate to Rs 5,04,000/- per annum.

The perquisites payable to Mr C.N.Harman will include accommodation [furnished or otherwise] or House Rent Allowance in lieu thereof; reimbursement of expenses for utilization of gas, electricity, water, furnishing, medical reimbursement at actual for self and his family; leave travel concession at actual for self and his family, club fees, medical insurance and such other perquisites within the amount specified above as applicable to his cadre as per rules of the Company. The said perquisites shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any rules thereunder [including any statutory modification[s] or re-enactment thereof, for the time being in force]. However, Company's contribution to Provident fund, Superannuation or Annuity Fund, to the extent these singly or together are not taxable under the Income Tax Act, and Gratuity payable and encashment of leave at the end of tenure, as per Rules of the Company, shall not be included in the computation of limits for the remuneration. Further the Company shall provide car for use on Company's business and telephone at residence for official purpose. Provision of a car for use on Company's business and telephone at residence for official purpose are not to be considered as perquisites.

The term "Family" means the spouse, the dependent children and the dependent parents of the Director (Technical).

The Director (Technical) shall not be paid any sitting fee for attending the meetings of the Board of Directors or Committee thereof.

The remuneration payable to the Director (Technical) by way of salary, dearness allowance, perquisites and any other allowances shall not, however exceed the overall ceiling limit of Rs 9,00,000/- per annum.

The Board of Directors or any Committee thereof is entitled to determine and revise the salary and perquisites payable to the Director (Technical) of the Company at any time, such that the overall remuneration payable shall not exceed the aggregate limit of Rs 9,00,000/- per annum as specified above.

Notwithstanding anything to the contrary herein contained where, in any financial year during the currency of the tenure of Mr.C.N.Harman the Company has no profits or its profits are inadequate, then also the Company will pay remuneration to Mr. C. N. Harman by way of salary, allowances and perquisites

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as specified above in accordance with the applicable provisions of Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government, if any, required.

Mr C.N.Harman is interested in this resolution.

The particulars set out above may be treated as an abstract of the Agreement between the said Director (Technical) and the Company pursuant to section 302 of the Companies Act, 1956.

The draft supplemental agreement between the Company and Mr. C. N. Harman along with the earlier agreement with him is available for inspection by the Members of the Company at the Registered Office between 11 am to 1 pm on any working day upto and inclusive of the date of the Annual General Meeting.

ITEM NO.16

As the members are aware, the Company is a part of the Promoters Group comprising the family of Mr.Umashankar Agrawal and his relatives (the Saraf family). Considering the favourable climate in our country in respect of the power industry, the Promoters are undertaking steps for the formation of a public limited company under the name FACOR Power Limited, in which, apart from the members of the Saraf family, the different companies within the Group, would also be making the respective capital contributions. So far as your Company is concerned, the proposed investments, which will be made in tranches over a period of years, is expected not to exceed a limit of Rs. 10 crores as proposed in the resolution. Since such an investment will be in excess of the limits provided for in Section 372A of the Companies Act, 1956, the approval of the members in General Meeting is required as per the provisions of the aforesaid Section. Considering the future of the power industry, the proposed investment will benefit the Company in the end. The investment which will be in tranches will be funded out of the Company's internal accruals and if that is not feasible, then by such other mode, as may be thought fit by the Board, as may be permissible at law. It is in these circumstances that the resolution as proposed in this item of the Notice, is proposed to be passed and commended to your acceptance.

The Directors representing the Promoters on the Board, viz. Mr. Umashankar Agrawal, Mr. R. K. Saraf, Mr. Ashim Saraf and Mr. Anurag Saraf may be deemed to be interested in the resolution.

Registered Office:
Shreeramnagar - 535 101
Garividi; Dist. Vizianagaram
Andhra Pradesh
Dated: 30th July, 2005.

By order of the Board,

S.S.SHARMA
Secretary

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