



FORTYTHIRD
ANNUAL REPORT
1998 - 99



FERRO ALLOYS CORPORATION LIMITED

FERRO ALLOYS CORPORATION LIMITED**Board of Directors**

Umashankar Agrawal
Chairman & Managing Director

R.K. Saraf
Vice-Chairman & Jt. Managing Director

Eruch B. Desai

Shravan Kumar, I.A.S.(Retd.)
Nominee of A.P. Industrial
Development Corporation Limited

M.D. Vaidya
Nominee of Life Insurance
Corporation of India

A.S. Kapre
Nominee of ICICI Ltd.

R.N. Buch
Nominee of Bank of India

K. Srinivasamurthy

M.B. Thaker

Govinddas Agrawal

Jamnadhhar Mor

Chandrakant Mor
Executive Director

Manoj Saraf
Executive Director

Executives

Vineet Saraf
Sr. President

Ashish Saraf
President

Rohit Saraf
President

R.D. Agarwal
Advisor

O.P. Banka
Sr. General Manager

Sudhir Gupta
General Manager (Marketing)

C.N. Harman
Sr. Technical Director

M.S.S. Sarma
General Manager
(Shreeramnagar Works)

B.B. Singh
Technical Director
(Charge Chrome Works)

V.S.S. Rao
General Manager
(Charge Chrome Works)

Ashok Agarwal
Chief Executive (Mines)

M.K. Pujari
General Manager (Mines)

D.B. Mohoril
Chief Executive (Steel Division)

S. K. Tara
Sr. General Manager (Technical)
(Steel Division)

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

Bhaishanker Kanga
and Girdharlal

Auditors

Salve And Co.
Chartered Accountants

Internal Auditors

D.C. Dhupia & Co.
Chartered Accountants

M.M. Jain
Chartered Accountant

Share Department

Shreeram Bhavan,
Tumsar - 441 912
Maharashtra.

Secretary
V.V. Somasundaran

FERRO ALLOYS CORPORATION LIMITED**43****FORTYTHIRD
ANNUAL REPORT
1998-99****Notice to Members**

Notice is hereby given that the **FORTYTHIRD ANNUAL GENERAL MEETING** of the Members of the Company will be held at Shri Durgaprasad Saraf Atithi Grah at Tumsar 441 912 (Maharashtra) on Wednesday, the 22nd December, 1999 at 11.00 A.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, 1999 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 Shri E. B. Desai, who retires from office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Shri Chandrakant Mor, who retires from office by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Shri Govinddas Agrawal, 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 the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956 Messrs Salve And 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 as may be fixed by the Board of Directors in consultation with the Auditors plus travelling and other expenses incurred by them incidental to their functions."

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 Sections 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves the re-appointment of Shri Umashankar Agrawal, as Managing Director of the Company for a further period of five years with effect from 3rd April, 2000 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and for the purpose of identification initialled by the Chairman and which draft agreement is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and re-appointment and/or the Agreement in such manner as may be agreed to between the Directors and Shri Umashankar Agrawal in the best interests of the Company, within the limitations in that behalf as contained in Schedule XIII to the said Act or any amendments thereof or otherwise as may be permissible at law".
7. 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 Sections 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such further approvals, if any, as may be necessary, the Company hereby approves the re-appointment of Shri R.K. Saraf as Joint Managing Director of the Company for a further period of five years with effect from 3rd April, 2000 upon the terms and conditions as to remuneration and otherwise as set out in the draft agreement prepared in that behalf and submitted to this meeting and for the purpose of identification initialled by the Chairman and which draft agreement is hereby specifically approved with liberty to the Directors to vary the terms and conditions of the remuneration and re-appointment and/or the Agreement in such manner as may be agreed to between the Directors and Shri R. K. Saraf in the best interests of the Company, within the limitations in that behalf as contained in Schedule XIII to the said Act or any amendments thereof or otherwise as may be permissible at law".

8. 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 marginal note thereto be inserted after the existing Article 129 as Article 129A :
- | | | |
|---|--------------|---|
| <p>"Procedure where meeting adjourned for want of quorum.</p> | <p>129A.</p> | <p>If a meeting of the Board could not be held for want of quorum, then the meeting shall automatically stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place, unless otherwise adjourned to any other date, time and place as the Board may determine."</p> |
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NOTES :

1. The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of Items 5 to 8 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 Friday, 17th December, 1999 to Wednesday, 22nd December, 1999, both days inclusive.
4. All requests received from Members 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 to you from the Company.
5. Members are requested to quote Folio Numbers in all correspondence.
6. Shareholders intending to require information about accounts to be explained at the meeting are required to furnish the queries to the Company at least 10 (ten) days in advance of the Annual General Meeting.
7. A recent amendment to the Companies Act, 1956 has introduced provisions for nomination by the holders of shares, debentures and fixed deposits. The members may accordingly make nominations, if they so desire, in the prescribed form which can be had from the Share Department at the Registered Office of the Company.
8. The shares of the Company are listed with The Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001, The Stock Exchange - Ahmedabad, Kamdhenu Complex, Near Polytechnic, Panjara Pole, Ahmedabad - 380 015, The Calcutta Stock Exchange Association Ltd., 7 Lyons Range, Calcutta - 700 001, The Delhi Stock Exchange Association Ltd., West Plaza, I.G. Stadium, Indraprastha Estate, New Delhi - 110 002, The Hyderabad Stock Exchange Ltd., 3-6-275, Himayatnagar, Hyderabad - 500 482 and Bhubaneswar Stock Exchange Association Ltd., A-22, Falcon House, Jharpada, Cuttack Road, Bhubaneswar - 751 006. Listing fees have been paid to Stock Exchanges at Mumbai upto 1999-2000, Ahmedabad upto 1998-99, New Delhi, Hyderabad, Calcutta and Bhubaneswar upto 1997-98.

By Order of the Board,

Registered Office :
Shreeram Bhavan,
TUMSAR-441 912
(Maharashtra)

V.V. Somasundaran
Secretary

Dated : 6th November, 1999

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 a Company is held either singly or in combination by public financial institutions, government companies, the Central or State Governments, nationalised banks or insurance companies carrying on general insurance business, then the appointment or re-appointment of an auditor of that Company has to be made by a Special Resolution.

In the case of our 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 Messrs Salve and Company as Auditors of the Company. A certificate has been received from Messrs Salve and 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 NOS. 6 AND 7 :

The present tenure of office of Shri Umashankar Agrawal as Managing Director and Shri R.K. Saraf as Joint Managing Director of the Company will expire on 2nd April 2000. The Board of Directors considers it desirable that the Company should continue to avail of their services for its benefit. Accordingly, the Directors have decided to re-appoint them to their respective offices for a further period of five years with effect from 3rd April, 2000 on the same terms and conditions including remuneration as contained in the respective draft agreements subject to the approval of the Shareholders in general meeting.

Shri Umashankar Agrawal has been associated with the Company since its inception and as Managing Director since April 1970. Shri R.K. Saraf has been working as Executive Director since April 1975 and as Joint Managing Director since December 1986. They are connected since long with the management of the Company which has its Units at different parts of the country. They have not only acquired considerable experience in the business of the Company but are thoroughly conversant with the day to day affairs, requirements and problems of the Company. Due to their incessant efforts during their long association, the Company made considerable progress in the past and the present position is due to reasons beyond their control. In the existing circumstances when the Company is passing through the most difficult period in its history, it is all the more necessary to continue to have the benefit of their vast experience to enable the Company to tackle the pressing problems effectively.

The Schedule XIII to the Companies Act, 1956 has prescribed the remuneration payable to Managing/Whole-time Directors in case of profit making Companies as well as remuneration payable by Companies having no profits or inadequate profits. The material terms and conditions of the re-appointment of the Managing Director and Joint Managing Director and their respective remuneration by way of salary, dearness allowance, perquisites and benefits (which are in conformity with the Schedule XIII to the Act) and as contained in the respective draft agreements are as under. These terms and conditions and remuneration are same as those at which they were re-appointed at the 38th Annual General Meeting held on 26/9/1994.

1. Term of Office :

Shri Umashankar Agrawal	}	
Managing Director	}	5 years with
	}	effect from
Shri R.K. Saraf	}	3rd April, 2000.
Joint Managing Director	}	

2. Remuneration :

- (i) Salary including dearness allowance :
For the Managing Director Rs.15,000 per month.
For the Joint Managing Director Rs.15,000 per month.

(ii) Perquisites :

In addition to the aforesaid salary, the Managing Director and the Joint Managing Director shall also be eligible to the following perquisites which are classified into 3 Categories - A, B and C. However, the perquisites are restricted in the aggregate to Rs.1,50,000/- per annum for each of them.

CATEGORY A :

1. Housing : (i) The expenditure by the Company on hiring/leasing furnished accommodation to be subject to 60% of the salary over and above 10% payable by the Managing Director and the Joint Managing Director.

Housing : (ii) In case accommodation is owned by the Company, 10% of the salary to be deducted by the Company.

Housing : (iii) In case no accommodation is provided by the Company, each of them will be entitled to House rent allowance subject to the ceilings laid-down in Housing (i).

The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings is to be valued as per the Income-tax Rules, 1962. This is, however, subject to a ceiling of 10% of the salary.

2. Medical Reimbursement - Expenses incurred for self and family subject to a ceiling of 1 months salary per year or 3 months' salary in a period of 3 years.
3. Leave Travel Concession - For self and family once in a year in accordance with the Rules of the Company.
4. Club Fees - Fees of Clubs subject to a maximum of 2 Clubs, admission and life membership fees not being allowed.
5. Personal Accident Insurance - Premium not to exceed Rs.4000/- p.a.

Note: Family means the spouse, the dependent children and dependent parents of the Managing Director and the Joint Managing Director.

CATEGORY B :

Contributions to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961, Gratuity payable at the rate not exceeding half a month's salary for each completed year of service and encashment of leave at the end of the tenure shall not be included in the computation of the ceiling on perquisites mentioned in 2(ii) above.

CATEGORY C :

The Company shall provide Car and Telephone at residence. Provision of a Car for use on Company's business and telephone at residence are not to be considered as perquisites. Personal long distance calls on telephone and use of Car for private purposes are to be billed by the Company to the Managing Director and the Joint Managing Director.

Note: The perquisites shall be evaluated as per Income tax Rules wherever applicable. In the absence of such Rules, perquisites shall be evaluated at actual cost.

3. Minimum Remuneration :

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of the Managing Director and the Joint Managing Director, the Company has no profits or its profits are inadequate, they shall be paid salary and perquisites as specified above.

4. The Managing Director and the Joint Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.
5. The respective draft agreements between the Company and Shri Umashankar Agrawal and Shri R.K. Saraf are available for inspection by the Members of the Company at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day upto the date of the meeting. Shri Umashankar Agrawal and Shri R.K. Saraf are brothers and are interested in each other's appointment. Shri Manoj Saraf is the son of Shri Umashankar Agrawal and hence Mr Manoj Saraf is interested in the latter's appointment. Shri Umashankar Agrawal and Shri R.K. Saraf may be deemed to be interested in the respective resolutions relating to them.
6. The particulars set out above may be treated as abstracts of the agreements between the said Managing Director and the Joint Managing Director and the Company pursuant to Section 302(2) of the Companies Act, 1956.

ITEM NO. 8:

As per the provisions of Section 288 (1) if a meeting of the Board of Directors could not be held for want of quorum, then, unless the articles otherwise provide, the meeting shall automatically stand adjourned till the same day in the next week, at the same time and place. This is a bit cumbersome provision and to overcome this, a new Article is proposed which is more flexible. A resolution in this behalf as proposed in this item of the Notice is accordingly commended for your approval.

By Order of the Board,

Registered Office:
Shreeram Bhavan,
TUMSAR-441 912
(Maharashtra)

V.V. Somasundaran
Secretary

Dated : 6th November, 1999.

Directors' Report to the Members

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**FORTYTHIRD
ANNUAL REPORT
1998-99**

The Directors submit the 43rd Annual Report on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS :

	Year ended 31.3.99	Previous year ended 31.3.98
	(Rs.in lacs)	(Rs. in lacs)
Gross Profit/(Loss)	(3992.09)	(3065.14)
Depreciation	1372.79	1383.82
Provision for taxation (Wealth Tax)	3.00	4.00
Profit/(Loss) for the year	(5367.88)	(4452.96)
Provision for taxation written back	—	0.18
Balance of Profit & Loss Account brought forward from last year	(11368.80)	(6916.02)
Balance carried to Balance Sheet	(16736.68)	(11368.80)

OVERALL PERFORMANCE:

Ferro Alloys Division of the Company at Shreeramnagar in Andhra Pradesh has been under lock out since 19/3/1999 due to some labour problems. The outstanding issues with the Labour Unions could not be resolved despite best efforts and the lock out is still continuing. Due to lock out the Company did not have access to the books and records and hence the working results of the Division have been prepared on the basis of information available at Head Office and memorandum records etc. maintained. For this reason, the operating results of the Company to the extent of the working of Ferro Alloys Division particularly for the period 1/1/1999 to 31/3/1999 are based on certain amount of estimates done with maximum possible accuracy.

Owing to the above and other reasons, the Annual General Meeting (AGM) could not be held by 30th September 1999. The AGM will now be held in December 1999 as mentioned in the Notice for which the Company has obtained permission from the Registrar of Companies, Mumbai.

As regards the working of the Company, the Directors regret to report that for the third year in succession the Company has suffered heavy loss due to the fact that most of the adverse operating conditions prevalent in the last two years, viz. unremunerative prices, availability of cheaper imported materials, over capacity, excess supplies, increase in cost of production etc., which had led to unfavourable working results in those years, continued almost unabated during the year under review. The turnover of the Company fell sharply by 11.81% to Rs.342.59 crores from Rs.388.45 crores for the previous year. Exports constituted 42.45% of the turnover as against 39.03% in the previous year.

REFERENCE TO BIFR:

As reported last year, the Company made a reference to BIFR under Section-15 of the Sick Industrial Companies (Special Provisions) Act 1985 (SICA) in November 1998 which was duly registered by them. The BIFR at the hearing held on 30.3.99 declared the Company as a Sick Industrial Company and appointed ICICI Ltd. as the Operating Agency (OA) to examine the viability of the Company and formulate a rehabilitation scheme for its revival if it

was found viable. The Company/Promoter was directed to submit a comprehensive rehabilitation proposal to the OA. Accordingly, a comprehensive proposal was submitted to the OA on 4/6/99 involving rehabilitation/restructuring plan for the Company containing, inter-alia, certain reliefs and concessions from Financial Institutions, Consortium Banks, State and Central Governments and contribution by promoters.

As mentioned above, the Company's Ferro Alloys Division was under lock out w.e.f. 19/3/99. It was anticipated that all issues with the labour Unions would be amicably settled by July 1999 and normal operations at the said Division would be resumed by August 1999. Therefore, in the aforesaid proposal the Company had considered four months lock out/closure. However, since all issues could not be sorted out with the Unions, the lock out is still continuing. Meanwhile, ICICI Ltd. wanted to know the impact of the continuing lock out on the working of the Company. Accordingly a revised proposal shall be prepared and submitted to ICICI taking into consideration the delay in lifting of the lock out. The Company has approached BIFR seeking more time to submit revised rehabilitation proposal to the OA.

DIVIDEND:

In view of the heavy loss, the Directors regret their inability to recommend any dividend for the financial year ended 31st March, 1999.

PROSPECTS :

Ferro alloys are mainly used in Steel making. Ferro alloys industry is thus closely connected with steel industry and its survival depends, inter alia, on the growth of the latter. The steep fall in prices, slump in demand caused by slow-down in the domestic and global steel industry, excess capacity, over supplies, stiff competition from cheaper imported materials due to drastic reduction in custom duty, high cost of production owing to rising cost of inputs, particularly power and petroleum products continue to exert heavy pressure on ferro alloys industry where several units have already downed their shutters and many are on the verge of closure/operating at lower capacity.

Even though your company with available captive power and chrome ore is relentlessly trying to keep its operations going, despite such heavy odds, by adopting various ways and means of cost reduction, an early turn around as well as continued survival and growth would be feasible only with strong support from the Government in response to the representations made to it by the Company as well as the industry from time to time and the revival of domestic and global markets. There is also some improvement in the Steel and Automobile Sectors which should prop up the demand for your Company's products. There has also been some positive development since July 1999 by way of improvement in the prices of charge chrome in the international market which trend, if continued, should augur well for the Company.

FERRO ALLOYS DIVISION :

The overall production and sales realisations during the year 1998-99 were lower than in the previous year mainly due to shut-down of furnaces for various reasons, unremunerative prices both in the domestic and international markets, lack of demand and lock out in the Plant w.e.f. 19/3/1999. Exports were, however, higher compared to the previous year.

Despite shut down for maintenance/break down of the DG sets, the power generated by the captive power plant was 100.31 million KWH Units as compared to 89.59 million KWH Units in the previous year.

CHARGE CHROME DIVISION :

In comparison to the previous year, the production as well as exports of Charge Chrome during 1998-99 was lower mainly due to sluggish demand and sharp fall in the prices in international market. However, sale in the domestic tariff area, as permitted in the EOU scheme, was considerably higher than in the previous year. From the Licensing year 1999-2000, the 100% EOUs have been allowed to sell 50% of FOB value of their exports in the domestic market. This will give more flexibility to the Company to sell its product depending upon the market conditions.

The captive power plant generated only 84.80 million KWH Units of power as compared to 116.26 million KWH Units in the previous year mainly due to shut-down for overhauling/break down of DG sets.

STEEL DIVISION :

Due to interruption in supply of power from MSEB for more than a month coupled with inadequate demand from user industries, particularly from automobile industry owing to persistent recession, production and sales in 1998-99 were lower than in the previous year. However, export of stainless steel bright bars showed significant improvement as compared to the previous year. The demand for this product in the domestic market is also encouraging.

During the year, increased use of DRI and pig iron in the scrap mix resulted in considerable reduction in the average scrap cost.

FINANCE :

1. Funds raised by the Company by issue of Debentures for working capital have been utilised for the said purpose.
2. As on 31.3.1999, 84 deposits amounting to Rs.4,61,500/- which had matured, remained unclaimed. Out of these, 30 deposits amounting to Rs.1,99,500/- have since been repaid.
3. After the close of the financial year ended 31st March, 1999 the Company has received interest free funds to the extent of Rs.6.39 crores forming part of Promoters' contribution in connection with rehabilitation of the Company which is to be adjusted in accordance with the terms and conditions of the Rehabilitation/Restructuring Package to be sanctioned by BIFR.

COST AUDITOR :

The Directors have appointed Mr. Shridhar K. Phatak, a practicing Cost Accountant, as Cost Auditor for the financial year 1999-2000 for Company's Mini Steel Plant at Nagpur for which Central Government approval has been received.

AWARDS :

The Company has received EEPIC All India Award for export excellence for the year 1997-98 among Non-SSI exporters in the category "Metals (Other than Aluminium) all types (Ferrous and Non-ferrous) including Ferro Alloys". The Company has also been awarded Regional Highest Exporters' Trophy in the category of "Metal other than Aluminium - All types" in recognition of its outstanding contribution to engineering exports during 1997-98.

SUBSIDIARY :

The Report and Accounts of Best Minerals Limited, a subsidiary of the Company, for the period 1st April 1998 to 31st March 1999 are annexed alongwith statement pursuant to Section 212 of the Companies Act, 1956.

INDUSTRIAL RELATIONS :

The overall industrial relations were cordial except in the Ferro Alloys Plant in Andhra Pradesh where a lock out had to be declared w.e.f 19/3/1999 due to labour problems as reported above. The lock out is still continuing. The various legal proceedings initiated consequent upon the declaration of lock out are pending in different courts and the Company is defending the same. Further all possible efforts are being made to resolve the issues with the Labour Unions as early as possible.

DIRECTORS :

Shri E.B. Desai, Shri Chandrakant Mor and Shri Govinddas Agrawal, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-election.

AUDITORS :

You are requested to appoint Auditors for the current year and to fix their remuneration.

The retiring Auditors M/s. Salve And Company, being eligible, offer themselves for re-appointment. They have furnished a certificate to the Company that the proposed re-appointment, if made, will be in accordance with sub-section (1B) of Section 224 of the Companies Act, 1956.

AUDITORS' REPORT :

With reference to the comments made by the Auditors in their Report, the Directors wish to state that the relevant notes forming part of the Company's Accounts are self-explanatory and hence do not require any further explanation.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

The statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure 'A' which forms part of this Report.

PARTICULARS OF EMPLOYEES :

During the year under review there were no employees receiving remuneration of or in excess of Rs.6,00,000/- per annum or Rs.50,000/- per month requiring disclosure as per the provisions of Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975.

STATUS OF YEAR 2000 COMPLIANCE (Y2K) :

All processes and functions, which could be adversely affected due to Y2K problem, have been identified and necessary steps are in progress for ensuring compliance by comprehensive testing and simulation of data and by modification of operating systems and application programmes, wherever required. Hardware is also being made Y2K compliant. The total cost of addressing Y2K issue is presently not ascertainable. However, the same is not expected to be very significant. Necessary contingency action is also being planned in case of system failure in future. The Company, based on its study, does not foresee any problems arising out of Y2K issue.

On behalf of Board of Directors,

TUMSAR

Dated : 2nd November, 1999.

UMASHANKAR AGRAWAL
CHAIRMAN