

FORBES GOKAK LTD.

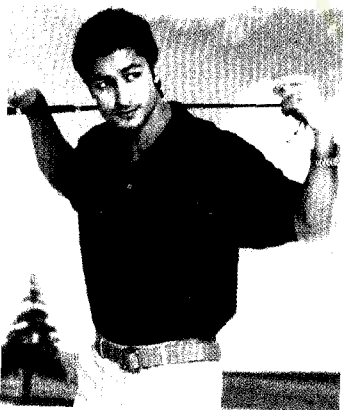
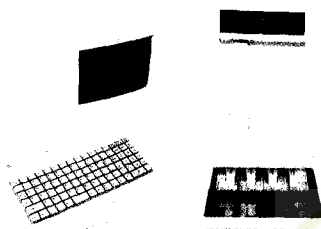
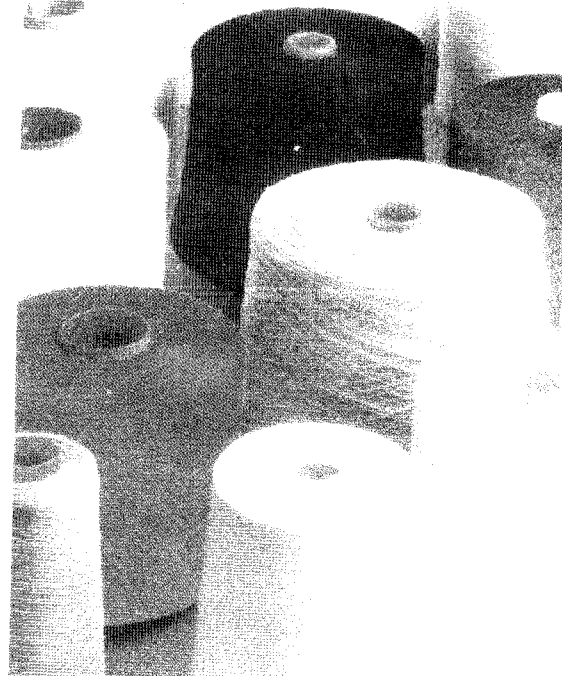
Since 1767, A Tradition Of Excellence

87th

Annual Report

2005 - 2006

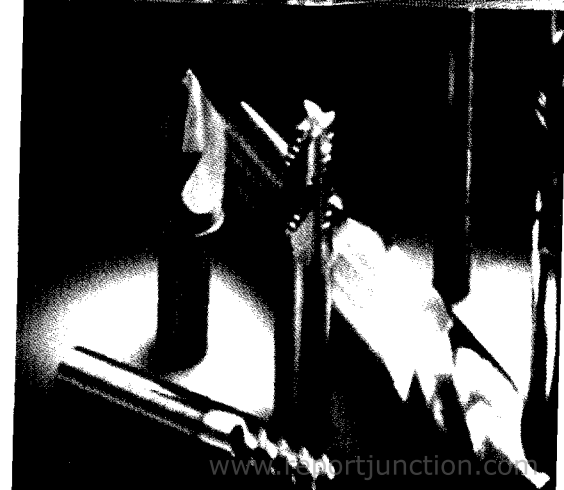
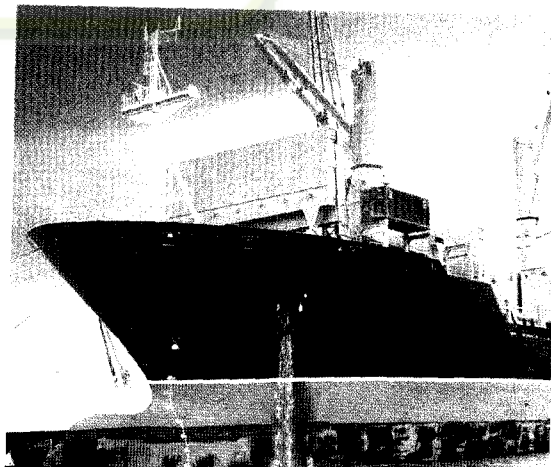
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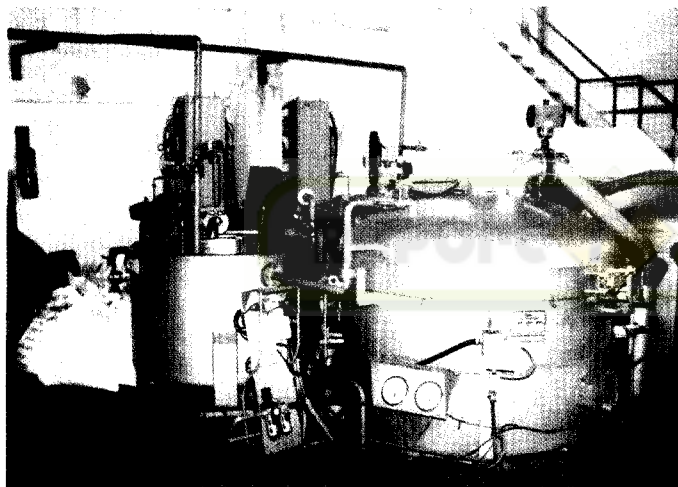
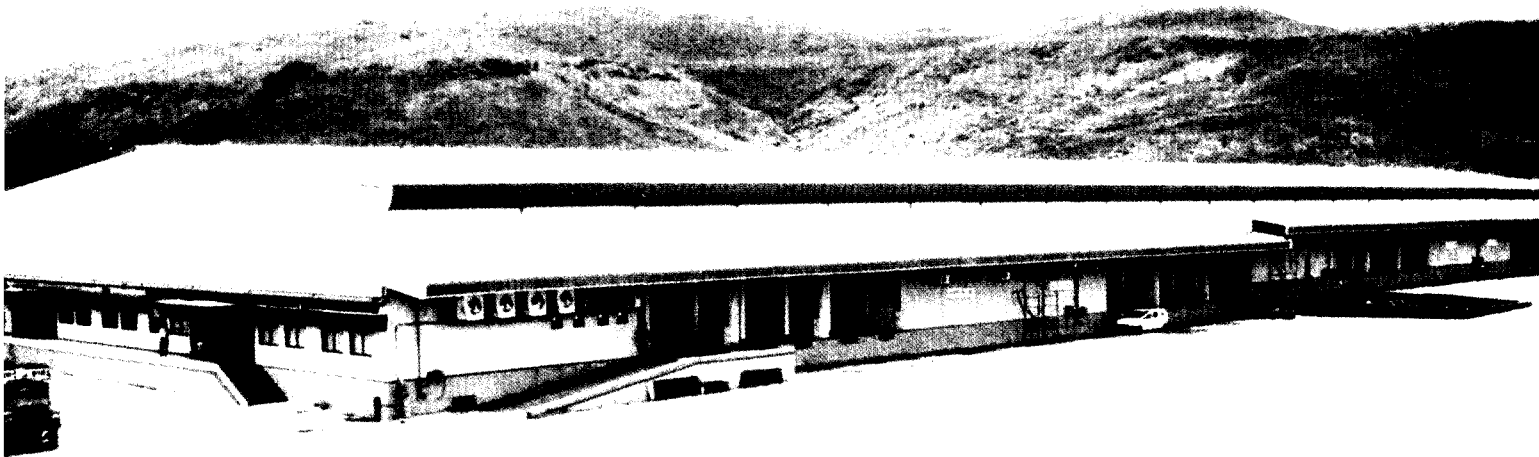

FORBES BRANDS




FORBES GROUP



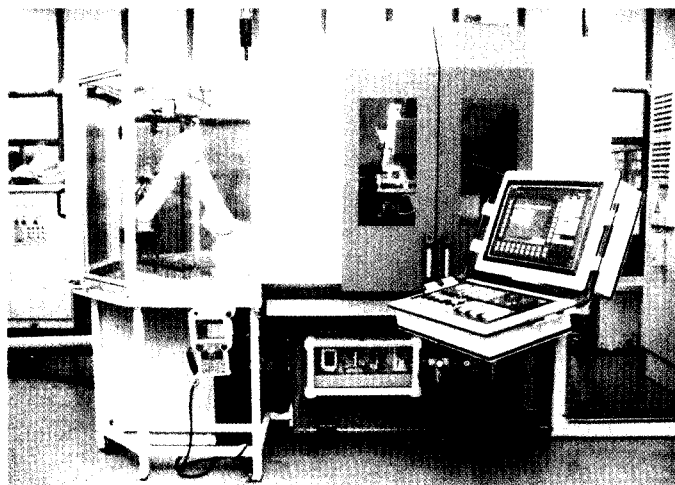
Container Freight Station at Veshvi



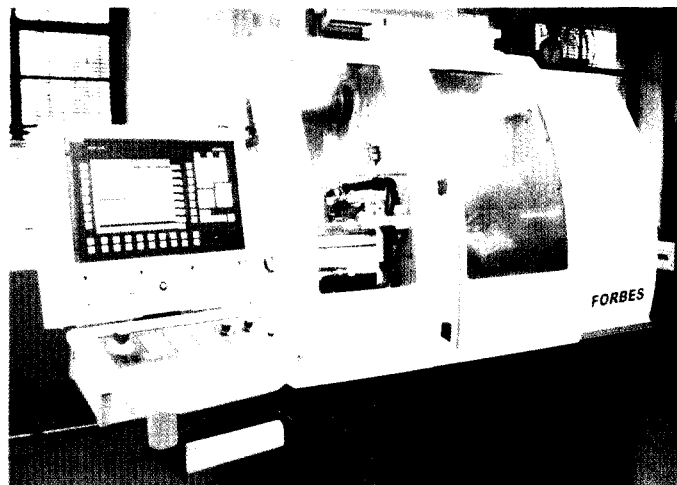
RFD Dyeing Vessels at Gokak Mills



New Rieter Compact Ring Frames at Gokak Mills



Multi Axes CNC Tap Lead Chamfer Grinding Machine



CNC Carbide burr grinding machine

**FORBES GOKAK LTD.****DIRECTORS:**

PALLONJI S. MISTRY
 SHAPOOR P. MISTRY
 K.C. MEHRA
 D.B. ENGINEER
 D.S. SOMAN
 C.G. SHAH
 R.N. JHA
 CYRUS P. MISTRY
 N.D. KHURODY
 S.L. GOKLANEY
 (w.e.f. 26th July, 2006)

Chairman-Emeritus
Chairman
Deputy Chairman & Managing Director

Executive Director (Finance)

SECRETARY:

A.T. SHAH

Company Secretary

MANAGEMENT:

K.C. MEHRA
 C.G. SHAH
 C.A. KARNIK
 H.S. BHASKAR
 G. MUKHERJI
 CAPT. S.P. RAO
 M. SINGH
 K.C. RAMAN
 R.T. DOSHI
 A.V. SATHE
 NAVIN PURI

Deputy Chairman & Managing Director
Executive Director (Finance)
Director (Human Resources)
Director (Textiles)
Director (Precision Tools)
Director (Shipping)
Director (Forbes Facit Engineering)
Regional Director (Shipping-South & East)
Vice-President (Finance & Accounts)
Director (Materials Management & Logistics)
Vice-President (Projects & Business Development)

AUDITORS:

Messrs. S.B. BILLIMORIA & CO.

**SOLICITORS AND
ADVOCATES:**

Messrs. CRAWFORD BAYLEY & CO.
 Messrs. MANEKSHA & SETHNA
 Messrs. UDWADIA & UDESHI (Regd.)

BANKERS:

PUNJAB NATIONAL BANK
 STANDARD CHARTERED BANK
 UNION BANK OF INDIA
 INDUSTRIAL DEVELOPMENT BANK OF INDIA LIMITED
 STATE BANK OF INDIA
 THE FEDERAL BANK LIMITED

**FORBES GOKAK LTD.****REGISTRARS AND SHARE
TRANSFER AGENTS:**

TSR DARASHAW LIMITED
UNIT: FORBES GOKAK LIMITED,
ARMY & NAVY BUILDING,
148, MAHATMA GANDHI ROAD,
MUMBAI - 400 001.

MILLS:

GOKAK FALLS - 591 308 (DISTRICT BELGAUM – KARNATAKA)

FACTORIES:**AURANGABAD**

1. A-7, M.I.D.C. AREA
CHIKALTHANA - 431 210

2. PLOT B-13, WALUJ INDUSTRIAL
AREA, WALUJ - 431 133

BELGAUM

BAGALKOT ROAD,
VILLAGE MARIHAL,
(DISTRICT BELGAUM – KARNATAKA) - 591 167

BHOWALI

VILLAGE LEWESHAL,
SATTAL ROAD, P.O. MEHRAGAON
BHOWALI - 263 132,
NANITAL DIST., UTTARANCHAL STATE

CHENNAI

NO. 40, ANNA NEDUNCHALAI,
PERUNGUDI, CHENNAI - 600 096,
TAMIL NADU

HOSUR

PLOT NO. 52,
SIPCOT INDUSTRIAL COMPLEX,
HOSUR - 635 126, KRISHNAGIRI DIST.,
TAMIL NADU

MUMBAI

1. CHANDIVALI ESTATE,
SAKI POWAI ROAD - 400 072

2. PLOT NO. C-17, ROAD NO. 16,
WAGLE INDUSTRIAL ESTATE,
THANE - 400 604

REGISTERED OFFICE:

FORBES BUILDING,
CHARANJIT RAI MARG,
FORT,
MUMBAI - 400 001

EIGHTY-SEVENTH ANNUAL REPORT 2005-2006

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Consolidated Financial Statements with Auditors' Report are attached separately and form part of this Report.

The Annual General Meeting will be held on Monday, 11th September, 2006 at 4.00 P.M. at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd floor, 18/20, Kaikhushru Dubash Marg, (Behind Prince of Wales Museum), Mumbai 400 001.



NOTICE

NOTICE is hereby given that the EIGHTY-SEVENTH ANNUAL GENERAL MEETING of the shareholders of FORBES GOKAK LIMITED, will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd floor, 18/20, Kaikhushru Dubash Marg, (Behind Prince of Wales Museum), Mumbai 400 001 on Monday, the 11th September, 2006 at 4.00 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. S. L. Goklaney, who was appointed as an Additional Director of the Company pursuant to Article 112 of the Articles of Association of the Company, and who holds office under Section 260 and other applicable provisions, if any, of the Companies Act, 1956, upto the date of this Annual General Meeting but being eligible, offers himself for appointment and in respect of whom the Company has received a notice in writing from a Shareholder under Section 257 of the Companies Act, 1956 signifying intention to propose his candidature for the office of Director.
4. To appoint a Director in place of Mr. Cyrus P. Mistry who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. Pallonji S. Mistry who retires by rotation and is eligible for re-appointment.
6. To appoint Messrs. S. B. Billimoria & Co., Chartered Accountants, as Auditors and to authorise the Board of Directors to fix their remuneration.
7. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:
"RESOLVED that, pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Kalyaniwalla & Mistry, Chartered Accountants, Mumbai be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company's Forbes Bradma Automation Division, situate at Mumbai and Thane, and to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company."
8. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:
"RESOLVED that, pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Murugesh & Co., Chartered Accountants, Bangalore be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company's Forbes Campbell Knitwear Division, situate at Mumbai and Marihal, and to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company."
9. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:
"RESOLVED that, pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Fraser & Ross, Chartered Accountants, Chennai, be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company's Forbes Facit Engineering Division, situate at Chennai, Hosur and Bhimtal and to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company."
10. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:
"RESOLVED that pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, and Schedule XIII thereto, the consent of the Company be and is hereby accorded to the re-appointment of Mr. K.C. Mehra as the Deputy Chairman & Managing Director of the Company for a period of 5 years from 1st April, 2007 to 31st March, 2012 (both days inclusive) on the remuneration and upon the terms and conditions set out in the draft of the Agreement to be entered into between the Company and Mr. Mehra, placed before this Meeting and initialled by the Chairman for the purpose of identification. Notwithstanding the period of appointment or any other provision of the Agreement between the Company and Mr. Mehra, his appointment as Deputy Chairman & Managing Director shall however be subject to the retirement policy of the Company for the time being.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to vary, increase, expand, enhance, enlarge, widen or alter the scope of the remuneration and perquisites, including the monetary value thereof, from time to time as it may, in its discretion, deem fit, within the maximum amount payable to Managing and Whole-time Directors in accordance with Sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII thereto or any amendments made hereafter in this regard and that, the aforesaid draft Agreement between the Company and Mr. Mehra be suitably amended and a Supplemental Agreement be entered into to give effect to the same in such manner as may be agreed to between the Board and Mr. Mehra.

RESOLVED FURTHER that the Directors of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. Mehra, in terms of the aforesaid draft Agreement."

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

“RESOLVED that pursuant to Schedule XIII of the Companies Act, 1956, where in any financial year during a period of 3 years from 1st April, 2007 to 31st March, 2010, or during the tenure of Mr. K.C. Mehra as the Deputy Chairman & Managing Director, whichever period is less, the Company has no profits or its profits are inadequate, it shall pay remuneration to Mr. Mehra by way of salary, dearness allowance, perquisites and other allowances as per the Agreement proposed to be entered into between the Company and Mr. Mehra, in terms of the draft Agreement placed at this Meeting and referred to in Item 10 of this Notice.

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

“RESOLVED that pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, and Schedule XIII thereto the consent of the Company be and is hereby accorded to the re-appointment of Mr. C. G. Shah as the Wholetime Director of the Company, designated as Executive Director of the Company for a period of 5 years from 1st April, 2007 to 31st March, 2012 (both days inclusive) on the remuneration and upon the terms and conditions set out in the draft of the Agreement to be entered into between the Company and Mr. Shah, placed before this Meeting and initialled by the Chairman for the purpose of identification. Notwithstanding the period of appointment or any other provision of the Agreement between the Company and Mr. Shah, his appointment as Whole-time Director shall however be subject to the retirement policy of the Company for the time being.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to vary, increase, expand, enhance, enlarge, widen or alter the scope of the remuneration and perquisites, including the monetary value thereof, from time to time as it may, in its discretion, deem fit, within the maximum amount payable to Managing and Wholetime Directors in accordance with Sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII thereto or any amendments made hereafter in this regard and that, the aforesaid draft Agreement between the Company and Mr. Shah be suitably amended and a Supplemental Agreement be entered into to give effect to the same in such manner as may be agreed to between the Board and Mr. Shah.

RESOLVED FURTHER that the Directors of the Company be and are hereby authorised to enter into an Agreement on behalf of the Company with Mr. Shah, in terms of the aforesaid draft Agreement.”

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

“RESOLVED that pursuant to Schedule XIII of the Companies Act, 1956, where in any financial year during a period of 3 years from 1st April, 2007 to 31st March, 2010, or during the tenure of Mr. C. G. Shah as the Wholetime Director, whichever period is less, the Company has no profits or its profits are inadequate, it shall pay remuneration to Mr. Shah, by way of salary, dearness allowance, perquisites and other allowances as per the Agreement proposed to be entered into between the Company and Mr. Shah, in terms of the draft Agreement placed at this Meeting and referred to in Item 12 of this Notice.”

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

“RESOLVED that pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the creation by the Board of Directors of (A) a mortgage and/or charge, by way of deposit of title deeds, on (i) all or any of the immovable properties pertaining to the Forbes Facit Engineering Division of the Company (“the Division”) (ii) Land bearing Survey No. 36/16 B2, situate at Anna Nedunchalai, Perungudi, Chennai 600 096, Kancheepuram District, Tamilnadu, (iii) Land with Buildings thereon bearing Survey No. 139 (Part of Palavakkam Village), situate at Plot No. 137, Developed Plots, Industrial Estate, Perungudi, Chennai 600 096, Kancheepuram District, Tamilnadu and (iv) Land with Buildings thereon bearing Survey No. 653 (Part) 640 and 630, Plot No. 52 (Part) situate at SIPCOT Industrial Complex, Zuzuwadi Village, Hosur, Krishnagiri District, Tamilnadu, and (B) a first charge by way of hypothecation (i) on all the Company’s stocks lying at any godown or factory of the Division anywhere in India including stock in transit and stock which accrues in future and (ii) the present and future receivables/book debts of the Division and all rights and accruals thereto, to or in favour of The Federal Bank Limited (hereinafter referred to as “FBL”) and FBL acting as agent of State Bank of India (hereinafter referred to as “SBI”) and/or to authorize them to collect the receivables / book debts on the occurrence of certain events, in order to secure –

1. FBL’s Term Loan of Rs. 800 Lakhs (as and by way of First Charge);
2. SBI’s Term Loan of Rs. 300 Lakhs (as and by way of First Charge);
3. FBL’s Working Capital limits aggregating to Rs. 650 Lakhs (as and by way of Second Charge) and
4. SBI’s Working Capital limits aggregating to Rs. 1875 Lakhs (as and by way of Second Charge),

together with interest at the agreed rate, additional interest, liquidated damages, commitment charges, premium on pre-payment, costs, charges, expenses and all other monies payable by the Company to FBL and FBL acting as agent of SBI in terms of their Loan Agreements/ Hypothecation Agreements/Mortgage by deposit of Title Deeds executed by the Company in respect of the said Term Loans and Working Capital limits.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with FBL and FBL acting as agent of SBI, all necessary documents required for creating the aforesaid mortgage and hypothecation and to do all such acts, deeds, matters and things, as may be necessary, for giving effect to the above Resolution.”



15. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:
 “RESOLVED that pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors to create charges in order to secure the term loans as per the details given below:

Details of Loan and the Lender

Security

- | | |
|---|--|
| 1. Rupee Term Loan of Rs. 15.00 crores from EXIM Bank under Production Equipment Finance Programme for Export-Oriented Units. | (i) Exclusive charge by way of hypothecation of the specific movable fixed assets/equipments of Forbes Precision Tools Division, to be acquired from the loan.
(ii) Irrevocable Authority to create mortgage in favour of EXIM Bank, in the event of default. |
| 2. Foreign Currency Term Loan of US \$ 4.00 mn from EXIM Bank under Long-term Working Capital Programme. | (i) Pari Passu charge by way of hypothecation of the movable fixed assets of Textiles Division and Forbes Campbell Knitwear Division.
(ii) Irrevocable Authority to create mortgage in favour of EXIM Bank, in the event of default. |
| 3. Rupee Term Loan of aggregate Rs. 48 crores from EXIM Bank and/or State Bank of India under Technology Upgradation Fund Scheme (TUFS) | (i) Exclusive charge by way of hypothecation of the specific movable fixed assets of the Textiles Division and Forbes Campbell Knitwear Division, to be acquired from the loan.
(ii) Mortgage of the immovable fixed assets of the Textiles Division located at Gokak Falls, Dist. Belgaum, Karnataka State and Forbes Campbell Knitwear Division at Village Marihal, Dist. Belgaum, Karnataka State. |

on such terms and conditions as the Board of Directors may think fit including the right to EXIM Bank to appoint a Nominee Director on the Board of Directors of the Company on the happening of certain events of default in terms of the Letter(s) of Sanction/Loan Agreement(s), in order to secure the due repayment of term loan(s) availed/to be availed of by the Company from the above lenders, together with the payment of interest thereon at the respective agreed rates, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to the lenders, in terms of its Letter(s) of Sanction/Loan Agreement(s) entered into/to be entered into/executed/to be executed by the Company, in respect of the above mentioned term loans.

RESOLVED FURTHER that the above charges shall be subject to all prior charges created by the Company in favour of (a) the Company's Bankers, Punjab National Bank, Standard Chartered Bank, State Bank of India, Industrial Development Bank of India Ltd. and UTI Bank Ltd. over its stocks of raw materials, semi-finished and finished goods, consumable stores and book debts and such other movables for securing the borrowings for working capital requirements, (b) Industrial Development Bank of India Ltd. and New India Co-operative Bank Ltd. in respect of specific items of machinery purchased from facilities granted by them and (c) EXIM Bank.

RESOLVED FURTHER that the Board of Directors of the Company, be and is hereby authorized to finalise with the lenders all necessary documents for creating the mortgage and/or charge and/or hypothecation as aforesaid and to do all other acts, deeds, matters and things and to execute all such documents and writings as it may deem necessary, usual, requisite or proper for the purpose of giving effect to the aforesaid Resolution.”

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai, 26th July, 2006.

Registered Office:
Forbes Building,
Charanjit Rai Marg,
Mumbai 400 001

NOTES:

1. A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A SHAREHOLDER.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 (“the Act”) in respect of business at items 3, 10, 11, 12, 13, 14 and 15 of the Notice set out above is annexed hereto.

3. Pursuant to the exemption granted by the Central Government under Section 212(8) of the Act the annual accounts of the subsidiary companies and the related detailed information are not sent with the Company's accounts for the year ended 31st March, 2006. The annual accounts of the subsidiary companies will be made available to the shareholders seeking such information as and when such request is received by the Company. Such information is also available for inspection by any shareholder at the Registered Offices of the Company and of the subsidiary companies concerned.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 1st September, 2006 to Monday, 11th September, 2006 (both days inclusive).
5. The Dividend, when declared, will be payable on and after Friday, 15th September, 2006 to those shareholders whose names appear on the Register of Members on 11th September, 2006. In respect of shares held in dematerialised form in the depository system, the dividend will be paid to the beneficial owner(s) as per the list provided by the depositories.
6. Shareholders are requested to immediately notify the REGISTRARS AND SHARE TRANSFER AGENTS or the DEPOSITORY PARTICIPANTS (in case of shares which have been dematerialised) of any change in their address and/or bank account details to ensure correct and prompt receipt of the Dividend Warrants.
7. SHAREHOLDERS ARE ADVISED, IN THEIR OWN INTEREST, THAT ALL COMMUNICATIONS TO THE COMPANY OR ITS REGISTRARS AND SHARE TRANSFER AGENTS, WHICH WOULD HAVE THE EFFECT OF AMENDING THE PERMANENT DETAILS OF THEIR LEDGER FOLIO, SHOULD BE SIGNED BY ALL THE SHAREHOLDERS REGISTERED UNDER THAT LEDGER FOLIO.
8. Please check whether you have encashed Dividend Warrants for earlier years. If the Dividend Warrants are lost or have become time-barred, please apply to the Company or its Registrars and Share Transfer Agents for duplicate/revalidated Dividend Warrants. Advice is also being sent in this behalf, to the concerned shareholders, individually.

Dividend for the year ended	FORBES GOKAK LIMITED		erstwhile-FAL INDUSTRIES LIMITED		Date on which unpaid amount is required to be paid to the Central Govt.	Shareholders should apply latest by
	Rate of Dividend	Dividend Warrant dated	Rate of Dividend	Dividend Warrant dated		
31 st March, 1999	15%	26.08.1999	22%	09.08.1999	16.09.2006	28.08.2006
31 st March, 2000	100% (Interim)	10.05.2000	22% (Interim)	15.05.2000	18.05.2007	17.04.2007
31 st March, 2001	30%	31.07.2001	10%	14.09.2001	25.08.2008	24.07.2008
31 st March, 2002	20%	28.08.2002	10%	30.07.2002	30.08.2009	29.07.2009
31 st March, 2003	25%	29.08.2003	10%	04.08.2003	31.08.2010	30.07.2010
31 st March, 2004	40%	07.07.2004	10%	31.07.2004	31.08.2011	30.07.2011
31 st March, 2005	50%	26.08.2005	10%	30.08.2005	28.09.2012	27.08.2012

9. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Members who have so far not claimed their Dividends for the said periods may claim the same by submitting an application in Form No. II, prescribed under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, to the Registrar of Companies, Maharashtra, Mumbai.
10. Pursuant to Section 205A of the Companies Act, 1956 read with Section 205C of the Companies Act, 1956, unclaimed/unpaid dividend for the financial years ended 31st March, 1995 to 31st March, 1998 have been transferred to the Investor Education and Protection Fund.
11. Please address all communications including lodging of Transfer Deeds to —

REGISTRARS AND SHARE TRANSFER AGENTS

TSR Darashaw Ltd.,
UNIT: Forbes Gokak Ltd.
Army & Navy Building,
148, Mahatma Gandhi Road,
Mumbai 400 001

Kindly quote your Ledger Folio No.

ANNEXURE TO NOTICE

Explanatory Statement under Section 173 of the Companies Act, 1956

Item 3:

At the meeting of the Board of Directors held on 26th July, 2006, Mr. S.L. Goklaney was appointed an Additional Director of the Company. Pursuant to Section 260 of the Companies Act, 1956 (hereinafter referred to as "the Act") read with Article 112 of the Articles of Association of the Company (hereinafter referred to as "the Articles") Mr. S.L. Goklaney holds office upto the date of the forthcoming Annual General Meeting of the Company.

A notice in writing, has been received from a shareholder under Section 257 of the Act alongwith a deposit of Rs. 500 signifying intention to propose Mr. S.L. Goklaney as a candidate for appointment as a Director.

Mr. S.L. Goklaney aged 59, is Managing Director of Eureka Forbes Ltd. and Chairman of the Board of several other companies. He has wide and varied experience in marketing and general management. The Directors consider that the services of Mr. S.L. Goklaney will be useful to the Company having regard to his knowledge and experience and recommend that he be appointed as a Director of the Company.

Mr. S.L. Goklaney is interested in the Resolution at Item 3 of the Notice since it relates to his appointment.

Item 10:

At the meeting of the Board of Directors held on 26th July, 2006, the Directors have re-appointed Mr. K.C. Mehra as the Deputy Chairman & Managing Director for a further period of 5 years from 1st April, 2007 to 31st March, 2012 at the remuneration and upon the terms and conditions set out in the draft Agreement placed before the meeting and initialled by the Chairman for the purpose of identification. Emoluments, benefits, perquisites and other conditions of the re-appointment of Mr. Mehra, have been set out in Schedule 'A' hereto.

As the appointment of Mr. Mehra as the Deputy Chairman & Managing Director and the remuneration proposed to be paid to him, is in conformity with the provisions and requirements of Schedule XIII to the Companies Act, 1956, ("the Act") approval of the Central Government is not required for the same. The appointment and the remuneration payable to Mr. Mehra as set out in the aforesaid draft Agreement are, however, subject to the approval of the shareholders in general meeting, pursuant to Section 269 read with Schedule XIII to the Companies Act, 1956. Hence the Resolution at Item 10 of the Notice.

The other material terms of the draft Agreement with Mr. Mehra referred to in the Resolution at Item 10 of the Notice are as follows:

1. The appointment of Mr. Mehra shall be for a period of 5 years from 1st April, 2007 to 31st March, 2012 (both days inclusive) subject to the same being previously determined as provided in the Agreement. Further, notwithstanding the period of the appointment or any clause of the Agreement, the appointment of Mr. Mehra, as Deputy Chairman & Managing Director, shall be subject to the retirement policy of the Company.
2. During his tenure as the Deputy Chairman & Managing Director the day-to-day management of the Company shall be in the hands of Mr. Mehra, subject to the supervision and control of the Board of Directors of the Company.
3. Mr. Mehra shall devote his whole time, attention and ability during business hours to the business of the Company and undertake travel in India and abroad for the same.
4. Pursuant to Article 141 of the Articles of Association, Mr. Mehra shall not be subject to retirement by rotation in accordance with Section 256 of the Act and Article 127 of the Articles of Association of the Company.

Upon Mr. Mehra ceasing to be the Deputy Chairman & Managing Director under this appointment he shall cease to be a member of the Board.

A copy of the draft Agreement between the Company and Mr. Mehra, referred to above will be open for inspection by the shareholders at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day (Monday to Friday).

The foregoing material terms read with Schedule 'A' hereto should be treated as an abstract of the terms of Mr. Mehra's appointment as the Deputy Chairman & Managing Director pursuant to Section 302 of the Act.

Mr. Mehra is interested in the Resolution at Item 10 of the Notice since it relates to his re-appointment as Deputy Chairman & Managing Director.

Item 11:

Pursuant to Schedule XIII of the Act where in any financial year during the currency of tenure of Mr. Mehra, the Company has no profits or its profits are inadequate, it may, subject to approval of the shareholders of the Company by a special resolution, pay remuneration to Mr. Mehra by way of salary, dearness allowance, perquisites and any other allowances, not exceeding the ceiling limit of Rs. 48,00,000 per annum or Rs. 4,00,000 per month on the scale related to the effective capital of the Company. The shareholders can approve payment of remuneration for a period not exceeding three years.

Accordingly, the resolution at Item 11 is proposed as a special resolution to enable the Company to pay remuneration to Mr. Mehra for the period 1st April, 2007 to 31st March, 2010 as per the Agreement proposed to be executed in terms of draft Agreement placed at the meeting and referred to at Item 10.