

6th

ANNUAL REPORT

1999-2000

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FRONTLINE
SECURITIES LIMITED

FRONTLINE SECURITIES LIMITED

Board of Directors

Mr. Rakesh K. Jain, Chairman
 Dr. C.S. Bedi
 Mr. Atul K. Jain
 Mrs. Prerna Jain
 Mr. Rajendra K. Mangal
 Director & Company Secretary
 Mr. Arun K. Jain,

Auditors

J. Jain and Company
 Chartered Accountants

Bankers

Standard Chartered Bank
 New Delhi

HDFC Bank, New Delhi

Registered Office

E-169, Masjid Moth
 Greater Kailash Part - III
 New Delhi - 110 048

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NOTICE

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held on Friday, 13th October, 2000 at 10 a.m. at Air Force Auditorium, Subroto Park, New Delhi to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance sheet as at 31st July, 2000 and Profit and Loss Account for the year ended on that date and the Report of Auditors and Directors thereon.
2. To declare dividend
3. To appoint a Director in place of Mr. Atul K. Jain who retires by rotation, and being eligible, offer himself for reappointment.
4. To appoint a Director in place of Dr.C.S.Bedi who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. To consider and if though fit, to pass with or without modification(s) the following resolution as Ordinary Resolution :

"RESOLVED that pursuant to the provisions of section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 approval of the members be and is hereby accorded to the reappointment of Mr.Rajendra K. Mangal, Director and Company Secretary, as a Whole-time Director of the Company for a period of five years with effect from 25th August, 2000, on the salary, perquisites and benefits as set out in the explanatory statement attached to the Notice of this Annual General Meeting, with authority to the Board of Directors to alter, vary, increase or enhance such remuneration subject to overall ceiling specified in Schedule XIII to the Companies Act,

1956 read with section 198, 309,310 and other applicable provisions, if any of the Act or any amendments or re-enactments thereof, as may be agreed by the Board and Mr.Rajendra K. Mangal without any further reference to the shareholders in a General Meeting."

7. To consider and if though fit, to pass, with or without modification(s) the following resolution as Special Resolution :

"RESOLVED that pursuant to the provisions of section 17 and other applicable provisions if any, of the Companies Act, 1956, the Memorandum of Association of the Company be and is hereby altered by insertion of the under mentioned sub clause (4), (5) & (6) in clause (A) of the Objects Clause.

- (4) To design, develop, manufacture, purchase, sell, licence, lease, install, market, distribute, improve, alter, import, export and to otherwise deal in all types of information technology related software used by or involving computers, data processing systems, communication hardware and software, office and factory automation equipment and to provide management consultancy services, e-commerce, e-sales, E.R.Ps, internet and intranet services, web designing, portal designing, filmware and programmes, satellite communication, cyber cafes, CAD, CAM, CAE, 3D Designing and any other incidental or related services.
- (5) To carry on business of providers of all or any information technology services in India and abroad including services such as Internet Service Provider, shared services, call centres, back office services, Hyper Text Mark up Language (HTML) coding, text publishing, software development etc.
- (6) To carry on the business of establishing, financing, managing and maintaining training centres and research

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and development institutes for imparting education and training and undertaking all kinds of research, experiments, surveys etc. respectively, in the field of information technology related software services.

8. To consider and if thought fit to pass with or without modification(s), the following resolution as Special Resolution :

"RESOLVED that pursuant to section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the Articles of Association of the Company and subject to the approvals/consents of statutory and/or other authorities as may be necessary and subject to such conditions and modifications, if any, of the terms of issue, as may be prescribed or imposed by any such authority while granting such approvals, permissions and sanctions, which the Board of Directors of the Company [hereinafter referred to as "The Board"] be hereby authorized to accept at its sole discretion, the consent of the Company be and is hereby accorded to the Board to issue not exceeding 50,00,000 Equity Shares of the face value of Rs.10/- each to Employees, Foreign Institutional Investors, Non Resident Indians, Overseas Corporate Bodies, Financial Institutions, Mutual Funds, Venture Capital Funds, Venture Capital Companies, Bodies Corporate, other entities/authorities and to such other person(s) through preferential allotment in one or more tranches, in such form, manner and upon such terms and conditions including premium, if any, as the Board may in its absolute discretion deem fit and as may be permitted by the appropriate authorities or as may be permissible under any such guidelines issued or to be issued by any authorities."

"RESOLVED FURTHER that the new Equity Shares shall upon allotment have the same voting rights as the existing Equity Shares of the Company except that they shall be entitled for dividend declared, if any, for the financial year after the allotment, on prorata basis."

"RESOLVED FURTHER that for the purpose of giving effect to this resolution the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion consider necessary, proper or desirable and settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilization of the Company's funds to diversify in software related business.

9. To consider and if thought fit to pass, with or without modification(s), the following resolution as Special Resolution :

"RESOLVED that subject to approval of Central Government and/or Reserve Bank of India, if required or where applicable, the consent of the Company be and is hereby accorded to increase the Shareholding of Foreign Institutional Investors upto 40% of the total paid up Equity Capital of the company or any such increased percentage as may be prescribed by the Central Government, Reserve bank of India or Securities and Exchange Board of India, provided however that a ceiling of 10% of the total paid up Capital of the Company or any such increased percentage as may be prescribed by Securities & Exchange Board of India or any other authorities, will be separately maintained in case of each and every Foreign Institutional Investor".

"FURTHER RESOLVED that the said purchase/acquisition of Shares as aforesaid upto prescribed limits of the subscribed Share Capital shall be subject to conditions and restrictions laid down by the relevant authorities for the time-being in force as amended from time to time".

"FURTHER RESOLVED that the Board of Directors be and is hereby authorised to take such steps as may be necessary and / or desirable to give effect to this Resolution".

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

"RESOLVED that pursuant to the provisions of section 16, 94 (1) (a) of the Com-

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panies Act, 1956 and Article 5 of the Articles of Association of the Company, the Authorised Share Capital of the Company be and is hereby increased from Rs.6,00,00,000/- [Rupees Six Crores only] divided into 60,00,000 [Sixty Lac] Equity Shares of Rs.10/- [Rupees Ten] each to Rs.10,00,00,000/- [Rupees Ten Crores only] divided into 1,00,00,000 [One Crore] Equity Shares of Rs.10/- each and consequently the existing clause V of the Memorandum of Association be and is hereby altered by deleting the same and substituting in its place the following clause :

- V. "The Authorised Share Capital of the Company is Rs.10,00,00,000/- [Rupees Ten Crore only] divided into 1,00,00,000 [One Crore] Equity Shares of Rs.10/- [Rupees Ten] each."

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

"RESOLVED that pursuant to the provisions of section 31 and other applicable provisions if any, of the Companies Act, 1956, Article 3 of the Articles of Association be substituted by the following Article :-

"The Authorised Share Capital of the Company is Rs.10,00,00,000/- [Rupees Ten Crore only] divided into 1,00,00,000 [One Crore] Equity Shares of Rs.10/- [Rupees Ten] each."

12. To consider and if thought fit to pass, with or without modification(s) the following resolution as Special Resolution :

"RESOLVED that pursuant to the provisions of section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association be and are hereby altered as under :

The following new definitions be inserted in Article 2 of the Articles of Association of the Company :

- (r) Depositories Act, 1996 shall include Depositories Act, 1996 and any statu-

tory modification or re-enactment thereof.

- (s) "Depository" shall mean a Depository as defined under clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996.
- (t) "Beneficial Owner" shall mean beneficial owner as defined in clause (a) of sub-section (1) of section 2 of the Depositories Act, 1996.
- (u) "SEBI" means the Securities and Exchange Board of India.
- (v) "Securities" means shares, debentures or other securities as may be specified by Central Government, SEBI or any other concerned authorities from time to time".

The existing clause (i) of Article 2 be substituted by the following :

- (i) 'Member' means the registered holder for the time being of the issued shares in the capital of the Company and includes a subscriber to the Memorandum of Association of the Company and includes every person, whose name is entered as Beneficial Owner of shares in the records of a Depository.

The existing clause (m) of Article 2 be substituted by the following :

- (m) 'Register of Members' means the Register of Members to be kept pursuant to section 150 of the Act and unless it be repugnant to the context or otherwise, the Register of Beneficial owners in case of shares held in a Depository."

Article 18 of the Articles of Association be altered to include a proviso after the existing proviso :-

Provided however, no Share Certificate(s) shall be issued, for shares held by the "Beneficial Owner(s)" in respect of shares held or dealt in dematerialised form.

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After the existing Article 56, the following new Article be inserted as Article 56A and read as follows :

56 A

Facility to Nominate

- a. Every holder of shares in, or holder of debentures [including fixed deposit holder under section 58 A of the Companies Act, 1956] may, at any time, nominate, in the prescribed manner, a person to whom his shares in, or debentures of, the Company shall vest in the event of his death.

Nomination in case of joint holding

- b. Where the shares in, or debentures of, the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders.

Rights of Nominees

- c. Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of, the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in, or debentures of, the Company, the nominee shall, on the death of the shareholder or holder of debentures of the Company or as the case may be on the death of the joint holders become entitled to all the rights in the shares or debentures of the Company or, as the case may be, all the joint holders, in relation to such shares in, or debentures of, the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

Minor nominee

- d. Where the nominee is a minor, it shall be lawful for the holder of the shares or holder of the debentures, to make the nomination to appoint, in the prescribed manner, any

person to become entitled to shares in, or debentures of, the Company, in the event of his death, during the minority.

After the existing Article 62, the following two Articles numbered 62A and 62B be inserted under the heading "Dematerialisation of Securities".

DEMATERIALISATION OF SECURITIES

Authority to dematerialise securities

62A Notwithstanding anything to the contrary contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in dematerialised form pursuant to the Depositories Act, 1996.

62B when any securities of the Company are held or dealt in dematerialised form the following shall apply :-

Option to receive securities certificates or hold securities in dematerialised form

- a. Every person holding securities of the Company through allotment or otherwise shall have the option to receive and hold the same in the physical form or to hold the same in dematerialised form with a depository.

Securities in fungible form

- b. All securities held by a depository shall be dematerialised and shall be in fungible form. Nothing contained in Sections 153, 153A, 153B 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

Option to opt out in respect of any securities

- c. Every person holding securities of the Company with a depository, being the beneficial owner thereof, may at any time opt out of the depository in the manner provided under the provisions of the Depositories Act, 1996 and the Rules, if any, prescribed thereunder and on fulfillment of the conditions prescribed by the Company from time to time, the Company shall issue the relevant securities certificates to the beneficial owner thereof.

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Intimation to Depository

- d. The Company shall make available to the depository, copies of the relevant records in respect of securities held by such depository for the beneficial owners thereof. When a holder or an allottee of the securities opts to hold the same with a depository, the Company shall intimate such depository, the details of his holdings or allotment of securities and thereupon the depository shall enter in its record the names of the holders/allottees as the beneficial owners of such securities.

Register and Index of Beneficial Owner

- e. The Register and Index of Beneficial Owners of securities maintained by a depository under section 11 of the Depositories Act, shall be deemed to be the Register and Index of Members or of Holders of Debentures or other securities of the Company.

Transfer of securities held in a depository

- f. Transfer of securities held in a depository will be governed by the provisions of the Depositories Act, 1996. Every depository shall furnish to the Company, information about the transfer of securities, the names of the beneficial owners at such intervals and in such manner as may be specified under the provisions of Depository Act, 1996. Section 108 of the Act shall not apply to transfer of securities effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a depository.

Rights of Depository and Beneficial Owner

- g. A depository shall be deemed to be the registered owner for the purposes of effecting the transfer of ownership of securities on behalf of the beneficial owners and shall not have any voting rights or any other rights in respect of the securities held by it. Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member

of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

Distinctive number of securities held in a Depository

- h. Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

Applicability of Depositories Act

- i. Notwithstanding anything contained in these Articles or the Act, the provisions of Depositories Act, 1996, relating to dematerialisation of securities, [including any modification(s) or re-enactment thereof and Rules/Regulations made thereunder] shall prevail and apply accordingly.

By order of the Board

Date : 30.08.2000

Place : NEW DELHI

Rajendra K. Mangal

Director & Company Secretary

NOTES

1. Explanatory statement pursuant to section 173 (2) of the Companies Act, 1956, in respect of item No.6, 7, 8, 9, 10, 11 and 12 is annexed hereto and forms part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. A BLANK PROXY FORM IS ENCLOSED FOR USE BY MEMBERS, IF REQUIRED. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday 9th October, 2000 to Friday, 13th October, 2000 [both days in-

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clusive] for the purpose of payment of dividend.

4. The dividend declared, if any, will be paid to those Members whose name appear in the Register of Members as on 13th October, 2000 the date of Annual General Meeting of the Company.
5. Members are requested to notify the change in their address, if any, to the Company and quote their Folio Number in all correspondence with the Company.
6. Members are requested to bring their copy of Annual Report along with them, to the Annual General Meeting.
7. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
8. Any queries relating to Accounts must be sent to the Company at least 10 days before the date of the meeting.
9. To make trading and holding of equity shares of the Company more convenient for shareholders and investors, the Company has completed all arrangements with NSDL and CDSL for Dematerialisation of its shares. Members can send their Demat request through their Depository Participant(s) at the Registered Office of the Company.
10. As per the provisions of section 109A of the Companies Act, 1956, facility for making nomination is now available for Members of the Company. Members who wish to avail this facility may obtain the Nomination Form 2-B from the Registered Office of the Company. However where the shares are held in dematerialised form, the nomination should be recorded with the respective Depository Participants.

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

Item No.6

Mr.Rajendra K. Mangal, Director and Company Secretary of the Company was appointed as a Whole-time Director at the Annual General Meeting held on 25th August, 1995, for a period of five years. The term of his appointment as a Whole-time Director has come to an end on 24th August, 2000. With his rich experience in the field of finance, accounts, taxation, company law etc. Mr.Rajendra K. Mangal has contributed immensely towards the growth and progress of the Company.

In their meeting held on 23rd August 2000, the Board of Directors of the Company, subject to the approval of the Shareholders, re-appointed Mr.Rajendra K. Mangal as a Whole-time Director for a further period of five years w.e.f. 25th August, 2000 on the following terms and conditions :

- | | |
|---------------|--|
| A. Salary | : 17500
(In the scale of 17,500 - 30,000) |
| B. Commission | : NIL |
| C. Bonus | : As per the rules of the Company subject to a maximum of 20% of salary. |

Perquisites

1. Housing

1. The expenditure by the company on hiring furnished accommodation will be subject to sixty percent of the salary.
2. In case no accommodation is provided by the company, the appointee shall be entitled to House Rent Allowance upto 60% of salary.

2. Medical reimbursement

Expenses incurred for the Director and his family subject to a ceiling of one month's salary in a year or three month' salary over a period of three years.

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3. Provident Fund

Company's contribution to provident fund shall be as per rules of the Company.

4. Gratuity

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

5. Telephone facility

Provision of a telephone at the Director's residence for his personal use. Personal long distance calls on telephone shall not be borne by the Company.

6. Provision for car

Use of Company's vehicle as and when provided or reimbursement of conveyance expenses for the company's business will not be considered as perquisite.

7. Leave Travel Concession

For the Director and his family members, once in a year subject to maximum of one month's salary.

8. Leave Encashment

Encashment of leave at the end of tenure will not be included in computation of ceiling of perquisites.

The terms of remuneration, as stated above may be treated as an abstract of terms of remuneration under section 302 of the Companies Act, 1956.

The above referred Board Resolution is available for inspection at the Registered Office of the Company on any working day up to the date of the Annual General Meeting between 11.00 a.m. to 1.00 p.m.

The Board of Directors recommend the resolution as Ordinary Resolution.

Except Mr. Rajendra K. Mangal no other Director of the Company is in anyway concerned or interested in the proposed resolution.

Item No.7

At present the Company is engaged in the business of loan syndication, investment and financial consultancy. In light of the on going trend in the domestic and global market, the Company proposes to diversify in the sunrise area of software, hardware, e-commerce and other related areas.

To implement the abovesaid, the company needs to amend object clause of its Memorandum of Association.

Section 17 of the Companies Act, 1956 provides that the object clause of a company can be amended only by a special resolution passed by the members in a general body meeting.

The Board of Directors recommend the resolution as Special Resolution.

None of the Directors are in an anyway concerned or interested in the proposed resolution.

Item No.8

The Company plans to diversify in software related business. In view of the proposed diversification and other business needs, the Company foresees the need to raise funds. At present the Board of Directors of the Company propose to raise funds by way of preferential issue of equity shares upto a maximum of 50,00,000 (Fifty lac) Equity Shares to such persons/entities including but not limited to Overseas Corporate Body(ies), Foreign Institutional Investor(s), Financial Institution(s), Bank(s), Mutual Fund(s), NRI(s), other foreign and domestic bodies corporate whether or not such persons/entities are Members of the Company, as the Board of Directors may deem fit.

Object of the Issue

To raise funds partly for software related business and partly for existing business.

Promoter's Intention to subscribe

Promoters and companies controlled by them intend to subscribe up to 45,00,000 Equity Shares.