

23rd

Annual Report

2006



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HARIG

HARIG CRANKSHAFTS LIMITED

BOARD OF DIRECTORS

Mr Deshbir Singh

Chairman cum Managing Director

Mr J.W Tetteroo

Mr Anil Sharma

Mr N.S Parulekar

Mr Devender Singh

Mr N.Sinha

Mr. Gopal Patwardhan

COMPANY SECRETARY

Mr. Hemant Singhal

REGISTERED OFFICE & WORKS

C-49, Phase II, Noida,
Distt. Gautam Budh Nagar - 201 305
Uttar Pradesh

STATUTORY AUDITORS

M/s J.K Arora & Co.
Chartered Accountants

BANKERS

Bank of India

**REGISTRAR & SHARE TRANSFER
AGENT**

Beetal Financial & Services (P) Ltd
Beetal House, 3rd Floor, 99, Madanglr,
Behind Local Shopping Centre,
Near Dada Harsukhdas Mandir,
New Delhi - 110062.

MEMBERS MAY PLEASE NOTE

THAT NO GIFTS/COUPONS

SHALL BE DISTRIBUTED

AT THE MEETING

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Notice is hereby given that the Twenty Third Annual General Meeting of HARIG CRANKSHAFTS LIMITED (the "Company") will be held on Saturday, 19th August, 2006 at 11 AM. at C-49, Noida Phase II, Dist. Gautam Budh Nagar- 201 305, U.P. to transact the following business:

ORDINARY BUSINESS

1. To consider, receive and adopt the Balance Sheet as at 31st March, 2006 and the Profit and Loss Account of the Company for the year ended on that date and the report of the Directors and the Auditor's thereon.
2. To appoint a director in place of Mr. N.S Parulekar, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Devender Singh, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and approve appointment of Auditors

SPECIAL BUSINESS

5. Appointment of Director

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT Mr. Gopal Patwardhan, be and is hereby appointed as a Director of the company, liable to retire by rotation"

6. Increase in Authorized Capital.

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:-

"RESOLVED that pursuant to the provisions of section 94 and any other applicable provisions of the Companies Act, 1956, the authorized share capital of the Company be and is hereby increased from Rs. 42,00,00,000 (Rupees Forty Two Crores) divided into 42,00,00,000 (Forty Two Crores) equity shares of Re. 1/- each to Rs. 50,00,00,000 (Rupees Fifty Crores) divided into 50,00,00,000 (Fifty Crores) equity shares of Re. 1/- each ranking pari passu with the existing equity shares of the Company and that Clause VI of the Memorandum of Association and Article 3 of Articles of Association of the Company be altered accordingly.

RESOLVED FURTHER that the existing Clause VI of the Memorandum of Association of the Company be substituted in its place with the following new Clause VI:

CLAUSE VI

"The Authorized share capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores) divided into 50,00,00,000 (Fifty Crores) equity shares of Re. 1/- (One) each with the power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being into several classes or to attach thereto respectively such preferential, convertible, deferred, qualified special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions, in such manner as may for the time being be provided by the Articles of Association of the Company."

"RESOLVED FURTHER that the Board is hereby authorized to do all such acts, deeds, matters and things and resolve any doubts or question as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to the foregoing resolution or otherwise considered by it to be fit and proper."

7. Alteration in the Articles of Association

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:-

"RESOLVED that pursuant to Section 31 of the Companies Act, 1956, and other applicable provisions, of the Companies Act, 1956, if any, Article 3 of the Articles of Association of the Company be and is hereby altered by substituting in its place the following Article 3:

ARTICLE 3

The Authorized share capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores) divided into 50,00,00,000 (Fifty Crores) equity shares of Re. 1/- (One) each with the power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being into several classes or to attach thereto respectively such preferential, convertible, deferred, qualified special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions, in such manner as may for the time being be provided by the Articles of Association of the Company."

"RESOLVED FURTHER that the Board is hereby authorized to do all such acts, deeds, matters and things and resolve any doubts or question as in its absolute discretion, it may consider necessary, expedient or desirable, in order to give effect to the foregoing resolution or otherwise considered by it to be fit and proper."

8. Preferential Issue of Equity Shares

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION :

"RESOLVED that pursuant to the provisions of Section 81 (1A) and other applicable provisions if any, of the

Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provision of the Articles of Association of the Company, the Listing Agreement entered into between the Company and various stock exchanges, the guidelines and clarifications issued by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and any other statutory/regulatory authorities, and subject to all such other approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall also include any committee constituted/to be constituted by the Board for exercising the powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board, to create, offer, issue and allot upto 3,07,00,000 (Three Crore and Seven Lakhs) fully paid, up equity shares of Rs. 1/- each at a premium of not less than Rs. 2.10 (Rupees Two and Ten Paise) aggregating to Rs. 9,76,50,000 (Rupees Nine Crores Seventy Six Lakhs and Fifty Thousand) (the 'Equity Shares') for cash or other wise then for cash to Promoters,

Promoter's Associates, Bodies Corporate, Indian/Foreign Companies and/or any one or a combination of its associates, nominees, group companies (details of whom are set out in the Explanatory Statement) (the "Investors"), on preferential allotment basis, on such terms and conditions and in such manner as the Board may think fit, without offering the same to any persons who at the date of offer are holders of equity shares of the company and whether or not the acquisition of shares or voting rights results in a change in control and such Equity Shares allotted to the Investors shall rank pari passu in all respects with the existing equity shares of the Company and their entitlement to dividend shall be proportionate to the capital paid up thereon and to the period during which such amount is paid up.

"RESOLVED FURTHER THAT:

- i) the Equity Shares, Warrants to be so offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company;
- ii) the Relevant Date as per the SEBI (Disclosure & Investor Protection) Guidelines, 2000 ("SEBI (DIP) Guidelines") for preferential issue, as amended upto date for the determination of applicable price for the issue of Equity Shares is 21st July 2006."

"RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board is hereby authorized to do all such acts, deeds, matters and things and resolve any doubts or question that may arise in the issue and allotment of fresh shares, to effect any modification to the foregoing resolutions in the best interests of the Company and its shareholders including powers to the Board to issue and allot Shares to any of the other Shares Investors in case any one or more of the Investors holders decides not to subscribe for the Shares, in part or full, as mentioned against their respective names in the Explanatory Statement as the Board may in its sole discretion deem fit and to execute all such writings and instrument as the Board may in its absolute discretion deem necessary or desirable."

9. Preferential issue of Warrants

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED that pursuant to the provisions of Section 81 (1A) and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provision of the Articles of Association of the Company, the Listing Agreement entered into between the Company and various stock exchanges, the guidelines and clarifications issued by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and any other statutory/regulatory authorities, and subject to all such other approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the 'Board', which term shall also include any committee constituted/to be constituted by the Board for exercising the powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board, to create, offer, issue and allot upto 6,00,00,000 (Six Crores) Warrants or any other securities or financial instrument(s) (hereinafter referred to as "Warrant") at a price of Rs. 3.10 per Warrant to Bodies Corporate, Companies (Indian/Foreign) and/or any one or a combination of its associates, nominees, group companies (details of whom are set out in the Explanatory Statement) ("the Warrant holders"), on preferential basis, on such terms and conditions and in such manner as the Board may think fit, without offering the same to any other person, whether or not they are members of the Company; each Warrant entitling the holder thereof to apply for and be allotted one (1) equity share of Re. 1/- each, which conversion must be made within a period not exceeding eighteen (18) months from the date of allotment of the Warrants in accordance with the SEBI (DIP) Guidelines and other relevant guidelines as may be applicable, such that the Warrants so issued or allotted give rise (on allotment or upon conversion/exercise of right) to not more than 6,00,00,000 (Six Crores) equity shares of Re. 1/- (Rupee One) each and such equity shares to be allotted to the Warrant holders on conversion shall rank pari passu in all respects with the then existing equity shares of the Company and their entitlement to dividend shall be proportionate to the capital paid up thereon and to the period during which such amount is paid up.

"RESOLVED FURTHER THAT:

- i) the Equity Shares, Warrants to be so offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company;

- ii) the Relevant Date as per the SEBI (Disclosure & Investor Protection) Guidelines, 2000 ("SEBI (DIP) Guidelines") for preferential issue, as amended upto date for the determination of applicable price for the issue of Equity Shares upon conversion of the Warrants in part or full is 21st July 2006."

"RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board is hereby authorized to do all such acts, deeds, matters and things and resolve any doubts or question that may arise in the issue and allotment of Warrants or of fresh shares, to effect any modification to the foregoing in the best interests of the Company and its shareholders including powers to Board to issue and allot Warrants to any of the other Warrant holders or Investors in case any one or more of the Warrant holders decides not to subscribe for the Warrant, in part or full, as mentioned against their respective names in the Explanatory Statement as the Board may in its sole discretion deem fit and to execute all such writings and instrument as the Board may in its absolute discretion deem necessary or desirable."

Date : 22.07.2006
Place : Noida

By order of the Board
for **HARIG CRANKSHAFTS LIMITED**

HEMANT SINGHAL
Company Secretary

- The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item 5, 6, 7, 8 and 9 above is annexed hereto.
- A MEMBER 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 MEMBER OF THE COMPANY. THE PROXY (IS) IN ORDER TO BE EFFECTIVE, DULY STAMPED MUST REACH THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING.
- The Members are requested to notify change in their addresses, if any, specifying clearly the PINCODE No.
- The Register of Members and Share Transfer Books of the Company relevant thereto shall remain close from Monday August 14th, 2006 till Friday August 18th, 2006. (both days inclusive)
- Members who hold shares in the dematerialized form are requested to indicate without fail their DP ID and Client ID Numbers in the attendance slip.
- Members holding shares in the physical form are encouraged to nominate a person to whom his shares in the company shall vest in the event of his death.
- The Memorandum and Articles of Association of the Company are open for inspection for the members at the Company's registered office between 11 a.m. to 1 p.m. on any working day from August 10th 2006 onwards upto the date of the Annual General Meeting and at the meeting.
- Members are requested to affix their signature at the space provided on the attendance slip annexed to the proxy form and hand over the slip at the entrance to the place of the meeting.
- As the Equity Shares of the Company of the nominal value of Rs. 10/- each has been sub-divided into 10 (Ten) equity shares of Re. 1/- each, the members who hold the shares in physical form are requested to surrender their share certificates to Beetal Financial & Services Pvt. Ltd (Registrar & Transfer Agent of the Company) for getting new share certificates issued in lieu of the old certificates consequent upon the split of equity shares.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

In respect of Items No. 5

Mr Gopal Patwardhan was appointed an Additional Director to hold office until the conclusion of ensuing Annual General Meeting of the Company. Mr Patwardhan aged 31 yers is Professional technocrat,an Investment Banker and has rich and varied experience of international financial Markets. The Board of Directors are of the opinion that association of Mr. Patwardhan shall immensely benefit the company, and accordingly recommend to the members his candidature for the Position of Director of the company.

The Company has received notice under section 257of the Companies Act, 1956 proposing the candidature of Mr Patwardhan as a Director of the Company.

No other Director except Mr Gopal Patwardhan himself may deemed to be interested in the said item of business.

In respect of Item No. 6 and 7

The present authorized Capital as stated in Clause VI of the Memorandum of Association and Article of Association is Rs. 42, 00,00,000 (Rupees Forty two Crores) divided into 42,00,00,000 (Forty two Crores) equity shares of the face value of Re. 1/- (one) each.

To meet the Company's future requirements, it is now proposed to pass a resolution seeking the shareholders' approval to increase the Authorized Capital to Rs. 50,00,00,000 (Rupees Fifty Crores) divided into 50,00,00,000 (Fifty Crores) equity shares of Rs. 1/- (one) each.

In accordance with the provisions of the Companies Act, 1956 approval of the Members is required to enhance the Authorized Share Capital and as a sequel to the increase, corresponding alteration needs to be made in Clause VI of the Memorandum of Association and Article 3 of the Articles of Association.

The Board recommends the resolution for your approval.

None of the Directors of the Company is concerned or interested in any way in the resolution proposed to be passed at Item 6 and 7.

In respect of Items No. 8 & 9

The resolution at Items No. 8 & 9 relate to the proposal of the Company to issue and allot upto 3,07,00,000 (Three Crores Seven Lakhs) Equity Shares and 6,00,00,000 (Six Crores) Warrants convertible into equity shares to Warrant holders. Such issue and allotment of Shares and Warrants shall be governed by the provisions of SEBI (DIP) Guidelines.

The Equity Shares of Rs. 1/- each is proposed to be allotted at a premium of Rs. 2.10 per Share i.e. at a price of Rs. 3.10 per share, by cash to Duke Special Situations Fund LLC and by adjustment of Payables to Mr. Deshbir Singh and M/s Harig India Pvt. Ltd.

The Warrant holders shall have a right to convert one (1) Warrant into one (1) equity share at a conversion price of Rs.3.10 per equity share, of which Re. 0.31 p per Warrant shall be paid by the Warrant holders forthwith upon issue thereof and the balance Rs 2.79 p per warrant shall be paid by the Warrant holders at the time of exercising the conversion option to convert Warrants into equity shares for such number of warrants in respect of which the Warrant holders exercises the conversion option.

The total number of equity shares that would be issued on conversion of warrants shall not exceed 6,00,00,000 (Six Crores) equity shares.

The proceeds of the issue will be utilized for funding the capital expenditure and augment working capital resources of the Company.

A certificate from the Auditors of the Company shall be laid before the meeting certifying compliance with SEBI guidelines in respect of Preferential issue for shares/ warrants.

In the circumstances the consent of the members is being sought pursuant to the provisions of section 81(1A) of the Companies Act, 1956 and other applicable provisions for offer and allotment of shares and warrants convertible into shares to persons other than members of the company. the Board of Directors recommend to the members the resolutions for their approval.

Mr. Deshbir Singh, Managing Director may be deemed to be interested in the item of business to the extent of Shares to be allotted to him and M/s Harig India Pvt. Ltd. None of the Other Directors of the company may be deemed to be interested in the said items of the business.

Disclosures, which are required to be given in terms of the Securities and Exchange Board of India (Disclosure & Investor Protection) Guidelines, 2000.

(i) The objects of the issue through preferential offer

The main object of the issue through preferential offer is to raise funds for meeting the capital expansion programs, augmentation of working capital requirements, improve the working capital management and to meet the cost of raising resources for the issue.

(ii) The intention of the promoters/directors/key management persons to subscribe to the offer.

The intention of the promoters/directors/key management to subscribe to the offer is improve the working capital system of the company.

(iii) Share holding pattern of the Company before and after the proposed issue of Equity Shares and Warrants.

Caterogy	Pre-issue equity holding (as on 21.07.2006)	%	Equity holding post issue of Equity Shares on Preferential Basis	%	Equity holding post conversion of warrants	%
i. Promotor Group	53535090	14.3	64235090	15.86	64235090	13.81
ii. Institutional Investors (Banks, Mutual Funds Fis, FIs)	68094430	18.19	68094430	16.81	68094430	14.64
iii. Others including Public	252760270	67.51	272760270	67.33	332760270	71.55
Total shares comprising paid up capital	374389790	100.0	405089790	100.00	465089790	100.00

* The above percentage has been calculated on the assumption that all party paid shares are fully paid.

NOTICE**HARIG**

The existing executive directors, whole time directors and key-personnel in the employment of the Company shall continue to hold their respective position and the issue and allotment of Equity Shares underlying the Warrants would not result in any change in control over the Company or the management or affairs of the Company, or in the Board of Directors of the Company, and the Promoters shall continue to be in of control of the Company.

(iv) Proposed time within which allotment will be completed

The shares and Warrants shall be allotted within 15 days from the date of Annual General Meeting i.e. before September 3rd 2006, provided the time for allotment shall be extended by the time taken for obtaining approval for such allotment by any regulatory authority or the Central Government.

(v) Identity of the proposed allottees of Shares and warrants and the percentage of the post-preferential issue capital that may be held by them.

Name of Allottees	Pre-issue equity holding (as on 21.07.2006)	%	Equity holding post issue of Equity Shares on Preferential Basis	%	Equity holding post conversion of warrants	%
A. Promoters & Associates						
i. Deshbir Singh	13881940	3.71	23881940	5.90	23881940	5.13
ii. Harig India Pvt. Ltd.	12855810	3.43	13555810	3.35	13555810	2.91
B. Others						
i. Duke Special Situations Fund LLC	--		20000000	4.94	20000000	4.30
ii. Duke Holding II LLC	--		--		10000000	2.15
iii. Mont Pelier Capital Ltd.	--		--		15000000	3.23
iv. Titan Holdings Ltd.	--		--		15000000	3.23
v. Active Car Care Pvt. Ltd.	--		--		20000000	4.30
Total Paid Up Capital	374389790		405089790		465089750	

* While computing the percentages, we have taken into account the new equity shares that will be issued to the investors pursuant to resolution at item no. 9.

Date : 22.07.2006
Place : Noida

By order of the Board
for **HARIG CRANKSHAFTS LIMITED**

HEMANT SINGHAL
Company Secretary

TO THE MEMBERS

Your Directors are pleased to present the Annual Report for the year 2005-06 on the business and operations of the company together with Balance Sheet as at 31st March 2006 and Profit and Loss account for the year ended on that date.

FINANCIAL PERFORMANCE

	(Rs/Lacs)	
	2005-06	2004-05
Total Income	4768.17	3153.84
Operating Profit	573.17	305.16
Less : Interest	196.58	310.95
Cash Accruals	376.59	(5.79)
Less : Depreciation	278.30	270.17
Net Profit /(loss)	98.29	(275.96)

During the year the company registered a growth of 51% in total income 88 % in operating profit as compared to the previous year, and has reported net profit of Rs 98.29 lacs as against a loss in the previous year. The financial performance of the company has improved considerably through continuous monitoring of operations and all round efforts made by employees at all levels.

During the year One Time Settlement with the financial institutions was completed and the company achieved the status of a debt free company as all the long term loans were redeemed.

With the net worth of the company becoming positive, Honourable BIFR ordered delisting of the company as a sick company.

FUTURE OUTLOOK AND PROSPECTS

India is fast emerging as a cost effective option for the automobile manufacturers in the world. The manufacturers are shifting their facilities to India so as to derive cost benefit advantages. This augurs well for your company, as the demand for forgings, crankshafts and other allied components shall rise. Your Directors are happy to report that the working of the current year is in line with the improvements achieved in the previous year.

In order to take advantage of the improving business scenario the company has chalked out expansion of forging, crankshaft and other auto components manufacturing capacities, which shall be financed partly by raising equity share capital and balance by availing financial assistance from banks.

However, the availability and price of steel is a major cause of concern for the industry.

SHARE CAPITAL

The Share Capital of the company was re-constituted by sub-dividing the nominal value per share of Rs 10/- each Re 1/- per share and accordingly the total number of shares of the company have increased.

As on 31st March 2006, the issued and subscribed Share capital of the company stands at Rs 3593.89 lacs as against Rs 3193.89 lacs, an increase of Rs 400 lacs arising out of conversion of 40,00,000 warrants into four crores equity shares of Re 1/- each. The share capital was further increased to Rs.3743.89 lakhs consequent upon conversion of 15000000 warrants into equity shares. The offer for subscription of 35,00,000 warrants was withdrawn.

DIVIDEND

Your Directors do not recommend any dividend for the year.

DIRECTORS

During the year under review nomination of Mr S.M.Bathe and Mrs Surjit Kaur Sandhu were withdrawn by BIFR and PICUP respectively.

Mr.Gopal Patwardhan was appointed as an Additional Director on the Board of the company on 22nd July 2006, and he holds office until the conclusion of the ensuing Annual General Meeting of the company. Mr. Patwardhan being eligible offers himself for appointment.

Mr. N.S.Parulekar and Mr Devender Singh, Directors retire by rotation and being eligible offer themselves for re-election.

AUDITORS AND AUDITORS' REPORT

M/s J.K.Arora & Co, Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting and have signified that they are eligible for re-appointment.

The observations of the auditors have been explained by way of notes to accounts.

PERSONNEL

During the year, none of the employee was in receipt of remuneration as prescribed under section 217(2A) of the Companies Act, 1956.

CORPORATE GOVERNANCE

A report on corporate governance is enclosed in compliance of clause 49 of the listing agreement.

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

A statement showing conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed and forms part of this report.

DIRECTORS RESPONSIBILITY STATEMENT

Your Directors' declare:

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures,
2. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and Fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period,
3. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities,
4. that the Directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors' place on record the assistance extended by All India Financial Institutions, Banks, PICUP, the Central and State Government of Uttar Pradesh, and customers of the company.

Your Directors are grateful to the shareholders for their continued support.

For and on Behalf of the Board

Place : Noida
Dated : 22nd July 2006

Deshbir Singh N.Sinha
Managing Director Director