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INDITALIA REFCON LIMITED

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11TH ANNUAL REPORT.

1996 - 97

BOARD OF DIRECTORS

N.S. Parulekar Chairman
R.K. Mital Managing Director
N.D. Sheth Joint Managing Director
Sujata R. Mital Executive Director
G. Franchin
(Alternate Lancelot D'Cunha)
F. Franchin
(Alternate S.V. Sapre)
N.T. Parekh
(Alternate M.V. Jayakar)
S.K. Kajaria

AUDITORS

Jokhakar & Associates
Chartered Accountants

BANKERS

STATE BANK OF INDIA
BANK OF BARODA
STATE BANK OF MYSORE
STATE BANK OF BIKANER & JAIPUR
MONTE DEI PASCHI DI SIENA
RAGHUVANSHI CO-OPERATIVE BANK LTD.

REGISTERED OFFICE :

7 & 8B, IInd Floor,
West View No.1, 309, S.V. Road,
Santacruz (W), Mumbai-400 054.

CORPORATE OFFICE :

Sai Palace, 1st Floor,
Plot No.96, S.V. Road,
Near Pushpa Varkha Bldg.,
Khar (W), Mumbai-400 052.

WORKS :

Dhamini,
Savroli-Kharpada Road,
Taluka Khalapur,
Khopoli, Dist. : Raigad.

REGISTRARS & SHARE TRANSFER AGENTS

Online Share Management Services Ltd.
Sanjay Building No.6, Mittal Industrial Estate,
Andheri (E), Mumbai-400 059.

INDITALIA REFCON LIMITED NOTICE

NOTICE IS HEREBY GIVEN THAT THE ELEVENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDITALIA REFCON LIMITED will be held on Monday, 22nd December, 1997 at 12.00 Noon at W.I.A.A. Club, Ridge Road, Malabar Hill, Mumbai 400 006 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June, 1997 and the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri N.S. Parulekar, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri N.T. Parekh, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri S.K. Kajaria, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit to pass, with or without modification/s the following Resolution as an Ordinary Resolution :-

"RESOLVED THAT in accordance with the provisions of Section 94 and all other applicable provisions if any, of the Companies Act, 1956 the Authorised Capital of the Company be and is hereby increased from Rs.15,00,00,000 (Rupees Fifteen Crores) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten each) to Rs.20,00,00,000 (Rupees Twenty Crores) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten each) and 5,00,000 (Five Lacs) Preference Shares of Rs.100/- (Rupees One Hundred) each and consequently the existing clause V of the Memorandum of Association of the Company, be and is hereby altered by deleting the same and substituting in its place the following as Clause V :

Clause V : The Authorised Share Capital of the Company is Rs.20,00,00,000/- (Rupees Twenty Crores Only) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten each) and 5,00,000 (Five Lacs) Preference Shares of Rs.100/- (Rupees One Hundred) each.

7. 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 and all other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby altered as under .

Substitute the following for Article 3 :

Article 3 : The Authorised Share Capital of the Company is Rs.20,00,00,000/- (Rupees Twenty Crores Only) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten each) and 5,00,000 (Five Lacs) Preference Shares of Rs.100/- (Rupees One Hundred) each.

8. 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 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof), the relevant provisions of the Memorandum of Association & Articles of Association of the Company and subject to such approvals, consents, permissions and sanctions as may be necessary from Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI), Central Government and such other appropriate authorities or bodies and subject to such conditions as may be prescribed by them while granting such approvals, consents, permissions and sanctions and subject to such terms, conditions and alterations, the Board of Directors of the Company (hereinafter referred to as "Board"), be and is hereby authorised to issue, offer and allot Equity Shares and or Preference Shares and/or also fully or partly Convertible Debentures or any other Securities with or without premium or with or without warrants as may be decided by the Board and or Global Depository Receipts (GDR's) and/or American Depository Receipts (ADR's) with or without warrants and with or without premiums and/or other convertible bonds/securities convertible into Equity Shares and/or securities linked to Equity Shares or any other instruments or securities either in rupees or in appropriate foreign currency as may be permitted by way of private placement, preferential allotment, public offering or by any combinations thereof to Foreign Institutional Investors, Overseas Corporate Bodies, International Institutions, Non Resident Indians, Indian Companies including promoter/group associate Companies, shareholders and employees of associate and group Companies, incorporated bodies, individuals, employees Trusts and other entities and to such other persons whether members of the Company or not, from time to time, in one or more tranches as may be deemed appropriate by the Board for an aggregate amount not exceeding Rs.15,00,00,000 - (Rupees Fifteen Crores) inclusive of rupee and/or foreign currency and on such terms and conditions as may be decided by the Board including the terms of issue as to the price and persons to whom such securities may be issued and all other terms and conditions and matters connected therewith in consultation with the Lead Managers and/or Advisors and/or Underwriters Solicitors and any modifications in the proposal as may be required by the Authorities involved in such issue, but subject to such conditions as the SEBI RBI/Government of India and such other Appropriate Authorities may impose at the time of the approvals, if any, and as agreed to by the Board with authority to retain such oversubscription as may be permitted by the Appropriate Authority and the number of Equity Shares to be issued and allotted shall be augmented accordingly.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of additional Securities as may be required in this regard and the Securities so allotted shall rank pari passu with the existing Equity Shares Preference Shares of the Company except that they shall rank for dividend, pro rata, from the date of allotment.

RESOLVED FURTHER THAT such of these Securities to be issued as are not subscribed may be disposed off by the Board or any Committee of the Board constituted in this behalf

(hereinafter referred to as the "Committee") to such persons and in such manner and on such terms as the Board or Committee may in its absolute discretion think most beneficial to the Company including offering or placing them with Financial Institutions, Mutual Funds, Asset Management Companies, Banks, Overseas Bodies Corporate, Foreign Institutional Investors, or such other persons as the Board or Committee may in its absolute discretion deem fit."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to negotiate, alter and accept the terms and conditions as may be stipulated by the appropriate authorities while granting permissions/sanctions as aforesaid and that for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable and pay fees, commission and incur expenses in relation thereto."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer, allotment or redemption of the Preference Shares and utilisation of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intent and that the members shall be deemed to have given their approval thereto expressly by the authority of this Resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or Managing Director or Executive Director of the Company to give effect to the aforesaid Resolution."

By order of the Board of Directors

Place : Mumbai R. K. MITAL
Dated : November 14, 1997 Managing Director

Registered Office :
7 & 8 B, West View Building No.1,
309, S.V. Road,
Santacruz (West),
Mumbai-400 054.

NOTES :

1. 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 OF THE COMPANY. A PROXY FORM TO BE EFFECTIVE MUST BE LODGED WITH THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business under item Nos.6 to 8 to be transacted at the meeting is annexed hereto and forms part of this Notice.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 9th December, 1997 to Monday, 22nd December, 1997 (both days inclusive).

4. Members are requested to notify immediately change in their address, if any, to the Share Transfer Agents.
5. Shareholders desiring any information are requested to write to the Company at an early date so as to enable the Management to keep the information ready.

ANNEXURE TO THE NOTICE

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

1. Item Nos. : 6 and 7

The present Authorised Share Capital of the Company is Rs. 15,00,00,000 (Rupees Fifteen Crores) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten each).

There is no provision for issue of Preference Shares in the existing Clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company for issue of Preference Shares. To enable the Board to issue Preference Shares as and when required, it is proposed to alter the present capital clause of the Memorandum of Association and Articles of Association in the manner as set out in the Resolutions under Item Nos.6 & 7 of the accompanying Notice of the Meeting.

The Resolutions as set out under Item Nos.6 & 7 are recommended for your approval.

A copy of the Memorandum of Association and Articles of Association of the Company is available for inspection by Shareholders at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all working days.

None of the Directors of the Company is concerned or interested in the Resolution.

2. Item No. : 8

With a view to augment the Company's resources for completing its project at Khopoli it may be expedient and more economical to raise funds through an offer of Equity and/or Preference Shares and various other securities/instruments. The Board may take appropriate decision for issue of such Shares/Securities/Instruments on such terms and conditions as it may deem fit and proper, depending on the prevailing market conditions.

The Resolution as set out under Item No.8 of the Notice is recommended for your approval.

The Directors may be deemed to be interested in the said Resolution to the extent Preference Shares or Equity Shares or such other securities/instruments as may be offered and allotted to them, if any. Save as aforesaid, none of the Directors is, in any way, concerned or interested in the said Resolution.

By order of the Board of Directors

Place : Mumbai R. K. MITAL
Dated : November 14, 1997 Managing Director

Registered Office :
7 & 8 B, West View Building No.1,
309, S.V. Road,
Santacruz (West),
Mumbai-400 054

DIRECTORS' REPORT

Your Directors present their 11th Annual Report and the Audited Accounts for the fifteen months period ended on 30th June, 1997.

1. ACCOUNTS :

The Company had no manufacturing or trading activities during the Accounting period ended on 30th June, 1997 and hence no Profit & Loss Account has been prepared for the above period and any expenditure incurred has been shown as Pre-operative Expenses to be capitalised at a later stage.

2. PROJECT IMPLEMENTATION :

During the period under review, your Company has made very little progress in the implementation of the Project.

A. LAND AND CIVIL WORK :

During the period under review the Company has completed the machinery foundation work at Khopoli.

B. PLANT AND MACHINERY :

- a) All Italian machinery worth US \$ 2.00 Million had reached factory site last year.
- b) Indian machinery worth Rs.140 Lacs is at factory site and balance worth Rs.106 Lacs will reach site by December/January end.

Foundations of all Plant & Machinery except the Painting Booth are completed. Erection of Italian and Indian Machinery & Equipment will be completed by February/March, 1998.

C. POWER :

The necessary power will be available to the Company before commencement of commercial production, since sanction is already in place.

D. PRODUCTION :

Trial runs of the Plant & Machinery will start from June and Commercial Production is expected to start from September, 1998.

E. DELAY IN PRODUCTION :

A delay of 15 months in the implementation of the project was because of several changes in technology, process, factory as a result of Montreal Protocol which in January, 1996 banned the use of Chloro Fluro Carbons (CFC's) in all refrigeration industries. Your Company being a 100% EOU, had to phase out the use of CFC's in consultation with the Technical Collaborators. This caused an additional requirement of approximately Rs.10.00 Crores.

Difficulties in arranging finance due to depressed capital market conditions has also contributed to this delay.

- F. The Company is in the process of finalizing and raising the required finance to complete the implementation of the project. Barring unforeseen circumstances, the Company expects to start the trial runs by June, 1998.