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# 41<sup>st</sup> Annual Report 2006-2007



# **JAMNA AUTO INDUSTRIES LIMITED**



**41<sup>st</sup> Annual Report  
2006-2007**



Jamna Auto Industries Limited

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS:**

Mr. Bhupinder Singh Jauhar	<i>Chairman &amp; Managing Director</i>
Mr. Randeep Singh Jauhar	<i>Executive Director</i>
Mr. Robert Dean Petty	<i>Nominee-Clearwater Capital Partners India Pvt. Ltd</i>
Mr. J. K. Jain	<i>Nominee-ICICI Bank Limited</i>
Mr. Ashwani Sharma	<i>Nominee-HSIDC</i>
Mr. U. K. Singhal	<i>Director</i>
Mr. C. K. Vohra	<i>Director</i>
Mr. D. K. Sharma	<i>Director</i>
Mr. H. S. Gujral	<i>Director</i>

**AUDITORS:**

Goel Garg & Co.	<i>Chartered Accountants, New Delhi</i>
ASG & Associates	<i>Chartered Accountants, New Delhi</i>

**BANKERS:**

State Bank of India,  
ICICI Bank,  
Canara Bank,  
SBI Factors & Commercial Services Pvt. Ltd.

**REGISTERED OFFICE:**

Jai Springs Road, Industrial Area, Yamuna Nagar - 135 001  
Phone: 01732-251810/11/14

**WORKS:**

- i) Jai Springs Road, Industrial Area, Yamuna Nagar - 135 001  
Phone: 01732-251810/11/14
- ii) U: 27-29, Industrial Area, Malanpur - 477116,  
Distt. - Bhind (M.P.) India Ph: 07539- 283396, 509117

**CORPORATE OFFICE:**

2, Park Lane, Kishangarh, Vasant Kunj,  
New Delhi-110 070, India  
Ph.: 011- 32648668, 32648698  
Fax: 011- 26893192, 26893180

**SHARE TRANSFER AGENT:**

Skyline Financial Services Pvt. Ltd.  
246, 1<sup>st</sup> Floor Sant Nagar,  
East of Kailash, New Delhi-110 065  
Ph.: 011- 26292682, 26292683  
Fax: 011- 26292681

**INVESTOR CELL:**

Mr. Amit S. Kashyap, Company Secretary  
amit@jaispring.com

**Annual General Meeting**

29<sup>th</sup> September 2007 (Saturday)  
at 9:00 A.M at

**Registered Office:**

Jai Springs Road, Industrial Area,  
Yamuna Nagar - 135 001 (Haryana)

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(Rs. in Lacs)					
Year ending 31st March	2007	2006	2005	2004	2003
Sales	32,371.82	21,043.20	20,954.02	12258.05	6595.38
Other Income	227.31	53.50	107.91	29.59	48.95
<b>Sales &amp; Earnings</b>	<b>32599.13</b>	<b>21096.70</b>	<b>21061.94</b>	<b>12287.64</b>	<b>6644.33</b>
<b>Total Expenditure</b>	<b>30,095.83</b>	<b>19,253.90</b>	<b>19,327.99</b>	<b>11110.92</b>	<b>6396.11</b>
<b>Gross Profit (PBDIT)</b>	<b>2503.30</b>	<b>1842.80</b>	<b>1733.95</b>	<b>1176.72</b>	<b>248.22</b>
Interest	1,243.47	1,160.16	1,070.27	794.76	957.28
<b>Profit/(Loss) before Depreciation</b>	<b>1259.83</b>	<b>682.64</b>	<b>663.68</b>	<b>381.96</b>	<b>-709.06</b>
Depreciation	378.89	386.77	376.21	372.26	368.65
<b>Profit before Taxation/Previous year</b>	<b>880.94</b>	<b>295.87</b>	<b>287.46</b>	<b>9.70</b>	<b>-1077.71</b>
<b>Expenses/Income</b>					
Deffered Revenue Expenditure	169.66	12.40			
<b>Profit before Tax</b>	<b>711.28</b>	<b>283.47</b>	<b>287.46</b>	<b>9.70</b>	<b>-1077.71</b>
Tax	32.44	14.87	0.50	0.60	0.77
Deferred Tax Credit	46.40	191.03	100.87	159.89	-326.33
<b>Profit/ (Loss) After Tax</b>	<b>632.44</b>	<b>77.57</b>	<b>186.09</b>	<b>-150.79</b>	<b>-752.15</b>
<b>Cash Profit (Loss)</b>	<b>1259.83</b>	<b>682.64</b>	<b>663.68</b>	<b>381.96</b>	<b>-709.06</b>
<b>What the Company Owned</b>					
Fixed Assets- Gross Block	10,679.48	9,329.69	8,816.38	8430.18	8353.54
Less: Depreciation(Cummulative)	4,315.07	3,913.55	3,531.37	3162.40	2794.59
<b>Net Block</b>	<b>6364.41</b>	<b>5416.14</b>	<b>5285.01</b>	<b>5267.78</b>	<b>5558.95</b>
Investments	1,208.48	1,208.48	1,208.48	1208.48	1208.48
Current Assets	8,060.45	7,650.68	7,122.22	4765.64	3940.46
Deffered Tax Credit	199.88	246.28	437.31	538.18	698.07
	<b>15833.22</b>	<b>14521.58</b>	<b>14053.02</b>	<b>11780.08</b>	<b>11405.96</b>
<b>What the Company Owed</b>					
Long Term Funds	8,431.30	6,391.19	6,723.05	6173.86	5893.91
Medium/ Short Term Funds	57.36	950.09	823.54	833.96	674.87
Working Capital From Banks	1,496.92	1,262.92	1,844.73	1020.59	985.07
Current Liabilities & Provisions	4,907.77	5,166.09	4,026.18	3158.07	2983.83
	<b>14893.35</b>	<b>13770.29</b>	<b>13417.50</b>	<b>11186.48</b>	<b>10537.68</b>
<b>Net Worth of the Company</b>					
Equity Share Capital	1771.11	876.11	876.11	876.11	876.11
Reserves & Surplus	(260.60)	844.11	740.75	698.83	973.51
Less: Intengibles (-)	570.64	968.94	981.34	981.34	981.34
	<b>939.87</b>	<b>751.29</b>	<b>635.52</b>	<b>593.60</b>	<b>868.28</b>
<b>Share Indices</b>					
Cash Earnings/ (Loss) per share (Rs.)	9.75	7.80	7.58	4.36	-8.10
Earning Per Share (Rs.)	4.90	0.89	2.13	-1.72	-8.59
Dividend per share (Rs.)	NIL	NIL	NIL	NIL	NIL
Net Worth Per Share (Rs.)	7.27	8.58	7.26	6.78	9.92

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## NOTICE

NOTICE is hereby given that the **41<sup>st</sup> Annual General Meeting** of the members of the Company will be held on **Saturday the 29<sup>th</sup> day of September, 2007** at 9:00 a.m. at the Registered office of the Company at Jai Springs Road, Industrial Area, Yamuna Nagar – 135 001 (Haryana) to transact the following businesses:

### AS ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March 2007 and Profit & Loss Account of the Company for the year ended on that date and the Report of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Mr. C. K. Vohra, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. U. K. Singhal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** M/s. Goel Garg & Co., Chartered Accountants, be and are hereby re-appointed as Joint Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors or Committee thereof exclusive of travelling and other out-of-pocket expenses."

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

**"RESOLVED THAT** M/s. ASG & Associates, Chartered Accountants, be and are hereby re-appointed as Joint Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors or Committee thereof exclusive of travelling and other out-of-pocket expenses."

### AS SPECIAL BUSINESS :

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

**"RESOLVED THAT** Mr Robert Dean Petty, a nominee of Clearwater Capital Partners India Pvt. Ltd was appointed as Additional Director by the Board of Directors of the Company, pursuant to Sec 260 of the Companies Act, 1956 and who shall hold the office upto the date of the Annual General Meeting and being eligible offers himself for the re-appointment and in respect of whom the Company has received a notice in writing from a member of the Company under Sec 257 of the Companies Act, 1956 proposing his candidature for the office of director of the Company, be and is hereby appointed as director of the Company.

**RESOLVED FURTHER THAT** the term of his office of director of the Company shall not be liable to be determination by rotation."

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business under item no. 6 of the above notice is annexed hereto.
3. Members are requested to:
  - a) Intimate immediately any change in their address to the Company's Registrar and Share Transfer Agents: M/s Skyline Financial Services Pvt. Ltd. at 246, 1<sup>st</sup> Floor, Sant Nagar, East of Kailash, New Delhi -70.
  - b) Quote Folio No. in all correspondence and in case the shares are held in dematerialized form, to quote client ID and DP ID number.

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- c) Consolidate holdings into one folio in case of multiplicity of folios with names in identical orders.
4. The Register of Members of the Company and Share Transfer Books will remain closed from Tuesday, the 7<sup>th</sup> day of August 2007 to Thursday, the 9<sup>th</sup> day of August 2007 (Both the days inclusive).
5. Shareholders seeking information with regard to accounts are requested to write to the Company at least ten days in advance as to enable the Company to keep the information ready.
6. Members/Proxies are requested to bring their copy of the Annual Report to the meeting, as copies of the Report will not be distributed at the meeting.

**By order of the Board  
For Jamna Auto Industries Ltd.**

**Amit S. Kashyap  
Company Secretary**

**Place: New Delhi  
Date : 04.09.2007**

**EXPLANATORY STATEMENT PURSUANT TO  
SECTION 173(2) OF THE COMPANIES ACT, 1956  
ITEM NO. 6:**

M/s Clearwater Capital Partners India Pvt. Ltd ("CCPL"), nominated Mr Robert Dean Petty (Managing Partner of Clearwater Capital Partners LLC) as its Nominee on the Board of Directors of the Company in terms of Loan Agreements entered into between the Company and CCPL. The Board of Directors appointed him as additional director of the Company pursuant to Sec 260 of the Companies Act, 1956. He is BA in Political Science and worked in top management positions in various organizations. Before founding Clearwater he was Managing Director of Amroc Investment LLC from 1998-2001, where he managed Amroc's international distressed debt busi-

ness. He will hold office as Director of the Company upto date of the ensuing Annual General Meeting of the members of the Company. The Company has received notice, under Sec 257 of the Companies Act, 1956 along with deposit of Rs. 500/- from its member proposing his candidature for the directorship of the Company.

Your Directors recommends the resolution as set out at item no. 6 as ordinary resolution for your approval.

None of the directors except Mr. Robert Dean Petty is concerned or interested in the aforesaid resolution:

**By order of the Board  
For Jamna Auto Industries Ltd.**

**Amit S. Kashyap  
Company Secretary**

**Place: New Delhi  
Date : 04.09.2007**

In terms of clause 49 of the listing agreement with stock exchanges, a brief profile of directors who are proposed to be re-appointed at this meeting is given below:

**1. Mr. C. K. Vohra**

Born on 17<sup>th</sup> May 1943, Mr. Vohra is associate member of Institute of Company Secretary of India and Institute of Cost and Works Accountants of India beside a law graduate and a Master of Business Administration. Mr. Vohra retired from the Indian Revenue Services as Chief Commissioner of Income-Tax. During his 36 years tenure in Indian Revenue Services he worked on various positions and also worked in Department of Expenditure in Ministry of Finance and Ministry of Tourism & Civil Aviation.

**2. Sh. U. K. Singhal**

Born on 20<sup>th</sup> June 1942, Mr. Singhal is a Law graduate. Mr. Singhal is practicing as an advocate and having rich experience of more than 40 years in Corporate law matters.

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# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## Industry Overview

India is emerging as one of the key auto components centres in Asia and is expected to play a significant role in the global automotive supply chain in the near future. The future of India's automotive component industry lies in becoming a global supplier. Considering the real GDP growth rate of 9.4% maintained by Indian economy in 2006-07, there are exciting times ahead of auto component industry to be global automotive base.

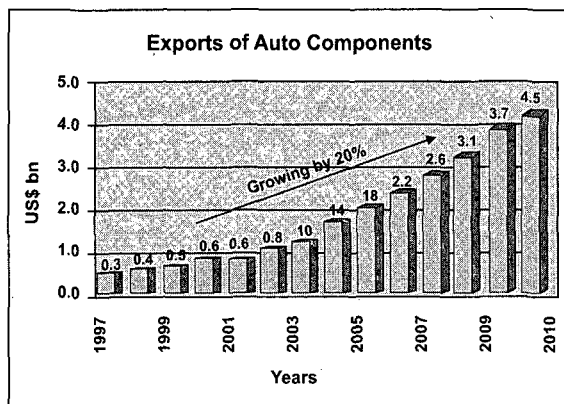
### Indian Automobile Market

Particulars	Production in Numbers		Growth		CAGR
	2006-2007	2005-2006	2006-2007	2005-2006	
Passenger Vehicles	1,544,850	1,309,300	18.0%	8.2%	18.2%
M&HCVs	294,266	219,295	34.2%	2.1%	24.9%
LCVs	225,734	171,788	31.4%	23.7%	28.0%

Source: SIAM

Indian auto components industry touched an estimated production of more than US\$11.7 billion in 2006-07, an increase of 17.00% than the previous year. Exports touched US\$2.2 billion in 2006-07, accounting for 18.80% of the total production.

The trend of production in auto components industry over the period



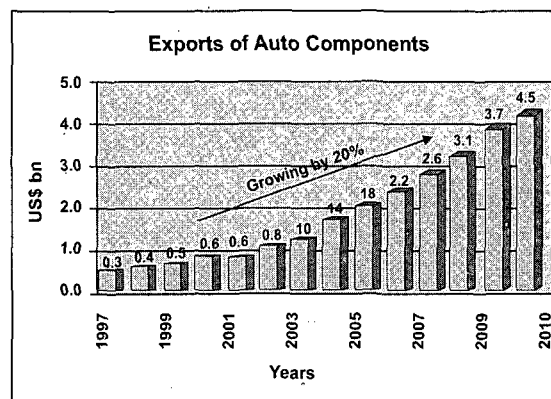
## Domestic Demand

During the period 2005-2006 domestic demand for springs is estimated at about 225,000 MT increasing at an average annual rate of about 16%. Considering the major factors, steering demand, the domestic demand of Leaf Springs is expected to grow at the same rate of about 15% p.a during 2007-13 as an Indian economy is expected to sustain a growth of about 8-9% during 2007-13.

## Global Demand

During the period 2001 - 2006, global demand for automobile springs is estimated at about 26 million MT increasing at an average annual rate of about 6% p.a. Industry's exports has been growing consistently at about 35% per annum and it is imperative to sustain this momentum to achieve the export target of US \$ 20-25 billion by 2010-12.

The trend of export in auto components industry over the period :





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**COMPANY PERFORMANCE:**

**Financial Highlights: (Rs. in lacs)**

Particulars	Year Ended 31.03.2007	Year Ended 31.03.2006
Gross Sales	32371.82	21043.20
Net Sales	27797.57	18131.41
Operating Profit (PBDIT)	2503.30	1842.80
Gross Profit (PBDT)	1259.83	682.64
Net Profit (PAT)	632.44	77.57
Capital Employed	10725.57	9109.20
<b>Ratios (%)</b>		
Operating Profit Margin	9.00	10.16
Gross Profit Margin	4.53	3.76
ROANW	39.15	4.65
PBDIT / Average Capital Employed	25.24	19.71
<b>EPS</b>	4.90	0.89

The year under review was another good year for the Company. The Company has achieved Net profit of Rs. 632.44 lacs during the year under review.

Management proposed a Scheme of merger of two companies namely Jai Parabolic Springs Limited (JPSL) and MAP Springs Limited (MSL) into your Company with effect from 1st July 2007. M/s Walker Chandiok & Co., Chartered Accountants, has undertaken the valuation for determining the swap ratio for the merger. Swap ratio of 2 equity shares of JPSL for every 1 fully paid-up equity share of the Company and 2.22 equity shares of MSL for every 1 fully paid-up equity share of the Company has been fixed. The proposed merger will benefit the merged entity by:

- A significantly stronger combined market presence.
- Significant production capacities on a combined basis.
- Material operational synergies.
- Economies of scale.

**SCOT Analysis**

**(i) Strength:**

- Largest manufacturer of Leaf Springs in India.
- Established products in domestic as well as global markets.
- Strong technical & management capability.
- High market share.
- Cost advantages available to Indian manufacturers.

**(ii) Concerns :**

- Dependence on auto industry. High business risk as performance is linked to growth of auto industry.
- Main raw material cost i.e. steel prices (comprising about 65% to sales and among the most difficult to hedge), increases recently and its continuing trend resulting in declining margins.
- Competition may intensify as De-reservation of SSI may result in access foreign capital and technology. Emerging competition from China is also an area of concern.

**(iii) Performance Strategies :**

Company has been focusing on the following areas:

- Operational restructuring with the capacity expansion and with a changed product mix,
- Increasing the share of business,
- Accelerating R&D activities for innovating new products and procedures for reducing manufacturing complexity,
- Your Company is conscious of risks associated with the business and has been de-risking the model by developing a diverse customer base together with focus on increasing exports.
- Company has started importing quality steel from China which provides the hedge on steel price increase in Indian market.

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Your Company believes in systematic working and placing of proper checks. Proper systems are in place and regular reviews are held at higher levels to check efficacy and relevance of these systems. These reviews also prescribe changes wherever required. The Audit Committee also oversees financial systems / procedures and internal controls and is competent to call for any information / document from any department. Your Company has appointed HCL Limited for implementation of SAP system in the Company.

**Human Resource**

We consider our human resource to be our most important assets. We have developed a culture where a sense of belongingness and ownership of work are the key motivating factors. In our manufacturing units, for each activity there is a person appointed takes the onus of maintaining and improving that activity. This involvement spans from on the job activities to extra-curricular. We continuously make

efforts to upgrade the skills of our employees through training and development programs. Our Endeavour is to provide world class training to create a world class work force.

With a view to share its growth with the employees, Company has issued Employee Stock Options to the employees.

**Cautionary statement:**

Statements in the management discussion and analysis report describing the company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which your Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

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## DIRECTORS' REPORT

## The Members,

Your Directors present 41<sup>st</sup> Annual Report for the accounting year ended on 31<sup>st</sup> March 2007.

## Financial Results: (Rs. In lacs)

Particulars	Year Ended 31.03.2007	Year Ended 31.03.2006
Net Sales/ Income from Operations (Net of Excise)	27797.57	18131.41
Other Income	227.31	53.50
Total Income	28024.88	18184.91
Total Expenditure	26765.05	17502.27
Cash Profit	1259.83	682.64
Earning Before Depreciation	2503.30	1842.80
Depreciation		
Interest & Tax		
Profit before Taxation	711.28	283.47
Provision for Taxation	32.44	14.87
Deferred Tax	46.40	191.03
Profit after Taxation	632.44	77.57
Taxation Adjustment for Previous Year	(3.27)	
Add/ (Less) Previous Year Adjustment	(1733.88)	25.79
Balance brought forward	(1104.71)	103.36
Surplus/ (Deficit) carried to Balance Sheet	(4869.94)	(3765.23)

## Performance:

The year under review was another good year of increasing sales and revenues. The Company achieved sales of Rs. 27797.57 lacs showing an increase of 53% against the sales of Rs. 18131.41 lacs in previous year. Other income also increased from Rs. 53.50 to Rs. 227.31 lacs during the year under review.

Cash profit has shoot up by 85% from Rs. 682.64 lacs

to Rs. 1259.83 lacs during the year under review. The Company has earned a net profit of Rs. 632.44 lacs during the year under review against the net profit of Rs. 77.57 lacs in the previous year.

## Scheme of Merger:

Management proposed a Scheme of merger of two companies namely Jai Parabolic Springs Limited (JPSP) and MAP Springs Limited (MSL) into your Company. The merger is proposed to be effected from 1st July 2007. JPSP is a public listed company and is engaged in the same line of business of the Company i.e. manufacturing of automotive springs and MSL is engaged in the business of marketing & distribution of company product in secondary market.

Swap ratio of 2 equity shares of JPSP for every 1 fully paid-up equity share of the Company and 2:22 equity shares of MSL for every 1 fully paid-up equity share of the Company has been fixed. M/s Walker Chandok & Co., Chartered Accountants, has undertaken the valuation for determining the swap ratio for the merger. The proposed merger will benefit the merged entity by:

- A significantly stronger combined market presence.
- Significant production capacity.
- Material operational synergies.
- Economies of scale.

The Company is in the process of filing the necessary petition before the High Court for approval of the merger.

## Dividend:

Your directors are recommending no dividend.

## Fund Raising:

The Company has tied up with M/s Clearwater Capital Partner (Cyprus) Limited (CCP) for making investment in the Company to meet its funds requirement. CCP's equity investment in the Company could not be made during the year under review. However, CCP has extended loan to the Company to meet its funds requirement.

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In the month of June 2007, the Company has made preferential allotment of compulsory convertible debentures to CCP @ Rs. 72/- each debenture. A part of these debentures has also been converted in equity shares by CCP at a premium of Rs. 62/- each equity share.

**Pre-Payment of Debt:** The Company has proposed One Time Settlement (OTS) to the lenders to pre-pay term debt. IDBI Ltd., State Bank of India, ICICI Bank Limited, Canara Bank, Unit Trust of India, SIAM Commercial Bank, Haryana State Industrial Development Corporation has accepted the proposal with whom the OTS has been made. The proposal is under consideration of EXIM Bank and Madhya Pradesh State Industrial Development Corporation.

**Employees Stock Option:** Your Company appreciates the critical role people play in the organizational growth. It strongly feels that the value created by its people should be shared by them, which would also retain human resource talent in the Company. During the year under review the Company has granted stock option to its employees to promote the culture of employee ownership and incentives key employees of the Company to perform.

**SAP Implementation:** During the year under review the Company has appoint HCL Limited for implementation of SAP in the Company. Master data compilation is in process and the first module is expected to go on stream shortly. SAP is expected to improve the information flow within the Company substantially and aid in the roll-out of various growth initiatives of the Company.

**Manufacturing Unit in Jharkhand:** Your Company proposes to set-up manufacturing facility at Jharkhand. The Project will require 10 months for implementation from the date of financial closure.

**Fixed Deposit:** During the period under review your Company has not accepted any public deposits.

**Energy, Technology Absorption & Foreign Exchange:** The particulars as prescribed under section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosures of particulars in the Report of the Board of Directors) Rules, 1988 are set out in the Annexure 'A' and form an integral part of this report.

**Particulars of Employees:** Mr. B. S. Jauhar, Chairman & Managing Director, Mr. R.S. Jauhar, Executive Director of the company and Mr. S.P.S. Kohli (Vice-President) are falling under the purview of Section 217 (2A) of the Companies Act, 1956. However, as per the provisions of Section 219 (b) (iv) of the Companies Act, 1956, the Report and the Account are being sent to all the members of the Company excluding the information required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended. Any members interested in obtaining such information may write to the Company Secretary at the Registered Office. The said information is also available for inspection at the Corporate Office during working hours upto the date of Annual General Meeting.

**Director:** During the year under review Mr. Robert Petty has joined the Board of Directors as nominee of Clearwater Capital Partners India Pvt. Limited.

In accordance with the applicable provisions, Mr. C. K. Vohra and Mr. U. K. Singhal retires by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

**Auditors:** M/s Goel Garg & Co., Chartered Accountants, New Delhi and ASG & Associates, Chartered Accountants, New Delhi retires at the conclusion of the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed. The report of the Auditors read with the notes on accounts being self-explanatory needs no further clarification.

**Report on Corporate Governance:** Pursuant to clause 49 of the Listing Agreement, a report on Corporate Governance is given in Annexure 'B' and forms part of this report.