

ANNUAL REPORT

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2006-2007



KESAR ENTERPRISES LTD.



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KESAR ENTERPRISES LTD.

(Incorporated under the Indian Companies Act VII of 1913)

COMPANY INFORMATION

BOARD OF DIRECTORS	: H. R. KILACHAND (Chairman & Managing Director) A. S. RUIA K. KANNAN K. D. SHETH SMT. M. H. KILACHAND N. J. VAKIL SMT. S. VENKATARAMAN (Nominee of GIC upto 31.10.2007) I. S. PHUKELA (Nominee of GIC from 31.10.2007)
VICE PRESIDENT (LEGAL) & COMPANY SECRETARY	: D. J. SHAH
BANKERS	: Allahabad Bank Uttar Pradesh Co-operative Bank Limited
AUDITORS	: M/s. N. N. Jambusaria & Co. Chartered Accountants
SUGAR AND SPIRITS DIVISIONS	: Baheri Dist. Bareilly, U.P.
STORAGE INSTALLATIONS	: Kandla (Gujarat)
REGISTERED OFFICE	: Oriental House 7, Jamshedji Tata Road, Churchgate, Mumbai - 400 020
REGISTRAR & TRANSFER AGENTS	: SHAREX DYNAMIC (INDIA) PVT. LTD. 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai - 400 001
AUDIT COMMITTEE MEMBERS	: K. D. SHETH (Chairman of the Committee) A. S. RUIA SMT. S. VENKATARAMAN (upto 31.10.2007) K. KANNAN (from 31.10.2007)

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NOTICE

NOTICE is hereby given that the 73rd Annual General Meeting of the Members of **KESAR ENTERPRISES LTD.** will be held on **Thursday the 20th December 2007 at 3:30 p.m.** at **M. C. Chia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, Kaikhushru Dubash Marg, Mumbai - 400 001** to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 30th June 2007 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri A. S. Ruia, who retires by rotation but being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri I. S. Phukela, who retires by rotation but being eligible offers himself for reappointment.
4. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification/s, the following resolution as a **SPECIAL RESOLUTION**:

(A) **"RESOLVED THAT** subject to the provisions of Section 17 of the Companies Act, 1956 and subject to the confirmation by the Central Government, the Memorandum of Association of the Company be and is hereby altered as follows:

In Clause III of the Memorandum of Association of the Company, after the existing Sub-Clause (7g), the under mentioned Sub-Clauses numbered as (7h) and (7i) be added.

(7h) To carry on the business of establishing, commissioning, setting up, operating and maintaining electric power generating stations based on conventional/non-conventional resources, tie-lines, sub-stations and transmission lines on build, own and transfer (BOT), and/or build, own, lease and transfer (BOLT) and/or build, own, operate and transfer (BOOT) basis and to carry on the business of acquiring, operating, managing and maintaining existing power generation stations, tie-lines, sub-stations and transmission lines, either owned by the private sector or public sector or the Government or Governments or other public authorities and for any or all of the aforesaid purposes, to do all the necessary or ancillary activities as may be considered necessary or beneficial or desirable.

(7i) To generate, acquire, accumulate, purchase in bulk, develop, supply, distribute, employ or transmit all types and forms of energy whether conventional or non-conventional, for the purpose of light, heat, motive power or otherwise, and to manufacture and to buy all types of plant, apparatus and other equipment of any kind or description capable of being used in connection with the generation, acquisition, accumulation, development, supply, distribution, employment of transmission of such energy.

(B) **"RESOLVED FURTHER THAT** the approval pursuant to Section 149(2A) and other applicable provisions, if any, of the Companies Act 1956 be and is hereby accorded to the Company for commencing and carrying on the business in terms of Sub-Clauses (7h) & (7i) of Clause III of the Memorandum of Association of the Company."

6. 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 other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification thereto or any re-enactment thereof for the time being in force) the Articles of Association of the Company be and are hereby altered in the following manner :

Substitute the existing Article 53 by the following Article 53:

Shares to be transferred by an instrument in writing;

"53. The instrument of transfer of any share shall be in writing in a form as shall, from time to time have been approved and adopted as per the Companies Act, 1956."

KESAR ENTERPRISES LTD.

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 the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and the provisions of the Foreign Exchange Management Act (FEMA), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 as amended, the Securities and Exchange Board of India (SEBI) Regulations and in accordance with the rules, regulations, guidelines, notifications, circulars and clarifications issued thereon from time to time by the Government of India (GOI), the Reserve Bank of India (RBI), SEBI and any other competent or concerned authority and the enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreement entered into by the Company with the Stock Exchanges on which the Company's shares are listed and subject to necessary approvals, permissions, consent and sanctions of the concerned statutory and other authority(ies) and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consent and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board"), which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution, the Board be and is hereby authorised on behalf of the Company with powers to delegate such authority to such person or persons as the Board may deem fit, to offer, issue and allot either in India or in the course of international offering(s), in one or more foreign markets, such number of Equity Shares, Global Depository Receipts (GDRs), American Depository Receipts (ADRs), Foreign Currency Convertible Bonds (FCCBs), Qualified Institutional Placements (QIPs), Equity Shares (through Depository Receipt Mechanism), any other Financial Instruments convertible into Equity Shares or otherwise, in the registered or bearer form, any security convertible in or linked to Equity Shares and/or securities with or without detachable warrants with right exercisable by the warrant holders to convert or subscribe to Equity Shares (hereinafter collectively referred to as "Securities") or any one or combination of such Securities, in one or more tranches, whether rupee denominated or denominated in foreign currency, to foreign/resident investors (whether institutions, incorporated bodies, mutual funds, individuals or otherwise), Foreign Institutional Investors, Indian/Multilateral Financial Institutions, Mutual Funds, Banks, Insurance Companies, Pension Funds, Qualified Institutional Buyers (QIB's) Non-Resident Indians and/or any other eligible investors, whether they be holders of shares of the Company or not (collectively called the "Investors") through public issue(s), preferential issue, private placement(s) or a combination thereof through prospectus, offer document, offer letter, offer circular or otherwise, at such time or times, at such price or prices, at a discount or premium to market price or prices in such manner and on such terms and conditions including security, rate of interest etc. as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of all other categories of Investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with Lead Managers, upto an amount not exceeding Indian Rupees 125 crores (approximately) or equivalent Foreign Currency inclusive of such premium as the Board at its absolute discretion may deem fit and appropriate."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid Securities may have such features and attributes or any terms or combination of terms in accordance with international practice and to provide for the tradability or free transferability thereof as per the prevailing practices and regulations in the capital markets including but not limited to the terms and conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debt service payments whatsoever including terms for issue of additional Equity Shares or variation of the conversion price of the GDRs during the duration of the Depository Receipts and the Board be and is hereby authorised at its absolute discretion, in such manner as it may deem fit, to dispose off such of the Securities as are not subscribed."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted upon conversion, redemption or cancellation of any Securities or as may be necessary in accordance with the terms of the offering(s), all such shares ranking *pari passu* with the existing Equity Shares of the Company in all respects."

"RESOLVED FURTHER THAT the pricing of the Securities shall be made subject to compliance with applicable laws and regulations and, further that the pricing of any GDRs/FCCBs/ADRs that may be issued, shall be made at a price not less than the higher of the following two averages:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the six months preceding the relevant date;

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- (ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date;

The "relevant date" means the date thirty days prior to the date on which the meeting of the general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956, to consider the proposed issue :

"RESOLVED FURTHER THAT the issue to the holders of the Securities of the Equity Shares underlying the Securities shall be, *inter alia*, subject to the following terms and conditions:

- (a) in the event of the Company making a bonus issue by way of capitalisation of its profits or reserves prior to the allotment of the Equity Shares, the number of Equity Shares to be allotted shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium, if any, shall stand reduced pro tanto;
- (b) in the event of the Company making a rights offer by issue of Equity Shares prior to the allotment of the Equity Shares, the entitlement to the Equity Shares will stand increased in the same proportion as that of the rights offer and such additional Equity Shares shall be offered to the holders of the Securities at the same price at which the same are offered to the existing shareholders; and
- (c) in the event of merger, amalgamation, takeover or any other re-organisation or restructuring, the number of shares, the price and the time period as aforesaid shall be suitably adjusted."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to appoint Lead Managers, Underwriters, Guarantors, Depositories, Custodians, Registrars, Trustees, Bankers, Advisors and all such Agencies as may be involved or concerned in such offering(s) of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memoranda, documents etc. with such agencies and to seek the listing of such Securities on one or more National and/or International Stock Exchange(s)."

"RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue and allotment of Securities or Equity Shares, as aforesaid, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary, desirable or expedient including the obtaining of permissions/approvals from various authorities as may be required and to settle any questions, difficulties or doubts that may arise in regard to any such offer, issue and allotment."

"RESOLVED FURTHER THAT the acts, deeds and things already done by the Board, or any persons designated by the Board, in this regard be and are hereby confirmed, approved and ratified."

8. To consider and, if thought fit, to pass with or without modification/s, the following Resolution as a **SPECIAL RESOLUTION**:

"RESOLVED THAT subject to the necessary directions/exemption/permission/approval of the Securities and Exchange Board of India (SEBI), approval be and is hereby granted to the Company either:

- (i) to refund the amount of Rs. 67,90,000/- ; or
- (ii) to adjust the said Rs. 67,90,000/- against issue of additional 70,000 equity shares of Rs.10/- each fully paid with premium of Rs. 87/- per equity share to the respective allottees;

the said amount of Rs. 67,90,000/- being 10% amount paid by the persons acting in concert on 7,00,000 warrants allotted on 6.9.2005 under the Preferential Issue of SEBI (Disclosure & Investor Protection) Guidelines, which could not be subscribed by them under the compulsion of Law i.e. to meet with the requirements of keeping their post-issue shareholding percentage below the prescribed limit of 55% under the SEBI Takeover Regulations.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of equity shares, as may be approved by SEBI, ranking *pari passu* with the existing equity shares of the Company in all respects and to take such other steps as may be required in the matter."

9. 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 Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including, any statutory amendment, modification or re-enactment thereof and other requisite approvals as may be necessary, approval of the Members of the Company, be and is hereby accorded for the reappointment of Shri H. R. Kilachand as Chairman & Managing Director of the Company for a period of 3 years from 14.8.2007 to 13.8.2010, on a remuneration and on the terms and conditions as per Schedule XIII to the Act, and as specifically set out below:

KESAR ENTERPRISES LTD.**I. SALARY:**

Rs. 1,50,000/- per month (same as previous year) which may be increased by such amount as the Board of Directors may determine from time to time subject to a maximum of Rs. 3,50,000/- per month as per Schedule XIII to the Companies Act, 1956 as amended from time to time.

II. COMMISSION:

In case of adequate Profits of the Company, Commission at the rate of (1%) one percent of the Net Profits of the Company for each financial year or part thereof computed in the manner as laid down under Section 349 of the Companies Act, 1956 and subject to the overall ceiling laid down under Section 198 and 309 of the Companies Act, 1956.

III. PERQUISITES:

1. House Rent Allowance not exceeding 60% of the salary.
2. Reimbursement of expenses incurred by Shri Kilachand on electricity, water and furnishings as per the Income-Tax Rules, 1962.
3. Reimbursement of Medical expenses incurred for Shri Kilachand and his family, namely his wife, dependent children and dependent parents.
4. Leave Travel Concession for Shri Kilachand and his family namely his wife, dependent children and dependent parents as per Company Rules.
5. Club expenses, which will not include admission/life membership fees.
6. Premium on Personal Accident Policy.
7. Free use of Company's car with driver and telephone at residence for the business of the Company. Charges for personal long distance calls on telephone and use of car for private purpose shall be borne by Shri Kilachand.

The Annual value of the above perquisites shall be restricted to the overall limit of Minimum Remuneration as prescribed under Schedule XIII from time to time. For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income-tax Rules, wherever applicable. In the absence of any applicable rules, perquisites shall be evaluated at actual cost. Provision of use of Company Car for official duties and telephone at residence (including payment of local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

8. The following perquisites shall not be included in the computation of the ceiling limit on remuneration.
 - (i) The Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund.
 - (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
 - (iii) Encashment of leave at the end of the tenure.

"RESOLVED FURTHER THAT Shri H. R. Kilachand shall not be regarded as a Director liable to retire by rotation."

"RESOLVED FURTHER THAT the aforesaid remuneration shall nevertheless be paid and allowed to Shri H. R. Kilachand as the Chairman & Managing Director as the minimum remuneration, but not exceeding overall ceiling limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto from time to time, notwithstanding that in any financial year of the Company during the tenure of office of Shri H. R. Kilachand, the Company may have made no profits or its profits may be inadequate."

Registered Office:

Oriental House,
7, Jamshedji Tata Road,
Churchgate,
Mumbai - 400 020.

19th November 2007

Notes:

- (a) A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member. The instrument appointing a proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

By Order of the Board of Directors

D. J. SHAH

Vice President (Legal) & Company Secretary

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- (b) The Register of Members and Share Transfer Books of the Company will remain closed from **Tuesday, the 18th December 2007 to Thursday, the 20th December 2007**, both days inclusive. The shareholders are requested to inform of change in address, if any, at the earliest.
- (c) The Unclaimed Dividends upto the financial year ended **30th June 1998** of the Company, have been transferred to the Investor Education and Protection Fund set up by the Central Government pursuant to Section 205C of the Companies Act, 1956.
- (d) The Members may lodge their shares for transfer/transmission with the office of **M/s. SHAREX DYNAMIC (INDIA) PVT. LTD.** the Registrar and Share Transfer Agents, at 17/B Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai 400 001 or at Unit No. 1, Luthra Industrial Premises, Andheri-Kurla Road, Safed Pool, Andheri (East), Mumbai 400 072 or with the Company.
- (e) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 setting out the material facts is annexed hereto.
- (f) All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days except Saturdays and Sundays between 11:00 a.m. and 1:00 p.m. up to the date of the ensuing Meeting.
- (g) Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in order of the names will be entitled to vote.
- (h) Members/Proxies should fill the Attendance Slip for attending the Meeting. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification for attendance at the Meeting.
- (i) **Reappointment/Appointment of Directors:** As per Clause 49(IV)(G) of the Listing Agreement, the information in detail about Shri A. S. Ruia and Shri I. S. Phukela, the retiring Directors at the ensuing Annual General Meeting, is given in para 2 of the Corporate Governance Report.

ANNEXURE TO THE NOTICE

Explanatory Statement as required under Section 173 of the Companies Act, 1956

Item No. 5:

The Company has plans to set up a Co-generation power plant at Baheri for captive consumption as well as to sell the excess power. It is therefore proposed to alter the Memorandum of Association of the Company to add the relevant object clauses (7h) & (7i) after the Clause III, sub-clause (7g) as required under Section 17 of the Companies Act, 1956, subject to the confirmation by the Central Government.

Section 149 (2A) of the Companies Act, 1956, requires the approval of the Members by a Special Resolution to commence any new business hence this Special Resolution is proposed for your approval.

None of the Directors is concerned or interested in the resolution.

Item No. 6:

As advised by National Stock Exchange of India Limited (NSE) while granting approval for listing of equity shares of the Company on NSE with effect from 2nd January 2007, a Special Resolution is proposed pursuant to Section 31 of the Companies Act, 1956 to alter Article 53 of Articles of Association of the Company by replacing words "by the Bombay Stock Exchange" with the words "as per the Companies Act, 1956" after the words "approved and adopted".

Your Directors, therefore, recommend the Special Resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

Item No. 7:

The proposed resolution is an enabling resolution, which was approved earlier by the Shareholders at the last Annual General Meeting held on 27.10.2006 but could not be implemented due to changed projections of the Modernisation/Expansion plans. As the said resolution was valid for one year the same is proposed once again for your approval.

This resolution relates to the proposal of the Company to offer, issue and allot either in India or in the course of an international offering in one or more foreign markets, by way of equity shares/depository receipts/foreign currency convertible bonds (FCCB)/fully convertible debentures/partly convertible debentures/qualified institutional placements (QIP's) or any other financial instruments convertible into or linked to equity shares or otherwise, or any one or combination of such securities, in one or more tranches and on the terms and conditions as may be decided by the Board of Directors or any Committee thereof, at its absolute discretion, for an amount not exceeding Indian Rupees 125 crores (approximately) or equivalent Foreign Currency inclusive of premium payable on conversion, if any.

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The objects of this issue is to enhance financial flexibility of the Company to fund the capital expenditure plans of the Company and/or to part finance expansion/modernisation of the Sugar Factory/cogeneration projects at Baheri and/or acquisition/investments in similar facilities and also expansion of the Storage Terminals at Kandla. The Company is exploring alternatives to mobilise resources from various available sources. Presently, it is proposed to raise a sum upto Indian Rupees 125 crores (approximately) or equivalent Foreign Currency.

The detailed terms and conditions for the offer will be determined in consultation with Advisors, Lead Managers, Underwriters and such other authority or authorities and agencies as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors. The pricing of the international offering(s), if any, will be free market pricing and may be at a premium or discount to the market price in accordance with international practice, subject to applicable rules, regulations etc. As the pricing of the offering(s) will be decided at a later stage, the exact number of securities or shares to be issued will depend upon the price so decided. For the aforesaid reasons, an enabling resolution is being proposed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. However, it may be noted that according to the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993, (the FCCB Scheme) the pricing of GDR/FCCB issues should be made at a price not less than the higher of the following two averages:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date;
- (ii) The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during two weeks preceding the relevant date.

The relevant date means the date thirty days prior to the date of this Annual General Meeting.

Securities issued pursuant to the international offering(s), if any, will be listed on the Luxembourg Stock Exchange and/or London Stock Exchange and/or Singapore Stock Exchange and/or other Exchange(s) outside India and may be represented by Securities outside India.

The Special Resolution seeks to give the Board powers to issue Securities in one or more tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies, individuals or otherwise as the Board may at its absolute discretion deem fit. Section 81(1A) of the Companies Act, 1956 provides, *inter alia*, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81(1A) unless the shareholders in a general meeting decide otherwise.

The Listing Agreement entered into by the Company with the Stock Exchanges on which the Company's shares are listed provides, *inter alia*, that the Company in the first instance should offer all the shares to be issued by the Company for subscription on a *pro rata* basis to the equity shareholders unless the shareholders in a general meeting decide otherwise.

The said Special Resolution, if passed, shall have the effect of allowing the Board on behalf of the Company to offer, issue and allot the Securities otherwise than on *pro rata* basis to the existing shareholders.

The Board of Directors believes that such issue is in the interest of the Company and therefore recommends the resolution for your approval. No Director of the Company is interested or concerned in the said resolution.

Item No. 8:

You are aware that under the Preferential Issue of SEBI (Disclosure & Investor Protection) Guidelines, on 6.9.2005 the Company had allotted 16,60,000 warrants of Rs. 97/- each with an option to apply for one equity share of the face value of Rs. 10/- at a price of Rs. 97/- (including a premium of Rs. 87/-) per equity share (being the price with respect to the relevant date i.e. 25th July 2005 as per the Guidelines) to the Promoters / Persons acting in concert and to a Private Corporate Body (an Independent Party) as Non-Promoter on a Preferential Basis, to augment the long term resources, to strengthen the financial position and for general corporate purposes.

As per the terms of the warrants, the Company had received from all the allottees 10% of the warrant price of Rs. 97/- i.e. Rs. 9.70 per warrant aggregating to Rs.1,61,02,000/-. The balance 90% was to be paid within a period of 18 months from the date of allotment i.e. on or before 5th March 2007. Thereafter, the Private Corporate Body did not exercise option to convert its warrants into equity shares and therefore did not pay the balance 90% amount on the warrants allotted to it. Whereas, the Promoters/Persons acting in concert were ready to pay the balance 90% amount in respect of the entire 11,51,600 warrants and wanted to opt for conversion of the said warrants into equity shares. In view of the same, the Company recalculated the post-issue shareholding, considering that the promoters/persons acting in concert would opt for conversion of the entire 11,51,600 warrants into equity shares and found that the percentage of post-issue shareholding of the Promoters/Persons acting in concert would increase to 59.14%, thus exceeding the limit of 55% as prescribed under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Hence, the promoters/ persons acting in concert could not contribute for the remaining shares. The persons acting in concert are agreeable either for refund of 10% amount of Rs. 67,90,000/- or to accept the equity shares against the said amount, if allotted.

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In the circumstances, a further calculation was made, whereby the promoters/persons acting in concert could get converted approximately 4,51,600 warrants only so as to keep the percentage of post-issue shareholding below 55% as per the SEBI Regulations. Accordingly, the Promoters/Persons acting in concert paid the balance 90% amount only for 4,51,600 warrants and opted for conversion thereof in to equity shares.

Thereafter, on 5.3.2007 the Board passed a resolution approving the following:

- i. Conversion of 4,51,600 warrants into 4,51,600 shares of Rs. 10/- each at a premium of Rs. 87/- per share.
- ii. Forfeiture of Rs. 49,31,480/- paid by the Private Corporate Body on 5,08,400 warrants, and transfer the said amount to the Share Application Money Forfeited A/c; and
- iii. keep in a Suspense A/c Rs. 67,90,000/-, being the 10% amount paid by the Persons acting in concert on 7,00,000 warrants, which could not be subscribed by them under the compulsion of Law i.e. to meet with the requirements of keeping their post-issue shareholding percentage below the prescribed limit of 55% under the SEBI Takeover Regulations, till such time the Company obtains the necessary directions/exemption/permission/approval of SEBI either:
 - (i) to refund the amount of Rs. 67,90,000/- paid on allotment of 7,00,000 warrants for the reason mentioned above; or in the alternative
 - (ii) to adjust the said Rs. 67,90,000/- against issue and allotment of additional 70,000 equity shares of Rs. 10/- each fully paid with premium of Rs. 87/- per equity share to the respective allottees, which will result into the post-issue shareholding of 56.03% with a marginal increase by approximately 1.03%.

Accordingly, the Company had written a letter requesting SEBI for the above to which SEBI has advised the Company to make a formal application in the prescribed format in that respect. However, the Company has been advised by its consultant that the Company should obtain first the approval of the shareholders and then make such application.

In case, the above shares are issued then the percentage holding of promoters/persons acting in concert will exceed 55% i.e. to 56.03%, which will be diluted over a period of time as may be granted by SEBI.

Your Directors, therefore, recommend the Special Resolution for your approval.

None of the Directors of the Company except Shri H. R. Kilachand & Smt. M. H. Kilachand is, in any way, concerned or interested in the resolution.

Item No. 9:

Shri H. R. Kilachand was appointed as Chairman & Managing Director of the Company for a period of 5 years w.e.f. 14.8.2002 on remuneration within the ceiling limits provided in Schedule XIII to the Companies Act, 1956.

Before the expiry of his term of office on 13.8.2007, on 31.7.2007, a Remuneration Committee, consisting of three Non-Executive Independent Directors viz. Shri K. D. Sheth, Shri A. S. Ruia & Smt. S. Venkataraman, had recommended the reappointment of Shri H. R. Kilachand as Chairman & Managing Director as mentioned in the Special Resolution, for a period of 3 years w.e.f. 14.8.2007, on a remuneration as specifically mentioned in the Special Resolution, which is within the ceiling limits provided in Schedule XIII to the Companies Act, 1956 subject to the necessary approval of the concerned authorities as may be required. Subsequently, at the meeting held on 31.7.2007, the Board of Directors had reappointed Shri H. R. Kilachand as Chairman and Managing Director and had approved the salary of Rs. 1,50,000/- per month, the same as that paid in the last year. The same may be increased by the Board only after the proposed resolution is passed by the Shareholders.

Your Directors, therefore, recommend the Special Resolution for your approval.

The abstract of the terms and Memorandum of interest under Section 302(7) of the Companies Act, 1956 with respect to the reappointment of Shri H. R. Kilachand as Chairman & Managing Director of the Company was sent earlier to all the Members of the Company.

Shri H. R. Kilachand shall not be regarded as a Director liable to retire by rotation.

None of the Directors of the Company except Shri H. R. Kilachand & Smt. M. H. Kilachand is in any way concerned or interested in the aforesaid resolution.

Registered Office:

Oriental House,
7, Jamshedji Tata Road,
Churchgate,
Mumbai - 400 020.

19th November 2007

By Order of the Board of Directors

D. J. SHAH
Vice President (Legal) & Company Secretary