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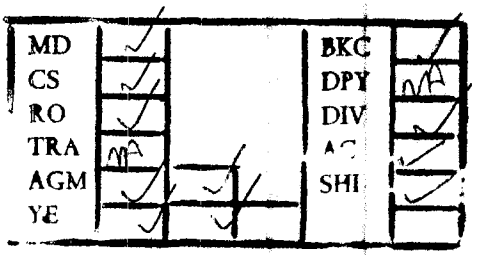

ANNUAL REPORT 1997-98

Maharaja Shree UMAID MILLS LIMITED

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Board of Directors

SHRI LN BANGUR, *Chairman & Managing Director*
SMT ALKA BANGUR, *Director*
SHRI SR MOHTA, *Director*
SHRI MM KASAT, *Director*
SHRI AL MAHESHWARI, *Executive Director*

Company Secretary

SHRI GOPAL LOHIYA

Auditors

M/s BD GARGIEYA & CO., JAIPUR

Bankers

STATE BANK OF INDIA
STATE BANK OF BIKANER & JAIPUR
PUNJAB NATIONAL BANK
THE BANK OF RAJASTHAN LTD.
CENTRAL BANK OF INDIA

Regd. Office

A-2, PRITHVIRAJ ROAD,
JAIPUR (Rajasthan)
PIN – 302 005

Administrative Office and Works

PALI (Rajasthan)
PIN – 306 401

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Maharaja Shree
UMAID MILLS LIMITED

NOTICE

NOTICE is hereby given that the 58th Annual General Meeting of the members of **MAHARAJA SHREE UMAID MILLS LIMITED** will be held at its Registered Office at A-2, Prithviraj Road, Jaipur - 302 005 on Thursday, the 17th day of September, 1998 at 4.00 P.M. to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date.
2. To declare Dividend.
3. To appoint a Director in place of Shri MM Kasat, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors for the current year and to fix their remuneration.

SPECIAL BUSINESS

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

   "RESOLVED that Shri AL Maheshwari, who was appointed as an Additional Director of the Company with effect from 11th August, 1998 by the Board of Directors and who ceases to hold office as such Director on the date of this Annual General Meeting pursuant to section 260 of the Companies Act, 1956; and in respect of whom the Company has received a notice in writing u/sec. 257 proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."

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

   "RESOLVED that pursuant to the provisions of sections 198, 269, 309 and other applicable provisions, as may be, of the Companies Act, 1956 and pursuant to Schedule XIII to the said Act, the Company hereby accords its approval and consent to the reappointment of Shri LN Bangur as the Chairman & Managing Director of the Company for another period of 5 years with effect from 11th August, 1998 on the terms and conditions as set-out in the annexed explanatory statement in respect of this Resolution, with liberty to the Board of Directors (excluding the incumbent himself) to alter and vary in future during the tenure, if and when deemed necessary, the terms and conditions of the said reappointment insofar as these relate to remuneration, subject to the relevant provisions of the law and the conditions and limits specified in Schedule XIII to the Companies Act, 1956, or any amendment thereto from time to time, as may be agreed to between the Directors as above and Shri LN Bangur."

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

   "RESOLVED that pursuant to the provisions of sections 198, 269, 309 and other applicable provisions, as may be, of the Companies Act, 1956 and pursuant to Schedule XIII to the said Act, the Company hereby accords its approval and consent to the appointment of Shri AL Maheshwari as Managing Director of the Company for a period of 5 years with effect from 11th August, 1998 on the terms and conditions as set-out in the annexed explanatory statement in respect of this Resolution, with liberty to the Board of Directors (excluding the incumbent himself) to alter and vary in future during the tenure, if and when deemed necessary, the terms and conditions of the said appointment insofar as these relate to remuneration, subject to the relevant provisions of the law and the conditions and limits specified in Schedule XIII to the Companies Act, 1956, or any amendment thereto from time to time, as may be agreed to between the Directors as above and Shri AL Maheshwari."

By Order of the Board
GOPAL LOHIYA
Company Secretary

JAIPUR
7th August, 1998

NOTES

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under item Nos. 5, 6 and 7 above is annexed hereto and form part of the Notice.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. A proxy form in order to be effective, must reach the Company not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 13th day of September, 1998 to 17th day of September, 1998 (both days inclusive).

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4. Dividend, when declared, will be payable to those members whose names appear on the Register of Members as on 17th September, 1998.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ANNEXED TO THE NOTICE CONVENING THE 58TH ANNUAL GENERAL MEETING TO BE HELD ON 17TH SEPTEMBER, 1998

Item No. 5

Shri AL Maheshwari was appointed Director of the Company and his appointment as Wholetime Director designated as Executive Director of the Company for a period of five years with effect from 11th August, 1993 was approved in the 53rd Annual General Meeting of the Company held on 29th September, 1993. Shri AL Maheshwari holds office as Director till his term as Executive Director expires on 10.08.1998. The other members of the Board of Directors considered it desirable that the Company should continue to avail of the services of Shri AL Maheshwari as a Director.

In view of the above, Shri AL Maheshwari has been appointed by the Board as an Additional Director of the Company with effect from 11th August, 1998 in accordance with the provisions of section 260 of the Companies Act, 1956 and the Article 92 of the Articles of Association of the Company. Shri AL Maheshwari shall retain his office as such Director till the ensuing Annual General Meeting. A notice u/sec. 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the candidature of Shri AL Maheshwari for appointment as a Director of the Company.

None of the Director, except Shri AL Maheshwari is interested or concerned in the proposed resolution. Other members of the Board commend, the resolution to be passed.

Item No. 6

Shri LN Bangur was appointed as the Chairman & Managing Director of the Company in the meeting of the Board held on 10.08.1993 for a term of five years, which was approved by the shareholders in the 53rd Annual General Meeting held on 29th September, 1993. The said term is expiring on 10.08.1998.

The members are aware that Shri LN Bangur as industrialist, has vast experience in Textile aswell as other businesses. Under his stewardship, the Company has been making steady progress and growing from strength to strength.

In the context of the emerging climate for the industry, the Company finds that on the overall the future for itself is full of challenges. In the best interests of the Company therefore the other members of the Board consider it desirable that Shri LN Bangur continues to lead the Company as its Chairman & Managing Director for a further period of 5 years. Accordingly, in the meeting of the Board held on June 30th, 1998, other members of the Board have unanimously decided to reappoint Shri LN Bangur as Chairman & Managing Director w.e.f. 11th August, 1998 for a period of five years, subject to approval of the Members in the ensuing Annual General Meeting, on the remuneration and other terms and conditions of reappointment of Shri LN Bangur as setout herebelow :

Terms and conditions of reappointment of Shri LN Bangur as the Chairman & Managing Director –

1. Shri LN Bangur shall be responsible for advising and assisting the Board of Directors of the Company in formulation of long term business plans and strategic thrust of the Company, for coordination of key affairs of business of the Company externally and where needed internally too; for formulation of and decisions on developmental, diversification and growth plans of the Company including plans for major capital expenditure; for reviewing and monitoring the execution of plans and conduct of overall affairs of the Company; and for all matters of strategic importance.

2. Shri LN Bangur shall have adequate communication facilities and necessary office establishment, appropriate setup and systems builtup, provided to him by the Company, for the purpose of carrying out his above duties. Shri Bangur shall have power to visit the Works of the Company, its Registered Office and other offices at various places, to have meetings, deliberations and negotiations with Banks/ Institutions, Government Authorities, Trade Associations, Business Dealers and others concerned as and when needed for the purpose of discharging his duties as above.

3. Shri Bangur shall generally have all powers in the normal course of business of the Company to deliberate, deal, negotiate, interact and enter into agreements on behalf of the Company with whomsoever concerned, in respect of the business of the Company from time to time, and shall exercise and perform the above and such other powers and duties as the Board of Directors

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of the Company may, from time to time, subject to the provisions of law and the Articles of Association of the Company, further determine.

4. Shri LN Bangur shall have the necessary powers as the Chairman of the Board of Directors.

5. Shri LN Bangur while being away from his normal place of establishment at Calcutta, shall be responsible to keep appropriate arrangements to keep communication with the Works, Regd. Office, other offices of the Company and others concerned, as be necessary from time to time, for the purpose of discharging his duties.

6. Any actual expenses on travel, staying in hotel etc. and any other expenses incurred by Shri LN Bangur for the purpose of carrying out his duties as above, will be reimbursable to him or payable to the party concerned by the Company.

7. The term of reappointment of Shri LN Bangur as Chairman & Managing Director is for a period of 5 years with effect from 11th August, 1998. This would, however, be determinable with a notice of 90 days from either side.

8. Shri LN Bangur, while he continues to hold the office as Chairman & Managing Director, in his capacity as Director of the Company, shall not be subject to retirement by rotation under section 255 of the Companies Act, 1956, and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of directors or in fixing the number of directors to retire, but he shall ipsofacto and immediately, be liable to cease to be the Chairman & Managing Director, if for any reasons he ceases to hold office as Director of the Company.

9. Since prior to reappointment of Shri LN Bangur in capacity of the Chairman & Managing Director w.e.f. August 11th, 1998, he has remained in the services of the Company, he shall be deemed to be in continuous service of the Company for the purpose of the benefit of Gratuity.

10. So long as Shri LN Bangur continues to hold the office as Chairman & Managing Director of the Company, he shall not be entitled to any sitting fee for attending the meetings of the Board or a Committee, if any, of Directors.

11. The terms and conditions as to remuneration etc. of Shri LN Bangur for his reappointment as Chairman & Managing Director are as follows :

I. **Salary :**

Rs. 75,000/- per month in the scale of Rs. 75,000/- – 5000/- – 95,000/- (subject to the condition No. 12 stated herebelow).

II. **Perquisites :**

In addition to salary as above but subject to the condition No. 12 stated herebelow, Shri LN Bangur shall be entitled to perquisites as under :

i) Housing-I : The expenditure by the Company on hiring furnished accommodation for the Managing Director, if it be so, will be subject to a ceiling of 50% of the salary over & above 10% payable by Shri LN Bangur; or

Housing-II : In case the accommodation is owned by the Company and provided to Shri LN Bangur, 10% of the salary of Shri LN Bangur shall be deducted by the Company; or

Housing-III : In case no accommodation is provided by the Company, Shri LN Bangur shall be entitled to House Rent Allowance equal to 50% of the salary as above.

Explanation : The expenditure, if incurred by the Company, on gas, electricity, water and furnishing, shall be valued as per Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary of Shri LN Bangur.

ii) Medical Reimbursement :

Medical/Hospitalisation Expenses incurred by Shri LN Bangur for himself and his family in the normal course, shall be reimbursable to him by the Company, subject to an overall limit upto three months' salary over a period of three years. In special circumstances of medical emergencies, the Board of Directors of the Company shall have powers to permit reimbursement of such expenses to such higher extent as it may deem fit having regard to the circumstances and subject to the condition No. 12 herebelow.

iii) Leave Travel Assistance :

Shri LN Bangur will be entitled to LTA for himself and his family once in two years, subject

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to the ceiling laid down in the Income Tax Rules for exemption thereof.

iv) Personal Accident Insurance :
Premium not exceeding Rs. 4,000/- per annum will be payable by the Company, if insured.

v) The Company's contribution to recognised Provident Fund @ 12% or as per Company's rules from time to time and to the extent permissible. The said contribution will not be included in the computation of the ceiling on perquisites.

vi) Gratuity payable shall be equal to half month's salary for each completed year of service subject to completion of continuous service for a minimum period of 5 years. The same shall not be included in the computation of ceiling on perquisites.

vii) Leave with full pay and all allowances for any reasons for a total period of 50 days in a year as and when needed by Shri LN Bangur can be availed. The unavailed leave, if any, at the end of a year will be allowed to be accumulated and carried forward for availment or encashment thereof later during or at the end of the tenure. Leave if encashed at the end of the tenure will not be included in the computation of ceiling on perquisites.

viii) Company's car for use on Company's business and telephone at residence will be provided and will not be considered as perquisites. Any personal long distance calls on telephone and use of the car for any private purpose shall be billed by the Company to Shri LN Bangur.

Explanation : For the purpose of perquisites, Family means the spouse, the dependent children and the dependent parents of Shri LN Bangur.

III. **Commission :**
In addition to salary as per 'I' and perquisites as per 'II' above, Shri LN Bangur shall be entitled to a commission at the rate of 1% of the net profits of the Company computed in the manner laid down U/sec. 309 (5) of the Companies Act, 1956, restricted, however, to an amount equal to his annual salary as above, and subject to the overall ceiling laid down in sections 198, 269 and 309 of the Companies Act, 1956.

12. The remuneration including salary, commission and perquisites as per condition No. 11 above shall be payable and allowable to Shri LN Bangur subject to the condition that in the case of absence of or inadequacy of profits in any year during the currency of the tenure of Shri LN Bangur as Chairman & Managing Director, the remuneration in such year shall not exceed the conditions and limits prescribed in the Schedule XIII of the Companies Act, 1956 computed on the basis of the effective capital.

None of the Directors, except Shri LN Bangur himself and his relative Smt. Alka Bangur, is deemed to be concerned or interested in the aforementioned proposed resolution. Other members of the Board commend to the members of the Company that the reappointment of Shri LN Bangur as Chairman & Managing Director and the terms and conditions of his reappointment as above be approved with or without modification as may be deemed fit.

Item No. 7

Shri AL Maheshwari was appointed as Wholetime Director designated as Executive Director of the Company in the meeting of the Board held on 10.08.1993 for a term of five years, which was approved by the shareholders in the 53rd Annual General Meeting held on 29th September, 1993. The said term is expiring on 10.08.1998.

Considering the candidature of Shri AL Maheshwari, his performance uptill now particularly during his tenure as the Wholetime Director designated as Executive Director, and considering the needs of the Company in view of the challenges ahead in its business, the other members of the Board have felt it necessary and desirable to do so, and have therefore unanimously decided to appoint Shri AL Maheshwari as Managing Director for a period of five years with effect from 11th August, 1998, subject to approval of the Members in the ensuing Annual General Meeting, on the remuneration and other terms and conditions of appointment of Shri AL Maheshwari as set-out herebelow :

Terms & Conditions of appointment of Shri AL Maheshwari as Managing Director –

1. Shri AL Maheshwari will be responsible for the day to day management of the affairs of the Company subject to superintendence and control, and in accordance with the directions of the Board of Directors; and shall have all powers in the normal course of Company's business to deliberate, deal, negotiate, interact and enter into

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agreements on behalf of the Company to buy, sell, acquire, transfer any goods, service, equipments, effects and rights and generally to do all such acts, deeds and things in connection with the business of the Company as may be necessary from time to time.

2. Shri AL Maheshwari shall exercise and perform the above and such other powers and duties as the Board of Directors of the Company has already given to him and may, from time to time, subject to the provisions of law and the Articles of Association of the Company, further determine.

3. The term of appointment of Shri AL Maheshwari as Managing Director is for a period of 5 years from 11th August, 1998. This would, however, be determinable with a notice of 90 days from either side.

4. Shri AL Maheshwari, while he continues to hold the office as Managing Director, will, in his capacity as director of the Company, be liable to retire by rotation under section 255 of the Companies Act, 1956 and be eligible for reelection. Shri AL Maheshwari will ipsofacto and immediately, be liable to cease to be the Managing Director, if for any reasons he ceases to hold office as Director of the Company.

5. Since prior to appointment of Shri AL Maheshwari in capacity of Managing Director w.e.f. August 11th, 1998, he has remained in the services of the Company in other capacities, he shall be deemed to be in continuous service of the Company for the purpose of the benefit of Gratuity.

6. Any actual expenses on travel, staying in hotel etc. and any other expenses incurred by Shri AL Maheshwari for the purpose of carrying out his duties as above will be reimbursable to him or payable to the party concerned by the Company.

7. So long as Shri AL Maheshwari continues to hold the office as Managing Director of the Company, he shall not be entitled to any sitting fee for attending the meetings of the Board or a Committee, if any, of Directors.

8. The terms and conditions as to remuneration etc. of Shri AL Maheshwari for his appointment as the Managing Director are as follows :

I. **Salary :**

Rs. 44,000/- per month in the scale of Rs. 44,000/- – 4,000/- – 60,000/- (subject to the condition No. 9 stated herebelow).

II. **Perquisites :**

In addition to salary as above but subject to the condition No. 9 stated herebelow, Shri AL Maheshwari shall be entitled to perquisites as under :

i) Housing : Accommodation owned by the Company will be provided and 10% of the salary of Shri AL Maheshwari shall be deducted by the Company.

Explanation : The expenditure incurred by the Company, if any, on furnishing shall be valued as per Income Tax Rules, 1962 and shall be subject to the prescribed ceiling.

ii) Medical Reimbursement :

Medical/Hospitalisation Expenses incurred by Shri AL Maheshwari for himself and his family in the normal course, shall be reimbursable to him by the Company, subject to an overall limit upto three months' salary over a period of three years. In special circumstances of medical emergencies, the Board of Directors of the Company shall have powers to permit reimbursement of such expenses to such higher extent as it may deem fit having regard to the circumstances and subject to the condition No. 9 herebelow.

iii) Leave Travel Assistance :

Shri AL Maheshwari will be entitled to LTA for himself and his family once in two years, subject to the ceiling laid down in the Income Tax Rules for exemption thereof.

iv) Personal Accident Insurance :

Shri AL Maheshwari will be covered by the Company under group insurance scheme subject to the prescribed ceiling of Rs. 4,000/- per annum on the amount of such premium to be paid.

v) The Company's contribution to Provident Fund @ 12% or to the extent permissible from time to time as per Company's rules. The said contribution will not be included in the computation of the ceiling on perquisites.

vi) Gratuity payable shall be equal to half month's salary for each completed year of service subject to completion of continuous service for a minimum period of 5 years. The same shall

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not be included in the computation of ceiling on perquisites.

vii) Leave with full pay and all allowances for any reasons for a total period of 45 days in a year shall be allowable to Shri AL Maheshwari. The unavailed leave, if any, at the end of a year will be allowed to be accumulated and carried forward for availment or encashment thereof later during or at the end of the tenure. Leave if encashed at the end of the tenure will not be included in the computation of ceiling on perquisites.

viii) Company's car for use on Company's business and telephone at residence will be provided and will not be considered as perquisites. Any personal long distance calls on telephone and use of the car for any private purpose shall be billed by the Company to Shri AL Maheshwari.

Explanation : For the purpose of perquisites, Family means the spouse, the dependent children and the dependent parents of Shri AL Maheshwari.

III. **Commission :**

In addition to salary as per 'I' and perquisites as per 'II' above, Shri AL Maheshwari shall be entitled to a commission at the rate of 0.50% of the net profits of the Company computed in the manner laid down under section 309 (5) of the Companies Act, 1956, restricted to Rs. 2.00 lacs in a year, and subject to the overall ceiling laid down in sections 198, 269 and 309 of the Companies Act, 1956.

9. The remuneration including salary, commission and perquisites as per condition No. 8 above shall be payable and allowable to Shri AL Maheshwari subject to the condition that in the case of absence of or inadequacy of profits in any year during the currency of the tenure of Shri AL Maheshwari as Managing Director, the remuneration in such year shall not exceed the conditions and limits prescribed in the Schedule XIII of the Companies Act, 1956 computed on the basis of the effective capital.

None of the Directors, except Shri AL Maheshwari himself, is deemed to be concerned or interested in the aforementioned proposed resolution. Other members of the Board commend to the members of the Company that the appointment of Shri AL Maheshwari as the Managing Director and the terms and conditions of his appointment as above be approved with or without modification as may be deemed fit.

The Resolutions at item No. 6 & 7 alongwith the terms and conditions of these appointments as setout hereinabove when approved by shareholders in the forthcoming Annual General Meeting, will form contracts of appointment in both the cases between the Company and the respective incumbents, whose consent thereto have already been received.

The above statement read with Resolutions setout in the notice shall be treated as an abstract of the terms and conditions for appointment of the Chairman & Managing Director and Managing Director pursuant to section 302 of the Companies Act, 1956.

JAIPUR
7th August, 1998

GOPAL LOHIYA
Company Secretary

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Maharaja Shree
UMAID MILLS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

For the year ended on 31st March, 1998

Gentlemen,

Your Directors are pleased to submit their 58th Annual Report and Audited Statements of Accounts for the year ended on 31st March, 1998.

The Operating Results are as follows :

		(Rs. in Lacs)
Gross Operating Profits		774.24
From which are deducted :		
Depreciation	193.77	
Provision for Taxation	175.00	368.77
		405.48
To which are added :		
Balance brought forward from previous year	4.20	
Taxation of earlier year	0.18	
Excess provisions of earlier years written back	4.46	8.84
		414.32
Which the Directors propose to appropriate as under :		
Proposed Dividend On 43,20,000 Equity Shares @ Rs. 1.50 per share	64.80	
Tax on Distributed Profits	10.80	
General Reserve	275.90	351.50
Balance carried forward to next year		62.82

While the avowed approach of integration with the complex global economy has brought about a fundamental change in the raw material scenario for country's Textile Industry on account of a wellnigh permanent reversal of price parity between Cotton and Synthetic fibres, domestic cotton production during the season 1997-98 has nosedived; thanks mainly to chronic problems of inavailability of genuine seed quality, required backup for plant protection and the emerging peculiar trend in the usually erratic weather conditions, with which cotton cultivation in the country continues to remain plagued.

On the other hand, the spell of recession in the industry has taken a turn for worse towards beginning of the year 1998. Of greater concern however, is the apprehended compounding of the problem on account of impending further contraction of demand due to a quantum shift in consumer preference in domestic middle class from cottons to synthetics.

Woes of the marginalised Mill sector, being continuously fueled by unjust and irrational structure of excise duties and a large scale evasion thereof by the now mighty segment of the industry called small scale or independent sector, are only forcing the former to a virtual elimination. Clearly, the prospects in the current year are far from encouraging.

The plan of capital outlay for Equipment Modernisation cum Expansion with orientation for product quality upgradation, is in the process of steady but cautious implementation in the given overall circumstances for the time being.

Energy Conservation

Company's dependence on own generation of power to a large extent is being continued. Further efforts for conservation of energy in respect of operations of its humidification plants and certain other areas in the normal course of working are being made, which are expected to result in saving from the current year onwards.

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors)

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Rules, 1988 are given in the Annexure hereto which forms part of this Report.

Public Deposits

The Company had Public Deposits aggregating to Rs. 228.10 lacs as on 31st March, 1998. This included Rs. 24,000/- relating to three depositors which by then had matured for repayment but remain unclaimed. The Company has complied with all the statutory requirements in connection with the Public Deposits.

Insurance

The Mill's Buildings, Plant & Machinery, Stores, Stocks of Raw Materials, Stock-in-process and Finished goods etc. have been adequately insured.

Particulars of Employees

A Statement giving particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is annexed hereto and forms part of this report.

Directors

Shri AL Maheshwari, who holds office as Director of the Company upto 10th August, 1998 is being appointed on the Board of Directors of the Company as an Additional Director with effect from 11th August, 1998, to hold office as such upto the date of the forthcoming Annual General Meeting. A notice under Section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose the appointment of Shri AL Maheshwari as a Director of the Company.

In accordance with the Articles of Association of the Company, Shri MM Kasat retires from the Board of Directors by rotation and being eligible offers himself for reappointment.

Auditors

At the Annual General Meeting, the Members are requested to appoint Auditors for the current year and to fix their remuneration, at the forthcoming Annual General Meeting. M/s B.D. Gargieya & Co., Auditors of the Company, retire and are eligible for reappointment.

On behalf of the Board
LN BANGUR
Chairman & Managing Director

JAIPUR
30th June, 1998

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