

# Annual Report & Accounts

FOR THE YEAR ENDED  
31ST MARCH 2006



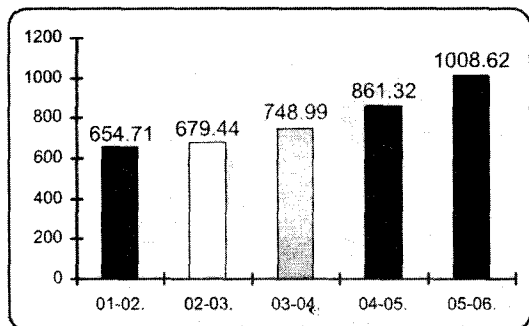
ORIENT PAPER  
& INDUSTRIES LIMITED

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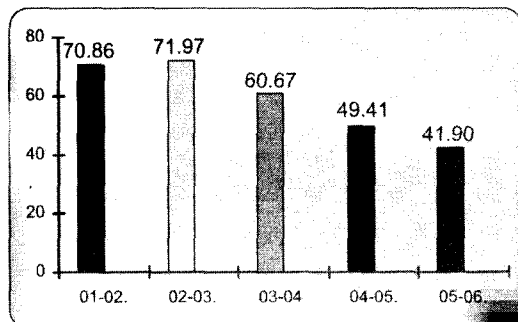
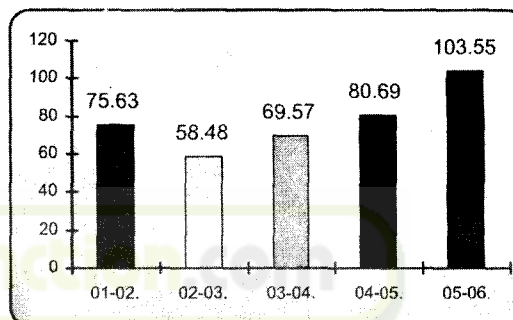
## 2005-06 Performance at a glance

(all figures in Rs. Crores)



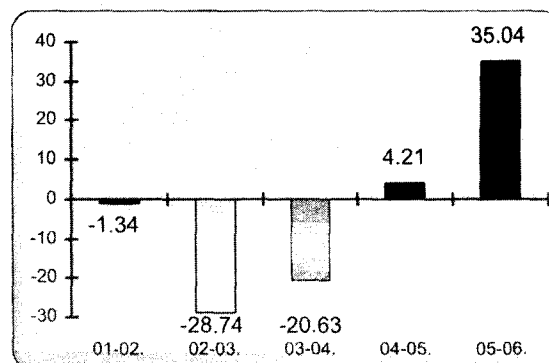
Gross turnover crossed  
Rs 1000 crores

PBIDT increased  
by over 28%



Interest costs  
substantially reduced

PROFIT BEFORE TAX  
increased by over 800%



## **BOARD COMMITTEES**

### **COMMITTEE OF DIRECTORS**

SHRI M.L. PACHISIA  
SHRI B.K. JHAWAR  
SHRI P.K. SEN

### **AUDIT COMMITTEE**

SHRI A. GHOSH  
SHRI B.K. JHAWAR  
SHRI P.K. SEN  
SHRI V. NACHIAPPAN  
SHRI MICHAEL BASTIAN

### **SHAREHOLDERS / INVESTORS RELATION COMMITTEE**

SHRI D.N. PATODIA  
SHRI P.K. SEN  
SHRI M.L. PACHISIA

### **REMUNERATION COMMITTEE**

SHRI B. K. JHAWAR  
SHRI D. N. PATODIA  
SHRI P. K. SEN

## **BOARD OF DIRECTORS**

SHRI C.K. BIRLA (*Chairman*)  
SHRI B.K. JHAWAR  
SHRI P.K. SEN  
SHRI D.N. PATODIA  
SHRI A. GHOSH  
SHRI V. NACHIAPPAN — *Nominee - ICICI*  
SHRI MICHAEL BASTIAN — *Nominee - IDBI*  
SHRI M. L. PACHISIA — *Managing Director*

## **AUDITORS**

MESSRS. S.R. BATLIBOI & CO.  
*Chartered Accountants*  
22, Camac Street, Block "C", 3rd Floor  
Kolkata-700 016

## **REGISTERED OFFICE**

UNIT-VIII, PLOT NO. 7  
BHOINAGAR  
BHUBANESWAR-751 012 (ORISSA)

## **MILLS**

BRAJRAJNAGAR, Orissa  
AMLAI, Madhya Pradesh  
DEVAPUR, Andhra Pradesh  
KOLKATA, West Bengal  
FARIDABAD, Haryana  
JALGAON, Maharashtra

## **SHARE TRANSFER AGENTS**

MCS Limited  
77/2A Hazra Road,  
Kolkata - 700 029



# **ORIENT PAPER & INDUSTRIES LIMITED**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006**



## ORIENT PAPER & INDUSTRIES LIMITED

### CONTENTS

	Page No.
Directors' Report .....	3
Directors' Responsibility Statement .....	9
Management's Discussion and Analysis .....	11
Corporate Governance Report .....	15
Statement Regarding Subsidiary Companies .....	22
Auditors' Report .....	23
Balance Sheet .....	28
Profit & Loss Account .....	29
Cash Flow Statement for the year ended 31st March, 2006 .....	30
<b>SCHEDULES</b>	
1. Share Capital .....	31
2. Reserves & Surplus .....	31
3. Secured Loans .....	32
4. Unsecured Loans .....	33
5. Fixed Assets .....	34
6. Investments .....	35
7. Inventories .....	36
8. Sundry Debtors .....	36
9. Cash & Bank Balances .....	36
10. Other Current Assets .....	37
11. Loans & Advances .....	37
12. Current Liabilities & Provisions .....	38
13. Miscellaneous Expenditure .....	38
14. Sales .....	39
15. Other Income .....	39
16. Decrease/(Increase) in Stocks .....	39
17. Raw Materials & Components Consumed .....	40
18. Manufacturing, Administrative, Selling and Other Expenses .....	40
19. Directors' Remuneration .....	41
20. Interest (Net) .....	41
21. Depreciation .....	41
22. Proposed Dividend .....	41
23. Notes .....	42
<b>SUBSIDIARY COMPANIES</b>	
<b>REPORTS AND ACCOUNTS :</b>	
Air Conditioning Corporation Ltd. ....	54
OPI Export Limited .....	71
<b>CONSOLIDATED ACCOUNTS</b> .....	75





## ORIENT PAPER & INDUSTRIES LTD.

**Registered Office : Unit VIII, Plot No. 7, Bhoinagar, Bhubaneswar-751012**

**(ORISSA)**

### NOTICE

To  
THE SHAREHOLDERS,

NOTICE is hereby given that the Annual General Meeting of the Shareholders of ORIENT PAPER & INDUSTRIES LTD., will be held on Friday, the 14th July, 2006 at 12.30 p.m. at UNIT-VIII, PLOT NO.7, BHOINAGAR, BHUBANESWAR-751012 (ORISSA) to transact the following business:

1. To consider and adopt the Audited Accounts of the Company for the year ended 31st March 2006, together with the Report of the Directors thereon.
2. To declare dividend on Preference shares.
3. To elect Directors in place of those retiring by rotation.
4. To appoint Auditors for the current year and to fix their remuneration and in this connection, to consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

"Resolved that M/s. S.R. Batliboi & Company, Chartered Accountants of 22, Camac Street, Block "C", 3rd floor, Kolkata-700016 be and are hereby appointed as Auditors of the Company until the conclusion of the next Annual General Meeting on a remuneration of Rs.25, 00,000/- (Rupees twenty-five lacs only) exclusive of travelling, boarding and lodging expenses at the Company's Factories, Forest Centres and other places outside Kolkata which shall also be borne by the Company and that the said remuneration be paid to them in four equal quarterly instalments".

### **SPECIAL BUSINESS**

5. To consider and, if thought fit, to pass with or without modification, the following resolutions :

#### **AS SPECIAL RESOLUTIONS :**

- (i) "Resolved that the payment of commission to the Directors (including Managing Director or wholtime Directors if any) under Article 74A of the Articles of Association of the Company be and is hereby sanctioned for a further period of five years with effect from 1st April, 2006.
- (ii) Resolved that pursuant to the provisions of Article 95 of the Articles of Association of the Company and Sections 198,269 and 309 read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956 and subject to approval of the Central Government and such other approval as may be required, the remuneration payable to Shri M. L. Pachisia the Managing Director of the Company be revised as under w.e.f. 1st April, 2006 till 22nd September, 2008 as under.
  - i) Salary Rs. 2,25,000/- per month subject to such increments as the Board may approve from time to time provided that the monthly salary shall not exceed Rs. 3,00,000/- per month.
  - ii) Other allowance aggregating to Rs. 50,000/- per month.
  - iii) Reimbursement of driving charges aggregating to Rs. 8,000/- per month.
  - iv) In addition to the above, the Board may at its discretion pay to the Managing Director other allowances, benefits, perquisites and exgratia amount not exceeding Rs. 20,00,000/- in a year.

Other terms and conditions of remuneration already approved by the shareholders at their meeting held on 13.01.2006 and also by the Govt of India, Ministry of Company Affairs, vide its letter dated 14.03.2006 and as stated in the Explanatory Statement hereunder remain unchanged.

**Minimum Remuneration**

The remuneration specified as at Sl. No. I to IV above and perquisites as stated in the Explanatory Statement subject to the approval of the Central Government shall continued to be paid to the Managing Director as and by way of minimum remuneration not withstanding the loss or inadequacy of profit during tenure of his office

By order of the Board

For ORIENT PAPER & INDUSTRIES LTD.

P.K. Sonthalia

Executive Vice President (Finance)

Kolkata, the 10th June, 2006

Regd. Office:

Unit : VIII, Plot No.7

Bhoinagar

Bhubaneswar-751012 (Orissa)

**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.
2. The Register of Members and Share Transfer Books of the Company in respect of Ordinary and Preference Shares remained closed from 5th June to 7th June 2006 both days inclusive.
3. Subject to the provisions of Section 206A of the Companies Act, 1956 dividend on Preference shares as recommended by the Board of Directors, if declared at the meeting, will be payable to the holders of Preference shares on or after 14th July, 2006 to those holders of Preference shares whose names appears on the Register of Members as on 7th June, 2006.
4. Sarvashri P. K. Sen and D.N. Patodia, Directors of the Company, retire by rotation and are eligible for re-election.
5. The instruments of Share transfer complete in all respects should be sent to the Company's Registrar and Transfer Agents M/s. MCS Ltd., 77/2A, Hazra Road, Kolkata-700029, well in advance, so as to reach them prior to Book closure, shares under any defective transfer (unless defect is removed prior to Book closing) and/or instruments of transfer received during the period of Book closing shall be considered after re-opening of the books.
6. Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such folios and send the relevant share certificates to MCS Limited, Share transfer agents of the Company for their doing the needful.
7. Members are requested to notify change in address, if any, immediately to MCS Ltd, Share Transfer Agents of the Company, quoting their folio number.
8. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed Dividends up to the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the Dividend Warrants up to the said period are requested to claim the amount from the Registrar of Companies, Orissa by submitting an application in the prescribed form.  
In view of the amended provisions of Section 205A of the Companies Act, 1956, the unclaimed Dividends for the Financial Years 1994-95 to 1997-98 has been transferred to the Investor Education and Protection Fund established by the Central Government in accordance with Section 205C of the Companies Act, 1956.
9. Pursuant to the recommendation of the SEBI Committee on Corporate Governance for reappointment of the retiring Directors, the relevant details of the concerned Directors are given in the Report on Corporate Governance forming a part of the Annual Report.

**Explanatory Statement (As required by Section 173 of the Companies Act, 1956)****ITEM NO. 5**

(I) It will be recalled that pursuant to Section 309 of the Companies Act, 1956, the Shareholders had by a special resolution passed at the Annual General Meeting held on 31st August, 2001 sanctioned payment of commission to Directors up to 1% of the net profits of the Company, for a period of 5 years with effect from 1st April, 2001. As the period of 5 years has expired on 31st March, 2006 the resolution is submitted to obtain your sanction pursuant to the said section for continuing payment of commission to Directors for a further period of 5 years with effect from 1st April, 2006.

The Directors are interested to the extent of commission that may be received by them in terms of the resolution.

(II) It may be noted that pursuant to the resolution adopted by the Shareholders at the General Meeting held on

13th January, 2006 and as approved by the Government of India, Ministry of Company Affairs vide letter dated 14.03.2006. Shri M.L. Pachisia was re-appointed as the Managing Director of the Company for a period of three years w.e.f. 23.09.2005 at a remuneration and on the terms and conditions set out below:

i)	Salary (Basic) per month	:	Rs. 1,75,000/- subject to such increments as the Board may approve from time to time.
ii)	Other Allowances (per month)	:	Rs. 25,000/-
iii)	Other reimbursements/Perquisites	:	
	a) a) Housing I	:	Expenditure by the Company on hiring furnished accommodation for the Managing Director subject to a maximum of 60% of the basic salary.
			Or
	b) Housing II	:	In case Company owned furnished accommodation is provided no allowances shall be paid.
			Or
	c) Housing III	:	In case no accommodation is provided by the Company, the Managing Director shall be entitled to 60% of the basic salary as and by way of House Rent Allowance.
	b) Medical Reimbursement	:	Expenditure incurred for the Managing Director and his family, subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
	c) Leave	:	In accordance with the rules framed by the Company.
	d) Leave Travel Assistance	:	Reimbursement of expenditure incurred for the Managing Director and his family once in a year subject to a maximum of one month's salary.
	e) Club Fees	:	Actual fees for a maximum of two clubs. This will not include admission fee and life membership fees.
	f) Personal Accident Insurance	:	Premium not to exceed a sum of Rs. 4,000/- per annum.

- g) Contribution to Provident Fund and Superannuation/Annuity Fund will be as per Scheme of the Company.
- h) Gratuity payable shall be at a rate not exceeding 15 days salary for each completed year of service or part thereof in excess of six months as per Scheme of the Company.
- i) Encashment of unavailed leave at the end of the tenure or at specified intervals will be as per Scheme of the Company.
- j) Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for Private purpose shall be billed by the Company to the Managing Director. If the Managing Director engages a driver, he will be reimbursed Rs.6,000/- per month on account of Driving charges.
- iv) In addition to the above, the Board may at its discretion pay to the Managing Director other allowances, benefits, perquisites and exgratia amount not exceeding Rs. 10,00,000/- in a year.
- v) Minimum Remuneration: The remuneration as specified at Sl. Nos. (i) to (iv) above subject to the approval of the Central Government shall continue to be paid to Shri M.L. Pachisia as and by way of Minimum Remuneration notwithstanding the loss or inadequacy of profit during the tenure of his office.

Shri M.L. Pachisia shall, subject to superintendence, control and directions of the Board of Directors, have the management of the whole or substantially the whole of the affairs of the Company and shall perform such duties and exercise such powers as have been or may from time to time be entrusted to or conferred upon him by the Board."

The Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 25.04.2006 decided to revise the remuneration payable to Shri M. L. Pachisia, the Managing Director of the Company as stated in the resolution w.e.f. 01.04.2006 to 22.09.2008 subject to the approval of the Shareholders and Central Government.

An application in this regard will be made to the Central Government for its approval of the revision in the remuneration payable to the Managing Director. Provisions of Schedule XIII of the Companies Act, 1956 inter alia requires the Company to obtain the approval of Shareholders in this connection by way of Special Resolution.

Accordingly your Directors recommend the resolution stated in the notice.

An abstract of the terms of revision in the remuneration of Shri M.L. Pachisia, the Managing Director of the Company has already been circulated to the members as required u/s 302 of the Companies Act, 1956.

Shri M.L. Pachisia, is deemed to be concerned or interested in the resolution, which pertains to remuneration payable to him. No other Director is in any way concerned or interested in the resolution.

The information required in terms of Part II, Section II-1(C) of Schedule XIII to the Act, are given below :

**I GENERAL INFORMATION :**

The Company was incorporated in 25.07.1936. The Company is engaged in manufacturing of Paper, Cement and Electric Fans. The Company has six manufacturing units located at Amlai (Madhya Pradesh), Brajrjnagar (Orissa), Devapur (Andhra Pradesh), Jalgaon (Maharashtra), Kolkata (West Bengal) and Faridabad (Haryana). The Brajrjnagar unit is non-operational since 1999.

The Company was making profit till 1996-97. Due to various factor mentioned in III (other information - Para-1) herein below, the Company incurred losses from 1997-98 to 2003-04. The Company took number of steps to improve its turnover and reduce costs as mentioned in III (other information - Para - 2) herein below a result of which the Company started making cash profit from the year 2003-04 and has been achieving net profit since 2004-05. The profit before tax for 2005-06 was Rs. 35 Crores.

The improving trend continues in the current year 2006-07. The Company achieved a record turn over of Rs. 1000 Crores in the year 2005-06. The Company has exported its products to the tune of Rs. 36 Crores and Rs. 40 Crores during 2004-05 and 2005-06 respectively.

**II. INFORMATION ABOUT SHRI M. L. PACHISIA**

Shri M. L. Pachisia is a Commerce Graduate. He has over 45 years experience. Shri M. L. Pachisia was appointed as a whole time Director designated as Executive Director for a period of 5 years from 23.09.97. Shri M.L. Pachisia was redesignated as the Managing Director of the Company with effect from 22.01.2001. Shri M.L. Pachisia was re-appointed as the Managing Director of the company for a period of 3 years w.e.f. 23.09.2005. Shri M.L. Pachisia is highly experienced and controls the affairs of the Company as a whole. He has successfully and in a sustained way contributed significantly towards improvement in performance of the Company leading to its successful turn around.

The revision in the remuneration payable to the Managing Director w.e.f. 01.04.2006 is stated in the resolution.

The remuneration payable is comparable to the remuneration paid to a person holding similar position in other Companies of similar size as that of the Company. Shri M.L. Pachisia was paid remuneration of Rs.34 Lacs in 2005.06.

Shri M.L. Pachisia holds 500 equity/ordinary shares of the Company. He does not have any other pecuniary relationship directly or indirectly with Company. He does not have any relationship with the managerial personnel of the Company.

**III. OTHER INFORMATION :**

**1. MAJOR REASONS FOR LOSSES INCURRED BY THE COMPANY IN THE PAST**

- a. As a result of bunched-up addition of substantial additional capacity for cement in the areas served by the Company's Cement plants, cement prices in these areas became unremunerative. Consequently Cement division of the company suffered losses, in spite of there being no internal deficiencies.
- b. Suspension of Operations at the Company's Brajrjnagar unit and consequent costs incurred in giving VRS to a large number of employees serving in this division.

**2. STEPS TAKEN FOR IMPROVEMENT OF RESULTS BY THE MANAGEMENT**

1. The Company had taken bold and painful decision for suspension of work at its Brajrjnagar Paper Plant, which was facing labour problem and incurring operational losses for several years. Although, in the short term, this action has put pressure on Company's performance, it will be very beneficial in the long run.
2. There have been significant improvements in operational efficiencies and cost reduction in all units of the Company. The Cement plant at Devapur has achieved TPM certification. The Paper Plant at Amlai has also received several certifications and recognitions.
3. Increase in expansion and utilization of capacities of all units and gain in market shares.
4. Significant success in increasing export of Fans.
5. Consequent upon above steps taken by the Management, the Company has made a net profit of Rs.21.58 Crores in the year 2005-06.

**3. STEPS TAKEN FOR CAPACITY EXPANSION & UTILIZATION**

1. The Company has increased capacity of its cement plants from 2 million ton per year to 2.40 million ton during 2004-05 at very nominal capital expenditure. The increased capacity is also being fully utilised since January 2005.
2. The capacity of Tissue Paper plant at Amlai has been fully utilised after initial difficulties.
3. Production and sale of electric fans has been increasing substantially.



ORIENT PAPER &amp; INDUSTRIES LIMITED



# Directors' Report

FOR THE YEAR ENDED 31ST MARCH, 2006

Dear Shareholders,

It is indeed a matter of great pride and joy for us that Shri Ganga Prasad Birla, our erstwhile Chairman, has been conferred with the National honour of "Padma Bhushan" by the Honourable President of India for his 'Social work'. This is a deserving recognition of the great contributions made to the society by Shri G. P. Birla through several charitable and philanthropic projects of hospitals, schools, institutes of scientific research and higher learning, temples, heritage preservation etc.

At the same time, we have great pleasure in reporting that your Company has made tremendous progress in all areas of its operations during the year ended 31st March 2006 and has recorded impressive growth in its turnover and profitability.

## FINANCIAL RESULTS

You will notice from the summary of results below that the Company has achieved significant increase in its net profit, after providing Rs. 18.47 cr. for gratuity relating to prior years.

	(Rs. in crores)	
	2005-06	2004-05
Gross sales	1008.62	861.32
Total Income (net of excise)	872.16	742.16
Profit before providing for Depreciation, Taxation and Prior Period Item	80.12	31.28
Prior Period Item	18.47	—
Depreciation	26.61	27.07
Profit before Taxation	35.04	4.21
Taxation	13.46	1.47
<b>Net Profit</b>	<b>21.58</b>	<b>2.74</b>
Debenture Redemption Reserve written back	2.70	1.87
Loss brought forward from last year	12.05	16.66
<b>Profit available for appropriations</b>	<b>12.23</b>	<b>(12.05)</b>
<b>Appropriations</b>		
Proposed dividend on Preference Shares	6.90	—
Corporate dividend tax	0.97	—
Balance carried to Balance Sheet	4.36	(12.05)
<b>Total</b>	<b>12.23</b>	<b>(12.05)</b>

The Directors recommended for consideration of the shareholders, at the ensuing Annual General Meeting, payment of dividend on 20,00,000 12% Redeemable Cumulative Preference Shares of Rs. 100/- each amounting to Rs. 690 lacs (including Rs. 450 lacs for earlier years) subject to such approvals as may be required.

## MANAGEMENT DISCUSSION & ANALYSIS FOR BUSINESS SEGMENTS

Business segment wise analysis and operational performance of each of our business segments has been comprehensively covered in the Management's discussion and analysis report, which forms part of this

Directors' report.

## CASH FLOW ANALYSIS

In conformity with the provisions of Clause 32 of the listing Agreement(s), the cash flow statement for the year ended 31st March 2006 is included in the annual accounts.



## CORPORATE GOVERNANCE

Your Company is fully in compliance with Corporate Governance requirements. A report on Corporate Governance forms a part of this Annual Report. A certificate from the auditors confirming compliance of Corporate Governance as stipulated under clause 49 of the listing Agreement(s) is annexed to the report on Corporate Governance.

## ENVIRONMENT

As a responsible and progressive corporate citizen, your Company continues to consider environment protection and improvement as an integral part of its management philosophy.

As reported earlier, the paper mill at Amlai, cement plants at Devapur and Jalgaon and Fan unit at Faridabad have all been certified under ISO 14001.

Each of our units have adopted and declared an environmental policy in line with the best practices in their respective industry segment.

The Amlai paper mill has developed a High Rate Transpiration System (HRTS) over 188 hact. of land for utilisation of fully treated effluents, which is functioning efficiently as evaluated by NEERI in 2004 and Institute of Environmental Management and Plant Sciences in 2005. Simultaneously, recycling of Grade-II effluent has increased resulting in substantial reduction in intake of fresh water.

The unit has taken several pro-active steps to phase out chemicals, gases and dyes considered harmful for the environment and has substituted them with eco-friendly alternatives. The mill has also obtained the Eco mark licence for some of its products from Bureau of Indian Standards, Government of India and this licence has been renewed up to 2006. It is note worthy that Orient Paper Mill is one of only three Paper Mills in the country to have been given the Eco mark licence.

In March 2006, Amlai paper mill has installed and commissioned a Fly ash brick making plant with a capacity of 15000 bricks per day, for gainful disposal of fly ash. A sludge dewatering system for grade II & grade III effluents has been successfully developed and installed in association with local vendors. The dewatered sludge is then recycled for use by Board manufacturers.

The unit continues to place great emphasis on re-greening the environment and has further intensified its Farm forestry programme in the Madhya Pradesh and Chattisgarh. As reported earlier, the unit has developed high yielding clones for Eucalyptus and is working closely with various agencies to propagate plantations on private as well as revenue wasteland under "Swarn Jayanti Gram Swarajgar Yojana".

During the year our Cement division received 1st prize for "Cleaner Production" in recognition of excellence in cleaner production technologies from Andhra Pradesh Pollution Control Board. The unit has taken effective steps to conserve energy and other natural resources and has created an impressive green belt around its location.

## OTHER AWARDS & RECOGNITIONS

The mining operation of our Cement division received First prize for the third year in succession for Heavy Earth Moving Equipments operations. It also received recognition for Environment and Health management as well as in Drilling and blasting.

## STATUTORY MATTERS

### DEBENTURES

The funds raised by issue of Debentures from time to time have been utilized for the purposes as sanctioned.

### DIRECTORS

IDBI Ltd. vide its letter dated 7th May 2005 nominated Mr. Michael Bastian as its nominee in place of Shri Manu Chadha. Mr. Bastian has been co-opted on the Board w.e.f. 21.05.2005

The Board places on record its profound appreciation of the valuable contribution made by Shri Manu Chadha during his tenure as Director of the Company. Sarvashri P.K. Sen and D.N. Patodia, directors of the Company retire by rotation and are eligible for re-election.

### AUDITORS

M/s. S. R. Batliboi & Co., Chartered Accountants and Auditors of the Company retire and offer themselves for reappointment. Special resolution would be necessary for their appointment as required under Section 224A of the Companies Act, 1956.

### COST AUDITORS

Pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, qualified Cost Auditors have been appointed to conduct cost audits as required.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

Details regarding conservation of Energy, Research and Development, Foreign Exchange earnings and outgo are furnished in Annexure "A" to the Report pursuant to the provisions of the Companies Act, 1956 read with the Companies (Disclosure of particulars to the Report of Board of Directors) Rules 1988.