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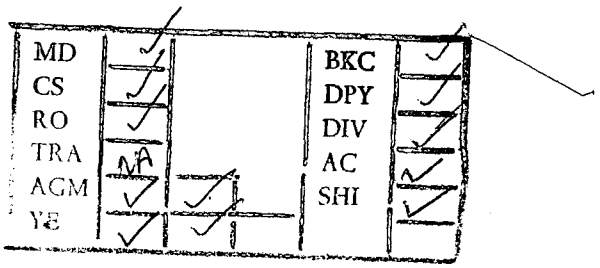

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PCS INDUSTRIES LIMITED

SEVENTEENTH ANNUAL REPORT

1997-98

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PCS INDUSTRIES LIMITED

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SEVENTEENTH ANNUAL REPORT 1997-98

BOARD OF DIRECTORS	Mr. G. K. Patni	Joint Managing Director
	Mr. A. K. Patni	Joint Managing Director
	Mr. D. B. Engineer	Director
	Mr. S. B. Ajmera	Director
	Mr. P. V. Mehta	Director
	Mr. G. M. Dave	Director
	Mr. V. N. Cantol	Director
	Mr. N. K. Patni	Director
	Mr. Amit Patni	Wholetime Director
	Mr. H. C. Tandon	Wholetime Director
	Mr. B. N. Agrawal	Wholetime Director
	Mr. K. K. Barjatya	Alternate Director to Mr. N. K. Patni

COMPANY SECRETARY Mr. Bipin Singh

AUDITOR **S. C. Bandi & Co.**
Chartered Accountant, Mumbai

BANKERS
Canara Bank
Indian Bank
The United Western Bank Limited
Dena Bank
ANZ Grindlays Bank PLC
Oman International Bank SOCG

REGISTERED OFFICE & PLANT No. 1
Plot No. 148/151
Alandi Markaal Road
Village Dhanore
Alandi 412 106
Dist. Pune

PLANT No. 2
135-140, Pragati Industrial Estate,
Village Amli, Silvassa 396 230

CORPORATE OFFICE
303/304, Regent Chambers
Nariman Point, Mumbai 400 021

SHARE DEPARTMENT
Hyfa Building No. 2,
Safeed Pool, Andheri Kurla Road,
Andheri (East)
Mumbai 400 072

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MEMBERS ARE REQUESTED TO BRING THEIR COPY OF THE ANNUAL REPORT ALONGWITH THEM AT THE ANNUAL GENERAL MEETING

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PCS INDUSTRIES LIMITED

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SEVENTEENTH ANNUAL REPORT 1997-98

NOTICE TO MEMBERS

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of the members of PCS Industries Limited will be held on Wednesday the 30th day of September, 1998 at 12.30 p.m. at the Registered Office of the Company at 148/151, Alandi Markaal Road, Dhanore Village, Alandi, Dist. Pune-412106 to transact the following business:

ORDINARY BUSINESS

1. To receive, approve and adopt the Director's Report and Audited Profit and Loss Account for the year ended 31st March,1998 and the Balance Sheet as at that date, together with Auditor's Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. D.B. Engineer, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. G.M. Dave, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. N.K. Patni, who retires by rotation, and being eligible, offers himself for reappointment.
6. To appoint a Director in place of Mr. B.N.Agrawal, who retires by rotation, and being eligible offers himself for reappointment.
7. To appoint a Director in place of Mr. H.C.Tandon, who retires by rotation, and being eligible, offers himself for reappointment.
8. To appoint Auditor for the current Year to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and to fix his remuneration.

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SPECIAL BUSINESS

9. REVISION IN TERMS OF REMUNERATION OF WHOLETIME DIRECTOR MR.B.N.AGRAWAL

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

"**RESOLVED THAT** in modification of Resolution No. 11 passed at the Annual General Meeting held on 21st December, 1995 regarding the remuneration of Mr.B.N.Agrawal and in accordance with the provisions of Section 269,309,310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the change in the Salary Scale applicable to Mr.B.N.Agrawal with authority to the Board of Directors to fix his salary within the scale, increasing thereby proportionately all benefits related to the quantum of Salary with effect from 1st April, 1998 for the remainder of the tenure of the contract as set out in the Supplemental Agreement submitted to this meeting is hereby specifically sanctioned".

10. REVISION IN TERMS OF REMUNERATION OF WHOLETIME DIRECTOR MR.H.C.TANDON

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

"**RESOLVED THAT** in modification of Resolution No. 8 passed at the Annual General Meeting held on 28th December, 1996 regarding the remuneration of Mr. H.C.Tandon and in accordance with the provisions of Section 269,309,310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the change in the Salary Scale applicable to Mr.H.C.Tandon with authority to the Board of Directors to fix his salary within the scale, increasing thereby proportionately all benefits related to the quantum of Salary with effect from 1st April, 1998 for the remainder of the tenure of the contract as set out in the Supplemental Agreement submitted to this meeting is hereby specifically sanctioned".

11. REAPPOINTMENT OF MR. B.N. AGRAWAL

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

"**RESOLVED THAT** in accordance with the provisions of Section 269, 309, 311 and other applicable provisions if, any, of the Companies Act 1956 including Schedule XIII of the Said Act as amended uptodate, the Company be and hereby accords its consent and sanction to the reappointment and terms of remuneration of Mr. B.N. Agrawal, whole time Director of the Company for a period of three years with effect from 20th July, 1998 upon the terms and conditions set out in the draft Agreement submitted to this meeting and initialled by a Director for the purpose of identification, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the said terms

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and conditions of the said appointment including fixation of Salary within the Scale, increasing thereby the remuneration and all benefits related to the quantum of Salary and / or Agreement in such manner as may be agreed to between the Board of Directors and Mr. B.N. Agrawal".

12. REAPPOINTMENT OF MR.H.C.TANDON

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

"RESOLVED THAT in accordance with the provisions of Section 269, 309, 311 and other applicable provisions, if any of the Companies Act 1956 including Schedule XIII of the Said Act as amended uptodate, the Company be and hereby accords its consent and sanction to the reappointment and terms of remuneration of Mr. H. C. Tandon, whole time Director of the Company for a period of three years with effect from 25th November, 1998 upon the terms and conditions set out in the draft Agreement submitted to this meeting and initialled by a Director for the purpose of identification, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the said terms and conditions of the said appointment including fixation of Salary within the Scale, increasing thereby the remuneration and all benefits related to the quantum of Salary and / or Agreement in such manner as may be agreed to between the Board of Directors and Mr. H.C. Tandon".

By Order of the Board of Directors

Place : Mumbai
Date : 27th July, 1998

G.K. PATNI
Chairman

Notes:

1. The relevant Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under Item Nos. 9,10,11 & 12 set out above are annexed hereto.
2. A Member entitled to attend and to 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. The proxy form must be lodged at the Registered Office of the Company not later than 48 hours before the meeting. Form of proxy is hereto annexed.
3. If dividend on Equity Shares as recommended by the Board of Directors is declared at the meeting, the dividend warrants will be posted after the 31st day of October, 1998 to those Members whose names shall appear in the Company's Register of Members at the close of business on the 30th day of September, 1998.
4. The Share Transfer Books and the Register of Members of the Company will remain closed from the 22nd day of September, 1998 to the 30th day of September, 1998 (both days inclusive).
5. Documents referred to in any of the items of the Notice are available for inspection at the Registered Office of the Company on any working day upto 30th day of September, 1998 during the business hours of the Company between 11.00 a.m. to 1.00 p.m.
6. Intimation regarding change of address should be sent to the Share Department of the Company at the following address.

   PCS Industries Limited

   Hyfa Building No. 2, Safeed Pool, Andheri Kurla Road, Andheri (East) Mumbai - 400 072
7. Members are requested to consolidate their share holdings, if having in different folios, into one if it is in the same order of names.
8. Members who would like to ask any questions on the Accounts are requested to send their questions to the Corporate Office of the Company at 303/304 Regent Chambers, Nariman Point, Mumbai 400 021 at least 10 days before the Annual General Meeting.
9. It has been noticed that dividend/Interest warrants, of late are being intercepted in transit and are being fraudulently encashed. In order to minimise the possibility of such fraudulent encashments, we have decided to add the Account No., Name and Address of your Bankers in the warrants to be mailed to you. In order to enable us to do so, we request you to send the necessary information in the format given below to the Share Department of the Company at your earliest:
   a. Your Registered Folio
   b. Name of the Sole/First Shareholder.
   c. Savings/Current A/c. No.
   d. Name of the Bank.
   e. Complete address of the Bank

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ANNEXURE TO THE NOTICE

Explanatory Statements as required by Section 173(2) of the Companies Act, 1956.

In accordance with the provisions of Section 173(2) of the Companies Act, 1956 the following Explanatory Statements set out all material facts relating to the Special Business mentioned in the accompanying Notice dated 27th July, 1998 and should be taken as a part of the Notice.

Item No. 9

REVISION IN TERMS OF REMUNERATION OF WHOLETIME DIRECTOR MR.B.N.AGRAWAL

At the Annual General Meeting held on 21st December, 1995 approval was accorded for salary of Rs. 17,500/- per month to Mr. B.N.Agrawal. As the shareholders are aware the salaries were fixed in 1995 based on the situation prevailing at that time. Based on the present scenario the company has revised the Salary Scales. The Board of Directors has revised the salary scales of the Wholetime Director with effect from 1st April, 1998 to Rs.40,000/- to Rs.75,000/- with Basic salary at Rs.40,000 per month with proportionate increase in the value of benefits related to salary for the remainder of the tenure of Mr.B.N.Agrawal's appointment.

All other terms and conditions of the appointment of Mr.B.N.Agrawal as approved by shareholders will remain unchanged.

The Resolution for the change in the scale of remuneration payable to the Wholetime Director is commended for approval by the shareholders.

The draft supplemental terms between the Company and Mr.B.N.Agrawal is available for inspection at the Registered Office of the Company between 11 a.m. and 1 p.m. on any working day.

This may also be treated as an abstract of the draft supplemental agreement between the Company and Mr.B.N.Agrawal pursuant to Section 302 of the Act.

None of the Directors of the Company except Mr.B.N.Agrawal is interested in this resolution.

Item No.10

REVISION IN TERMS OF REMUNERATION OF WHOLETIME DIRECTOR MR.H.C.TANDON

At the Annual General Meeting held on 28th December, 1996 approval was accorded for salary of Rs. 20,000/- per month to Mr. H.C.Tandon. As the shareholders are aware the salaries were fixed in 1996 based on the situation prevailing at that time. Based on the present scenario the company has revised the Salary Scales. The Board of Directors has revised the salary scales of the Wholetime Director with effect from 1st April, 1998 to Rs.40,000/- to Rs.75,000/- with Basic salary at Rs.47,400 per month with proportionate increase in the value of benefits related to salary for the remainder of the tenure of Mr.H.C.Tandon's appointment.

All other terms and conditions of the appointment of Mr.H.C.Tandon as approved by shareholders will remain unchanged.

The Resolution for the change in the scale of remuneration payable to the Wholetime Director is commended for approval by the shareholders.

The draft supplemental terms between the Company and Mr.H.C.Tandon is available for inspection at the Registered Office of the Company between 11 a.m. and 1 p.m. on any working day.

This may also be treated as an abstract of the draft supplemental agreement between the Company and Mr.H.C.Tandon pursuant to Section 302 of the Act.

None of the Directors of the Company except Mr.H.C.Tandon is interested in this resolution.

Item No. 11

REAPPOINTMENT OF MR. B.N. AGRAWAL

Mr. B.N. Agrawal was appointed as whole time Director for a period of 3 years with effect from 20th July, 1995 and appointment was approved by members at the Annual General Meeting held on 21st December, 1995. The current 3 year term expired on 19th July 1998.

The Board of Directors at the meeting held on 27th July, 1998 reappointed Mr. B.N. Agrawal as a whole time Director, subject to the approval of the Members, for a further period of 3 years.

Mr. B.N. Agrawal has been with PCS Industries Ltd. for about 3 years. He has long experience in the industry.

The Board of Directors are of the opinion that his association would bring immense benefit to the Company.

The draft agreement between the Company and Mr. B.N. Agrawal contain the following main terms and conditions :

PERIOD : 3 years from 20th July, 1998

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SALARY : Rs.40,000 per month in the scale of Rs.40,000/- to Rs. 75,000/- with authority to the Board to fix his Salary within the above mentioned scales from time to time. The annual increments will be merit based and take into account Company performance.

PERQUISITES :

Housing

Housing I : The company shall provide its own furnished accommodation for the Wholetime Director, free of rent.

Housing II : In case no accommodation is owned by the company.

a. the expenditure on hiring accommodation for the Wholetime Director will be subject to a ceiling of forty percent of his salary; or

b. the Wholetime Director shall be entitled to House Rent Allowance subject to a ceiling of forty percent of his salary.

Medical Reimbursement:

Expenses incurred for Mr. B.N. Agrawal 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.

Leave Travel Concession:

Leave Travel Concession for Mr. B.N. Agrawal and his family, once in a year, incurred in accordance with the Rules of the Company.

City Compensatory Allowance will be paid to him as per the Company's Rules.

Personal Accident Insurance for an amount, the annual premium of which does not exceed Rs. 1,000/-.

Allowances Dearness Allowance, Adhoc Allowance, performance linked incentive, bonus, exgratia and other allowances benefits facilities and expenses as decided by the Board from time to time.

Part B:

i. Gratuity not exceeding half a month's salary for each completed year of service subject to a ceiling of Rs. 1,00,000/-.

ii. Contribution to the Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under under the Income-Tax Act.

Part C:

Provision for car for use on Company's business and telephone at residence will not be considered perquisites. Personal long distance calls and use of car for private purposes shall be billed by the Company to the Wholetime Director.

1. The Wholetime Director shall not be paid any sitting fees for attending the Meeting of the Board of Directors or Committees thereof.

2. The terms and conditions of the said appointment and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the limits prescribed in this behalf under Schedule XIII to the Companies Act, 1956 for the maximum amount of remuneration payable to Mr. B.N. Agrawal.

3. The Agreement may be terminated by either party by giving the other party three month's notice or the Company paying three month's salary in lieu thereof.

4. The Wholetime Director is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283 (1) (1) of the Companies Act, 1956 while at the same time the Wholetime Director is liable to retire by rotation.

5. If at any time the Wholetime Director ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be a Director of the Company.

6. The Wholetime Director shall not be entitled to supplement his earnings under the Agreement with any buying or selling commission. He shall not also become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company, without the prior approval of the Central Government.

7. Minimum Remuneration

If in any financial year during the tenure of the Wholetime Director in the Wholetime employment of the Company, the Company has no profits or its profits are inadequate, the Wholetime Director Mr.B.N.Agrawal shall be entitled to minimum remuneration by way of salary, perquisities, allowances as provided hereinabove subject to the ceiling limits as provided in Schedule XIII of the Companies Act 1956. Further, however, the following perquisites which are also allowed to him shall not be included in the Computation of this ceiling as provided in the Schedule XIII of the Companies Act, 1956.

(a) Contribution to Provident Fund, Superannuation or Annuity Fund to the extent these are singly or put together are not taxable under the Income Tax Act 1961 and

(b) Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

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8. The draft Agreement between the Company and Mr. B.N. Agrawal is available for inspection by the Members of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.
9. This may be treated as an extract of the draft Agreement between the Company and Mr. B.N. Agrawal pursuant to Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. B.N. Agrawal is interested in this resolution.

The resolution as set out at Item no. 11 is therefore proposed.

Item No. 12

REAPPOINTMENT OF MR. H.C. TANDON

The Board of Directors at the meeting held on 27th July, 1998 reappointed Mr. H.C. Tandon as a whole time Director, subject to the approval of the Members, for a further period of 3 years.

Mr. H.C. Tandon has been with PCS Industries Ltd. for about 7 years. He has long and varied experience in the industry. Mr. H.C. Tandon was appointed as wholetime Director for a period of 3 years with effect from 25th November 1995 and the appointment was approved by the Members at the Annual General Meeting held on 28th December 1996. The current 3 year term is due for expiration on 24th November 1998.

The Board of Directors are of the opinion that his association would bring immense benefit to the Company.

The draft agreement between the Company and Mr. H.C. Tandon contain the following main terms and conditions :

PERIOD : 3 years from 25th November, 1998

SALARY : Rs. 47,400/- per month in the scale of Rs.40,000/- to Rs.75,000/- with authority to the Board to fix his Salary within the above mentioned scales from time to time. The annual increments will be merit based and take into account Company performance.

PERQUISITES :

Housing

Housing I : The company shall provide its own furnished accommodation for the Wholetime Director, free of rent.

Housing II : In case no accommodation is owned by the company.

a. the expenditure on hiring accommodation for the Wholetime Director will be subject to a ceiling of forty percent of his salary; or

b. the Wholetime Director shall be entitled to House Rent Allowance subject to a ceiling of forty percent of his salary.

Medical Reimbursement:

Expenses incurred for Mr. H.C. Tandon 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.

Leave Travel Concession:

Leave Travel Concession for Mr. H.C. Tandon and his family, once in a year, incurred in accordance with the Rules of the Company.

City Compensatory Allowance will be paid to him as per the Company's Rules.

Personal Accident Insurance for an amount, the annual premium of which does not exceed Rs. 1,000/-.

Allowances Dearness Allowance, Adhoc Allowance, performance linked incentive, bonus, exgratia and other allowances benefits facilities and expenses as decided by the Board from time to time.

Part B:

i. Gratuity not exceeding half a month's salary for each completed year of service subject to a ceiling of Rs. 1,00,000/-.

ii. Contribution to the Provident Fund, Superannuation or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under under the Income-Tax Act.

Part C:

Provision for car for use on Company's business and telephone at residence will not be considered perquisites. Personal long distance calls and use of car for private purposes shall be billed by the Company to the Wholetime Director.

1. The Wholetime Director shall not be paid any sitting fees for attending the Meeting of the Board of Directors or Committees thereof.
2. The terms and conditions of the said appointment and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the limits prescribed in this behalf under Schedule XIII to the Companies Act, 1956 for the maximum amount of remuneration payable to Mr. H.C. Tandon.

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3. The Agreement may be terminated by either party by giving the other party three month's notice or the Company paying three month's salary in lieu thereof.
4. The Wholetime Director is appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 283 (1) (1) of the Companies Act, 1956 while at the same time the Wholetime Director is liable to retire by rotation.
5. If at any time the Wholetime Director ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be a Director of the Company.
6. The Wholetime Director shall not be entitled to supplement his earnings under the Agreement with any buying or selling commission. He shall not also become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company, without the prior approval of the Central Government.
7. Minimum Remuneration

   If in any financial year during the tenure of the Wholetime Director in the Wholetime employment of the Company, the Company has no profits or its profits are inadequate, the Wholetime Director Mr.H.C.Tandon shall be entitled to minimum remuneration by way of salary, perquisities, allowances as provided hereinabove subject to the ceiling limits as provided in Schedule XIII of the Companies Act 1956. Further, however, the following perquisites which are also allowed to him shall not be included in the Computation of this ceiling as provided in the Schedule XIII of the Companies Act, 1956.

   (a) Contribution to Provident Fund, Superannuation or Annuity Fund to the extent these are singly or put together are not taxable under the Income Tax Act 1961 and

   (b) Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
8. The draft Agreement between the Company and Mr. H.C. Tandon is available for inspection by the Members of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.
9. This may be treated as an extract of the draft Agreement between the Company and Mr. H.C. Tandon pursuant to Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. H.C. Tandon is interested in this resolution.

The resolution as set out in Item No. 12 is therefore proposed.

By Order of the Board of Directors

Place : Mumbai
Date : 27th July, 1998

G.K. PATNI
Chairman

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PCS INDUSTRIES LIMITED

SEVENTEENTH ANNUAL REPORT 1997-98

DIRECTORS' REPORT

To,

The Members,
PCS Industries Limited

Your Directors present below the Seventeenth Annual Report on the working and Audited Accounts of your Company for the year ended 31st March, 1998 for your perusal :

FINANCIAL PERFORMANCE	(Rs. in Lacs) (1997-98)	(Rs. in Lacs) (1996-97)
Gross Revenue	11,142.64	8,962.25
Generating Gross Profit of	578.46	512.90
Depreciation	329.58	304.82
Profit for the year from Operations	248.88	208.08
Bad Debts & Remission	103.13	—
Extra-Ordinary Items	32.04	—
Provisions for Taxation	40.00	40.00
Profit for the Year	42.69	150.51
Add : Investment Allowance written back	0.22	—
Less : Short Provisions for Taxation	8.99	6.81
Surplus brought forward	180.43	187.12
Profit available for appropriation	214.35	330.82
Appropriated as follows :		
Less : Debenture Redemption Reserve	18.50	61.30
Transferred to General Reserve	4.00	33.00
Proposed Dividend @ 5% prorata on amount paid-up	50.99	50.99
Income Tax Provision on the above dividend	5.09	5.09
Carried to Balance Sheet	135.77	180.44
	214.35	330.82

YEAR UNDER REVIEW

The sales income of the Company for 97-98 was Rs.10,977.72 lacs as against Rs.8,810.79 lacs in 96-97 thus registering a growth of 24.6% over previous year,. The profit from operations for the year 97-98 has increased to Rs.217.86 lacs as against Rs.190.51 lacs in 96-97 registering a growth of 14.35%. However, on account of extra ordinary items viz. Bad Debts of Rs.103.13 Lacs and the loss of Rs.32.04 Lacs on account of fire at Noida (net of insurance recovery) provided in the accounts aggregating to Rs.135.17 Lacs had an adverse impact on the profits of the company.

The performance of the Computer Division was satisfactory during the year. The sales of the division grew by 45.43%, inspite of increased competition the margins remained steady. During the year under review your Company launched Pentium II Computers which were well received in the market. Your company also entered into a marketing agreement with Hewlett Packard Limited and continued its marketing agreement with Tata-IBM for the sale of MNC Branded PC Products. As the growth in the communication sector is expected to be high, your company has entered into a marketing agreement with VSAT Manufacturer Comsat Max Ltd., and continued its agreement with Networking Manufacturer Cabletron Systems. The Company also intends to enter the market of Automated Teller Machines for Banks through a proposed agreement to market with Siemens Nixdorf Ltd. On account of the initiatives taken during the year, the Management is confident of maintaining the high growth rate in the division.

The Copper Clad Laminate Division at Pune continues to perform steady. On account of Foreign Exchange volatility and increased competition from South East Asia the margins continue to be under pressure.

Due to low activity in the Capital Markets the Data Processing Division of your Company performed moderately.

During the year under review the Company exported goods worth Rs. 459 lacs as against 739 lacs in the previous year.

FINANCE

Conversion of Warrants to Share Capital

The Members at the Annual General Meeting held on 30th September 1997 had authorised the Directors to issue and allot upto 50,00,000 warrants in favour of the promoters of your Company. The Company had issued 30,00,000 warrants and received

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DIRECTORS' REPORT (Contd.)

10% as upfront subscription amounting to Rs.30,00,000 for the same. The promoters exercised their option by subscribing to the balance 90 % totalling to Rs. 2,70,00,000. In accordance with the subscription the Company had alloted 30,00,000 equity shares of Rs. 10 each at par aggregrating to Rs. 3,00,00,000 at the Board Meeting held on 9th May, 1998.

DEBENTURES

During the year the Company had redeemed 14% Second Series Secured Redeemable partly Convertible Debentures the non-convertible amount of Rs.15/ per debenture totalling to Rs. 5,94,74,300/-.

Further, in July 1998 Redeemable Non-Convertible Debentures of Rs. 100 each privately placed with Canbank Mutual Fund was partly redeemed to the extent of Rs. 1,30,00,000/ and the balance 130,000 debentures were extended for further period of one year.

DIVIDEND

Your Directors have decided to recommend, a dividend of 5% free of tax on the equity capital of the Company, notwithstanding the Company's low profitability and overall depressed industrial scenario.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, our Directors Mr. D. B. Engineer, Mr. N. K. Patni, Mr. G. M. Dave, Mr. H. C.Tandon and Mr. B. N. Agrawal retire by rotation and being eligible offer themselves for reappointment.

The Board recommends their reappointment. The term of Wholetime Director Mr.B.N.Agarwal expired on 19th July, 1998. The Company reappoints him for a further period of 3 years w.e.f. 20th July, 1998.

The Term of Wholetime Director Mr.H.C.Tandon is due for expiration on 24th November, 1998. The Board extended his reappointment. The Company recommends his reappointment for a further period of three years from 25th November, 1998.

During the year Mr.M.R.B.Punja resigned from the directorship of the Company. The Company records its deep appreciation for the services rendered by him and the valuable guidance rendered by him during his tenure.

DEPOSITS

Your Company has neither invited nor accepted any deposits from the public so far.

INSURANCE

All the properties and insurable interests of your Company including buildings, plants, machineries and stocks are adequately insured.

AUDITORS

M/S . S . C. Bandi & Co., Chartered Accountant, the present Auditor of the Company has informed as required under Section 224 of the Companies Act,1956, that he is available for reappointment as the Auditor of the Company for the current year. His reappointment is recommended.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

The information required under the above heads 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) Rules, 1988, are given in Annexure A' to this Report.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure 'B' to this Report.

ACKNOWLEDGEMENTS

The Board of Directors place on record their appreciation for the unstinted support provided by the Bankers and Financial Institutions and the role played by the Customers, Suppliers, Shareholders and Employees at all levels towards the growth and development of the Company.

On behalf of the Board of Directors

Place : Mumbai
Date: 27th July 1998

G.K. PATNI
Chairman

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