



*Pennar*

## **Pennar Industries Limited**

Report  junction.com

**Annual Report  
2004 - 05**



## BOARD OF DIRECTORS

SHRI NRUPENDER RAO (Executive Chairman)  
 PROF. LAXMI NARAIN  
 SHRI C. RANGAMANI (GIC Nominee)  
 SHRI P. BHASKARA RAO  
 SHRI VIJAYA CHANDRA PULJAL  
 SHRI CH. ANANTHA REDDY (Executive Director)

## PLANTS

Patancheru Unit,  
 IDA, Patancheru,  
 Medak (Dist), A.P.  
  
 Isnapur Unit,  
 Isnapur Village,  
 Medak (Dist.), A.P.

## COMPANY SECRETARY

Shri P.V.Varaprasad

Tarapur Unit,  
 MIDC, Tarapur,  
 Maharashtra

## AUDITORS

M/s Rambabu & Co.,  
 Chartered Accountants,  
 31, Pancom Chambers,  
 6-3-1099/1/A, Rajbhavan Road,  
 Somajiguda, Hyderabad- 500 082.

## REGISTERED OFFICE

1-10-75/1/1-6, 3rd Floor,  
 Saptagiri Towers,  
 S.P. Road, Begumpet,  
 Hyderabad- 500 016, A.P.

## BANKERS

State Bank of India  
 State Bank of Hyderabad  
 Andhra Bank  
 Canara Bank  
 The Bank of Rajasthan Ltd.,  
 IDBI Bank Limited  
 Bank of Bahrain & Kuwait B.S.C

## REGISTRARS & SHARE TRANSFER AGENTS

Dakshin Consultants (P) Ltd.,  
 # 6 - 3 - 655/2/4,  
 Civil Supplies Bhavan Lane,  
 Somajiguda, Hyderabad - 500 082.

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## NOTICE OF THE 29TH ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of PENNAR INDUSTRIES LIMITED will be held at 10.30 a.m. on Tuesday, the 16th day of August 2005 at The Federation of Andhra Pradesh Chamber of Commerce and Industry (FAPCCI), "Surana Udyog Hall", House no. 11/6/841, Red Hills, Hyderabad - 500 014, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the report of the Directors, the Balance sheet as at March 31, 2005 and the Profit and Loss Account for the year ended March 31, 2005 and the report of the auditors' thereon.
2. To appoint a Director in place of Prof. Laxmi Narain, who retires by rotation and offers himself for reappointment.
3. To appoint M/s. Rambabu & Co., Chartered Accountants, Hyderabad as Auditors of the company to hold office for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration including out-of-pocket expenses as may be fixed by the Board of Directors of the company.

### SPECIAL BUSINESS:

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

"RESOLVED THAT Shri Vijaya Chandra Puljal who was appointed as an Additional Director as per Section 260 of the Companies Act, 1956 and Article 107 of the Articles of Association of the company who holds office up to the date of this meeting, be and is hereby appointed as a Director of the company."

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

"RESOLVED THAT the Authorised Share Capital of the company be and is hereby increased from the present Rs.70,00,00,000/-

(Rupees Seventy Crores Only) divided into 9,00,00,000 (Nine Crores only) equity shares of Rs.5/- each and 5,00,000 Preference shares of Rs.100/- each (called as Series - A Preference Shares) and 4,00,00,000 (Four Crores only) Preference Shares of Rs.5/- each (called as Series - B Preference Shares) to Rs.80,00,00,000 (Rupees Eighty Crores only) divided into 11,00,00,000 (Eleven Crores only) equity shares of Rs.5/- each and 5,00,000 Preference shares of Rs.100/- each (called as Series - A Preference Shares) and 4,00,00,000 (Four Crores only) Preference Shares of Rs.5/- each (called as Series - B Preference Shares)

"RESOLVED FURTHER THAT Clause V of Memorandum of Association of the company shall be substituted with the following:

"The authorised share capital of the company is Rs.80,00,00,000 (Rupees Eighty Crores only) divided into 11,00,00,000 (Eleven Crores only) equity shares of Rs.5/- each and 5,00,000 Preference shares of Rs.100/- each (called as Series - A Preference Shares) and 4,00,00,000 (Four Crores only) Preference Shares of Rs.5/- each (called as Series - B Preference Shares) with the rights, privileges and conditions attaching thereto as are provided by the regulations of the company for the time being in force with powers to increase and / or reduce the capital of the company and to divide the shares in the capital from time to time and power to interchange from one class/ series to another class/series being in accordance with the provisions of the Companies Act, 1956 or any other statutory enactment / order / notification in force from time to time into several classes and to attach thereto respectively such preferential / qualified or other rights, privileges or conditions including that of redemption and / or conversion including deemed redemption and / or conversion, as may be determined by or in accordance with the regulations of the company or any statutory enactment/order/notification as may be in force from time to time and to vary, modify or delete any such rights, privileges or conditions in such manner as may from time to time be permissible under the regulations of the



company or any statutory enactment / order/ notification as may be in force from time to time".

6. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including statutory modification(s), amendments or re-enactment(s) thereof for the time being in force) and in accordance with the provisions of the Articles of Association of the company, the Listing Agreement entered into between the Company and the various Stock Exchanges, the subsisting guidelines and clarifications issued by the Government of India / Reserve Bank of India (RBI) / Securities and Exchange Board of India (SEBI) or any other relevant authority and subject to such approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, consent of the company be and is hereby accorded to the Board of Directors of the company and/ or a duly authorized Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as "the Board") in its absolute discretion, to offer / issue and allot not more than Sixteen million warrants, convertible, at the option of the warrant holder(s) within an aggregate time period of 18 months from the date of allotment of the warrants, into Sixteen million Equity shares of Rs.5/- each, at a premium of Rs.1.50 per share, as determined in accordance with the relevant SEBI Guidelines, to the Promoters / Directors / their friends and relatives, who have been identified and the list mentioned in the Explanatory Statement attached to the Notice convening this Meeting, on a preferential basis, as the Board may in its absolute discretion decide, in one or more tranches and on such terms and conditions, as the Board considers fit, subject to the following:

1. the Warrants and the equity shares to be offered and allotted upon conversion shall be subject to the provisions of the Memorandum and Articles of Association of the Company in all respects.
2. the relevant date within the meaning of the Explanation to Clause 13.1.1.1 of the SEBI (Disclosure and Investor Protection) Guidelines, for the purpose of determination of applicable price for the issue of above mentioned warrants / equity shares is July 17, 2005.
3. the equity shares to be allotted on conversion of the warrants shall rank pari passu with the existing equity shares of the company in all respects.
4. out of the total No of Sixteen million warrants to be issued and allotted, 7.25 million No. of warrants qualify for conversion into equivalent No. of Equity Shares of Rs.5/- each at a premium of Rs.1.50 per share during the financial year 2005 - 06, in one or more tranches and the balance of 8.75 million No. of warrants shall qualify to be converted into Equity Shares of Rs.5/- each at a premium of Rs.1.50 per share during the financial year 2006 - 07, in one or more tranches, however subject to the condition that no conversion of warrants issued under the sanction of this resolution shall be admissible after a period of 18 months from the date of allotment.
5. an amount equal to 10% of the price fixed under Clause 13.1.1.1 of the SEBI (Disclosure and Investor Protection) Guidelines 2000, in relation to each of the warrant shall be paid upfront by the person to whom the allotment is being made, at the time of allotment of the warrant, and the same shall be adjusted against the price payable for the subsequent allotment of equity shares against the warrants. Further, in the event the option of conversion of warrant into equity share is not exercised by the warrant holder, in terms of this resolution the upfront payment of 10% shall stand forfeited.

"FURTHER RESOLVED THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it



may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/ issue, allotment and utilization of the proceeds and further to do all such acts, deeds, matters and things and to finalize and execute all documents and writings as any be necessary, proper, desirable or expedient as it may deem fit."

"RESOLVED FURTHER that the Board be and is hereby authorized to delegate all or any of the powers to any Committee of Directors of the Company to give effect to the above resolution."

7. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approvals of Central Government and Financial Institutions, approval of the company be and is hereby accorded to the re-appointment of Shri Nrupender Rao as Chairman and Managing Director with the designation of "Executive Chairman" of the company for a period of three years with effect from 21st July, 2005 on the remuneration set out below:

1. Date of appointment : 21st July, 2005
2. Period : Three Years
3. Particulars of :  
Remuneration

Salary (including dearness and all other allowances) Rs. 1,00,000/- per month.

Perquisites whose aggregate value shall not exceed Rs. 12,00,000/- per annum.

Commission not exceeding 1% on the net profits of the company computed according to the provisions of the Companies Act, 1956.

In case of loss or inadequacy of profits in any of the financial year(s) of the Company during the tenure of his appointment, Shri Nrupender Rao shall be entitled to receive the remuneration and perquisites as aforesaid

except the commission, provided that the total remuneration shall in no event exceed the limit of Rs. 24,00,000/- per annum."

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approvals of Central Government and Financial Institutions, approval of the company be and is hereby accorded to the re-appointment of Shri Ch. Anantha Reddy as Executive Director of the company for a period of three years with effect from 21st July, 2005 on the remuneration set out below:

1. Date of appointment : 21st July, 2005
2. Period : Three Years
3. Particulars of :  
Remuneration

Salary (including dearness and all other allowances) Rs. 1,00,000/- per month.

Perquisites whose aggregate value shall not exceed Rs. 12,00,000/- per annum.

Commission not exceeding 1% on the net profits of the company computed according to the provisions of the Companies Act, 1956.

In case of loss or inadequacy of profits in any of the financial year(s) of the Company during the tenure of his appointment, Shri Ch. Anantha Reddy shall be entitled to receive the remuneration and perquisites as aforesaid except the commission, provided that the total remuneration shall in no event exceed the limit of Rs. 24,00,000/- per annum."

By Order of the Board  
For **Pennar Industries Limited**

**P. V.Varaprasad**  
Company Secretary

Place : Hyderabad  
Date : July 21, 2005

**NOTES:**

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL TO VOTE ON HIS/HER BEHALF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be deposited at the Registered Office of the Company, not less than 48 hours before the time fixed for the meeting.

- (b) The Register of Members and the Share Transfer Books of the Company will remain closed from August 13, 2005 to August 16, 2005 (both days inclusive).

The Record Date for giving effect to the Scheme of reconstruction and arrangement shall be August 16, 2005. All the shareholders whose names appear in the Register of Members as on 16th August 2005 would be entitled to be issued shares pursuant to the scheme.

- (c) The Explanatory Statement pursuant to Sec.173 (2) of the Companies Act, 1956 in respect of the business set out under item nos. 4 -7 is annexed.
- (d) Members are requested to bring their copies of the Annual Report to the meeting.

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

### **Item No. 4**

The Board of Directors of the Company at their meeting held on 21st July, 2005 approved the appointment of Shri Vijay Chandra Puljal, as an Additional Director of the Company who holds office up to the date of this annual General Meeting.

Shri Vijaya Chandra Puljal is a postgraduate in agricultural sciences. He worked in different Boards of various companies with about 20 years of experience in various fields of management. His association with the Company will be beneficial for the growth and progress of the Company.

Notice under Section 257 of the Act, has been received from a member proposing the appointment of Shri Vijaya Chandra Puljal as director of the Company.

The Board of directors commends the resolution for your approval.

None of the directors except Shri Vijay Chandra Puljal is interested or concerned in the resolution.

A copy of the board resolution dated 21st July, 2005 and a copy of the Memorandum and Articles of Association of the Company are available for inspection at the Registered office of the Company between 10.00 a.m and 1.00 p.m on any working day.

### **Item no. 5**

The present Authorised Equity Share Capital of the Company is Rs.70,00,00,000 ( Rupees Seventy Crores only) divided into 9,00,00,000 ( Nine Crores only) equity shares of Rs.5/- each and 5,00,000 Preference shares of Rs.100/- each (called as Series - A Preference Shares) and 4,00,00,000 (Four Crores only) Preference Shares of Rs.5/- Each (called as Series - B Preference Shares).

To provide for the proposed issue of warrants convertible into equity, it is necessary to increase the Authorised Share Capital of the Company to Rs.80,00,00,000 ( Rupees Eighty Crores only) divided into 11,00,00,000 ( Eleven Crores only) equity shares of Rs.5/- each and 5,00,000 Preference shares of Rs.100/- each (called as Series - A Preference Shares) and 4,00,00,000 (Four Crores only) Preference Shares of Rs.5/- Each (called as Series - B Preference Shares).

The capital clause of the Memorandum of Association of the Company is required to be amended. The proposed increase in the Authorised Share Capital of the Company requires the approval of members at the Annual General Meeting. The Directors commend the ordinary resolution under item no. 7 of the notice for approval of the shareholders.

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

### **Item No. 6**

As per the Corporate Debt Restructuring Scheme (CDR) the promoters are to bring in additional funds towards the repayment to holders of Preference Shares who have exercised the " Early Exit Option". Further, the company needs additional financial resources to achieve its plans to increase turnover in the next two years. In pursuance of this, the





Company proposes to raise additional financial resources. It is proposed to issue Sixteen million warrants of Rs.5/- each, convertible optionally into equivalent No. of Equity Shares of Rs.5/- each at a premium of Rs.1.50 per share, on a preferential basis to the Promoters / Directors and / or their friends, relatives and associates. Out of these, 7.25 million warrants shall be eligible to be converted, in one or more tranches, into Equity Shares of Rs.5/- each at a premium of Rs.1.50 per share during the financial year 2005 - 06. The balance of 8.75 million warrants of Rs.5/- each shall be eligible to be converted, in one or more tranches into Equity Shares of Rs.5/- each at a premium of Rs.1.50 per share during the financial year 2006 - 07. The warrants being issued and the subsequent equity shares arising out of the conversion shall be locked-in for such period as stipulated under the relevant SEBI Guidelines. The proposed allotment of warrants and equity shares upon conversion on preferential basis would not result in any change of control / Management of the company.

The Certificate of the Statutory Auditors to the effect that the issue of warrants on preferential basis is in accordance with SEBI (Disclosure and Investor Protection) Guidelines, 2000 shall be placed before the Members of the ensuing Annual General Meeting and will be available for inspection thereof.

#### **Disclosure Pursuant to Clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines**

1. **Object of the Issue:**  
To infuse further funds towards redemption of some preference shares as stipulated by the lenders in the Corporate Debt Restructuring scheme (CDR) and for raising additional financial resources required for increased level of operations, it is proposed to issue warrants, convertible into equity shares of Rs.5/- each as stated aforesaid.
2. **The Promoters / Directors and or their friends and relatives have expressed their intention to subscribe to the issue of warrants.**
3. **The pattern of shareholding before and after the issue would be as under:**

Category	Present holding as on 30.06.2005		After the issue of Shares pursuant to the Scheme in 2005-06.		After the conversion of Preferential warrants in FY 2005-06		After the conversion of Preferential warrants in FY 2006-07	
	No. of equity shares held	% of holding	No. of equity shares held	% of holding	No. of equity shares held	% of holding	No. of equity shares held	% of holding
Promoter Group	2504886	15.05	32504886	42.57	39754886	47.55	48504886	52.52
NRI's / OCB's	416738	2.50	416738	0.55	416738	0.50	416738	0.45
Bank's, Financial Institutions, Insurance Companies	2186822	13.13	31886822	41.76	31886822	38.14	31886822	34.53
Private Bodies Corporate	1931354	11.60	1931354	2.53	1931354	2.31	1931354	2.09
General Public	9609319	57.72	9609319	12.59	9609319	11.50	9609319	10.41
Total	16649119	100	76349119	100	83599119	100	92349119	100



4. The identity of the proposed allottees, their shareholding pre issue and post conversion of the warrants is as indicated below:

Identity of the proposed allottees	Present holding as on 30.06.2005		After the issue of Shares pursuant to the Scheme in 2005-06.		After the conversion of Preferential warrants in FY 2005-06		After the conversion of Preferential warrants in FY 2006-07	
	No. of equity shares held	% of holding	No. of equity shares held	% of holding	No. of equity shares held	% of holding	No. of equity shares held	% of holding
Promoters: Nrupender Rao, Rajyalakshmi, Aditya Rao, Ch.Sridhar, Ch. Arathi, Vijay Puljal, Avanti Rao, P.Jayanthi, P.Bhavana , P.Kalpna, I.Ramprakash, P.Bhaskara Rao, P.Anasuya, Ch.Anantha Reddy, Ch.Prabha, Laxma Reddy, Narender Reddy, Sunitha, Ch. Jyothi, Bal Reddy, Vanajatha Reddy, Santhi Pal Reddy, Ramachandra Rao, JNR Associates, Vivekananda Enterprises, Pennar Chemicals Limited, Exel engineering Ltd.	2216101	13.31	16389215	21.46	23639215	28.27	32389215	35.07
Other Promoters	269568	1.62	7900370	10.35	7900370	9.45	7900370	8.55
Persons Acting In Concert	19217	0.12	8215301	10.76	8215301	9.83	8215301	8.90
Total	2504886	15.05	32504886	42.57	39754886	47.55	48504886	52.52

5. The proposed issue and allotment of warrants and the physical delivery of the certificate of warrants shall be completed within a period of 15 days from the date of approval of the issue by the shareholders of the company at the ensuing Annual General Meeting. The exercise of the option for conversion of the warrants into equity shares shall have to be completed within a period of 18 months from the date of allotment of the warrants.

The Board of Directors of your Company commends the resolution for approval of the members.

None of the Directors other than Shri Nrupender Rao, Shri Ch. Anantha Reddy, Shri P.Bhaskara Rao and Shri Vijaya Chandra Puljal may be deemed to be concerned or interested in the above resolution.

#### Item no. 7

The Board of Directors of the Company at their meeting held on 21st July 2005 approved the appointment of Shri Nrupender Rao as Chairman

and Managing Director with the designation of Executive Chairman for a period of three years from and including 21st July 2005. The composition of payments under various heads as recommended by the Board is as under.

- Duration  
Three Years from 21st July 2005 to 20th July 2008.
- Salary  
Salary (including dearness and all other allowances) Rs. 1,00,000/- per month.





- iii. Perquisites  
Perquisites whose aggregate value shall not exceed Rs. 12,00,000/- per annum.
- iv. Commission  
Commission not exceeding 1% on the net profits of the company computed according to the provisions of the Companies Act, 1956.

In case of loss or inadequacy of profits in any financial year(s) of the Company, Shri Nrupender Rao shall be entitled to receive the remuneration and perquisites as aforesaid except the commission, provided that the total remuneration shall in no event exceed the limit of Rs. 24,00,000/- per annum."

#### **Additional particulars of the appointee:**

##### **I. General information**

Pennar Industries Limited is a cold rolled steel and cold formed profiles manufacturing industry. The company's sales during the year 2004-05 increased from Rs 175.72 crores to Rs 370.07 crores an increase of about 210%. During the year 2004-05 there was a significant turnaround in all areas of the Company's operations.

##### **II. Information about the appointee:**

Shri Nrupender Rao, aged 60 years is a mechanical engineer from IIT Kharagpur and has a master degree in Industrial Engineering and Operations research from Purdue University, USA. He is a technocrat and industrialist and has wide experience in various fields of business management. His experience would be of immense benefit to the company.

##### **III. Statutory Information**

The Board recommends the appointment of Shri Nrupender Rao as chairman and managing director of the company. The remuneration proposed for Shri Nrupender Rao is as permissible under Section 198 & 309 of the Companies Act, 1956, subject to approval from central government. The particulars of the remuneration as set out in the resolution may be treated as an abstract of the terms and conditions under provisions of Section 302(2) of the Companies Act, 1956.

None of the directors except Shri Nrupender Rao is in any way concerned or interested in the said resolution.

The Board of Directors commends the resolution for your approval.

A copy of the Board resolution dated 21st July 2005 and a copy of the Memorandum and Articles of Association of the Company are available for inspection at the registered office of the company between 10.00 a.m. and 1.00 p.m. on any working day of the company.

#### **Item no. 8**

The Board of Directors of the Company at their meeting held on 21st July 2005 approved the appointment of Shri Ch. Anantha Reddy as Executive Director for a period of three years from and including 21st July 2005. The composition of payments under various heads as recommended by the Board is as under.

- i. Duration  
Three Years from 21st July 2005 to 20th July 2008.
- ii. Salary  
Salary (including dearness and all other allowances) Rs.1,00,000/- per month.
- iii. Perquisites  
Perquisites whose aggregate value shall not exceed Rs.12,00,000/- per annum.
- iv. Commission  
Commission not exceeding 1% on the net profits of the company computed according to the provisions of the Companies Act, 1956.

In case of loss or inadequacy of profits in any financial year(s) of the Company, Shri Ch. Anantha Reddy shall be entitled to receive the remuneration and perquisites as aforesaid except the commission, provided that the total remuneration shall in no event exceed the limit of Rs. 24,00,000/- per annum."

#### **Additional particulars of the appointee:**

##### **I. General information**

Pennar Industries Limited is a cold rolled steel and cold formed profiles manufacturing company. The company's sales during the year



2004-05 increased from Rs 175.72 crores to Rs 370.07 crores, an increase of about 210%. During the year 2004-05 there was a significant turnaround in all areas of the company's operations.

## II. Information about the appointee:

Shri Ch. Anantha Reddy, aged 58 years is a Metallurgical Engineering Graduate from the Regional Engineering College, Warangal and has been the recipient of the Gold Medal in the year 1970 for being the best student. He is also a member of the Indian Institute of Metals. He has been with the company since 1985 and has worked in various areas of operations. Further, during his term as Executive Director for the past three years, the company has improved significantly and is poised for profitable operations during the current year. His experience would be of immense benefit to the company.

None of the directors except Shri Ch. Anantha Reddy is in any way concerned or interested in the said resolution.

The Board of Directors commends the resolution for your approval.

A copy of the Board resolution dated 21st July 2005 and a copy of the Memorandum and Articles of Association of the Company are available for inspection at the registered office of the company between 10.00 a.m. and 1.00 p.m. on any working day of the company.

By Order of the Board  
For **Pennar Industries Limited**

Place : Hyderabad  
Date : July 21, 2005

**P. V.Varaprasad**  
Company Secretary

## III. Statutory Information

The Board recommends the appointment of Shri Ch. Anantha Reddy as Executive Director of the company. The remuneration proposed for Shri Ch. Anantha Reddy is as permissible under Section 198 & 309 of the Companies Act, 1956, subject to approval of Central Government. The particulars of the remuneration as set out in the resolution may be treated as an abstract of the terms and conditions under provisions of Section 302(2) of the Companies Act, 1956.