

11th
ANNUAL REPORT
1999 - 2000



SATHAVAHANA ISPAT LIMITED

Sathavahana Ispat Limited**BOARD OF DIRECTORS (as on 27.07.2000)**

Shri Ghulam Ghouse	Chairman
Shri A.S.Rao	Executive Vice Chairman
Shri K.Thanu Pillai	Director
Shri A. Naresh Kumar	Managing Director
Shri S.N.Rao	Executive Director (Works)

GENERAL MANAGER (FINANCE) & COMPANY SECRETARY

K.V. Krishna Rao

AUDITORS

M/s. P.V.R.K. Nageswara Rao & Co.,
Chartered Accountants

BANKERS:

State Bank of Hyderabad
Canara Bank
State Bank of Travancore

REGISTERED OFFICE

314, Sri Rama Krishna Towers,
Nagarjuna Nagar, Ameerpet,
Hyderabad - 500 073.

CORPORATE OFFICE & SECRETARIAL DEPARTMENT

505, 5th Floor, Block - 1,
Divyashakti Complex,
Ameerpet,
Hyderabad - 500 016.

WORKS

Haresamudram Village,
Bommanhal Mandal,
Ananthapur District,
Andhra Pradesh.

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NOTICE OF 11th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 11th Annual General Meeting of the shareholders of SATHAVAHANA ISPAT LIMITED will be held at Sri Sagl Ramakrishnam Raju Community Hall, Madhura Nagar, Hyderabad - 500 038 on Saturday the 30th September, 2000 at 3.30 p.m. to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2000 alongwith the Reports of directors and auditors thereon.
2. To appoint a director in place of Shri A.S.Rao, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a director in place of Shri K. Thanu Pillai, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint auditors for the current year under section 224A of the Companies Act, 1956 and fix their remuneration. The retiring auditors M/S. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, are eligible for reappointment.

To consider and, if thought fit, to pass the following resolution, with or without any modifications as a special resolution:

"RESOLVED that, pursuant to section 224A of the Companies Act, 1956, M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad, retiring auditors of the Company, be and are hereby reappointed as auditors of the Company till the conclusion of next Annual General Meeting on a remuneration to be decided by the Board of Directors of the Company plus service tax and out of pocket expenses".

AS SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass, with or without any modifications, the following resolution as a special resolution:
"RESOLVED that pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, the Memorandum of Association of the Company be and is hereby altered by adding and inserting after Sub-clause 3, the following new sub-clauses in the main objects Clause III (A) of the Memorandum of Association of the Company.
4. To carry on the business as manufacturers, processors, researchers, formulators, extractors, refiners, importers, exporters, wholesalers, retailers, agents, buyers, sellers and dealers of metallurgical coke, in all its forms and products including low ash, high ash, high Sulphur, low Sulphur and in all grades like foundry grade, blast furnace grade, nut coke, coke breeze and all other related products, intermediates, by-products including Coal Tar, Coal Tar Pitch, benzene, Ammonia, Anthracene, Coke Oven Gas consequent to or obtained in the process of manufacture of above articles and for any or all of the aforesaid purposes, and to do all necessary or ancillary activities as may be considered required or beneficial or desirable.
5. To carry on the business of establishing, commissioning, setting up, operating and maintaining facilities or stations for generation / distribution of all forms of electrical energy / power whether from conventional sources such as thermal, hydel, or from non-conventional sources such as tide, wind, solar, geothermal, and setting up, establishing, commissioning, operating and maintaining tie-lines, sub-stations, transmission lines on build, own and transfer (BOT), and / or build, own, lease and transfer (BOLT), and/or build, own, operate and transfer (BOOT) basis and to carry on the business of acquiring, operating,

managing and maintaining existing power generation stations, tie-lines, sub-stations and transmission lines, either owned by the private sector or public sector or the State / Central Governments or other public authorities and manufacture, put up and use of all equipment, apparatus, including cables, wires or appliances for connecting such equipment or apparatus at a distance with other equipment or apparatus connected with the generation, accumulation, distribution, supply and employment of electricity or power that can be used as a substitute therefor and also sale or purchase of all forms of electrical energy or power to or from any third parties either in private sector or public sector including any State / Central Electricity Board or Boards, Municipalities or other bodies, State / Central Governments and for any or all of the aforesaid purposes, to do all necessary or ancillary activities as may be considered required or beneficial or desirable.

6. To consider and, if thought fit, to pass, with or without any modifications, the following resolution as a special resolution:
"RESOLVED that pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956 approval of the Company be and is hereby accorded for commencing and undertaking all or any of the business specified in the main objects Clauses III (A) 4 and III (A) 5 of the Memorandum of Association of the Company, as and when deemed fit by the Board of Directors of the Company".
7. To consider and, if thought fit, to pass, with or without any modifications, the following resolution as a special resolution:
"RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") the Articles of Association of the Company be and is hereby altered by adding and inserting after sub-clause 64(a), the following as Articles 64A and 64B along with headings:

NOMINATION FACILITY

- 64A. i) Notwithstanding anything contained in Articles 57, 58 and 60 every holder of shares or debentures of the Company, may at any time, nominate, in the prescribed manner, a person to whom his shares in, or debentures of the Company shall vest in the event of his death. A member may revoke or vary his or her nomination, at any time, by notifying the Company to that effect.
- ii) Where the shares or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the manner prescribed under the Act, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all joint holders.
- iii) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of the shares or debentures where a nomination is made in the manner prescribed under the Act, purports to confer on any person the right to vest the shares or debentures of the Company, the nominee shall, on the death of the shareholder or the debentureholder concerned, or on the death of the jointholders, become entitled to all the rights in the shares or debentures of the Company of such shareholder or holder of debentures or, as the case may be, of all the joint holders, in relation to such shares in or debentures of the Company to the exclusion of all other persons, unless the

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nomination is varied, cancelled in the manner prescribed under the Act.

- iv) Where the nominee is a minor, the holder of the Shares or debentures concerned, can make the nomination to appoint, in the prescribed manner under the Act, any person to become entitled to the shares or debentures concerned in the event of his death, during the minority.
- v) Notwithstanding anything contained in these Articles, any person who becomes a nominee by virtue of the provisions of section 109A, upon the production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either —
 - (a) to be registered himself as holder of the share or debenture, as the case may be; or
 - (b) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.
- vi) If the person being a nominee, so becoming entitled, elects to be registered as holder of the share or debenture himself as the case may be, he shall deliver or send to the Company a notice in writing duly signed by him that nominee concerned so elects and such notice shall be accompanied with the death certificate of the deceased shareholder / debentureholder as the case may be.
- vii) All the limitations, restrictions and provisions of this Act relating to the right to transfer and registration of transfers of shares or debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer were signed by that shareholder or debentureholder, as the case may be.
- viii) A person being a nominee becoming entitled to share or debenture by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share or debenture except that he shall not, before being registered as member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.
- ix) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased shareholder or debentureholder as the case may be had transferred the shares or debentures as the case may be, before his death.
- x) No person shall be recognised by the Company as a nominee unless the shareholder has, during his lifetime, given an intimation to the Company of his having appointed a nominee in the manner specified under Section 109A of the Companies Act, 1956.
- xi) The Company shall not be in any way responsible for transferring the shares and/or debentures consequent upon such information.
- xii) If the holder of the shares or debentures survives the nominee, then and in such case, the nomination made by the registered holder shall be of no effect and shall automatically stand revoked.
- xiii) A depositor may, at any time, make nomination and the provisions of Sections 109A and 109B shall,

as far as may be apply to such nomination made under Sub-section (11) of Section 58-A of the Companies Act, 1956.

DEMATERIALISATION OF SECURITIES

- 64B. i) For the purpose of this Article:

"Beneficial owner" means beneficial owner as defined in Clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

"By-laws" means by-laws made by a depository under Section 26 of the Depositories Act, 1996.

"Depository" means a Depository as defined under Clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996.

"Depositories Act" means Depositories Act, 1996 and shall include any statutory modification or re-enactment thereof for the time being in force.

"Member" means the duly registered holder, from time to time, of the shares of the Company and includes every person whose name is entered as a beneficial owner in the records of the Depository.

"Participant" means a person registered as such under Clause (g) of sub-section (1) of Section 2 of the Depositories Act, 1996.

"Record" means record as defined under Clause (i) of sub-section (1) of Section 2 of the Depositories Act, 1996.

"Regulations" means the regulations made by SEBI.

"SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

"Security" means such security as may be specified by SEBI.

Words imparting only the singular number include the plural number and vice versa.

Words imparting persons also include Corporations.

Words and expressions used and not defined in this Article shall have the same meaning as respectively assigned to them in the Depositories Act.

- ii) Either the Company or the investor may exercise an option to issue, deal in, hold the Securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof shall be governed by the provisions of the Depositories Act as amended from time to time or any statutory modification thereto or re-enactment thereof.
- iii) Notwithstanding any thing contained in these Articles, the company shall be entitled to dematerialise its existing securities, rematerialise its securities held in the Depositories and / or offer its fresh securities in a dematerialised form pursuant to the Depositories Act, and the Rules framed thereunder, if any.
- iv) Every person subscribing to or holding securities offered by the Company shall have the option to receive security certificates or to hold the securities with a Depository. If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security. Such

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- a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.
- v) All Securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C, 372 and 372A of the Companies Act, 1956 shall apply to a Depository in respect of Securities held by it on behalf of the Beneficial Owners.
- vi) (a) Notwithstanding anything to the contrary contained in these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of Security on behalf of the Beneficial Owner.
- (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the Securities shall not have any voting rights or any other rights as the case may be in respect of the Securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner of Securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his Securities which are held by a Depository.
- vii) Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any Security or where the name appears as the Beneficial Owner of the Security in the records of the Depository, as the absolute owner thereof and shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in the Security (except otherwise provided by the Articles) or any right in respect of the Security other than an absolute right thereto in accordance with these Articles on the part of any other person whether or not it has express or implied notice thereof, but the Board shall subject to the provisions of the Act, be at its sole discretion to register the Security in the joint names of any two or more persons or the survivor or survivors of them.
- viii) All the provisions of the Act and Articles of Association of the Company, particularly the provisions relating to joint holding, calls, lien, forfeiture and transfer and transmission of shares shall also be applicable to Securities held in Depository so far as they apply to Securities held in physical form.
- ix) The Securities shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the Securities of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form.
- x) The Company shall cause to be kept a Register and Index of Members and a Register and Index of Debenture holders in accordance with all applicable provisions of the Companies Act, 1956 and the Depositories Act, with details of shares and Debentures held in material and dematerial forms in any media as may be permitted by law, including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, shall be deemed to be the Register and Index of Members and security holders for the purposes of these Articles. The Company shall have the power to keep in any State or Country outside India a Branch Register of Members in respect of Residents in that State or Country.
- xi) Upon receipt of Certificate of Securities for dematerialisation in terms of the applicable provisions of appropriate Acts or rules, the Company shall cancel such certificates and substitute in its records, the name of the Depository as the owner in respect of the said Securities and shall also inform the Depository accordingly.
- xii) Notwithstanding anything contained in the Depositories Act or these Articles where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
- xiii) The Company shall keep a Register of transfers and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form.
- xiv) Trading and transfer of securities can be effected in the form permitted by appropriate authorities from time to time.
- xv) The Board is authorised to take all such actions and steps as may be necessary to dematerialise listed securities offered by the Company including executing deeds, documents and papers and appointing such persons and agencies as may be necessary to facilitate dematerialisation / rematerialisation and trading in such securities.
8. To consider and, if thought fit, to pass, with or without any modifications, the following resolution as a special resolution:
- "RESOLVED that, pursuant to the provisions of Sections 198, 269, 309, 310, 311, 314 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to the approval of the financial institutions from whom the Company availed Term Loans, approval of the members in general meeting be and is hereby accorded to the appointment of Shri A.S.Rao, Executive Vice Chairman for a period of five years effect from 27.07.2000 to 26.07.2005 on the following remuneration.
- 1. SALARY:**
Salary at Rs.40000/- per month, in the pay scale of Rs.40000-6000-64000.
- 2. PERQUISITES:**
The following perquisites may be allowed in addition to salary.
- CATEGORY A:**
- i. Housing-I: The expenditure incurred by the Company on hiring furnished accommodation which will be subject to a ceiling of sixty percent of the Salary over and above ten percent payable by the appointee; or
Housing II: In case the accommodation is owned by

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the Company ten percent of the salary of the appointee shall be deducted by the Company; or in case no accommodation is provided by the Company a House Rent Allowance subject to the ceiling laid down in Housing I.

Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962 and shall be subject to a ceiling of ten percent of salary of the appointee.

- ii. Medical Reimbursement: Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- iii. Leave Travel concession for self and family, once in a year incurred in accordance with any rules specified by the Company.
- iv. Club Fee subject to a maximum of two Clubs. This will not include admission and life membership fee.
- v. Personal accident insurance the premium of which shall not exceed Rs.10,000/- per annum.
- vi. Mediclaim Insurance, the premium of which shall not exceed Rs.10,000/- per annum.

CATEGORY B:

- i. Contribution to Provident Fund, Superannuation fund and annuity fund to the extent these either singly or put together are not taxable under Income Tax Act, 1961.
- ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- iii. Encashment of leave at the end of the tenure.

CATEGORY C:

Provision of car for use on Company's business and telephone at residence. Personal long distance calls on telephone and the use of car for private purpose shall be billed by the Company to Shri A.S.Rao, Executive Vice Chairman.

3. COMMISSION:

1% commission on the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956.

4. MINIMUM REMUNERATION:

In the event of losses or inadequacy of profits during the above period, the Executive Vice Chairman is entitled to the aforesaid salary and perquisites mentioned above as minimum remuneration.

"RESOLVED FURTHER that the office of Executive Vice Chairman held by Shri A.S.Rao pursuant to this resolution shall be liable to determination by retirement of Directors by rotation".

By order of the Board

Hyderabad
Date : 27.07.2000

(A. NARESH KUMAR)
MANAGING DIRECTOR.

NOTE:

1. THE EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, IN RESPECT OF THE BUSINESS SETOUT UNDER ITEM 4 TO 8 IS ANNEXED HERETO.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM **25.09.2000 TO 30.09.2000** (BOTH DAYS INCLUSIVE).
4. THE MEMORANDUM OF ASSOCIATION AND THE ARTICLES OF ASSOCIATION OF THE COMPANY INCORPORATING THE ABOVE ALTERATIONS WILL BE AVAILABLE FOR INSPECTION AT THE CORPORATE OFFICE OF THE COMPANY BETWEEN 11 A.M. AND 3 P.M. ON ANY WORKING DAY.
5. MEMBERS DESIROUS OF SEEKING CLARIFICATIONS ON ACCOUNTS ARE REQUESTED TO SEND THEIR QUERIES TO THE CORPORATE OFFICE ADDRESS OF THE COMPANY ATLEAST SEVEN DAYS BEFORE THE DATE OF THE ANNUAL GENERAL MEETING TO ENABLE THE COMPANY TO COMPILE AND FURNISH REQUIRED INFORMATION.
6. THE SHAREHOLDERS ARE REQUESTED TO INTIMATE IMMEDIATELY ANY CHANGE IN THEIR ADDRESS REGISTERED WITH THE COMPANY.
7. THE SHAREHOLDERS ARE HEREBY REQUESTED THAT ALL THE CORRESPONDENCE IN CONNECTION WITH THE SHARES BE ADDRESSED TO THE CORPORATE OFFICE OF THE COMPANY ONLY, AS THE COMPANY HAS NOT ENGAGED THE SERVICES OF ANY SHARE TRANSFER AGENTS.
8. THE EQUITY SHARES OF THE COMPANY ARE LISTED ON HYDERABAD, MUMBAI, AHMEDABAD AND MADRAS STOCK EXCHANGES. THE ANNUAL LISTING FEE TO THE STOCK EXCHANGES, WHERE THE COMPANY'S SHARES ARE LISTED, HAS BEEN PAID UPTO DATE.

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**Explanatory Statement pursuant to Section 173 (2) of the
Companies Act, 1956.**

Item 4: Under section 224A of the Companies Act, 1956, where more than 25% of the subscribed capital in a Company is held singly or in combination by the categories of the Companies/Institutions mentioned therein, the appointment of auditors have to be made by a special resolution. As more than 25% of the subscribed capital of the Company is held by Public Financial Institutions, it is proposed to appoint M/s.P.V.R.K.Nageswara Rao & Co., Chartered Accountants, Hyderabad, retiring auditors of the Company, as auditors for the current year by way of special resolution. Hence, the resolution is commended for your approval.

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

Item 5: For the manufacture of Pig Iron through blast furnace route, Metallurgical Coke is one of the key input materials and it constitutes about seventy percent of the cost of production. At present, the Metallurgical Coke is being imported for various reasons like quality, availability and competitive price. However, the imports are becoming dearer due to adverse exchange fluctuations, increasing demand in the global markets and high import duties. With a view to source the commodity indigenously, your Company wishes to enter into the business of manufacture of Metallurgical Coke. Further, in the manufacture of Metallurgical Coke substantial quantity of gas, having rich calorific value, would be generated which unless commercially exploited go waste. In the existing business operations, your Company has explored the possibility of power generation by using similar waste gases. By virtue of its experience your Company plans to enter into the business of power generation using the waste gas generated in the process of manufacture of Metallurgical Coke. To derive the economies of scale, your Company plans to set up an ideal size of power plant using alternative fuels so as to reap the benefits of lower cost of generation.

These new businesses would be highly advantageous to the existing line of activity apart from having high potential for business growth. The proposed lines of activity will be conveniently and advantageously be combined with the business line of existing main objects. With this end in view the resolution at Item No.5 is proposed, for altering the main object clause of the Memorandum of Association of the Company.

The resolution is commended for your approval. None of the Directors is concerned or interested in the resolution.

Item No.6: Under Section 149(2A) of the Companies Act, 1956 approval of the Company passed at the General Meeting is necessary before commencement of any new business. The proposed resolution at Item No.6 is enabling one to give authority to the Board of Directors to commence the business activities as and when it may in its absolute discretion deem fit as per the altered Memorandum of Association of the Company.

The resolution is commended for your approval. None of the Directors is concerned or interested in the resolution.

Item No.7: In line with the amendments made to the Companies Act, 1956, and Depositories Act, 1996 with regard to Nomination facility and Dematerialisation of Securities, your Company proposes to amend the Articles of Association of the Company so as to extend the said facilities to the shareholders. In terms of Section 31 of the Companies Act, 1956 amendments to Articles of Association could be made only with the approval of the members passed at the Annual General meeting. Accordingly, the Company proposes to amend the Articles of Association of the Company to incorporate these changes.

The resolution is commended for your approval. None of the Directors is concerned or interested in the resolution.

Item No.8: The Board of Directors of your Company has passed a resolution at its meeting held on 27.07.2000, appointing Shri A.S.Rao as Executive Vice Chairman for a period of five years with effect from 27.07.2000 to 26.07.2005.

Shri A.S.Rao is the promoter director of the Company and is presently functioning in non-executive position as Vice Chairman. He was the Managing Director of the Company from July, 1991 to May, 1999. In view of the Company's plans to take up new business in the areas of manufacture of Metallurgical Coke and generation of Power as set out under Item No. 5 which involves substantial stakes, it is proposed to utilise on full time basis the expertise and experience of Shri A.S.Rao.

The appointment and remuneration proposed are as per the provisions of the Schedule XIII of the Companies Act, 1956 and requires the approval of the members by way of special resolution. It is also subject to the approval of the Financial Institutions, who have lent term loans to the Company.

Shri A.S.Rao is interested in the resolution to the extent of remuneration and perquisites payable to him.

Shri A.Naresh Kumar, Managing Director being a relative of Shri A.S.Rao is deemed to be concerned or interested in the resolution. No other Director is concerned or interested in the resolution.

The resolution is commended for your approval.

Hyderabad
Date : 27.07.2000

By order of the Board
(A.NARESH KUMAR)
MANAGING DIRECTOR