

***13<sup>TH</sup> ANNUAL REPORT***  
***2003-2004***

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STARLITE COMPONENTS LIMITED



## **STARLITE COMPONENTS LIMITED**

### **CHAIRPERSON**

Smt. Rochana S. Bharati

### **MANAGING DIRECTOR**

Shri Arvind S. Bharati

### **DIRECTORS**

Shri S. K. Soni

Shri G. K. Srikantan

### **BANKERS**

UTI Bank Limited

Canara Bank

The Nasik Peoples' Co-op. Bank

### **AUDITORS**

M/s. H. V. Godse & Co.

Chartered Accountants,

Pune.

### **REGISTERED & ADMIN OFFICE**

7, MIDC, Satpur, Nasik 422 007.

### **FACTORY**

7, MIDC, Satpur, Nasik 422 007.

64/B, MIDC, Satpur, Nasik 422 007

### **REGISTRARS & SHARE TRANSFER AGENTS**

Mondkar Computers Private Limited

21, Shakil Niwas,

Mahakali Caves Road, Andheri(East),

Mumbai 400 093

### **EQUITY SHARES LISTED AT**

The Stock Exchange, Mumbai

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001

Pune Stock Exchange Ltd.

Shivleela Chambers, 752, Sadashiv Peth, R. B. Kuntekar Marg, Pune 411 030

The Stock Exchange - Ahmedabad

Kamdheni Complex, Sahjanand College, Panjarapole, Ahmedabadf 380 015

Coimbatore Stock Exchange Ltd.

CSX Towers, 683-686, Trichy Road, Singanallur, Coimbatore 641 005



## STARLITE COMPONENTS LIMITED

### NOTICE

NOTICE is hereby given that Thirteenth Annual General Meeting of the Members of STARLITE COMPONENTS LIMITED will be held at F -108, M.I.D.C., Satpur, Nasik - 422 007 on Friday, December 31, 2004 at 10:00 a.m. to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account of the Company for the year ended June 30, 2004 and the Balance Sheet as at that date and the Reports of the Auditors and Directors thereon.
2. To appoint Director in place of Smt. Rochana Bharati, who retires by rotation and, being eligible, offers herself for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise Board of Directors to fix their remuneration.

#### SPECIAL BUSINESS:

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

"Resolved that Approval of the Company U/s 269, 309, 310, Schedule XIII and other applicable provisions of the Companies Act 1956, be and it is hereby given for continuation of appointment of Mr. Arvind Bharati as the Managing Director of the company for a period of 5 years from 15.02.2004 to 14.02.2009 on the following terms.

Emolument / salary : Rs. 20,000 – 4000 – 40,000 per month

#### Perquisites

1. Gas and Electricity : To be evaluated in accordance with Income Tax Rules, 1962 subject to a ceiling of 10% of the salary.
2. Medical Benefits : For self and family as per the rules of the company from time to time in force.
3. Leave Travel Concession : For self and family – once a year as per the rules of the company from time to time in force.
4. Car : Use of car for business purpose.
5. Contribution to Provident Fund : Company's contribution to the Provident Fund not exceeding 10% of the salary subject to rules under the Provident Fund Act for the time being in force.
6. Gratuity : Gratuity not exceeding 15 days salary for each completed year of service subject to the rules of the company from time to time.
7. Use of Telephone : Telephone at residence shall be provided. Personal long distance calls shall be billed by the Company to the Director.
8. Privilege Leave : Not more than one month's leave on full pay & allowances for every eleven months service provided that leave accumulated but not availed of will be allowed to be encashed as per the rules of the Company from time to time.
9. In the event of the loss or inadequacy of profits of the Company in any year the salary perquisites/benefits/amenities shall not exceed minimum remuneration as prescribed under schedule XIII of the Companies Act, 1956.

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

"RESOLVED THAT the erosion of entire net worth of the company as at the end of the financial year ended 30<sup>th</sup> June, 2004 in relation to its peak net worth during the immediately preceding four financial years be and is hereby considered in accordance with the provisions of Section 23(1) (a)(ii) of the Sick Industrial Companies (Special Provisions) Act, 1985."

"FURTHER RESOLVED THAT reference be made to the Board of Industrial and Financial Reconstruction (BIFR)."

FURTHER RESOLVED THAT the Board of Directors of the Company be and they are hereby authorised to make representation, submissions and accept remedial measures on behalf of the Company."



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

"RESOLVED THAT pursuant to the provisions of section 61 and other applicable provisions of the Companies Act, 1956 and applicable provisions of the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003 and all other applicable laws including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such other approvals, permissions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed by the Board of Directors of the Company or any Committee thereof, consent of the members be and is hereby accorded to the Board to de-list the Equity Shares of the Company from the Pune Stock Exchange Limited, Coimbatore Stock Exchange Limited and The Stock Exchange – Ahmedabad."

By Order of the Board of Directors

Place: Nasik

Date: 30.11.2004

(ARVIND BHARATI)

Managing Director

**Registered Office:**

7, M.I.D.C. Area, Satpur, Nasik-422 007.

#### NOTES TO NOTICE:

1. 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/HERSELF AND SUCH PROXY (S) NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF HOLDING THE AFORESAID MEETING.
2. Explanatory statement pursuant to Section 173 of the Companies Act, 1956 is enclosed herewith and forms part of this Notice.
3. The Register of Members and Share Transfer Book will remain closed from 27<sup>th</sup> December, 2004 to 31<sup>st</sup> December, 2004 (both days inclusive).
4. Members are requested to please bring their copies of the Annual Report to the meeting.
5. Members are requested to notify change in address, if any, to the Registrars and Share Transfer Agents quoting their folio numbers at an early date.
6. Members holding shares in the identical order of name under more than one folio are requested to apply for consolidation of such folios and send relevant share certificates to the Registrar for making necessary entries.
7. Mondkar Computers Pvt. Ltd. are Registrars and Share Transfer Agents of the Company. The Members are requested to address share transfers and other correspondence to them directly and not to the company.

By Order of the Board of Directors

Place: Nasik

Date: 30.11.2004

(ARVIND BHARATI)

Managing Director

**Registered Office:**

7, M.I.D.C. Area, Satpur, Nasik-422 007.

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

##### ITEM NO. 4: APPOINTMENT OF MR. ARVIND BHARATI AS MANAGING DIRECTOR

The term of office of Mr. Arvind Bharati as the Managing Director of the company expired on 14.02.2004. It was thought fit by the Board to continue to avail the benefit of his services for further period of 5 years. Consequently, he was appointed as Managing Director by the Board at its meeting held on 30.01.2004 on the terms and conditions mentioned in the resolution.

Approval of the shareholders for the appointment and remuneration of the Managing Director being necessary, the resolution is proposed for your approval.

Mr. Arvind Bharati and Mrs. Rochana Bharati be deemed to be interested or concerned in this resolution. None of the other directors is interested or concerned in this resolution.

##### ITEM NO. 5: REFERENCE TO BIFR

The accumulated losses of the Company for the financial year ended 30<sup>th</sup> June, 2004 have resulted in erosion of entire net worth of the company relating to its peak net worth during the immediately preceding four financial years. Hence the provisions of Section 23(1) (a)(ii) of the Sick Industrial Companies (Special Provisions) Act, 1985 have become applicable to the company. The company is taking necessary steps to report the fact of erosion of net worth to the Board of Industrial and Financial Reconstruction (BIFR).

The Board of Directors report that during the year ended 30<sup>th</sup> June 2004 the losses of the Company amounted to Rs. 13,16,22,302/- (including depreciation of Rs. 6,24,24,067/-). This has resulted into erosion of entire peak net worth of the Company during immediately preceding four financial years, which is Rs. 11,30,84,936/- (Paid-up Capital and Free Reserves).



## CAUSES OF EROSION

- **Extra Depreciation:** Most of the Machines are about 20 years old. The economics of operation in terms of quality and quantity cannot be achieved as many of these machines need to be scraped and some machines need to be upgraded and refurbished. The GLS lamp industry has technologically upgraded itself and our filaments produced on old machines are not suitable for the advanced machines making GLS Lamps.
- **Demand Constraint:** The company manufactures components for GLS bulbs. However, GLS bulbs are now being fast replaced by Compact Fluorescent Lamps which are also known as Energy Saving Lamps. This has resulted into low demand for company's products and consequently low utilisation of plant capacity.
- **Availability of Cheaper products:** Manufacturers of components for GLS bulbs in unorganised sector are resorting to unhealthy practice of supplying low quality products at a cheaper price using non-standard raw material. This is not feasible for the company, which has adversely affected the performance of the Company.
- **Interest Burden:** The rate of interest are falling world over. However, the company has to bear high interest costs on all its borrowing. This has resulted into heavy losses.

## REMEDIAL MEASURES

- **Reduction in Interest Cost.**
- **Restructuring of Debts and additional Financial Support from Banks / Financial Institutions** for replacement / upgradation of the machinery and additional working capital.
- **Diversification:** The company has already initiated steps in this direction and has started manufacturing of Electronic ballast for Compact Fluorescent lamps.
- **Strategic Alliance with mutual funds and / or other interested parties for infusion of required funds.**
- **Sale of undertaking to interested parties by way of merger, acquisition, amalgamation.**

## ITEM NO. 6 : DE-LISTING OF SHARES

Pursuant to the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003, the Board of Directors of the Company at its meeting held on 4<sup>th</sup> June, 2004 have decided to apply for voluntary de-listing of the Equity Shares of the Company from the Pune, Coimbatore and Ahmedabad Stock Exchanges since there have been no transactions in the shares of the Company on these stock exchanges. The Company's shares will, however, continue to be listed on The Stock Exchange – Mumbai which has extensive network of trading terminals that facilitates trading by members / investors across the country. The proposed de-listing of the company's Equity Shares from Pune, Coimbatore and Ahmedabad Stock Exchanges will not be prejudicial to or affect the interest of the shareholders.

The Board of Directors recommend the special resolution for your approval.

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

By Order of the Board of Directors

Place: Nasik

Date: 30.11.2004

**(ARVIND BHARATI)**

Managing Director

## Registered Office:

7, M.I.D.C. Area, Satpur, Nasik-422 007.



## STARLITE COMPONENTS LIMITED

### DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the audited statements of accounts for the year ended 30<sup>th</sup> June 2004.

### FINANCIAL RESULTS

The financial results for the year ended 30<sup>th</sup> June 2004 are briefly stated below:

	(Rs. In lacs)	
	2003-04	2002-03
Sales and Other Income	265.09	814.54
Operating Profit (Before Interest, Depreciation and Tax)	(215.40)	167.16
Less: Interest and other financial charges	146.16	95.73
Depreciation	6.19	54.14
Profit before Tax	(367.75)	17.29
Provision for Tax (MAT)	0	0
Provision for Deferred Tax Asset (Liability)	0	4.33
Profit after Tax/(Loss)	(367.75)	21.62

### OPERATIONS

During the year the company incurred substantial losses due to multiple adverse factors affecting the performance of the company. Despite reducing prices of the final products the company could not compete with the low quality products available in the market at a very cheap price. Since the company could not reduce the input cost proportionately it resulted into heavy losses. Due to availability of the low quality but cheaper products in the market, many of the customers of the company in the unorganised sector refrained from making payments of their dues to the company and some of them returned material lying with them unsold. The company is trying to sell such material and realise the best possible price. It is also contemplating to initiate legal action against such erring customers under legal advice.

Besides above, due to shortage of liquid funds with the company, it could not make its electronic ballast manufacturing plant fully operational and realise the full market potential available for the electronic ballasts and other components of Compact Fluorescent Lamps.

### DIVIDEND

Your Directors do not recommend any dividend for the year under review.

### FIXED DEPOSITS

The Company has not accepted any fixed deposit from the public during the year under review.

### DIRECTORS

Mrs. Rochana Bharati, Director of the Company is retiring by rotation and being eligible, has offered herself for reappointment. Members are requested to appoint the Director.

During the year Mr. V.K.Kapoor resigned with effect from 07<sup>th</sup> January, 2004 due to his personal reasons and pre-occupation elsewhere. Mr. Anand Sapkal was appointed in his place w.e.f. 07<sup>th</sup> January, 2004 but he resigned w.e.f. 16<sup>th</sup> June, 2004 due to his personal reasons. The board places on record its appreciation for the services rendered by these two directors during their respective tenure. The vacancy caused by the resignation was not filled.

### APPOINTMENT OF MANAGING DIRECTOR

Mr. Arvind Bharati was re-appointed as the Managing Director of the Company by the Board at its meeting held on 30.01.2004 on the terms and conditions as set out in the resolution, for a further period of five years from 15.02.2004 to 14.02.2009. Hence a resolution is proposed for the approval of members under section 269, 310 and other applicable provisions of the Companies Act, 1956.

### STATUTORY DISCLOSURES

Information as per Section 217(1) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the annexure to this report.

### DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed that:

- In preparation of annual accounts, the applicable Accounting Standards have been followed and there was no material departure from the said standards.
- The accounting policies selected and applied are consistent and the judgements and estimates made are reasonable and prudent so as to give true and fair view of the state of affairs and of the profit/loss of the Company at the end of the year.





- Adequate accounting records as per the provisions of the Companies Act, 1956 have been maintained and proper and sufficient care has been taken for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The annual accounts are prepared on Going Concern Basis.

#### **SALE OF INVESTMENT IN PARAGON PLASTICS LTD.**

Since the Company's investment in Paragon Plastics Ltd. did not prove fruitful, the Company sold 12000 shares, out of 23549 shares, during the year to a creditor against its outstanding dues @ Rs. 55.40/- per share i.e. at a price higher than its book value. Due to this, the Company's investment in Paragon Plastics Ltd. has reduced to 49% and hence it is no longer a subsidiary of the Company. However, as the purchase price of shares of Paragon Plastics Limited was higher than the selling price Company has incurred a loss of Rs. 6,93,950/-.

#### **VALUATION OF PLANT AND MACHINERY / INVESTMENT**

During the year the Company has revalued its plant and machinery with respect to its useful remaining life and its technical and technological relevance in the present day competitive world. Since majority of old machineries have become obsolete and/or require major overhauling, repairs and upgrading, the Board decided to write off/reduce the value of these machines to bring them to their realistic value. The difference of Rs. 5,91,63,417/- between the written down value and the revalued amount of such machines has been charged in the books as "Extra - Depreciation Claimed" and is reflected in the Profit and Loss Account below the line as an Extra Ordinary Item.

The Company had invested Rs. 108.00 lacs in the shares of M/s. Starlite Lighting Limited which is engaged in the manufacturing of Compact Fluorescent Lamps. The said Company had very good Export Orders in hand and the investment was expected to be beneficial to the Company. However, due to unforeseen circumstances that company could not execute Export orders completely and is currently facing financial liquidity problems. In view of the same as a measure of prudence the management has decided to diminish the value of Investment by 50% and charged the diminution in value to the Profit and Loss Account for the year under consideration.

#### **PRIOR PERIOD EXPENSES / BAD DEBTS / SALES RETURN**

The Company had opted for the 'Non-discretionary and Non-discriminatory One Time Settlement Scheme No. III' of the Maharashtra State Financial Corporation. During the year under consideration, the Company charged the interest on MSFC Term Loan upto 30-6-2003 to prior period expense as the same was not charged by MSFC earlier. Besides, some items of prior period nature have been charged to prior period expense account and shown in the Profit and Loss Account 'below the line' as an Extra Ordinary Item. The total of such amount is Rs. 47,49,738/-. On the same considerations, the company has decided to write off the balance in preliminary and deferred revenue expenses to the full extent of Rs. 29,56,455/- as no future benefit is expected to be realised from such expenditure.

Similarly, during the year the Company made very hard efforts to recover its outstanding dues from a large number of its customers with a view to improve its financial liquidity position. Despite continuous follow-ups and persuasion, the Company could not recover substantial amounts. So it was decided to write-off the bad and doubtful debts to the extent of Rs. 1,09,85,574/- and to evaluate the alternative options available to the Company, including initiating legal action, for recovery of such debts. Some of the customers returned the material worth Rs. 1,69,92,490/- which was earlier purchased by them from the Company and lying with them unsold. These items have been charged to prior period expense account and shown in the Profit and Loss Account 'below the line' as an Extra Ordinary Item.

#### **REFERENCE TO BIFR**

The accumulated losses of the Company for the financial year ended 30<sup>th</sup> June, 2004 have resulted in erosion of entire net worth of the company relating to its peak net worth during the immediately preceding four financial years. Hence the provisions of Section 23(1) (a)(ii) of the Sick Industrial Companies (Special Provisions) Act, 1985 have become applicable to the company. The company is taking necessary steps to report the fact of erosion of net worth to the Board of Industrial and Financial Reconstruction (BIFR).

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## REMEDIAL MEASURES

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- Restructuring of Debts and additional Financial Support from Banks / Financial Institutions for replacement / upgradation of the machinery and additional working capital.
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- Sale of undertaking to interested parties by way of merger, acquisition, amalgamation.

## DE-LISTING OF SHARES

Pursuant to the Securities and Exchange Board of India (De-listing of Securities) Guidelines, 2003, the Board of Directors of the Company at its meeting held on 4<sup>th</sup> June, 2004 have decided to apply for voluntary de-listing of the Equity Shares of the Company from the Pune, Coimbatore and Ahmedabad Stock Exchanges since there have been no transactions in the shares of the Company on these stock exchanges. The Company's shares will, however, continue to be listed on The Stock Exchange – Mumbai which has extensive network of trading terminals that facilitates trading by members / investors across the country. The proposed de-listing of the company's Equity Shares from Pune, Coimbatore and Ahmedabad Stock Exchanges will not be prejudicial to or affect the interest of the shareholders.

## CORPORATE GOVERNANCE

A detailed report on Corporate Governance alongwith certificate of Company's Statutory Auditors is annexed herewith.

## LISTING FEES

The company's shares are currently listed at the Stock Exchanges at Mumbai, Pune, Ahmedabad and Coimbatore. The listing fees are pending to be paid to Mumbai and Coimbatore Stock Exchanges for the year 2004-05; to Ahmedabad Stock Exchange for the years 2003-04 and 2004-05 and to Pune Stock Exchange for the years 2002-03 to 2004-05.

## LITIGATION AGAINST COMPANY

The Nashik Peoples' co-operative Bank Ltd. (NPCB) has filed a suit for the recovery of its outstanding dues in the Co-operative Court – Nasik. The Co-operative Court has issued Certificate of Recovery without giving the Company any opportunity of being heard in the matter. Against the said order the Company has preferred a Revision Application asking for the withdrawal of the Certificate and also for the permission to give the company an opportunity to defend the case. The management of the company has been advised by the legal experts that the company has a strong case to defend.

## AUDITORS

The Auditors of the Company, Mr. H.V. Godse, Proprietor of M/s. H.V. Godse & Co., Chartered Accountants, Pune retire at the ensuing Annual General Meeting. As suggested by the retiring Auditors Mr. H.V. Godse, Proprietor of M/s. H.V. Godse & Co., Chartered Accountants, Pune it is proposed to appoint M/s. Godse Joshi & Associates, Chartered Accountants, Pune as the Auditors of the Company. Accordingly the company has received Notice from Members proposing to appoint M/s. Godse Joshi & Associates, Chartered Accountants, Pune as auditors of the company in place of M/s. H.V. Godse & Co. The said M/s. Godse Joshi & Associates, Chartered Accountants, Pune have expressed their eligibility and willingness to accept appointment. Members are requested to appoint the Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

## ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the continued support of Company's Bankers, Maharashtra State Financial Corporation, its suppliers and customers and all the members of staff and workers for their cooperation at all levels.

By Order of the Board of Directors

Place: Nasik

Date: 30.11.2004

(ARVIND BHARATI)

Managing Director

Registered Office:

7, M.I.D.C. Area, Satpur, Nasik-422 007.





## **ANNEXURE TO DIRECTORS' REPORT**

Information as per Section 217(1) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30<sup>th</sup> June 2004.

### **PARTICULARS OF ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION.**

Particulars in respect of conservation of energy, technology absorption etc. as required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are as given here below.

Particulars	Current Year	Previous Year
<b>A. Power and Fuel Consumption</b>		
Electricity		
Purchased Units	86889	72121
Total Amount (Rs.)	454477	363360
Rate/Unit (Rs.)	5.23	5.04
Own Generation	Nil	Nil
Others	Nil	Nil
<b>B. Consumption per unit of production</b>		
Electricity (Unit Per Kg.)	*	185.75
Electricity (Unit Per KPS.)	*	33.45

\* - Since Plant and Machinery are now located at one place and manufacturing is done in different units of measurement, no separate consumption per unit of production is given.

### **FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the year under review, the Company exported goods worth Rs. 4,67,213/-. There was an outgo of Rs. 1,42,84,368/- on account of import of material.

### **PARTICULARS OF EMPLOYEES**

Information required pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is not given, as there was no employee in receipt of remuneration exceeding Rs. 24,00,000/- per annum, if employed throughout the year or Rs. 2,00,000/- per month if employed for a part of the year.

### **DUES OF SMALL SCALE INDUSTRIAL UNDERTAKINGS**

Particulars of amount owed to small scale industrial undertakings in terms of Notification GSR 129(E) dated 22.02.1999 issued by the Department of Company Affairs is not given since information about the category of suppliers is not available.

By Order of the Board of Directors

Place: Nasik

Date: 30.11.2004

**(ARVIND BHARATI)**

Managing Director

### **Registered Office:**

7, M.I.D.C. Area, Satpur, Nasik-422 007.