

ANNUAL REPORT 1998-99

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W.S. Industries (India) Limited



W.S. Industries (India) Limited

Board of Directors

Chairman Emeritus	K.S. Narayanan
Executive Chairman	V. Srinivasan
Managing Director	Murali Venkatraman
Joint Managing Director	Narayan Sethuramon

Directors

K.D. Parakh	
K. Raman	
Air Marshal S.J. Dastur (Retd.)	
S. Ravikumar	(Nominee of UTI)
M.P. Tellis	(Nominee of ICICI)
P. Vaidhyathan	(Nominee of LIC)
K.R. Sukhija	(Nominee of GIC)

Company Secretary & General Manager (Corporate Affairs)

N.S. Suryanarayanan

Bankers

Punjab National Bank
Chennai - 600 001

Indian Overseas Bank
Bangalore - 560 009

State Bank of India
Chennai - 600 001

Times Bank Limited
Chennai - 600 034

Centurion Bank Limited
Chennai - 600 035

Auditors

M/s. S. Viswanathan
Chennai - 600 004

Legal Advisor

T. Raghavan
25, T.T.K. Road
Chennai - 600 018

Registered Office

Porur, Chennai - 600 116
Phone No. 4767811
Fax No. (091) - 44 - 4766382

Works

Porur, Chennai
Settigere, Bangalore

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NOTICE

NOTICE is hereby given that the Annual General Meeting of the Company will be held on Monday, the 27th March, 2000 at 10.25 A.M. at its Registered Office at Porur, Chennai - 600 116 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the Audited Balance Sheet and Profit & Loss Account of the Company for the period ended 31st December, 1999 and the Auditors' Report thereon.
2. To appoint a Director in the place of Sri K.Raman, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri K.D.Parakh, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Air Marshal S.J.Dastur, who retires by rotation and being eligible, offers himself for reappointment.

5. APPOINTMENT OF AUDITORS

To move the following Resolution with or without modification/s as a Special Resolution :

"RESOLVED THAT pursuant to Section 224A of the Companies Act, 1956, M/s.S.Viswanathan, Chartered Accountants, Chennai, the retiring Auditors of the Company be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs.1,00,000/- (Rupees One Lakh only) in addition to reimbursement of travelling and other out-of-pocket expenses actually incurred by them in connection with the Audit."

"RESOLVED FURTHER that M/s.S.Viswanathan, Auditors of the Company be paid an additional remuneration of Rs.50,000/- (Rupees Fifty Thousand only) for having carried out the Audit of the Books of Accounts of the Company for 6 months from 1st July, 1999 to 31st December, 1999".

SPECIAL BUSINESS

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

"RESOLVED that pursuant to Section 198, 269 and 309 and other applicable provisions if any, of the Companies Act, 1956 and subject to the consent of the Financial Institutions, Sri Narayan Sethuram be and is hereby reappointed as Joint Managing Director of the Company for a further period of 5 years with effect from 9th December, 1999 as per the terms and conditions mentioned below :

(I) SALARY

Rs. 27,500/- (Rupees Twenty Seven Thousand Five Hundred only) per month with yearly increment of Rs. 2,500/-.

(II) COMMISSION

One per cent of the net profits of the Company determined in accordance with Sections 198 and 309 of the Companies Act, 1956.

(III) PERQUISITES

Perquisites to be restricted to an amount of Rs.1,80,000 (Rupees One Lakh and Eighty Thousand Only) per annum.

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PART 'A'

(i) (a) Housing

Expenditure incurred by the Company on hiring an accommodation in Chennai shall be subject to a ceiling of 60% of the salary over and above 10% payable by the appointee.

If the Company does not provide accommodation, House Rent Allowance will be payable by the Company to the appointee.

- (b) The expenditure on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules and are subject to a ceiling of 10% of salary.

(ii) Medical Reimbursement

Reimbursement of actual expenses incurred for self and family, the total cost of which shall not exceed one month's salary in a year or 3 month's salary over a period of three years.

(iii) Leave Travel Concession

For self and family once in a year in accordance with the Rules of the Company.

(iv) Club Fees

Fees of Clubs, subject to a maximum of two clubs, provided that no life membership fee or admission fee is paid.

(v) Insurance

Of an amount, the annual premium of which shall not exceed Rs.10,000/-.

PART 'B'

(i) Company's contribution towards Provident/ Superannuation Fund or Annuity Fund.

Contribution to Provident Fund, Superannuation Fund or Annuity Fund to be in accordance with the practice, rules and regulations in force from time to time.

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

(ii) Gratuity

As per the Rules of the Company.

PART 'C'

Car and Telephone

Free use of Car for Company's business and free telephone facility at residence. These will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company".

"FURTHER RESOLVED that the aforesaid remuneration and perquisites except commission be paid to Sri. Narayan Sethuramon as minimum remuneration in the absence of or in the event of inadequacy of profits in any year subject to the maximum limits as laid down in Schedule XIII of the Companies Act, 1956".

"FURTHER RESOLVED that the aforesaid terms and conditions of the appointment of Sri Narayan Sethuramon be varied from time to time by the Board of Directors of the Company as it may in its absolute discretion deem fit subject to the Provisions and overall limits of Schedule XIII and other relevant sections of the Companies Act as amended from time to time".



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

“RESOLVED that pursuant to Section 94 of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby approved to be increased from Rs.25,00,00,000/- (Rupees Twenty Five Crores only) [2,00,00,000 (Two Crores only) Equity Shares of the face value of Rs.10/- each and 5,00,000 (Five Lacs only) Cumulative Redeemable Preference Shares of the face value of Rs.100/- each] to Rs.30,00,00,000/- (Rupees Thirty Crores only) [2,00,00,000 (Two Crores only) Equity Shares of the face value of Rs.10/- each and 10,00,000 (Ten Lacs only) Cumulative Redeemable Preference Shares of Rs.100/- each]”.

8. To consider and if thought fit, to pass with or without modification/s, the following Resolutions as Special Resolutions :

- a. “RESOLVED that Clause V of the Memorandum of Association of the Company be deleted and in its place the following shall be inserted.

“The Share Capital of the Company is Rs.30,00,00,000/- (Rupees Thirty Crores only) divided into 2,00,00,000 (Two Crores only) Equity Shares of the face value of Rs.10/- each, constituting the Equity Share Capital of the company and 10,00,000 (Ten Lacs only) Cumulative Redeemable Preference Shares of the face value of Rs.100/- each, constituting Cumulative Preference Share Capital of the Company”.

- b. “RESOLVED that Article 6 of the Articles of Association of the Company be deleted and in its place the following shall be inserted.

“The Share Capital of the Company is Rs.30,00,00,000/- (Rupees Thirty Crores only) divided into 2,00,00,000 (Two Crores only) Equity Shares of the face value of Rs.10/- constituting the Equity Share Capital of the Company and 10,00,000 (Ten Lacs only) Cumulative Redeemable Preference Shares of the face value of Rs.100/- each, constituting Cumulative Preference Share Capital of the Company”.

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

“RESOLVED that pursuant to the provisions of Section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents, permissions and/or sanctions as may be necessary to be obtained from the Central Government, Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), and/or any other appropriate authority, Institution or body and subject to such conditions and/or modifications as may be prescribed by any or all of them in granting such approval, consent, permission and/or sanction, Consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee constituted by the Board for this purpose) to issue upto 5,00,000 Cumulative Redeemable Preference Shares of Rs.100/- each, by way of private placement to existing Preference Shareholders and/or to other Companies, Financial Institutions, Bodies Corporate to the extent of such quantum, percentage of dividend, terms of redemption and such other conditions as may be agreed to between the Company and the individual allottee”.

“RESOLVED FURTHER that the Board be and is hereby authorised to accept any modifications in the proposal as may be required at a later date subject to such conditions as the Central Government/RBI/SEBI and/or such other appropriate authority may impose at the time of their approval and as agreed to by the Board”.

“RESOLVED FURTHER that for the purposes of giving effect to the above resolutions, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem fit and proper for such purpose and with power to settle any questions, difficulties or doubts that may arise in this regard”.

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

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company under Section 293(1)(d) of the Companies Act, 1956 to borrow from time to time for the purpose of the Company's business, such sum or sums of money as they in their absolute discretion think fit, Notwithstanding that the moneys so borrowed by either themselves or together with the moneys already borrowed by the Company and remaining outstanding (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) be in excess of the aggregate of the paid-up capital and free reserves, but not exceeding Rupees Thirty Five Crores over and above the paid-up capital and free reserves of the Company.

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

"RESOLVED that the existing Subclause ii of Clause (a) of Article 132 of the Articles of Association of the Company be deleted and be replaced by the following as Subclause ii :

"Subject to the provisions of Section 267, 268 and 269 of the Companies Act and other relevant provisions of the Act, if any, or any statutory modification thereof, the Board of Directors of the Company may from time to time appoint one or more of their body to the office of Managing Director/Managing Directors for such period and on such terms as the Board of Directors may think fit subject to the terms of any agreement entered into with them. But his/their appointment/appointments shall be automatically determined if he/they ceases/cease to be a Director/Directors and provided also that the appointment of Managing Director/Managing Directors shall be further subject to the provisions of Section 316 and 317 of the Companies Act, 1956 or any statutory modification thereof."

BY ORDER OF THE BOARD
for W.S.INDUSTRIES (INDIA) LIMITED

N.S.SURYANARAYANAN
COMPANY SECRETARY &
GENERAL MANAGER - CORPORATE AFFAIRS

Chennai
25th February, 2000

NOTES :

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member. The Proxy Forms should be lodged with the Registered Office of the Company not later than 48 hours before commencement of the Meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16th March, 2000 to 27th March, 2000 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report to the Meeting. They are also requested to avoid being accompanied by non-members and children.
5. Members are requested to notify any change in their addresses to the Company immediately.
6. The Register of Members and other statutory records have been shifted to the Registered Office. Shareholders may kindly address all their correspondence to the Registered Office of the Company.
7. This meeting is being convened on 27th March, 2000 to consider the Accounts of the Company for the 18 months period ended 31.12.1999 after receiving the approval of the Registrar of Companies vide their Letter No.4568/1/EXT/98 dated 02.07.1999.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO.6**

Sri Narayan Sethuramon was appointed as Director (Operations) for a period of 5 years from 9th December, 1994 by the Board of Directors at their Meeting held on 30th November, 1994. The consent of the members for his appointment was obtained at the Extraordinary General Meeting held on 17th May, 1995. Sri Narayan Sethuramon was redesignated as Joint Managing Director by the Board with effect from 26th November, 1998.

The present term of office of Sri Narayan Sethuramon expired on 9th December, 1999. The reappointment of Sri Narayan Sethuramon as Joint Managing Director for a further period of five years is considered essential in the best interests of the Company, especially in the context of its restructuring and revival. Sri Narayan Sethuramon is well conversant with the working of the Company and his knowledge and background will be of great advantage to it. The remuneration package payable to Sri Narayan Sethuramon is as per the earlier terms and conditions and is within the limits of Schedule XIII of the Companies Act, 1956.

Sri Narayan Sethuramon is directly concerned/interested in the subject. Sri V. Srinivasan and Sri Murali Venkatraman being related to Sri Narayan Sethuramon are deemed to be concerned. No other Director is concerned/interested in the subject.

This may also be treated as the Notice to be issued to the Shareholders under Section 302.

The Articles of Association of the Company and the contract entered into between the Company and Sri Narayan Sethuramon is open for the inspection of members at the Registered Office of the Company on any working day during business hours until the date of the Annual General Meeting.

ITEM NOS.7 TO 9

The Company had issued Preference Shares to the following Financial Institutions/Insurance Companies/Banks/ Mutual Fund for the purpose of augmenting its long term working capital requirements.

Sr.	Name of the Shareholder	No. of Shares	Rate of Dividend	Due Date of Redemption
1.	The Industrial Credit and Investment Corporation of India Ltd. (ICICI Ltd.)	30,000	14%	05.10.1999
2.	General Insurance Corporation of India	20,000	14%	05.10.1999
3.	The New India Assurance Co. Ltd.	15,000	14%	05.10.1999
4.	United India Insurance Co. Ltd.	15,000	14%	05.10.1999
5.	Tata Trustee Company Ltd. (A/C Tata Mutual Fund)	50,000	17%	11.02.2000
6.	United India Insurance Co. Ltd.	40,000	15%	26.03.2002 *
7.	Oriental Insurance Co. Ltd.	30,000	15%	21.04.2000
8.	Indian Overseas Bank	75,000	15%	06.05.2000
9.	National Insurance Co. Ltd.	30,000	15%	09.06.2000
10.	The New India Assurance Co. Ltd.	40,000	15%	19.06.2000
11.	Lord Krishna Bank Limited	25,000	15%	04.07.2000
Total		3,70,000		

* Eligible for exercising call option on or after 26.03.2000

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The Preference Shares which were allotted to the Financial Institutions / Insurance Companies in 1989 as listed in Serial Nos. 1 to 4 have already fallen due for redemption in 1999 and the rest which were allotted in 1997 on private placement basis to Insurance Companies/Banks/Mutual Fund are falling due for redemption in 2000. Owing to the Cash losses incurred by the Company in the current year, the Company is undergoing a severe liquidity crunch and is unable to redeem the Preference Shares which have fallen due for redemption and also those that are due to be redeemed. The Company could not pay the dividend which was due to be paid to the Preference Shareholders for the financial year 1997-98. The Company is in the process of approaching the Preference Shareholders with a request to renew the Preference Shares including arrears of dividend payable thereon, for a further period of time to enable the Company to redeem them at a later date. The arrears of dividend on these shares for the year ended 30.06.1998 is Rs.55,66,917/- and for the 18 months period ended 31.12.1999 is Rs.55,70,000/-. It is hence proposed to issue preference shares for an amount not exceeding Rs.5 crores after obtaining the necessary approval of the Company Law Board pursuant to Section 80(A) of the Companies Act, 1956, to the existing Preference Shareholders after obtaining their individual consent and / or to other Companies, Financial Institutions and Bodies Corporate.

Since the proposed issue of Preference Shares exceeds the Authorised Preference Share Capital of the Company, it has become necessary to enhance the Authorised Share Capital from the existing Rs.25 Crores to Rs.30 Crores and also the amend Clause V of the Memorandum of Association and Article 6 of the Articles of Association of the Company.

The Directors recommend the resolution for approval of the Shareholders in view of the current tight financial conditions.

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

ITEM NO.10

The Company has incurred Cash losses during the current financial year and has submitted a Scheme of Restructuring to the Banks/Financial Institutions for securing additional working capital loans so as enable the Company to meet its immediate funds requirement and also step up its production to overcome its losses. In response to the proposal submitted by the Company, the Financial Institutions/Banks have agreed, in principle/submitted their recommendation, to lend money by way of Term Loan and other facilities to the extent of Rs.10 crores in the aggregate.

At present the Company has the limits to borrow money upto Rs. 25 crores over its paid-up share capital and free reserves. Consequent to the erosion of free reserves due to losses incurred, the borrowing powers of the Company has been reduced and it has now become necessary to seek the consent of the Shareholders to increase the borrowing powers of the Company pursuant to Section 293(1) (d) of the Companies Act, 1956. It is hence proposed to increase the borrowing powers upto Rs.35 crores over and above the paid-up capital and free reserves of the Company.

Since this borrowing is very much required for the restructuring programme of the Company, the Directors recommend the resolution to the Shareholders.

No Director of the Company is concerned or interested in the resolution.

ITEM NO.11

As the members may be aware, the Company has at present three whole-time Directors which include the Executive Chairman, the Managing Director and the Joint Managing Director, who have been appointed as per the provisions of Schedule XIII of the Companies Act, 1956. As per the present provisions of the Articles of Association of the Company, a Whole-time Director who is appointed shall not be liable for retirement by rotation during his tenure of office.

The strength of the Board of Directors has reduced over the years. Due to the reduction in the number of Directors, it is required to amend the Articles of Association of the Company to make the Whole-time Directors of the Company liable to retire by rotation so as to comply with the provisions pertaining to retirement of Directors by rotation as set out under Section 255 of the Companies Act, 1956. Accordingly, the resolution is placed before the Shareholders for their consideration.

Sri V. Srinivasan, Executive Chairman, Sri Murali Venkatraman, Managing Director and Sri Narayan Sethuramam, Joint Managing Director are deemed to be concerned or interested in the resolution by virtue of their being wholetime Directors.

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

By Order of the Board
for W.S.INDUSTRIES (INDIA) LIMITED

N.S.SURYANARAYANAN
Company Secretary &
General Manager - Corporate Affairs

Chennai
25th February, 2000



DIRECTORS' REPORT

To

The Shareholders

Your Directors present their Annual Report along with the Audited Accounts for the period ended 31st December, 1999.

FINANCIAL RESULTS

	For the Period ended 31.12.1999 Rs.	For the Year ended 30.06.1998 Rs.
Sales and other operational Income	1,35,28,20,293	1,24,76,13,340
Other Income	1,52,22,235	38,39,007
Gross Profit / (Loss)	(19,75,045)	18,67,64,203
Add/Less : Depreciation	5,23,48,556	3,39,99,070
Interest	22,94,21,016	14,45,03,649
Profit / (Loss) before tax	(28,37,44,617)	82,61,484
Less : Provision for Taxation	-	11,00,000
Profit / (Loss) after tax	(28,37,44,617)	71,61,484
Less/Add: Balance in Profit and Loss Account brought forward	2,28,16,542	2,37,78,668
Transfer to Capital Redemption Reserve	-	40,00,000
Transfer from General Reserve	17,04,00,000	-
Transfer from Investment Allowance (Utilised) Reserve	20,00,000	20,00,000
Provision for Dividend on Preference Share	-	55,66,918
Provision for dividend tax	-	5,56,692
(Deficit) / Surplus carried to Balance Sheet / Reserves	(8,85,28,075)	2,28,16,542

DIVIDEND

Your Directors regret to advise you that in view of the losses suffered by the Company and the present business environment coupled with heavy financial obligations, they are unable to recommend any dividend on the Equity and Preference Share Capital of the Company. It is hoped that the Shareholders of the Company will appreciate the present situation and the difficult business conditions.

ACCOUNTING YEAR

During the year, the Directors have taken a decision to extend the financial year of the Company by a period of six months. Consequently the Accounts have been prepared for a period of 18 months ended 31st December 1999.

INCOME TAX

Taking into consideration the business losses sustained by the Company, we are advised that there will be no tax liability on the Company for the period under review.

BUSINESS OPERATIONS

The period under review has witnessed unprecedented decline in the Electrical Industry coupled with a global recession which has continued for the last two years. Finance at competitive rates was not available, which is a vital requirement for sustained production and profitability. There was a marked decline in the orders received by the Company in the first half of this period, which has however subsequently improved in the later half. These factors have cumulatively contributed to the severe decline in the performance of the Company.

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The Management is conscious of the need to conserve the Company's scarce resources. Stringent austerity measures have been initiated to reduce operational and administrative costs and steps have also been taken to reduce the overall costs. The activity based costing system initiated by the Company in the previous year has helped to identify the accurate product cost and the non-value added activities and their cost implications. It also envisages continuous improvement programmes which will pave way for cost reduction with specific time schedule. The business re-engineering programme initiated at the Chennai Plant during the period under review has yielded significant improvements in the working of the factory by reduction of work-in-progress, removal of production constraints and by also introducing data based analysis for decision making. Steps are also being taken to arrange additional Working Capital resources.

In spite of the present stringent business conditions, your Directors firmly believe that the Company has strong fundamentals and good future prospects in its core business activity. As mentioned earlier, there has been a marked improvement in the Order Book of the Company in the later half of the period under review and your Directors are confident that, with the support of the Financial Institutions and Banks, the Company could be well on the recovery path in the near future.

EXPORTS

The Company made export sales of Rs.5,523 lacs to different countries representing 41% of its turnover as compared to Rs.4,246 lacs made in the previous year. The exports during the period under review have been lower due to global recession. Business prospects have however shown good encouragement and signs of revival. During the period under review, your Company has secured orders from various new countries.

Y2K COMPLIANCE

Your Company has successfully met the challenges of the Y2K problem and all the Computer Systems have been working satisfactorily in the new Millennium. The work of Y2K compliance has been done by the in-house facilities available in the Company, which were fully geared to face any contingency. The total cost incurred in this regard is Rs.21.80 lacs.

MODERNISATION AND EXPANSION

In view of the tight liquidity position and the action taken by the Company in installing certain de-bottlenecking equipments as suggested by the Business Process Re-engineering (BPR) exercise, the Company decided that it was not immediately necessary to proceed with the second phase of modernisation programme and have restricted the availment of the Foreign currency loan from EXIM Bank to US \$ 1.606 Million (equivalent to Indian Rupees 702 lacs) as against US\$ 3.75 Million (equivalent to Indian Rupees 1,640 lacs) sanctioned.

RESEARCH & DEVELOPMENT

Your Company has successfully developed and tested several new products during the period including 160 KN Disc Insulators for application in High voltage DC Lines (HVDC). There is a large potential for this product and already large tenders for this product are being issued.

FUTURE PROSPECTS

The present Order Book of the Company stands at Rs. 63.66 Crores. The Government has initiated steps to set up several new projects apart from upgrading quite a few of the existing projects. Out of this, large outlays are expected to be made for Power Transmission systems. This would in turn increase the business prospects for the product manufactured by your Company. Export prospects as indicated above are quite encouraging.

DIRECTORS

Your Directors Messrs. K.Raman, K.D.Parakh and Air Marshal S.J.Dastur retire by rotation at this Annual General Meeting and being eligible, offer themselves for reappointment.

The tenure of Sri Narayan Sethuramon as Joint Managing Director of the Company has expired on 9th December, 1999. The Board of Directors at their meeting held on 25th February, 2000 have reappointed Sri Narayan Sethuramon as Joint Managing Director of the Company for a further period of five years with effect from 9th December, 1999. Your approval is also being separately sought for this purpose in the ensuing Annual General Meeting.

AUDITORS

The Auditors of the Company, M/s S.Viswanathan, Chartered Accountants, retire and are eligible for reappointment. Since not less than 25% of the subscribed Share Capital of your Company is held by Public Financial Institutions, their reappointment has been proposed as a Special Resolution in accordance with Section 224 A of the Companies Act, 1956.