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23rd ANNUAL REPORT

Year ended on 31st December, 2003

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YASH PAPERS LIMITED

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YASH PAPERS LIMITED

BOARD OF DIRECTORS

G. NARAYANA	*Chairman*
K. K. JHUNJHUNWALA	*Managing Director*
G. N. GUPTA, Retd. I.R.S.	
MANJULA JHUNJHUNWALA	
DR. P. BANERJEE	
R. N. CHAKRABORTY	*Executive Director*
VED KRISHNA	*Joint Managing Director*
A. K. GUPTA	*Director Finance*
D. S. GANDIKOTA	

BANKERS
State Bank of India
Canara Bank

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AUDITORS
Kapoor Tandon & Co.,
Chartered Accountants
Kanpur

REGISTERED OFFICE
47/81, Hatia Bazar
Kanpur-208 001

WORKS & CORPORATE OFFICE
Yash Nagar
P.O. Darshan Nagar,
Faizabad-224 135 (U.P.)
Phone : 05278-258589, 258777
Fax : 05278 - 258062
Web : www. yash-papers.com
email : info@yash-papers.com

REGISTRAR AND TRANSFER AGENT
Intime Spectrum Registry Limited
A-31, IIIrd Floor, Naraina Industrial Area
Phase-I, Near PVR, New Delhi - 110028
Phone : 011-51410592 ; Fax : 011-51410591

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YASH PAPERS LIMITED

HIGHLIGHTS

(Rs. in lacs)

	1995	1996	1997	1998	1999	2000	2001	2002	Dec. '02 (9 months)	Dec. '03
OPERATING RESULTS										
Sales & Other Income	1619.23	1957.57	1722.05	1744.63	1729.72	1905.16	2246.45	2195.19	1918.23	**2725.05**
Raw material	340.17	346.14	364.98	412.09	407.95	449.01	432.60	413.14	376.37	**614.84**
Manufacturing Expenses	337.40	339.07	321.60	297.79	288.38	339.59	432.06	435.24	266.66	**425.33**
Power & Fuel	361.93	412.93	452.70	363.64	276.87	227.84	259.92	242.44	222.62	**488.72**
Stores & Repairs	45.20	70.48	63.43	63.65	110.92	102.23	120.26	113.67	98.41	**101.86**
Salaries & Wages	99.10	106.19	103.36	115.07	122.10	148.70	161.22	158.25	140.32	**180.41**
Administrative & Selling Exp.	145.65	236.87	229.27	220.56	237.10	296.52	448.13	415.48	389.94	**564.58**
Interest	90.30	122.47	168.01	160.57	147.69	149.52	133.87	141.64	80.57	**87.90**
Gross Profit	199.48	323.42	18.70	111.26	138.71	191.75	258.39	275.33	343.34	**261.61**
Depreciation	58.38	69.20	83.72	100.34	103.93	107.42	115.44	131.86	104.10	**141.64**
Provision for Taxation										
- Current Tax	-	-	-	1.20	3.70	9.75	12.50	11.00	18.84	**39.55**
- Defferred Tax	-	-	-	-	-	-	-	55.29	85.24	**(7.07)**
Net Profit/ (Loss)	141.10	254.22	(65.02)	9.72	31.08	74.58	130.45	77.18	135.16	**87.49**
Earning Per Share	3.65	6.58	-	0.25	0.81	1.93	3.37	2.00	3.50	**2.26**
Dividend %	15	5	-	-	-	-	-	5	10	**10**
FINANCIAL SUMMARY										
Assets Employed										
Fixed Assets (At Cost)	1611.89	2046.67	2088.66	2127.85	2204.25	2353.59	2691.67	2845.29	2930.64	**2987.38**
Fixed Assets (Net)	1323.96	1703.25	1668.27	1612.53	1600.63	1669.53	1906.28	1949.92	1944.46	**1896.21**
Investments	2.00	12.21	5.02	5.26	5.25	5.31	5.31	1.81	1.76	**0.26**
Current Assets (Net)	329.52	437.02	356.89	427.69	446.10	520.48	540.56	499.98	379.99	**510.12**
Total Assets	1655.48	2152.48	2030.18	2045.48	2051.98	2195.32	2452.15	2451.71	2326.21	**2408.59**
Financed By										
Total Shareholder's Funds	961.92	1186.11	1151.83	1166.90	1203.04	1284.89	1420.13	1174.02	1271.22	**1753.04**
Share Capital	$416.50	$416.50	$416.50	$416.55	386.55	386.55	386.55	386.55	386.55	**386.55**
Reserves & Surplus (Net)	545.42	799.61	735.33	750.35	816.49	898.34	1033.58	*787.47	884.67	**925.11**
Defferred Tax Liability	-	-	-	-	-	-	-	363.22	448.46	**441.38**
Borrowings	693.56	936.37	878.35	878.58	848.94	910.44	1032.02	914.47	606.53	**655.55**
Long Term	527.40	711.94	674.06	605.16	576.41	600.06	736.13	677.31	560.28	**452.14**
Short Term	166.16	224.43	204.29	273.42	272.53	310.38	295.89	237.16	46.25	**203.41**
Debt : Equity	0.72	0.79	0.76	0.75	0.70	0.71	0.73	0.59	0.35	**0.37**
Other Information										
Production in M.T.	**10759**	**10899**	**10577**	**11262**	**10980**	**12319**	**12757**	**12820**	**11188**	**14795**

$ Includes Rs. 30 lacs deposit against Preferential Equity Warrants.

* Reduced due to provision of Deferred Tax Liability of Rs. 307.93 as on 1st April, 2001

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YASH PAPERS LIMITED

NOTICE

NOTICE is hereby given that the 24th Annual General Meeting of the Members of Yash Papers Limited will be held at Hotel "The Landmark" 10, The Mall, Kanpur-208 001 on Saturday, the 22nd day of May, 2004 at 1:00 PM to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st December, 2003 and the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri G. Narayana, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Smt. Manjula Jhunjhunwala, who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s) following resolution as a Special Resolution:

   "RESOLVED that in supersession of resolution passed at 23rd Annual General Meeting on June 16, 2003, the consent of the Company be and is hereby accorded to the Board of Directors, pursuant to section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, for borrowings by the Board of Directors of the Company from time to time any sum or sums of monies which together with the monies already borrowed by the Company (apart from the temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business), may exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Company shall not, at any time, exceed the sum of Rs. 80.00 crore (Rupees eighty crores) over and above the aggregate of the paid-up capital of the Company and its free reserves."

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

   "RESOLVED THAT consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to create such mortgages and/or charges and/or hypothecations by way of first charge and/or second charge and/or pari-passu, in addition to the mortgages/charges/hypothecations created or to be created by the Company in such form and manner and with such ranking in consultation with the lender(s) and on such terms and conditions as the Board may deem fit, on all or any of the movable and/or immovable properties of the Company wheresoever situated both present and future to or in favour of all or any of the financial institutions / banks / any other investing agency/ lender(s) / trustees for debentures/bonds/other instruments which may be issued to and subscribed by all or any of the financial institutions / banks / any other invesing agency or any other person(s) / bodies corporate to secure rupee / foreign currency loans/ debentures / bonds / other instruments and Banks for their working capital facilities sanctioned or to be sanctioned from time to time to the company together with interest, commitment charges, liquidated damages, costs, charges, expenses and other monies whatsoever payable by the Company to various lenders in terms of the Loan-Agreement/Hypothecation-Agreement/Arrangements entered into or to be entered into by the Company in respect of loan(s)/debentures/bonds/other instruments taken or to be taken provided the same shall not exceed including existing borrowings in terms of Section 293(1)(d) beyond Rs. 80 crores in aggregate.

   RESOLVED FURTHER THAT the Board be and is hereby authorized to finalise and execute such documents/ deeds/agreements/hypothecations etc. as may be required and do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, appropriate or expedient for giving effect to the above resolution."

8. To consider and, if thought fit, to pass with or without modification(s) following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the company be and is hereby increased from Rs.7,00,00,000/- (Rupees seven crores) divided into 40,00,000 equity shares of Rs. 10/- each and 3,00,000 preference shares of Rs. 100/- each to

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Rs.20,00,00,000 (Rupees twenty crores) divided into 1,60,00,000 equity shares of Rs. 10/- each and 4,00,000 preference shares of Rs. 100/- each."

9. To consider and, if thought fit, to pass with or without modification(s) following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956, clause (vi) of the Memorandum of Association of the Company be substituted with the new clause as under :

   "The authorised share capital of the company shall be Rs.20,00,00,000 (Rupees twenty crores) divided into 1,60,00,000 equity shares of Rs. 10/- each and 4,00,000 preference shares of Rs. 100/- each with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and attach thereto respectively such preferential, qualified or special right, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or provided by the Articles of Association of the Company for the time being."

10. To consider and, if thought fit, to pass with or without modification(s) following resolution as a Special Resolution:

    "RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, clause 4 of the Articles of Association of the Company be substituted with the new clause as under:

    "The authorised share capital of the Company is Rs.20,00,00,000 (Rupees twenty crores) divided into 1,60,00,000 equity shares of Rs. 10/- each and 4,00,000 preference shares of Rs. 100/- each."

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

    i. "RESOLVED THAT pursuant to the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory amendment or re-enactment thereof), and subject to the provisions of the Memorandum and Articles of Association of the Company, provisions of Foreign Exchange Management Act, 1999, Guidelines issued by Securities and Exchange Board of India and other applicable laws including the approvals of Govt. of India or Financial Institutions/Banks/Creditors/Lenders or any other authority as may be necessary and subject to such other consents and approvals, if any, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors (hereinafter referred to as "the Board" which term shall include a duly authorized Committee thereof) or may be prescribed in granting such consents and approval and which may be agreed to by the Board, consent of the Company be and is hereby accorded to the Board to issue, offer and allot Equity Shares of Rs.10/- each for cash at a premium per share (to be fixed by the Board) and/or Debentures convertible automatically or optionally and partly or fully in equity shares (hereinafter referred as "Securities") of the Company for an amount not exceeding Rs.25 crores (Rupees twenty five crores) including premium to the existing members of the Company, whose names appear on the Register of Members on a date to be determined by the Board, by way of Right Issue through Right Offer and/or by way of Public Issue through prospectus and/or Preferential/Firm allotment and/or Private placement or any combination thereof.

    ii. RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of Securities as may be required to be issued and allotted in accordance with the terms of the issue(s) and/or offering(s).

    iii. RESOLVED FURTHER THAT the Securities to be offered on right basis will be rounded off to the next higher number. The existing shareholders shall have a right to renounce the Securities offered to them, in whole or in part, in favour of any other person or persons and Shareholders shall be entitled to apply for additional Securities in their own names (irrespective of the number of application forms submitted) provided that such Shareholders have subscribed to their 'Rights entitlement' in full. Renounces may also apply for additional Securities in their own names (irrespective of the number of application forms submitted) provided that they have accepted all the Securities renounced in their favour. Renounces will be entitled to be allotted additional Securities only if there is any surplus after allotment to the extent of rights entitlement exercised and additional Securities applied by the Shareholders of the Company.

    iv. RESOLVED FURTHER THAT if any Securities offered as "Rights" to the Shareholders still remain unsubscribed, the Board shall have full discretion and absolute authority to offer them to whomsoever they may deem fit.

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v. RESOLVED FURTHER THAT the new Securities, on allotment and/or conversion, shall rank parri-passu with the then existing Securities of the Company, subject to relevant provisions of the Memorandum and Articles of Association of the Company, provided that the new Securities shall be entitled to dividend and/or interest that may declared after the date of their allotment/conversion, prorate from the date of such allotment/conversion and to the extent to which the same are paid-up.

vi. The allotment of the new Securities to Non-Residents/Overseas Corporate Bodies/Foreign Institutional Investors will be subject to the approval of Government of India and/or Reserve Bank of India, if necessary.

vii. RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized and empowered to give such directions as may deem fit and proper including directions for settling any doubts, questions, or difficulties which may arise in regard to, and incidental to, the proposed offer, issue and allotment of the Securities including retention of over subscription upto the extent necessary and as may be permissible as per applicable laws and to do all acts, deeds, matters and things as the Board in their absolute direction consider necessary, expedient, usual and proper in connection therewith and accept such amendments, modifications, variations and alterations as the appropriate authorities may stipulate in this behalf and to finalise and pay fees, remuneration etc., as may be necessary to the Merchant Bankers, Registrars, Advisors, Bankers, Printers and any other intermediaries appointed/to be appointed for the purpose of the Right Issue and/ or Public Issue and/or Preferential/Firm allotment and/or Private placement or any combination thereof."

12. To consider and, if thought fit, to pass with or without modification(s) following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of the Sections 198, 269, 309 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Members and such other approvals as may be necessary, Shri Ved Krishna be and is hereby re-appointed as Joint Managing Director of the company for a period of five years w.e.f. 1st August, 2004 to 31st July, 2009 on the following remuneration and terms and conditions :-

(a) Salary : Rs. 40,000/- per month in the grade of Rs.40,000- 75,000. Increment will be effective from 1st June each year, the amount being decided by the Board.

(b) Perquisites : In addition to the above, Shri Ved Krishna, shall be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with utilities such as gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for himself and his family, club fees, medical insurance etc.; in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Shri Ved Krishna, such perquisites shall however not exceed Rs.5,00,000/- per annum.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable, in the absence of any such Rules, perquisites shall be evaluated at actual cost to the company.

Provision for use of the Company's car and telephone at residence (including payment for local calls and long distance official calls) for official duties shall not be included in the computation of perquisites for the purpose of calculating the said ceilings.

(c) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, 1961, gratuity payable as per rules of the Company and encashment of leave at the end of his tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

(d) Minimum Remuneration : If in any accounting year, the Company has no profits or its profits are inadequate, remuneration by way of salary, perquisites and other allowances will be subject to the ceilings set out in Para 1(A), 2 & 3 of Section II of Part II of Schedule XIII of the Companies Act, 1956.

(e) Leave: On full pay and allowances, as per rules of the Company. Encashment of leave shall not be included in the computation of the ceiling on perquisites.

(f) Shri Ved Krishna shall also be entitled to reimbursement of entertainment, travelling, hotel and other expenses actually incurred by him in performance of the duties on behalf of the Company.

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(g) Any other benefits, facilities, allowances and expenses may be allowed under Company rules/schemes and available to other employees.

(h) No sitting fees will be paid for attending the meetings of the Board of Directors of the Company or Committees thereof.

13. To consider and, if thought fit, to pass with or without modification(s) following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of the Sections 198, 269, 309 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Members and such other approvals as may be necessary, Shri A. K. Gupta be and is hereby re-appointed as Director Finance of the company for a period of five years w.e.f. 1st June, 2004 to 31st May, 2009 on the following remuneration and terms and conditions :-

(a) Salary : Rs. 20,000/- per month in the grade of Rs.20,000 – 30,000. Increment will be effective from 1st June each year, the amount being decided by the Board.

(b) Perquisites : In addition to the above, Shri A. K. Gupta, shall be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with utilities such as gas, electricity, water, furnishing and repairs; medical reimbursement; leave travel concession for himself and his family, club fees, medical insurance etc.; in accordance with the rules of the Company or as may be agreed to by the Board of Directors and Shri A. K. Gupta, such perquisites shall however not exceed Rs.1,25,000/- per annum.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax Rules, wherever applicable, in the absence of any such Rules, perquisites shall be evaluated at actual cost to the company.

Provision for use of the Company's car and telephone at residence (including payment for local calls and long distance official calls) for official duties shall not be included in the computation of perquisites for the purpose of calculating the said ceilings.

(c) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act, 1961, gratuity payable as per rules of the Company and encashment of leave at the end of his tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

(d) Minimum Remuneration : If in any accounting year, the Company has no profits or its profits are inadequate, remuneration by way of salary, perquisites and other allowances will be subject to the ceilings set out in Para 1 (A) of Section II of Part II of Schedule XIII of the Companies Act, 1956.

(e) Leave: On full pay and allowances, as per rules of the Company. Encashment of leave shall not be included in the computation of the ceiling on perquisites.

(f) Shri A. K. Gupta shall also be entitled to reimbursement of entertainment, travelling, hotel and other expenses actually incurred by him in performance of the duties on behalf of the Company.

(g) Any other benefits, facilities, allowances and expenses may be allowed under Company rules/schemes and available to other employees.

(h) No sitting fees will be paid for attending the meetings of the Board of Directors of the Company or Committees thereof.

14. To consider and, if thought fit, to pass with or without modification(s) following resolution as a Special Resolution:

"RESOLVED THAT in terms of Securities and Exchange Board of India (SEBI) (De-listing of Securities) Guidelines, 2003 and also guidelines/notifications issued /to be issued by SEBI from time to time and subject to the provisions of the Companies Act, 1956 and the Securities (Contract and Regulations) Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force and as may be enacted hereafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereafter referred to as" the Board" which term shall be

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deemed to include any committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent be and is hereby accorded to the Board to de-list the Company's Equity Shares from Ahmedabad Stock Exchange.

RESOLVED FURTHER THAT the Board be and is hereby authorized to seek voluntary de-listing from the Ahmedabad Stock Exchange, to take all necessary steps in this regard and to do all such acts, deeds, maters 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 de-listing of the equity shares from the aforesaid Stock Exchanges and to execute all such deeds, documents, writings as my be necessary, desirable or expedient or as may be deemed fit and for this purpose to delegate the authority and the duly vested in it by virtue hereof to any other person(s) whom the Board may consider suitable, to do the various acts, deeds and things required to be done in this behalf".

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ONLY ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Explanatory Statement, as required under Section 173(2) of the Companies Act, 1956, is annexed hereto.
3. The proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting.
4. The Register of Members and the Share Transfer Books of the Company shall remain closed from the 15th May, 2004 to 21st May, 2004 (both days inclusive).
5. Dividend recommended by the Board and approved by the members at the Annual General Meeting will be paid to those shareholders whose names appear in the Register of Members of the Company on 21st May, 2004 or in the Register of Beneficial Owners maintained by the Depositories as at the close of their business hours on 14th May, 2004.
6. Members are requested to communicate their Bank account number, Branch so that the same may be included in their dividend warrants.
7. Pursuant to the Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended 31st March, 1994 have been deposited to the General Revenue Account of the Central Government. The Members who have not encashed the Dividend Warrant(s) for the said year(s) are requested to claim the amount(s) from the Registrar of Companies U.P., Westcott Building, The Mall, Kanpur- 208001. In case any assistance is required members may write to the company.
8. Pursuant to the Section 205 A (5) of the Companies Act, 1956, all unclaimed dividends for the financial year ended on 31st March, 1995 and 31st March, 1996 have been deposited to the Investor Education and Protection Fund (IEPF) constituted by the Central Government under applicable provisions of the Companies Act, 1956, on November 07, 2002 and December 22, 2003 respectively.
9. The unclaimed/unencashed dividends for the following financial years shall be transferred by the Company, to Investor Education and Protection Fund (IEPF) constituted by the Central Government under applicable provisions of the Companies Act, 1956, on the dates specified against the year:

   31st March, 2002 – 25th August, 2009

   31st December, 2002 – 13th July, 2010

   Please note that under the amended provisions of Section 205B of the Companies Act, 1956 no claim shall lie for the unclaimed dividend from IEPF by the shareholders.

   Shareholders who have not encashed the dividend warrants for the above year(s) are therefore, requested to approach the company for the revalidation of warrant(s) or issue of duplicate thereof.
10. Members are requested to inform the change of their registered address to the Company at its Corporate Office at Yash Nagar, P.O. Darshan Nagar, Faizabad– 224135 (U.P.) by quoting their folio numbers.

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11. Members desirous of obtaining any information as regard accounts and operations of the Company are requested to write to the Company at least ten days before the meeting, so that the information could be made available at the meeting.
12. Company has been alloted **ISIN No. INE551D01018.** Members are requested to approach their DPs for dematerialisation of equity shares of the Company.
13. All material documents are open for inspection by the members on all working days at the Registered Office of the Company till the conclusion of the meeting.
14. As per the provisions of the Companies (Amendment) Act, 1999, facility for making nominations is now available to the shareholders, debenture holders and fixed deposit holders in respect of the shares, debentures or deposits held by them. The nominations can be made by filing the prescribed Form No.2B. Such form may be requisitioned from the Company.
15. Members/ Proxies are requested to bring the attendance slip duly filled in along with their copies of Annual Report in the meeting.
16. Details under clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/re-appointment at the Annual General Meeting is separately annexed thereto.

By Order of the Board

K. K. Jhunjhunwala
Managing Director

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Place : Faizabad
Date : 17.04.2004

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EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

The consent of the company was accorded to the Board of Directors by the shareholders in the meeting dated 16th June, 2003 for borrowing from time to time all such sums of money upto a limit of Rs. 30 crores (Rupees thirty crores) (apart from temporary loans obtained or to be obtained from Company's Bankers in the ordinary course of business) over and above the agrregate of the paid up capital of the Company and its free reserves.

The company has planned major expansion to double its manufacturing capacity, power co-generation and caustic soda recovery effluent treatment plant. The present borrowing limit of Rs.30 crores over and above the aggregate of the paid up capital of the Company and its free reserves is, therefore, considered inadequate. The consent of the Company in General Meeting under Section 293(1)(d) of the Companies Act, 1956, is, therefore, being sought for increasing the borrowing limit upto Rs.80 crores (Rupees eighty crores) over and above the aggregate of the paid up capital of the Company and its free reserves.

Hence, the resolution at item no. 6 of the notice is recommended for your approval.

None of the Directors of the Company is, in any way, concerned or interested in this resolution.

Item No. 7

To meet the capital expenditure requirements of the proposed expansion, the Company proposes to obtain in the coming years financial assistance from Financial Institution(s)/Banks/Other lender(s) by way of loans/debentures/ bonds/other instruments and also in course of working of the Company, the bank(s) might be approached for enhanced working capital limits as set out in the resolution. The borrowings of the Company are required to be secured by suitable mortgages and/or charges and/or hypothecations on all or any of the existing and/or future movable or immovable properties of the Company in such form, manner and ranking as may be determined by the Board of Directors of the Company in consultation with the lender(s).

Such mortgage and/or charge and/or hypothecation of the Company's movable and/or immovable properties in favour of the lender(s) may be regarded as disposal of the undertaking(s) of the Company or a substantial part thereof, in terms of section 293(1)(a) of the Companies Act, 1956.

Section 293(1)(a) of the Companies Act, 1956, provides inter-alia that the Board of Directors of the Company, shall not, without the consent of the Company in the General Meeting sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company or where the Company owns more than one undertaking, of the whole, or substantially whole, of any such undertaking.

Hence, the resolution at item No. 7 of the notice is recommended for your approval.

It is pertinent to mention that the existing borrowings with future borrowings from time to time would be within the limits of Rs. 80 crores as laid down by the shareholders under Section 293(1)(d) of the Companies Act, 1956.

None of the Directors of the Company is, in any way, concerned or interested in this resolution.

Item No.8, 9 and 10

The authorised capital of the Company consists of 40,00,000 Equity shares of Rs.10/- each and 3,00,000 preference shares of Rs.100/- each aggregating to Rs.7 crores. The issued and subscribed capital of the Company consists 38,65,500 Equity shares of Rs.10/- each. In order to fulfill the company contribution required for the financing of the proposed expansion, it has been thought fit to increase the authorised capital which shall facilitate for issue of equity shares for the purpose.

Therefore, resolution under section 94 of the Companies Act, 1956 and other applicable provisions is placed before you for approval as an Ordinary Resolution.

The resolutions at item no. 9 & 10 are the consequential amendment in the Memorandum and Articles of Association to be effective on approval of increase of authorised capital at item no. 8. The amendment in the Articles can be carried out by way of special resolution in the terms of Section 31 of the Companies Act, 1956.

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