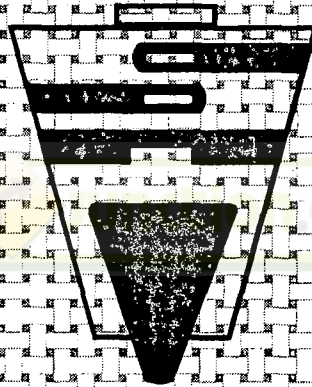


ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 1997



Harro Syndicate Limited.
Govt. Recognised Trading House

MD	CS	RO	TRM	ACM	YE
BKC	DPY	DIV	AC	SH	



YARN SYNDICATE LIMITED

BOARD OF DIRECTORS

SHRI MADANLAL PATODIA, Chairman & Managing Director

SHRI KRISHNA PRASAD BAGARIA

SHRI SITA RAM SARAF

SHRI SURESH S. TODI

SHRI VIKASH SINGHAL

SHRI RAJENDRA KUMAR PATODIA, Managing Director

SHRI KAILASH CHANDRA SIOTIA, Executive Director

COMPANY SECRETARY

SHRI SUNIL SANGANERIA,

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BANKERS

CANARA BANK

Overseas Branch

2/1, Russel Street, Calcutta-700 071

AUDITORS

LODHA & CO.

Chartered Accountants

14, Government Place East, Calcutta- 700 069

REGISTERED OFFICE

7, Sambhu Nath Mullick Lane, Calcutta-700 007

YARN SYNDICATE LIMITED**NOTICE OF THE 51ST ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Fifty First Annual General Meeting of the Members of the Company will be held at Patodia House, 23 Circus Avenue, Calcutta - 700 017 on Friday the 26th day of September, 1997 at 10.00 A.M. to transact the following business :-

ORDINARY BUSINESS :

1. To Consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Profit & Loss Account for the year ended on that date together with the Auditors' and the Directors' Reports thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri Kailash Chandra Siotia who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Sita Ram Saraf who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.
6. To appoint Branch Auditors and fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT Shri Vikash Singhal be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

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

"RESOLVED THAT Shri Suresh S. Todi be and is hereby appointed as Director of the Company whose period of office shall be liable to determination by retirement of directors by rotation."

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 Section 198, 269, 309 & 310 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, Sri R. K. Patodia, Managing Director of the Company be and is hereby re-appointed as the Managing Director of the Company for a period of 5(five) years with effect from 1st July, 1997 on the terms and conditions set out in the Agreement entered into between the Company and Sri R. K. Patodia placed before this meeting and for the purpose of identification, initialled by the Chairman hereof."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions of such appointment in accordance with the laws in force from time to time and to do all such acts, deeds, matters, and things as may be expedient for giving effect to the resolution."

10. 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, 309 & 310 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, approval of the members be and is hereby

YARN SYNDICATE LIMITED

accorded to the revision/increase in the remuneration and perquisites payable to Shri K. C. Sotia, Executive Director of the Company from 1st April, 1997 to 31st March, 2001, being the residual period of his existing terms of five years on the terms and condition set out in the Supplementary Agreement entered into between the Company and Shri K. C. Sotia placed before this meeting and for the purpose of identification, intialled by the Chairman hereof."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions of such appointment in accordance with the laws in force from time to time and to do all such acts, deeds, matters, and things as may be expedient for giving effect to the resolution."

11. 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 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors be and hereby authorised to mortgage and/or charge all present and future moveable and immoveable properties of the Company wherever situate and the whole of the undertaking of the Company to or in favour of any Financial Institution(s) and/or Bank(s) including Canara Bank from whom the Company has borrowed or will borrow moneies or obtained or will obtain financial facilities from time to time."

"RESOLVE FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary for giving effect to the above resolution."

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

RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification or re-enactment thereof, the Articles of Association of the Company be and are hereby altered as under :-

- a) The existing heading below Article 2 of the Articles be substituted by the following new heading :-

POWER OF COMPANY TO PURCHASE ITS OWN SHARES

and Articles 3 be substituted by the following Articles :

Article 3 – Subject to the provisions of the Companies Act as amended from time to time, the Board of Directors are authorised to purchase from time to time such quantity or quantities of the fully paid up shares of the Company, whether or not they are redeemable, at such rate(s) and on such term(s) as the Board may deem proper and make payment(s) for such purchase and to keep them alive/cancel them and/or resell from time to time such number(s) of the shares so purchased at such rate(s) and on such terms as the Board may deem proper, in accordance with the provisions of the Companies Act and other law /rules and regulations as may be applicable from time to time.

- b) Article No. 4A : The following new Article 4A be inserted after Article 4;

4A POWER TO ISSUE NON-VOTING SHARES

Subject to the provisions of the Act and all other applicable provisions of law, the company may issue shares, either equity or any other kind, with non-voting rights and the resolution(s) authorising such issue(s) shall prescribe the terms and conditions governing such issue(s).

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

RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from

YARN SYNDICATE LIMITED

time to time) and subject to such other 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 (herein after referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to acquire/purchase any of the Company's fully paid up shares, for extinguishing the share capital and/or for treasury operations and/or otherwise as may be permitted by law, at any time or from time to time not exceeding 36 months from the passing of such resolution on such terms and conditions and upto such limits as may be thought fit by the Board but not exceeding 15 lakhs shares of Rs.10/- each out of the funds to be reserved for buyback from free reserves and share premium account and that the Board of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary or proper to implement this resolution."

Registered Office :

7, Sambhu Nath Mullick Lane,
Calcutta - 700 007

Dated, 28th day of June, 1997

By order of the Board
For **YARN SYNDICATE LIMITED**
S. K. SANGANERIA
Secretary

NOTES :

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective, must be received by the Company not less than 48 hours before the Meeting.
2. Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item Nos. 7, 8, 9, 10, 11, 12 & 13 is annexed here to and form part of the Notice.
3. The Register of Members and the Share Transfer Books shall remain closed from 16th September, 1997 to 26th September, 1997 (both days inclusive).
4. The Dividend, if declared, will be paid to those shareholders whose names appear on the Register of Members of the Company on the date of the Annual General Meeting.
5. Pursuant to Section 205 of the Companies Act, 1956 the unclaimed dividend upto Financial Year 1992-93 has been deposited in the General Revenue Account of the Central Government. Members concerned are requested to claim the amount from the Registrar of Companies, West Bengal, Nizam Place, 234/4 A. J. C. Bose Road, Calcutta - 700 020.
6. The unclaimed dividend for the Financial Year 1993-94 would fall due for deposit to the Credit of General Revenue Account of Central Government within 17th February, 1998. Shareholders who have not so far encashed their Dividend Warrants may immediately approach the Company for revalidation of Unclaimed Dividend Warrants.
7. **Members are Requested to :**
 - a) notify immediately any change in their addresses to the Company.
 - b) intimate to the Company immediately their banking account number, name and address of the bank and type of bank account so that the same may be printed on their dividend warrants in order to avoid any loss to the members.

YARN SYNDICATE LIMITED**ANNEXURE TO NOTICE****Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.****ITEM NO. 7**

Sri Vikash Singhal was appointed as an Additional Director by the Board of Directors of the Company at its Board Meeting held on 29th November, 1996. By virtue of provision of Section 260 of the Companies Act, 1956 read with Article 93 of the Articles of Association of the Company, Sri Vikash Singhal holds office only upto the date of the forthcoming Annual General Meeting.

The Company has received a notice in writing from a Member Under Section 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- signifying his intention to propose the appointment of Sri Vikash Singhal as a Director of the Company liable to retire by rotation.

The Board of Directors recommend this resolution for approval of members at this meeting. Except Mr. Vikash Singhal, none of the Directors of the Company is concerned or interested in the Resolution.

ITEM NO. 8

Sri Suresh S. Todi was appointed as an Additional Director by the Board of Directors of the Company at its Board Meeting held on 29th November, 1996. By virtue of provision of Section 260 of the Companies Act, 1956 read with Article 93 of the Articles of Association of the Company, Sri Suresh S. Todi holds office only upto the date of the forthcoming Annual General Meeting.

The Company has received a notice in writing from a Member Under Section 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- signifying his intention to propose the appointment of Sri Suresh S. Todi as a Director of the Company liable to retire by rotation.

The Board of Directors recommend this resolution for approval of member at this meeting. Except Mr. Suresh S. Todi, none of the Directors of the Company is concerned or interested in the Resolution.

ITEM NO. 9

Sri R. K. Patodia was appointed as Managing Director of the Company with effect from 1st July, 1992 to 30th June, 1997. In consideration of excellent and valuable services being rendered by Sri R. K. Patodia to the Company resulting in overall growth of the Company, the Board of Directors, at its meeting held on 28th June, 1997, have re-appointed him as Managing Director for a period of five years with effect from 1st July, 1997 on the terms and conditions set out in the agreement subject to your approval. The main terms and conditions of Sri R. K. Patodia's appointment is set out below :

I) Period :

5 Years from 01.07.1997 to 30.06.2002.

II) Salary :

Rs. 30,000/- per month in the Scale of Rs. 30,000 - Rs. 5,000 - Rs. 50,000/-

III) Commission :

One percent Commission on the net profits of the Company computed in accordance with the provisions of Section 349 of the Companies Act, 1956 subject to a ceiling of 50% of the Annual Salary.

IV) Housing :

- a) The Expenditure incurred by the Company for hiring Unfurnished accommodation shall be subject to a ceiling of 60% of the Salary over and above 10% payable by him.
- b) The Expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income-tax Rules, 1962 subject to a ceiling of 10% of his Salary.

V) Medical Reimbursement :

Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

VI) Leave Travel Concession :

For self and family once in a year, provided that only actual fare shall be paid to and fro any place in India and no Hotel Expenses shall be paid.

VII) Club Fees :

Fees of clubs subject to a maximum of two clubs which will not include admission and life membership fees.

VIII) Personal Accident Insurance :

Premium not to exceed Rs. 4,000/- per annum.

YARN SYNDICATE LIMITED

- IX) Contribution to Provident Fund as per Rules of the Company and will not be included in the Computation of ceiling in perquisites to the extent it is not taxable Under the Income Tax Act.
- X) Gratuity payable should not exceed half months' salary for each completed year of service.
- XI) Earned/Privileged leave not exceeding one month for every eleven months of service. Leave accumulated but not availed of shall not be allowed to be encashed.
- XII) Provision of Car for use on Company's business and telephone at his residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the company.

Other Terms & Conditions :

- i) In the case of inadequate or absence of profit, Sri R. K. Patodia will get the same remuneration as mentioned herein above.
- ii) So long as Sri R. K. Patodia functions as the Managing Director of the Company he will not be entitled to any sitting fee for attending the meeting of the Board of Directors or any Committee thereof.
- iii) So long as Sri R. K. Patodia holds the office of the Managing Director he will not be liable to retire by rotation.
- iv) So long as Sri R. K. Patodia holds the office of the Managing Director of the company he will not become interested or Concerned in any selling agency directly or through his wife or minor children without prior approval of the Central Government.
- v) The appointment of Sri R. K. Patodia may be terminated by giving three months notice by either side. The agreement between the Company and Sri R. K. Patodia is available for inspection by the members of the Company at its registered office between 11.00 a.m. and 1.00 p.m. on any working day of the Company. None of the director except Shri M. L. Patodia and Shri R. K. Patodia is concerned or interested in the resolution.

This may be treated as an abstract of the Agreement made by the Company with Sri R. K. Patodia pursuant to Section 302 of the Companies Act, 1956.

The Board of Directors recommend this resolution for approval of Members at this meeting.

ITEM NO. 10

Sri K. C. Siotia was re-appointed as the Executive Director of the Company by Shareholders at the Annual General Meeting held on 30th September, 1996 for a period of Five Years with effect from 1st April, 1996 on a monthly remuneration of Rs.10,000/- Plus other perquisites and benefits. In view of the increased activities of the Company, the Board of Directors of the Company, at its meeting held on 28th June, 1997, has proposed, subject to your approval, revision/increase in the Executive Director's remuneration as payable from 1st April, 1997 to 31st March, 2001, being the residual period of his present terms as set out in the Supplementary Agreement entered into between the Company and Sri K. C. Siotia. The main terms and conditions of Mr. K. C. Siotia's appointment is set out below :

- i) **Period :**
4 Years from 01.04.1997 to 31.03.2001
- ii) **Salary :**
Rs. 15,000/- per month.
- iii) **Housing :**
 - a) Housing Rent Allowance of Rs. 1,500/- per month.
 - b) The Expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules, 1962 subject to a ceiling of 10% of his salary.
- iv) **Medical Reimbursement :**
Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
- v) **Leave Travel Concession :**
For self and family once in a year, provided that only actual fare shall be paid to and fro any place in India and no Hotel Expenses shall be paid.
- vi) Contribution to Provident Fund as per Rules of the Company and will not be included in the Computation of ceiling in perquisites to the extent it is not taxable under the Income Tax Act.
- vii) Gratuity payable should not exceed half months' salary for each completed year of service.

YARN SYNDICATE LIMITED

- viii) Earned/Privileged leave not exceeding one month for every eleven months of service. Leave accumulated but not availed of shall not be allowed to be encashed.
- ix) Provision of car for use on Company's business and telephone at his residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the Company.

Other Terms & Conditions :

- i) In the case of inadequate or absence of profit, Sri K. C. Siotia will get the same remuneration as mentioned herein above.
- ii) So long as Sri K. C. Siotia functions as the Executive Director of the Company he will not be entitled to any sitting fee for attending the meeting of the Board of Directors or any Committee thereof.
- iii) So long as Sri K. C. Siotia holds the office of the Executive Director of the Company he will not become interested or concerned in any selling agency directly or through his wife or minor children without prior approval of the Central Government.
- iv) The appointment of Sri K. C. Siotia may be terminated by giving two months notice by either side.
- v) Sri K. C. Siotia, even if holds the office of the Executive Director, shall be liable to retire by rotation and shall vacate the office of Executive Director if he does not get re-elected on such retirement.

The Supplementary Agreement between the Company and Sri K. C. Siotia is available for inspection by the Members of the Company at its registered office between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

None of the directors except Shri K. C. Siotia is concerned or interested in the resolution.

This may be treated as an abstract of the Supplementary Agreement made by the Company with Sri K. C. Siotia pursuant to Section 302 of the Companies Act, 1956.

The Board of Directors recommend this resolution for approval of members at this meeting.

ITEM NO. 11

The Company need more working capital finance in view of the expanding activities. The Company proposes to approach bank(s) and financial institution(s) to provide financial assistance to the Company from time to time. To secure such financial assistance, the Company may be required to give first charge on all moveable and immoveable assets and properties of the Company, both present and future.

Section 293(1) (a) of the Companies Act, 1956 requires that the Boards of Directors of a Public Limited Company shall not without the consent of the shareholders of such Public Company in the General Meeting sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

Since the mortgage and/or charge to be created as aforesaid may be considered to be disposal of the Company's undertaking, permission of the shareholders is being sought to enable the Board of Directors to mortgage/charge the moveable/immoveable properties of the Company in favour of the Bank/Institutions, as may be necessary.

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

ITEM NO. 12

- a) The proposed Companies Bill 1997 envisages permitting the Company to purchase or re-sell its own shares. It is felt that it would be desirable to have an enabling provision in the Articles or Association to purchase or re-sell its own Shares. Accordingly, it is proposed to replace the existing clause 3 with new clause enabling the Company to purchase/re-sell its own Shares in accordance with law as may be prevailing at the time of purchase/re-sell of share. In the event that such purchase/re-sell is permitted by law, the resolution will confer authority upon the Board to embark on such action at the appropriate time.
- b) The proposed Companies Bill 1997 envisages permitting the Company to issue non-voting shares. It is felt that it would be desirable to have an enabling provisions in the Articles of Association to issue such non-voting shares. Accordingly, it is proposed to add a new clause 4A enabling the Company to issue shares with non-voting rights in accordance with law as may be prevailing at the time of issue of non-voting shares. In the event that such issue of share with non-voting rights is permitted by law, the resolution will confer authority upon the Board to embark on such action at the appropriate time.

The Board of Directors recommend the resolution set out in item no. 13 (a) and (b) for approval of member at this meeting.

A copy of the Articles of Association of the Company showing proposed alteration is available for inspection at the Registered Office of the Company during office hours on any working days between 11 a.m. to 1.00 p.m.

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

YARN SYNDICATE LIMITED**ITEM NO. 13**

Members may be aware that the Companies Act, 1956, presently restricts the purchase of its own shares by a Company.

Of late, there have been discussions on this subject and the Working Draft of the Companies Bill, 1997 has recommended buyback of shares by the Company which may be accepted by the Government in due course. One of the conditions prescribed by the working group is an approval from members by way of Special Resolution.

The Board of Directors feel it would desirable to have an enabling power from the shareholders for this purpose. It will be in the fitness of things if shareholders approve the resolution set out at Item No. 13 of the notice, should the provisions of the Companies Act, 1956, be modified or amended or enacted permitting such purchase, so that your company will be able to implement this in the interest of shareholders especially the large number of small investors of the Company, at an appropriate time within the framework of law as may be stipulated for the purpose.

The Board of Directors recommend this resolution for approval of member at this meeting.

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

Registered Office :

7, Sambhu Nath Mullick Lane,
Calcutta - 700 007

Dated, 28th day of June, 1997

By order of the Board
For **YARN SYNDICATE LIMITED**
S. K. SANGANERIA
Secretary

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