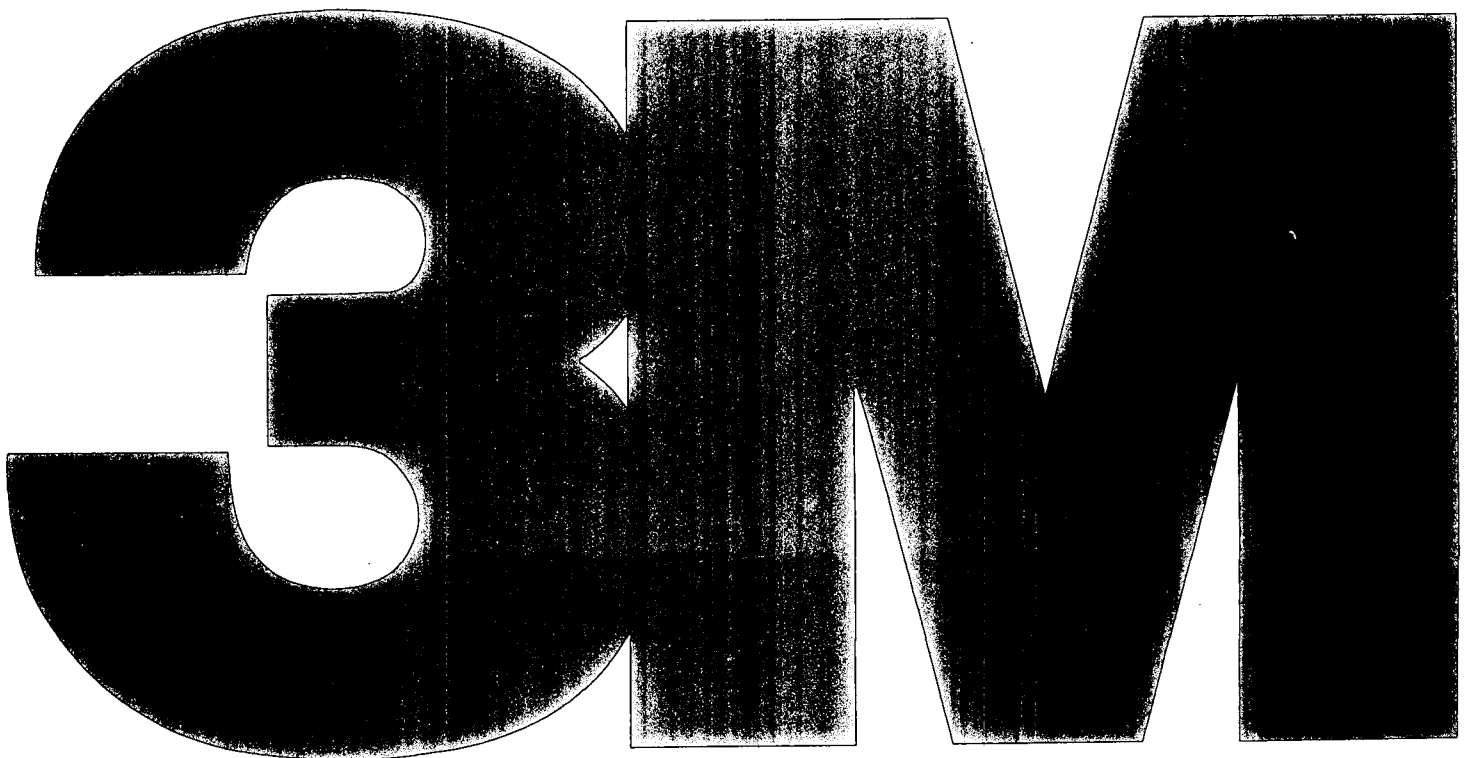


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YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



BIRLA 3M LIMITED ANNUAL REPORT 1997-98







NOTICE

The 11th Annual General Meeting of the Members of the Company will be held at the Hotel Taj Residency, Bangalore, on 23rd September 1998 at 3.00 p.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited accounts for the year ended 31st March 1998, together with the reports of the Directors and Auditors thereon.
2. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

3. To consider and if thought fit, to pass with or without modification as an ordinary resolution, the following :

"RESOLVED THAT the consent of the Company be and is hereby accorded under the provisions of section 293 (1)(d) of the Companies Act, 1956, to the Board of Directors, to borrow from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company (apart from temporary loans obtained from Company's Bankers in the ordinary course of business) from any one or more of the Company's bankers, financial institutions or such other source, on such terms and conditions including by mortgage and/or hypothecation of properties of the Company, as the Board may deem proper, in excess of the paid-up share capital and free reserves of the Company but not exceeding Rs. 100 Crores.

4. To consider and if thought fit, to pass with or without modification as a special resolution, the following :

"RESOLVED THAT the Article Nos. 2, 109, 110, 111B, 113, 136(a), 136(b), 137, 140A in the Company's Articles of Association be and are hereby amended/substituted as set out in the annexure annexed hereto.

By Order of the Board

Managing Director

Place : Bangalore

Date : 20th August, 1998

NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy and vote instead of him and the proxy need not be a member of the Company. Proxies should reach the registered office of the Company before 3.00 p.m. on 21.9.1998.
2. The Register of Members and the Share Transfer books of the Company will remain closed from 24th August to 23rd September 1998 (both days inclusive).
3. Any change in the address may please be intimated to the Company's Share Transfer Agents, namely, Karvy Consultants Limited, 51 / 2, Opp. National College, Vanivilas Road, Basavanagudi, Bangalore - 560 004.
4. The Explanatory Statement pursuant to Section 173 is annexed.

Registered Office

Birla 3M Limited
48 - 51, Electronic City
Hosur Road
Bangalore - 561 229

3M Innovation

Explanatory Statement u/s 173 of the Companies Act, 1956.**Item No.3**

Under section 293 (1)(d) of the Companies Act 1956, the Board of Directors cannot, except with the consent of the Company accorded in general meeting, borrow moneys, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, in excess of the aggregate of the Company's paid-up capital & free reserves. The Company, interalia, require funds to meet certain expansion programme and for these, the Company may have to raise additional resources including by way of borrowings.

In the circumstances, sanction of the share holders is being sought to enable the Directors to borrow moneys not exceeding Rs. 100 Crores.

Item No.4

With due approvals accorded by the Foreign Investment Promotion Board, Government of India, The Securities and Exchange Board of India and other authorities as are necessary and required, The Reserve Bank of India, Minnesota Mining and Manufacturing Co Inc, USA have increased their equity shareholding in the Company from 51 % to 76 % by purchasing 22,08,000 number of equity shares held by Scimitar Investment and Trading Company Pvt. Ltd., & 609,000 number of equity shares from Shearson Investments & Trading Company Pvt. Ltd. As a consequence to the increase in the shareholding of Minnesota Mining and Manufacturing Company Inc., USA and disinvestment dilution of shareholding of Scimitar Investments and Trading Company Pvt. Ltd. and Shearson Investments & Trading Company Pvt. Ltd., certain changes as set out in the annexure are required to be incorporated in the Company's Articles of Association. Hence the resolution under item no.4 is being proposed for shareholders' approval and adoption.

None of the Directors of the Company, except Mr. Yashovardhan Birla may be deemed to be interested or concerned personally in the aforesaid amendment to the Articles of Association of the Company, Mr. Yashovardhan Birla may be deemed to be interested in the amendment to Articles 140A(i) & (ii) of the Articles of Association.

By Order of the Board

Managing Director

Place : Bangalore

Date : 20th August, 1998

**Annexure to the Notice
Alteration of Articles of Association**

Article No.	Existing	Proposed
2	<p>“Scimitar” means SCIMITAR INVESTMENT AND TRADING COMPANY PVT. LTD. & SHEARSON INVESTMENT AND TRADING COMPANY PVT LTD. Companies incorporated under the Companies Act, 1956, having their Registered Offices, at Bombay and their Associates and includes without limitation their successors, assigns, transferees, nominees.</p>	<p>“Shearson” means SHEARSON INVESTMENT AND TRADING COMPANY PVT. LTD., a Company incorporated under the Companies Act and having its registered office at Queens Mansion, Ground Floor, Prescott Road, Bombay 400 001.</p>
109	<p>Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors (excluding Directors appointed under Articles 112, 113 and 114) shall not be less than five not more than thirteen.</p>	<p>Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors, (excluding Directors appointed under Articles 111,112,113 and 114) shall not be less than three and not more than twelve.</p>
110	<p>Subject to the provisions of Section 265 of the act, all Directors of the Company other than Directors appointed under Articles 111,112,113,114,115 and 116 and Managing Director shall be appointed once every three years according to the principle of proportional representation so that each member shall be entitled to as many votes as shall equal the number of shares carrying voting rights which are held by him multiplied by the number of Directors to be appointed. Each member may cast all his votes for a single candidate or may distribute them amongst any two or more of the candidates as he may deem fit.</p>	<p>Not less than two-thirds of the Directors of the Company shall be appointed by the Company in General Meeting. Of the two-thirds so appointed, one-third shall retire by rotation at every Annual General Meeting of the Company.</p>

**Annexure to the Notice
Alteration of Articles of Association**

Article No.	Existing	Proposed
140A	<p>So long as SCIMITAR either singly or in the aggregate hold 26% or more of the paid up equity share capital of the Company, SCIMITAR shall be entitled to designate one of the Directors of the Company as the Chairman of the board and to withdraw any such nomination and to designate any other Director in his place or in the place of any Director who has been designated as the Chairman and who resigns or otherwise vacates his office. Such designation and withdrawal shall be effected by a writing addressed to the Board of the Company under the hand of one of the Directors of SCIMITAR and the same shall taken effect forthwith upon being delivered to the Company. SCIMITAR shall be entitled to designate any Director as the Chairman when for any reason whether death, removal, retirement or otherwise the Director designated earlier as the Chairman cannot act or is unwilling to act as the chairman of the Board of Directors. The Chairman shall be entitled to take the chair at all meetings of the Board. If at any meeting of the Board the Chairman is not present within fifteen minutes from the time appointed for holding the meeting, a Director appointed in terms of Article 111 or his alternate shall be the Chairman of that meeting.</p>	<p>(i) The Board may elect the Chairman of its meeting and determine the period for which he is to hold office. If no such Chairman is elected or at any meeting if the Chairman is not present within ten minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be the Chairman of the meeting.</p> <p>(ii) Notwithstanding sub-clause (i) of this Article, Mr. Yashovardhan Birla shall be entitled though not obliged to continue to be the Chairman of the Board of Directors of the Company until so long as he is a Director appointed by Shearson and Shearson has the right to appoint a Director.”</p>

**Annexure to the Notice
Alteration of Articles of Association**

Article No.	Existing	Proposed
111B	<p>So long as SCIMITAR either singly or in the aggregate hold 26% or more of the paid-up equity share capital of the Company SCIMITAR shall have the right by notice in writing addressed to the Company, to appoint one Director for the time being of the Company, as a Director of the Company and to remove such person from office, and on a vacancy being caused in such office from any cause, whether by resignation, death, removal or otherwise of any such person so appointed, under this Article shall not be subject to appointment under Article 110.</p>	<p>So long as Shearson continues to hold not less than 5% (five percent) of the total issued and paid up equity share capital of the Company, Shearson shall, by notice in writing to the Company, be entitled to appoint one Director of its choice on the Board of Directors of the Company provided always that Shearson's right to appoint a Director to the Board of the Company shall be forfeited for all time if Shearson's shareholding in the Company at any time drops below 5% of the total issued and paid up equity share capital of the Company. By similar notice in writing to the Company, Shearson shall be entitled to remove the person so appointed and appoint another in his place and in the event of the person so appointed ceasing to be a Director, for any reason, to fill in the resulting vacancy. The Director so appointed shall not be liable to retire by rotation."</p>
136(a)	<p>At least 7 days notice of every meeting of the Board shall be given in writing to every Director whether in or outside India. In the case of Directors residing outside India, notice may be sent by cable or telex or fax ; PROVIDED THAT with the consent of the Chairman appointed under Article 140(a) a meeting of Board of Directors may be called after giving shorter notice than that specified as aforesaid.</p>	<p>At least 7 days notice of every meeting of the Board shall be given in writing to every Director whether in or outside India. In the case of Directors residing outside India, notice may be sent by cable or telex or fax ; PROVIDED THAT the majority of the Directors may consent to waive the requirement of notice at the Board Meeting in exceptional circumstances.</p>

**Annexure to the Notice
Alteration of Articles of Association**

Article No.	Existing	Proposed
136(b)	Every notice convening a meeting of the Board of Directors shall set out the agenda of the business to be transacted thereat in sufficient detail and no item of business shall be transacted at such meeting, unless the same has been stated in sufficient detail in the said notice convening the meeting: PROVIDED THAT with the permission of the Chairman, any item of business not included in the agenda can be transacted at the meeting.	DELETE
137	Subject to Section 287 of the Act, the quorum for a meeting of Board shall be one-third of its total strength excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that one- third being rounded off as one, or two Directors, whichever is higher: PROVIDED THAT where at any time the number of interested Directors exceeds or is equal to two thirds of the total strength, the number of the remaining Directors, that is to say, the umber of Directors who are not interested, present at the meeting being not less than two, shall be the quorum shall be duly constituted unless the Directors appointed under Article 111 of their alternates shall remain present.	Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that one-third being rounded off as one, or two Directors, whichever is higher: PROVIDED THAT where at any time the number of interested Directors exceeds or is equal to two thirds of the total strength, the number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum.



VISION AND VALUES

VISION :

TO BE THE MOST INNOVATIVE ENTERPRISE
AND THE PREFERRED SUPPLIER.

VALUES :

SATISFY CUSTOMERS WITH SUPERIOR QUALITY, VALUE AND SERVICE.
PROVIDE INVESTORS AN ATTRACTIVE RETURN THROUGH SUSTAINED QUALITY GROWTH.
RESPECT OUR SOCIAL AND PHYSICAL ENVIRONMENT.
BE A COMPANY EMPLOYEES ARE PROUD TO BE A PART OF.

MESSAGE FROM THE CHAIRMAN

After years of buoyant and healthy economic growth, the Indian economy slowed down considerably in the year 1997-98. The factors that affected this were the slump in the Automobile sector and Industrial manufacturing. Slow pace of infrastructure implementation, deceleration in exports and the downward pressure on the value of the rupee also compounded the problems.



While the foregoing has impacted adversely the pace of our Company's growth, the Organization has been able to face the challenge admirably. We have again posted double digit growth with sales crossing the Rs. 100 crore mark. This is a significant milestone for the Company.

We have clearly prioritized and mapped out our opportunities for future growth and our Organization is aligned to address and realise these opportunities. Our current product offerings, new product introductions and resources will be allocated to focus on the high growth segments in the Indian Market. We will continue to make investments in information systems and supply chain initiatives to make the Organization more productive and customer focussed. I am confident that our breadth of product offerings complimented by our strong Organization will enable us to meet our planned objectives in the future. Our goal is quality growth-growth that is profitable and sustainable.

Once again, my appreciation and thanks to the management, staff and all employees of the Company for a successful year !

A handwritten signature in black ink, appearing to be 'Yashovardhan Birla', written in a cursive style.

YASHOVARDHAN BIRLA
CHAIRMAN