



1998-99
Annual Report

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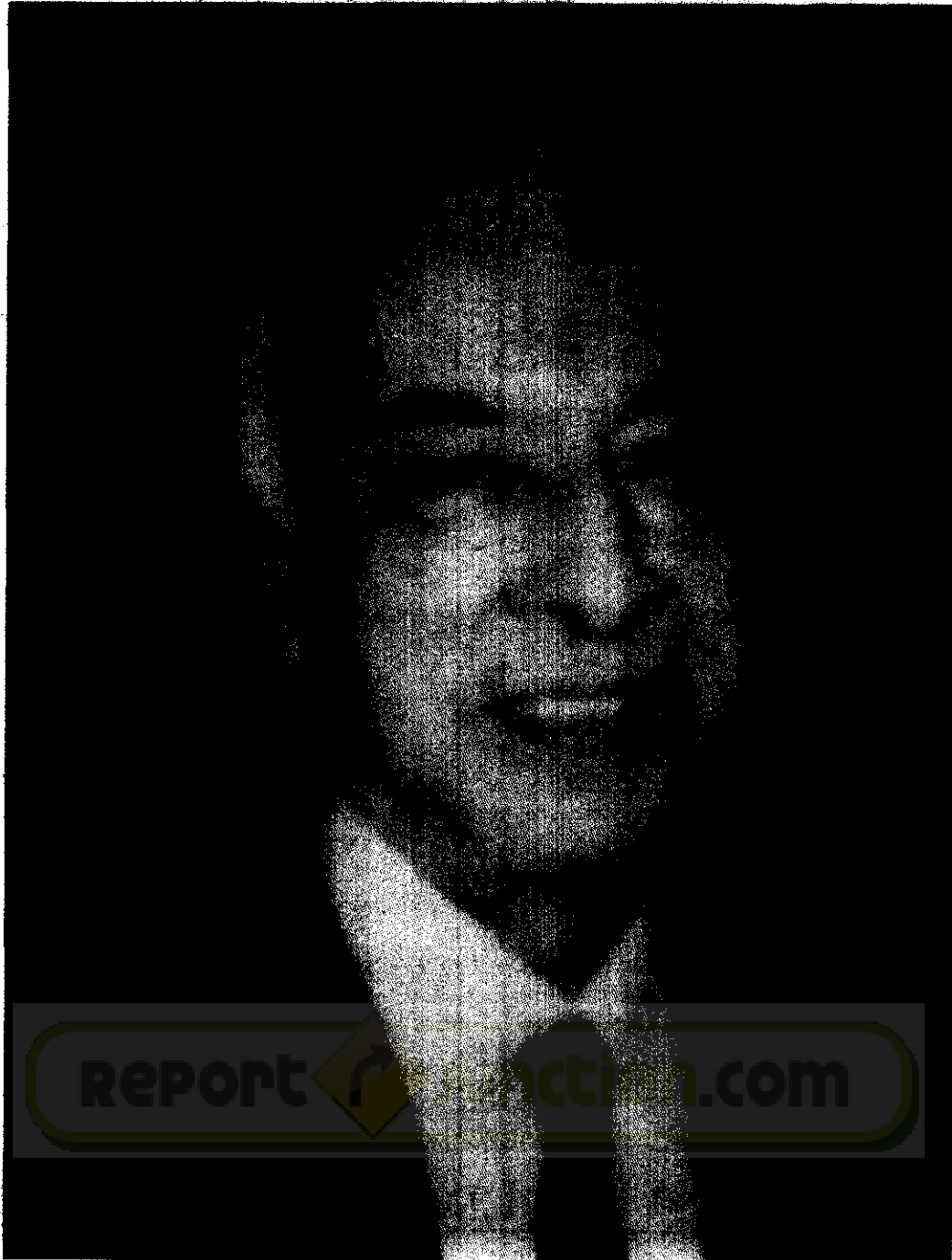


ATUL LIMITED

Atul 396020, Gujarat, India



A MEMBER OF LALBHAI GROUP



SHRI SIDDHARTH KASTURBHAI LALBHAI

(1923 - 1998)

A Tribute.....

Shri Siddharth Kasturbhai, Chairman and Managing Director of Atul, passed away peacefully on September 13, 1998 in the serene ambience of Atul village, his home since 1954.

Shri Siddharth Kasturbhai dedicated his entire life to the development of Atul, a unique story not only of a business enterprise, but also of human vision and endeavour for the progress of rural India.

Founded by Shri Kasturbhai Lalbhai in 1947, nurtured in its early years by Shri Ballubhai Muzumdar and led by Shri Siddharth Kasturbhai for over 4 decades, Atul has emerged as one of the leading chemical companies of Asia. Built to international standards, the main manufacturing site of Atul in Atul village is a testimony to how a 1000+ acre wasteland can be transformed into what is perhaps the greenest chemical complex in the world.

Shri Siddharth Kasturbhai accorded equal value to creation of wealth and service to society. The principles he upheld of ethics in business and trusteeship in governance, the personal qualities he lived by of uncompromising integrity, simplicity and determined low profile, the single-minded devotion he gave to the tasks on hand and the sustained commitment he had of taking the right steps, in the right direction, with the right motives will continue to remain a guiding force.

Atul pledges its unflinching allegiance to a dynamic future in which its growth will not only be incremental, but will also have many inbuilt multi-dimensional multipliers.

Atul is confident of facing the challenges of the future and ushering its stakeholders into a new era of prosperity with Shri Arvind Narottam Lalbhai as its Chairman.

MISSION

We are a chemical company committed to creating wealth for all our stakeholders.

We will strive for leadership in our chosen products and markets by providing high quality products and services to our customers. We will seek profitable growth by innovative application of science and technology.

We will pursue excellence in all that we undertake and take steps to continuously improve.

We will take responsible care of the environment around us and improve the quality of life in the communities we operate in.

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ATUL LIMITED

22nd Annual Report 1998-99

Directors :

Mr Siddharth K Lalbhai
Chairman & Managing Director
(upto September 13, 1998)

Mr Arvind N Lalbhai
(Chairman)

Mr Keshub Mahindra

Mr Nusli N Wadia

Mr Manan N Lalbhai
(Managing Director)

Mr R A Shah

Mr G S Patel

Dr S S Baijal

Mr Sunil S Lalbhai
(Managing Director)

Mr Manu R Shroff

Mr Bansi S Mehta

Mr Has Mukh S Shah

Dr H Kaiwar

Dr K Aparajithan

Mr J L Shah

Mr A N Palwankar
(Nominee of UTI)

Mrs Shalini S Shah
(Nominee of ICICI Ltd)

Secretary :

Mr T R Gopi Kannan

Auditors :

Dalal & Shah
Chartered Accountants

Cost Auditors :

R Nanabhoy & Co

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Registered Office :

Ashoka Chambers
Rasala Marg
Mithakhali Cross Road
Ahmedabad 380 006, Gujarat
India

Bankers :

State Bank of India
ANZ Grindlays Bank
Bank of Baroda
Bank of India
United Bank of India
Credit Lyonnais
Dena Bank
Uco Bank
Karur Vysya Bank
State Bank of Saurashtra
Banque Nationale De Paris

NOTICE

NOTICE is hereby given that the Twenty-Second Annual General Meeting of the shareholders of the Company will be held on **Wednesday, the 29th September, 1999** at 10.30 a.m. at Thakorebhai Desai Hall, Law College Road, Law Garden, Ellisbridge, Ahmedabad 380 006, to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at March 31, 1999 and the Profit and Loss Account for the year ended on that date together with the reports of Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr R A Shah, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr S S Bajjal, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Dr K Aparajithan, who retires by rotation under Article 134 of the Articles of Association of the Company and, being eligible, offers himself for reappointment.
7. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:
 "RESOLVED THAT Messrs Datal & Shah, Chartered Accountants, be and they are hereby appointed as Auditors of the Company, to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting, on a remuneration of Rs10,50,000/- (Rupees Ten Lacs Fifty Thousand only) plus applicable service tax and the reimbursement of expenses incurred by them for attending to the audit work of the Company."

SPECIAL BUSINESS :

7. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution:
 "RESOLVED THAT payment of Rs.30,000/- to Messrs Datal & Shah, Auditors of the Company, towards service tax on fees for carrying out audit of the accounts of the Company for the year ended March 31, 1999 as provided in the Annual Accounts of the Company for the said year be and is hereby ratified and approved."
8. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:
 "RESOLVED THAT Mr Arvind Narottam Lalbhai retiring at this Annual General Meeting, having been appointed as an Additional Director, being eligible offering himself for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature, be and is hereby appointed a Director of the Company."
9. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:
 "RESOLVED THAT Mr J L Shah retiring at this Annual General Meeting, having been appointed as an Additional Director, being eligible offering himself for appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature, be and is hereby appointed a Director of the Company."
10. To consider and, if thought fit, to pass, with or without modifications, the following Resolution as an Ordinary Resolution:
 "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions of the

Companies Act, 1956, the Company hereby accords its approval to re-appoint Mr. Manan N Lalbhai as Managing Director of the Company for a further period of five years with effect from January 01, 2000, as per the terms and conditions contained in the draft of agreement submitted to this meeting and for identification initialled by the Chairman, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said reappointment and/or agreement in such manner as may be agreed to between the parties and within the limits prescribed by the Central Government.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to alter and vary any or all of the terms and conditions as approved vide this resolution as may be deemed fit or expedient or required for considering modifications by the Central Government as aforesaid, in accordance with any changes in the Government's policy on managerial remuneration and/or in the guidelines framed thereunder from time to time which may have the effect of increasing the remuneration or perquisites or benefits."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956, the Company hereby accords its approval to re-appoint Dr K Aparajithan as Director of the Company for a further period of three years with effect from May 24, 1999, as per the terms and conditions contained in the draft of agreement submitted to this meeting and for identification initialled by the Chairman, which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said reappointment and/or agreement in such manner as may be agreed to between the parties and within the limits prescribed by the Central Government.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to alter and vary any or all of the terms and conditions as approved vide this resolution as may be deemed fit from time to time which may have the effect of increasing the remuneration or perquisites or benefits and for the purpose of giving effect to this resolution the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient, usual or proper in the best interest of the Company."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956, the Company hereby approves the terms and conditions of appointment including remuneration of Mr J L Shah, a Director of the Company, for a period of five years from January 22, 1999, as set out in the draft Agreement submitted to this meeting and for identification initialled by the Chairman, which agreement is hereby specifically sanctioned with power to the Board to alter or determine the conditions thereof, in such manner as may be agreed to between the parties and within the limits prescribed by the Central Government.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to alter and vary any or all of the terms and conditions as approved vide this resolution as may be deemed fit from time to time which may have the effect of increasing the remuneration or perquisites or benefits and for the purpose of giving effect to this resolution the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient, usual or proper in the best interest of the Company."

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



"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956 and subject to all other applicable provisions, if any, the Articles of Association of the Company be altered in the following manner :

(a) Insert the following Article as Article 6A after Article 6 of the Articles of Association :

"6A. The Company may (subject to the provisions of Section 77A, 77AA, 77B and other applicable provision(s), if any, of the Act) purchase its own shares or other specified securities (as may be notified by the Central Government from time to time under Section 77A of the Act)."

(b) Insert the following Articles as Article 69A and Article 69B after the Article 69 of the Articles of Association :

"69A.
(i) Every holder of shares in, or holder of debentures of the Company may, at any time, nominate, in the manner prescribed under Section 109A of The Act, a person to whom his shares in, or debentures of, the Company shall vest in the event of his death.

(ii) Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the manner prescribed under Section 109A of The Act, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders.

(iii) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in, or debentures of, the Company, where a nomination made in the manner prescribed under Section 109A of The Act, purports to confer on any person the right to vest the shares in, or debentures of, the Company, the nominee shall, on the death of the shareholder or holder of debentures of the Company, the nominee shall, on the death of the shareholder or holder of debentures of, the Company or, as the case may be, on the death of the joint holders become entitled to all the rights in the shares or debentures of the Company or, as the case may be, all the joint holders, in relation to such shares in, or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner prescribed under Section 109A of The Act.

(iv) Where the nominee is a minor, it shall be lawful for the holder of shares, or holder of debentures, to make the nomination to appoint in the manner prescribed under Section 109A of The Act, any person to become entitled to shares in or debentures of, the Company, in the event of his death, during the minority."

"69B.

(i) Any person who becomes a nominee by virtue of the provisions of Section 109A of The Act, upon the production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either:-

a) to be registered himself as holder of the share or debenture, as the case may be; or

b) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.

(ii) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased shareholder or debenture holder, as the case may be had transferred the shares or debentures, as the case may be, before his death.

(iii) If the person being a nominee, so becoming entitled, elects to be registered as holder of the shares or debentures, himself, as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate

of the deceased shareholder or debenture holder, as the case may be.

(iv) All the limitations, restrictions and provisions of The Act relating to the right to transfer and the registration of transfers of shares or debentures shall be applicable to any such notice transfer as aforesaid as if the death of the member had not occurred and the notice or transfer were a transfer signed by that shareholder or debenture holder, as the case may be.

(v) A person, being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share or debenture except that he shall not, before being registered a member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share or debenture, until the requirements of the notice have been complied with."

(c) Article 65 of the Articles of Association be altered as follows:

(i) at the commencement of the Article - 65 following wordings be added :

"Subject to the provisions of Article 69A and 69B and"

and

(ii) the words and number "and Section 111A" be added after the word and number "Section 111".

(d) Insert the following heading and Article as Article 24A after Article 24 of the Articles of Association :

"24A. Dematerialisation of Securities

(1) For the purposes of these Articles, the expressions "beneficial owner", "depository", "registered owner" and "security" shall have the meaning as defined in the Depositories Act, 1996 or any re-enactment or modifications thereof.

(2) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise/rematerialise its securities and to offer securities in dematerialised form pursuant to the Depositories Act, 1996.

(3) All the securities held by a Depository shall be dematerialised and be in a fungible form.

(4) Notwithstanding anything to the contrary contained in these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner. The Depository shall not have any voting rights or any other rights in respect of the securities held by it.

Every person holding equity share capital of the Company and whose name is entered as beneficial owner in the records of the depository shall be deemed to be a member of the Company.

(5) Nothing contained in these Articles relating to transfer or transmission of securities in physical form shall apply to transfer or transmission of securities held in a Depository.

(6) The register and index of beneficial owners maintained by a Depository shall be deemed to be the register and index of members and register and index of Debentureholders of the Company.

(7) Notwithstanding anything contained in these Articles where the securities are dealt in a Depository, the Company shall intimate the details of allotment of securities to the Depository immediately on allotment of such securities."

By Order of the Board

T R Gopi Kannan

President, Finance &
Company Secretary

May 28, 1999

Aud. Notes:**N.B.**

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 A PROXY NEED NOT BE A MEMBER.
2. **Appointment of Auditors :** It may be noted by the members that Special Resolutions for payment of additional remuneration and appointment of Auditors are to be passed pursuant to Section 224A of the Companies Act, 1956 as the Public Financial Institutions and Nationalised Banks together hold not less than 25% of the Subscribed Capital of the Company.
3. **Annexure :** An Explanatory Statement as required by Section 173 of the Companies Act, 1956, is annexed to this notice.
4. Printed copies of the Balance Sheet, the Profit & Loss Account, the Directors' Report, the Auditors' Report and every other document required by law to be annexed or attached to the Balance Sheet for the financial year ending March 31, 1999 are enclosed herewith.
5. **Book Closure :** The Register of Members and the Share Transfer Books of the Company will remain closed from July 16, 1999 to July 31, 1999 (both days inclusive).
6. **Distribution of Dividend :** Dividend on Equity Shares, if sanctioned by the General Meeting, shall be paid to those shareholders whose names appear on the Register of the Company as on July 31, 1999. The dividend in respect of shares held in the electronic form will be paid to the beneficial owners of shares as on July 15, 1999, as per details furnished by the Depositories for this purpose. The members are requested to notify immediately any change in address.
7. **Transfer of unclaimed dividend pursuant to Section 205A of the Companies Act, 1956 :** The Company has transferred the unclaimed dividend to the General Revenue Account of the Central Government for and up to the financial year ended on March 31, 1995. The concerned members may therefore submit their claims to the Registrar of Companies, Gujarat, Ahmedabad.
8. The Draft Agreements relating to the reappointment of Managing Director and Director in whole-time employment and appointment of Director in whole-time employment of the Company referred to in Resolution No. 10, 11 and 12 would be available for inspection to the members of the Company at the Registered Office of the Company on any working day from 2.30 p.m. to 5.00 p.m. prior to the date of the meeting.

EXPLANATORY STATEMENT

The following Explanatory Statement, as required by Section 173 of the Companies Act, 1956, sets out all material facts including the nature, concern or interest of the Directors in relation to the items of Special Business under item Nos. 7 to 13 mentioned in the accompanying Notice, dated May 28, 1999.

Item No. 7

At the Annual General Meeting of the Company held on September 29, 1998, the members had approved the appointment of Messrs Dalal & Shah, Chartered Accountants, Mumbai, as the Statutory Auditors of the Company to hold office from the conclusion of that meeting to the conclusion of the next Annual General Meeting of the Company at a remuneration of Rs.6,00,000/- (Rupees Six Lacs only) per annum plus reimbursement of expenses incurred by them for attending to the audit work of the Company. However, subsequent to the members' approval the applicability of service tax was extended by the Finance Act, 1998 to remuneration payable to the Auditors of the Company.

The Special Resolution set out at item No. 7 of the Notice convening this Annual General Meeting is proposed to obtain the approval of the members of the Company to pay in addition to remuneration and out of pocket expenses, Rs.30,000/- in aggregate to Messrs Dalal & Shah, Chartered Accountants,

towards service tax.

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

The Board recommends the passing of this resolution.

Item No. 8

Mr Arvind Narottam Lalbhai was appointed as an Additional Director on October 30, 1998. He is a well-known industrialist having wide knowledge and experience in various fields including textiles and chemicals. The Company can substantially benefit from the rich experience and vast knowledge of Mr Lalbhai. Your Directors recommend the passing of this resolution.

No Directors except Mr Arvind Narottam Lalbhai is interested in or concerned with this Resolution.

Item No. 9

Mr J L Shah was appointed as an Additional Director on January 22, 1999. He has worked for over 24 years in various senior positions in erstwhile CIBATUL LIMITED (before it merged with the Company) including as its Managing Director. Your Directors recommend the passing of this resolution.

No Directors except Mr J L Shah is interested in or concerned with this Resolution.

Item No. 10

This Resolution relates to your approval for reappointment of Mr Manan N Lalbhai as Managing Director of the Company for a period of five years from January 01, 2000 and his terms of reappointment including remuneration. Mr Manan N Lalbhai has been Managing Director of the Company since January 01, 1980. The term of his office is due to expire on December 31, 1999.

The contribution made by this Managing Director in the management of the affairs of the Company is well known and it is in the interest of the Company that he be reappointed for a further period of five years as mentioned above.

The terms and conditions of the reappointment of the Managing Director are set out in the draft agreement, which is placed before the meeting. The material terms of the draft agreement are as under :-

1. Mr Manan N Lalbhai is reappointed as Managing Director to carry out the management functions entrusted to him by the Board subject to the superintendence, direction and control of the Board. Certain special powers relating to the management are conferred upon him and enumerated in the draft agreement.
2. Period of office of the Managing Director, is five years with effect from January 01, 2000.
3. The Managing Director to devote his time and attention to the business of the Company as required by the Board and follow directions and instructions of the Board in performance of duties.
4. Remuneration payable to the Managing Director-
 - (a) Salary Rs25,000/- p.m.
 - (b) Dearness Allowance, if any, payable under the Rules of the Company will be treated as part of the salary.
 - (c) Perquisites :
In addition to salary, the following perquisites shall be allowed to the Managing Director.

CATEGORY - "A"**i) Housing :**

The Company shall provide furnished accommodation to the Managing Director. If the Managing Director is having his own accommodation, the Company shall pay house rent allowance at the rate of 60% of the salary.

The Company shall provide equipments and appliances, furniture, fixtures and furnishing at the residence of the Managing Director at the entire cost of the Company.

The Company shall reimburse the expenses of gas, electricity, water etc. The expenditure on these, valued in



accordance with the Income-tax Rules, shall not exceed 10% of the salary.

ii) Medical Reimbursement :

Medical Expenses actually incurred for self and family shall be reimbursed by the Company.

iii) Leave Travel Concession :

The Company shall provide leave travel fare for the Managing Director and his family once in a year.

iv) Personal Accident Insurance :

The Company shall pay Personal Accident Insurance upto Rs.5,000/- per annum.

v) Club fees :

The Company shall reimburse annual fees for a maximum of two clubs.

CATEGORY - "B"

i) The Company shall contribute towards Provident Fund/ Superannuation Fund/Annuity Fund provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the Income-tax Act.

ii) The Company shall pay Gratuity at the rate applicable to Senior Executives of the Company.

iii) Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per rules of the Company.

CATEGORY - "C"

i) The Company shall provide a Car with Driver at the entire cost of the Company for use for the business of the Company. Use of Car for personal purposes shall be billed by the Company.

ii) The Company shall provide telephone at the residence of the Managing Director at the entire cost of the Company. Personal long-distance calls shall be billed by the Company.

5. The Managing Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however, be reimbursed the actual travelling, lodging and boarding expenses incurred by him for attending meetings of the Board of Directors and/or committees thereof.

6. The remuneration referred to in Clause 4 is subject to the limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company on the remuneration of the Managing Directors and whole time Director(s) of the Company taken together. Provided, however, that in the event of absence or inadequacy of profit, the Managing Director shall be entitled to remuneration mentioned under 4(a) above and perquisites as above within the minimum remuneration specified in Schedule XIII to the Companies Act, 1956.

7. In the event of cessation of office during any financial year, a rateable proportion of the aforesaid remuneration shall be payable by the Company.

8. The Managing Director shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.

9. The Directors are at liberty to appoint more than one Managing Director.

10. The Managing Director may resign office, subject to three calendar months' notice.

11. In the event of termination of office, the Managing Director is entitled to compensation in accordance with Section 318 of the Companies Act, 1956.

12. In terms of Article 155 of the Articles of Association of the Company, the Managing Director shall not be liable to retire by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation for retirement of Directors.

13. In the event of any dispute or difference arising out of this agreement between the parties, such dispute or difference shall be referred to arbitration in accordance with the provisions of The Arbitration And Conciliation Act, 1996 or any statutory modification or substitute thereof and all the provisions of that Act so far as are applicable or of any of them for the time being in force shall apply to every reference thereof.

MEMORANDUM OF INTEREST :

The nature of the concern or interest of Mr Manan N Lalbhai, Managing Director of the Company is that the above resolution pertains to his agreement with the Company and he will be receiving the remuneration as stated therein if approved. None of the other Directors of the Company, is interested in the resolution.

The above statement may be treated as an abstract of the terms and memorandum of interest under Section 302 of the Companies Act, 1956.

ITEM NO. 11

This Resolution relate to your approval for re-appointment of Dr K Aparajithan as Director of the Company for a period of three years from May 24, 1999 and his terms of re-appointment including remuneration. Dr K Aparajithan has been a Director of the Company since May 24, 1996. The term of his office expired on May 23, 1999. In order to continue to avail of the benefit of services of Dr K Aparajithan, the Board of Directors at the meeting held on May 28, 1999 reappointed him for a further period of three years with effect from May 24, 1999 subject to approval of the Members.

The contribution made by this Director in the management of the affairs of the Company is significant and it is in the interest of the Company that he be reappointed for a further period of three years as mentioned above.

The terms and conditions of the reappointment of the Director are set out in the draft agreement, which is placed before the meeting. The material terms of the draft agreement are as under :-

1. Dr K Aparajithan is reappointed as Director in whole-time employment to carry out such functions as entrusted to him by the management.

2. Dr K Aparajithan to devote such time and attention to the business of the Company as required by the management.

3. Period of office of the Director, is three years with effect from May 24, 1999.

4. Remuneration payable to the Director-

a) Salary Rs50,000/- p.m.

Dearness Allowance, if any, payable under the Rules of the Company will be treated as part of the salary.

b) Perquisites :

The Perquisites will be restricted to an amount equivalent to the annual salary as in 4(a) above to be reckoned on the basis of actual expenditure or liability incurred by the Company as provided under explanation to Section 198 of the Companies Act, 1956. Within the overall limit, the perquisites that may be allowed by the Company and quantum thereof be as under :

CATEGORY - "A"

i) Housing

A suitable residential accommodation will be provided by the Company. The residential accommodation will be provided with water, cooking gas/ fuel, electricity and furnishings and will be valued as per the Income Tax Rules, 1962. This will however, be subject to a ceiling of 10% of the salary of the incumbent.

If the Company does not provide residential accommodation, house rent allowance shall be paid in lieu thereof @ 60% of the salary.

ii) Medical Reimbursement :

Medical expenses actually incurred for self and family (non-interchangeable) the total cost of which to the Company

shall not exceed one month's salary in a year or three months' salary in a block of three years, shall be reimbursed.

iii) **Leave Travel Assistance :**

The Company shall provide leave travel assistance for self and family once in a year in accordance with the rules of the Company.

iv) **Personal Accident Insurance :**

The Company shall pay Personal Accident Insurance premium upto Rs.4,000/- per annum.

v) **Club Fees :**

The Company shall reimburse annual fees for a maximum of two clubs provided that no life membership or admission fees shall be paid.

CATEGORY - "B"

i) The Company shall contribute towards Provident Fund/ Superannuation Fund/ Annuity Fund as per rules applicable to Senior Executives of the Company and the same will not be included in the computation of the ceiling on perquisites, provided that such contribution either singly or put together shall not exceed the tax free limit prescribed under the Income-tax Act.

ii) The Company shall pay Gratuity at the rate of half a month's salary for each completed year of service.

iii) Entitlement to Casual Leave, Sick Leave and Privilege Leave as per the rules of the Company as are applicable to senior executives of the Company. However, leave accumulated but not availed of will be allowed to be encashed at the end of the term as per rules of the Company.

CATEGORY - "C"

The Company shall provide a car with driver for use on Company's business and telephone at residence. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the incumbent.

5. Dr K Aparajithan shall not be entitled to sitting fees for attending meetings of the Board or Committees thereof. He shall, however, be reimbursed the actual travelling expenses incurred by him for attending meetings of the Board of Directors and/or Committees thereof.

6. The remuneration referred to in Clause 4 and any alteration thereof from time to time is subject to overall limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company as computed in the manner referred to in Section 198. Provided, however, that in the event of absence or inadequacy of profit Dr K Aparajithan shall be paid remuneration mentioned under 4(a) above and the perquisites as above within the minimum remuneration specified in Schedule XIII to the Companies Act, 1956.

7. In the event of cessation of office during any financial year, a rateable proportion of the aforesaid remuneration shall be payable by the Company.

8. Dr K Aparajithan shall be entitled to reimbursement of expenses, incurred by him in connection with the business of the Company.

9. Dr K Aparajithan may resign office, subject to three months' notice.

10. In the event of termination of office, Dr K Aparajithan would be entitled to compensation in accordance with Section 318 of the Companies Act, 1956.

11. In the event of any dispute or difference arising out of this agreement between the parties, such dispute or difference shall be referred to arbitration in accordance with the provisions of The Arbitration And Conciliation Act, 1996 or any statutory modification or substitute thereof and all the provisions of that Act so far as are applicable or of any of them for the time being in force shall apply to every reference thereof.

MEMORANDUM OF INTEREST :

The nature of the concern or interest of Dr K Aparajithan, Director of the Company is that the above resolution pertains to his agreement with the Company and he will be receiving the remuneration as stated therein if approved. None of the other Directors of the Company, is interested in the resolution. The above statement may be treated as an abstract of the terms and memorandum of interest under Section 302 of the Companies Act, 1956.

ITEM NO. 12

Mr J L Shah was appointed as Additional Director of the Company at the meeting of the Board of Directors held on January 22, 1999 and is sought to be appointed as Director u/s. 257 vide Resolution No. 9 placed before the meeting.

The Directors at their meeting held on January 22, 1999 decided to avail of his vast experience and benefit from his valuable advice and fixed the terms and conditions of appointment of Mr J L Shah as Director effective from January 22, 1999 for a period of five years, subject to approval of shareholders and such other sanctions as may be necessary. The terms of appointment of Mr J L Shah are in accordance with Section 269 read with Schedule XIII of the Companies Act, 1956 and hence the approval of Central Government is not required.

Mr J L Shah is well qualified and has wide and varied experience in the areas of Drug Intermediates, Synthetic Resins and other Organic Chemicals. The Board of Directors is of the opinion that Mr J L Shah with his knowledge, experience and insight of Drugs / Chemical industry would be a valuable asset to the Company. The Directors, therefore, recommend the present terms and conditions including remuneration for your approval.

The terms and conditions of the appointment of Mr J L Shah are set out in the draft agreement, which is placed before the meeting. The material terms of the draft agreement are as under:-

1. Mr J L Shah is appointed as Director in whole-time employment of the Company to carry out such functions as entrusted to him by the management.
2. Mr J L Shah to devote such time and attention to the business of the Company as required by the management.
3. Period of office of the Director, is five years with effect from January 22, 1999.
4. Remuneration payable to the Director-

(a) **Salary:** Rs60,000/- (Rupees Sixty Thousand only) per month, (D.A., if any, payable under the Company's Rules will be treated as part of the salary). The salary may be increased from time to time by the Board of Directors at its absolute discretion within the contractual period of 5 years, however such that the maximum salary payable shall not exceed Rs.1,25,000/-.

(b) **Commission :** One per cent commission on the net profits from operations of PP Site of the Company or one year's basic salary whichever is lower, subject to the ceiling specified in the Companies Act, 1956.

(c) **Perquisites :** The perquisites that may be allowed by the Company and quantum thereof will be as under :

CATEGORY - "A"

i) **Housing**

A suitable residential accommodation will be provided by the Company. The residential accommodation will be provided with water, cooking gas/ fuel, electricity and furnishings and will be valued as per the Income Tax Rules, 1962.

If the Company does not provide residential accommodation, house rent allowance shall be paid in lieu thereof @ 50% of the salary.

ii) **Medical Reimbursement :**

Medical expenses actually incurred shall be reimbursed as per rules applicable to senior executives of the