

THE  
BOMBAY DYEING  
AND  
MANUFACTURING  
COMPANY  
LIMITED  
ESTABLISHED 1879



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**ANNUAL REPORT AND ACCOUNTS**  
**2001-2002**

# THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED



## DIRECTORS

Nusli N. Wadia, *Chairman*  
Keshub Mahindra  
Shantanu N. Desai  
R. N. Tata  
R. A. Shah  
K. F. Rustamji.  
Dr. H. N. Sethna  
Ninu Khanna, *Managing Director (w.e.f. 20.5.02)*  
P. V. Kuppaswamy, *Jt. Managing Director*  
Ness N. Wadia, *Deputy Managing Director (w.e.f. 1.8.01)*  
S. S. Kelkar  
Venu Srinivasan  
S. Ragothaman, *Nominee Director*  
A. K. Hirjee

## VICE-PRESIDENTS/CHIEF EXECUTIVES

P. V. Bhide, *Vice-President - HR*  
S. K. Chakrabarti, *Vice-President (Manufacturing)*  
P. S. De, *Chief Financial Officer*  
A. D. Desai, *Vice-President - Exports*  
S. K. Gupta, *Vice-President (Commercial)*  
T. A. Krishnan, *Vice-President (Materials)*  
P. K. Mukherjee, *Vice-President (Production, Planning and Product Development)*  
R. L. Patil, *Vice-President (Manufacturing)*

## GENERAL MANAGERS

V. Dadlani, *General Manager - Internal Audit*  
R. K. Gupta, *General Manager - (Marketing)*  
R. Kapur, *General Manager - Processing*  
A. Malhotra, *General Manager-Exports.*  
N. Rajagopalan, *General Manager - Apparels*  
H. V. Rao, *General Manager - Textile Mills*  
R. V. Sarma, *General Manager (Finance)*  
B. Satyanarayan, *General Manager - I. T.*  
V. Shanbhag, *General Manager - Commercial*  
Dr. (Mrs.) N. Shankar, *General Manager - Product Development*  
A. Singh, *General Manager - (Supply Chain - RDS)*  
D. J. Singh, *General Manager - National Sales Distribution*  
S. K. Tibrewal, *General Manager - (Industrial & Wholesale Marketing)*

## SECRETARY

P. Govindan

## BANKERS

ABN Amro Bank N. V.  
BNP Paribas  
Canara Bank  
Centurion Bank Limited  
Citi Bank N. A.  
The Hongkong and Shanghai Banking Corporation Ltd.  
State Bank of Hyderabad  
State Bank of India  
Standard Chartered Bank  
UTI Bank Ltd.

## ADVOCATES & SOLICITORS

Messrs. Desai & Diwanji  
Messrs. Crawford Bayley & Co.  
Messrs. Mulla & Mulla and Craigie Blunt & Caroe

## AUDITORS

Messrs. A. F. Ferguson & Co.

## REGISTERED OFFICE

Neville House, J. N. Heredia Marg,  
Ballard Estate, Mumbai-400 001.

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# THE BOMBAY DYEING AND MANUFACTURING COMPANY LIMITED

## NOTICE

The 122<sup>nd</sup> Annual General Meeting of the Members of The Bombay Dyeing & Manufacturing Company Limited will be held at the Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020, on Tuesday, the 13<sup>th</sup> August, 2002 at 3.45 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2002 and Profit and 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 the place of Mr. R. A. Shah, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Dr. H. N. Sethna, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Mr. A. K. Hirjee, who retires by rotation, and being eligible, offers himself for reappointment.
6. To appoint Messrs. A. F. Ferguson & Co., Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

### Special Business :

To consider and, if thought fit, to pass with or without modification the following Resolutions :

7. As an Ordinary Resolution:  
"RESOLVED THAT Mr. Ness N. Wadia be and is hereby appointed as a Director of the Company."
8. As an Ordinary Resolution:  
"RESOLVED THAT Mr. Ninu Khanna be and is hereby appointed as a Director of the Company."
9. As a Special Resolution:  
"RESOLVED THAT :  
(A) Pursuant to Sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956, (hereinafter referred to as "the Act") [including any statutory modification(s) or re-enactment thereof for the time being in force], the Company hereby approves the appointment and the terms of remuneration of Mr. Ness N. Wadia as a Whole-time Director designated as Deputy Managing Director of the Company for a period of five years with effect from 1<sup>st</sup> August, 2001, upon the terms and conditions as set out in the Agreement to be entered into between the Company and Mr. Ness Wadia, a draft whereof duly initialled by the Chairman for purposes of identification is submitted to this Meeting which Agreement is hereby specifically sanctioned with the liberty and power to the Board of Directors (hereinafter referred to as "the Board" which expression shall also include a Committee thereof) to grant increments and to alter and vary from time to time the said terms and conditions of appointment and remuneration and/or Agreement in such manner as may be agreed to between the Board and Mr. Ness Wadia subject to the approval of the Central Government, if required.  
(B) Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Ness Wadia as Deputy Managing Director, the Company has no profits or its profits are inadequate, the Company may pay to Mr. Ness Wadia all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the limits stipulated in the aforesaid Agreement subject to the approval of the Central Government, if required.  
(C) The Board be and is hereby authorised at its discretion from time to time to fix the remuneration and/or perquisites of Mr. Ness Wadia and revise such remuneration and/or perquisites from time to time within the maximum limits specified in the aforesaid draft Agreement subject to the approval of the Central Government, if required. The Board be and is hereby further authorised to vary/modify/amend any of the aforesaid terms and conditions provided such variation/modification/amendment is in conformity with the applicable provisions of the Act as amended from time to time and subject to the approval of the Central Government, if required.  
(D) The Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to this Resolution."
10. As a Special Resolution:  
"RESOLVED THAT :  
(A) Pursuant to Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (hereinafter referred to as "the Act") [including any statutory modification(s) or re-enactment thereof for the time being in force], the Company hereby approves the appointment and the terms of remuneration of Mr. Ninu Khanna as Managing Director of the Company for a period of 5 years with effect from 20<sup>th</sup> May, 2002 as set out in the Agreement to be entered into between the Company and Mr. Ninu Khanna, a draft whereof duly initialled by the Chairman for purposes of identification is submitted to this Meeting, which Agreement is hereby specifically sanctioned with the liberty and power to the Board of Directors (hereinafter referred to as "the Board" which expression shall also include a Committee thereof) to grant increments and to alter and vary from time to time the terms and conditions of the said appointment and remuneration and/or Agreement in such manner as may be agreed to between the Board and Mr. Ninu Khanna.  
(B) Where in any financial year during the currency of the tenure of Mr. Ninu Khanna as Managing Director, the Company has no profits or its profits are inadequate, the Company will pay Mr. Ninu Khanna for a period not exceeding 3 years all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the limits stipulated in the aforesaid Agreement subject to compliance with the applicable provisions of Schedule XIII to the Act, if and to the extent necessary, with the approval of the Central Government.  
(C) The Board be and is hereby authorised at its discretion from time to time to fix the remuneration and/or perquisites of Mr. Ninu Khanna and revise such remuneration and/or perquisites from time to time within the maximum limits specified in the aforesaid draft Agreement. The Board be and is hereby further authorised to vary/modify/amend any of the aforesaid terms and conditions provided such variation/modification/amendment is in conformity with the applicable provisions of the Act as amended from time to time.  
(D) The Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to this Resolution."
11. As a Special Resolution:



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"RESOLVED THAT in partial modification of the Resolution passed by the Company at the 120<sup>th</sup> Annual General Meeting held on 8<sup>th</sup> August, 2000 where in any financial year during the currency of the tenure of Mr. A. Sarin as Managing Director, the Company has no profits or its profits are inadequate, the Company may pay Mr. A. Sarin upto and including 20<sup>th</sup> May, 2002 all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the limits stipulated in the Agreement executed between the Company and Mr. A. Sarin on 1<sup>st</sup> March, 2001 subject to compliance with the applicable provisions of Schedule XIII to the Companies Act, 1956, if and to the extent necessary, with the approval of the Central Government."

## 12. As a Special Resolution:

"RESOLVED THAT in partial modification of the Resolution passed by the Company at the 120<sup>th</sup> Annual General Meeting held on 8<sup>th</sup> August, 2000 where in any financial year during the currency of the tenure of Mr. P. V. Kuppuswamy as Joint Managing Director, the Company has no profits or its profits are inadequate, the Company may pay Mr. P. V. Kuppuswamy for a period not exceeding 3 years all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the limits stipulated in the Agreement executed between the Company and Mr. P. V. Kuppuswamy on 1<sup>st</sup> March, 2001 subject to compliance with the applicable provisions of Schedule XIII to the Companies Act, 1956, if and to the extent necessary, with the approval of the Central Government."

## 13. As a Special Resolution:

"RESOLVED THAT in supersession of the Resolution no.12 passed at the 118<sup>th</sup> Annual General Meeting of the Company held on 3<sup>rd</sup> August, 1998, and in accordance with the provisions of the Articles of Association of the Company and Sections 79A and 81 and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the Act") and the provisions contained in the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "the Regulations") (including any statutory modification(s) or re-enactment of the Act or the Regulations for the time being in force) and the Regulations/Guidelines prescribed by any other relevant authority from time to time to the extent applicable and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee constituted or to be constituted by the Board including the Remuneration/Compensation Committee), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or for the benefit of such person(s) who are in the permanent employment of the Company including Directors of the Company, as may be decided solely by the Board under a scheme titled "Employee Stock Option Scheme" (hereinafter referred to as "the ESOS" or "the Scheme") such number of equity shares and/or equity linked instruments (including Options) and/or any other instruments or securities (hereinafter collectively referred to as "the Securities") of the Company which could give rise to the issue of equity shares not exceeding 5% of the issued equity share capital of the Company as on 31<sup>st</sup> March, 2002, at such price, in such manner, during such period in one or more tranches and on such terms and conditions as the Board may decide in accordance with the Regulations or other provisions of the law as may be prevailing at the relevant time.

RESOLVED FURTHER THAT the Securities may be allotted directly to such employees/directors or in accordance with a Scheme framed in that behalf through any appropriate mechanism including a trust or other entity which may be set up in any permissible manner for that purpose and that such scheme may also contain provisions for providing financial assistance to the employees/trust/entity to enable the employees/trust/entity to acquire, purchase or subscribe to the Securities.

RESOLVED FURTHER THAT the new equity shares to be issued and allotted in the manner aforesaid shall rank *pari passu* in all respects with the then existing equity shares of the Company save and except that such equity shares shall carry the right to receive either the full dividend or a *pro rata* dividend from the date of allotment, as may be determined by the Board, declared for the financial year in which the new equity shares are allotted.

RESOLVED FURTHER THAT for the purpose of creating, offering, issuing, allotting and listing of the Securities, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring into effect the Scheme and to make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, usual, proper or desirable for such purpose and with liberty to the Board on behalf of the Company to settle any question, difficulty or doubt whatsoever as may arise with regard to the creation, offer, issue and allotment of the shares without requiring the Board to secure any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of its powers to any Committee of Directors of the Company to give effect to the aforesaid Resolution."

## Notes:

- (a) The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Items 7 to 13 of the Notice as set out above, is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (c) The Register of Members and the Share Transfer Books of the Company will be closed from Tuesday, the 23<sup>rd</sup> July, 2002 to Tuesday, the 13<sup>th</sup> August, 2002 both days inclusive.
- (d) Dividend if any that may be declared at the Meeting, will subject to the provisions of Section 206A of the Companies Act, 1956, be paid on or after 27<sup>th</sup> August, 2002. Pursuant to the amendments introduced by the Finance Act, 2002, tax will be deducted at source at the applicable rates on such dividend where the dividend exceeds Rs. 1,000/-. Shareholders whose annual income is not likely to exceed the taxable limit are requested to submit Form 15G duly filled in, signed and verified in the manner prescribed in the said form, to the Company's Share Department latest by 23<sup>rd</sup> July, 2002, to enable the Company to pay such dividend without deduction of tax at source.
- (e) Members are requested to notify immediately any change of address :
  - (i) to their Depository Participants (DPs) in respect of their electronic share accounts, and
  - (ii) to the Company at its Share Department in respect of their physical share folios, if any, quoting their folio numbers.
- (f) Members are advised to submit their Electronic Clearing Service (ECS) mandates to enable the Company to make remittance by means of ECS.
- (g) The unclaimed dividends for the financial year ended 31<sup>st</sup> March, 1995 and previous years declared by the Company have been



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transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Members who have not encashed the Dividend Warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai.

Dividend remaining unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund. Members who have so far not encashed their Dividend Warrant(s) for the financial year ended 31<sup>st</sup> March, 1996 or any subsequent year are advised to submit their claim to the Company immediately quoting their folio numbers.

- (h) Members may avail themselves of the facility of nomination in terms of Section 109A of the Companies Act, 1956 by nominating in the prescribed form a person to whom their shares in the Company shall vest in the event of their death. The prescribed form can be obtained from the Company's Share Department at its Textile Mill Complex, Administrative Office, 1<sup>st</sup> Floor, Pandurang Budhkar Marg, Mumbai 400 025.
- (i) As required in terms of paragraph VI(A) of Clause 49 of the Listing Agreement, the details of the directors retiring by rotation and eligible for reappointment are furnished below:

### Mr. R. A. Shah:

Mr. R. A. Shah is a leading Solicitor and a Senior Partner of M/s. Crawford Bayley & Company, a firm of Solicitors and Advocates. He specialises in a broad spectrum of corporate laws. Mr. R. A. Shah has been a Director on the Board of the Company since December 1979.

**Outside Directorship:** Godfrey Phillips India Ltd. (Chairman), Pfizer Ltd. (Chairman), Colgate Palmolive India Ltd. (Vice-Chairman), Fulford India Ltd. (Chairman & Alternate Director), Parke Davis (I) Ltd. (Chairman & Alternate Director), Asian Paints (I) Ltd., Atul Limited, BASF India Ltd., Colour Chem Ltd., Deepak Fertilizers & Petrochemicals Corporation Ltd., Knoll Pharmaceuticals Ltd., Nicholas Piramal India Ltd., Philips India Ltd., Prudential ICICI Trust Ltd., Procter & Gamble Hygiene and Healthcare Ltd.

**Committee Membership :** Audit Committee of the Boards of Pfizer Ltd. (Chairman), Colgate Palmolive India Ltd. (Chairman), The Bombay Dyeing & Mfg. Co. Ltd. (Chairman), Nicholas Piramal India Ltd. (Chairman), BASF India Ltd., Colour Chem Ltd., Knoll Pharmaceuticals Ltd., Procter & Gamble Hygiene and Healthcare Ltd. & Wockhardt Ltd. and Remuneration Committee of the Board of The Bombay Dyeing & Mfg. Co. Ltd.

### Mr. A. K. Hirjee

Mr. A. K. Hirjee, 63, is B.A. (Hons.), LL.B. (Hons), Barrister-at-Law, Fellow of London Business School. He has 38 years of experience in different areas of Business Management and his expertise extends to finance, banking, legal, commercial, industrial and general administration. Mr. Hirjee has been actively associated with leading Charitable Institutions.

**Outside Directorship:** The Bombay Burmah Trading Corporation Limited (Vice Chairman), B.R.T. Limited (Chairman), Inor Medical Products Limited (Chairman), Dental Products of India Ltd. (Chairman), Gherzi Eastern Ltd., Atlas Copco (India) Ltd., Nowrosjee Wadia & Sons Ltd., Wadia BSN India Ltd., Britannia Industries Ltd., Citurgia Biochemicals Ltd., HDFC Trustee Co. Ltd., Proline India Ltd., 8 foreign companies and 3 private companies.

**Committee Membership:** Audit Committee of the Boards of The Bombay Burmah Trading Corporation Limited (Chairman) and Atlas Copco (India) Limited (Chairman), Remuneration Committee of the Boards of Atlas Copco (India) Limited (Chairman) and Citurgia Biochemicals Ltd. and also Shareholders/Investors Grievance Committee of the Boards of The Bombay Burmah Trading Corporation Limited (Chairman), Atlas Copco (India) Limited, Britannia Industries Ltd. and Citurgia Biochemicals Ltd.

### Dr. H. N. Sethna

Dr. H. N. Sethna, 78, is B.Sc., B.Sc. (Tech.) from Bombay University and M.S.E. (Michigan) ; F.A. Sc., F.N.A., F.I.E., M.I.E. He has been conferred with Honorary Doctorates in Science by several Universities in the country and also I.I.T., Bombay and Delhi, apart from Honorary Doctorate in laws by Bombay University.

He was Director of the Bhabha Atomic Research Centre during the period 1966-1972. He was appointed Secretary to the Government of India and Chairman Atomic Energy Commission during the period 1972-1981 and Principal Secretary to the Government of India and Chairman Atomic Energy Commission from 1981 to 1983. He was appointed a Member of the Research Advisory Committee of the Planning Commission, Government of India in 1998. He was appointed a Member of the Court of the Indian Institute of Science, Bangalore (1998-2001), the Court of University of Hyderabad (1998) and the Board of Trade, D.G.F.T., Government of India (1999).

He was awarded "Padma Shri" in 1959, followed by "Padma Bhushan" in 1966 and "Padma Vibhushan" in 1975.

Dr. Sethna is the recipient of several Awards including Pandit Jawaharlal Nehru Award for Engineering & Technological Sciences, "UDCT Diamond" Award from the University of Bombay, "Life time Contribution in Engineering Award" from the Indian National Academy of Engineering. He was on the Scientific Advisory Committee of the International Atomic Energy Agency from 1966 to 1981 and also on U.N. Scientific Advisory Committee in 1970. He was the Chairman of Tata Electric Companies from 1989 to 1999.

He has been a Member of several reputed Institutions and organisations. Dr. Sethna has been actively associated with leading Charitable Institutions.

**Outside Directorship:** Cabot India Limited (Chairman), WIMCO Limited (Chairman), B.R.T. Limited, Jost's Engineering Co. Ltd., Trent Limited, Mahindra Ugin Steel Co. Ltd., Tata Projects Limited and 4 Private Limited Companies.

**Committee Directorship:** Audit Committee of the Boards of Wimco Ltd. (Chairman) and Cabot India Ltd. and Share transfer and Shareholders /Investors Grievance Committee of the Board of The Bombay Dyeing & Mfg. Co. Ltd.

Details in respect of Mr. Ness N. Wadia and Mr. Ninu Khanna have been furnished at the appropriate places in the Explanatory Statement annexed to the Notice. These details are not given here so as to avoid repetition.

Mumbai, 21<sup>st</sup> June, 2002.

**Registered Office :**  
Neville House,  
J. N. Heredia Marg,  
Mumbai 400 001.  
Phone : 2618071

By Order of the Board of Directors  
For THE BOMBAY DYEING & MFG. CO. LTD.

P. GOVINDAN  
Secretary



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### ANNEXURE TO NOTICE

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the Special Business mentioned under items 7 to 13 of the accompanying Notice dated 21<sup>st</sup> June, 2002.

#### Items 7 & 8:

Mr. Ness N. Wadia was appointed by the Board of Directors with effect from 1<sup>st</sup> August, 2001 as an Additional Director in terms of Section 260 of the Companies Act, 1956 and Article 117 of the Company's Articles of Association while Mr. Ninu Khanna was similarly appointed as an Additional Director with effect from 20<sup>th</sup> May, 2002. They hold office as Directors only up to the date of this Annual General Meeting but are eligible for re-appointment. As required under Section 257 of the Companies Act, 1956, Notices in writing (along with a deposit of Rs.500 each) have been received from some members signifying their intention to propose the aforesaid individuals as Director of the Company at this Annual General Meeting.

Mr. Ness Wadia, 31, has been with the Company for over 9 years initially as a Management Trainee and prior to his induction on the Board, as Marketing Manager. As Marketing Manager, he was closely involved in Marketing and Retail Distribution of the Textile Division. During the last two years, he has received extensive training in Management at the Warwick University, U.K., and he is due to be conferred with the degree of M.Sc. by the said University. He is on the Boards of Nowrosjee Wadia & Sons Ltd., National Peroxide Ltd., Gherzi Eastern Ltd., Botanium Ltd., Wadia BSN India Ltd. and 1 private limited company.

Mr. Ninu Khanna, 48, is a Science Graduate with specialisation in Chemistry and holds Masters Programme in Management (PGDM) with specialisation in Marketing and brings with him more than 25 years of experience in various organisations including FMCGs like Colgate Palmolive and Procter & Gamble in India and abroad, in senior level positions. His last assignment was with Dabur India Ltd. as Chief Executive. He does not hold any Directorship in any other Company.

Mr. Ness Wadia and Mr. Ninu Khanna are concerned or interested in the Resolutions at Items 7 and 8 respectively as they relate to their re-appointment. Mr. Nussli N. Wadia, Chairman, being the relative (as defined under Section 6 of the Act) of Mr. Ness Wadia is deemed to be concerned or interested in the Resolution at Item 7.

The Directors recommend these Resolutions for your approval.

#### Items 9, 10, 11 & 12:

- (a) Mr. Ness Wadia was appointed as Whole-time Director designated as Deputy Managing Director by the Board of Directors of the Company at its meeting held on 23<sup>rd</sup> July, 2001 for a period of 5 years with effect from 1<sup>st</sup> August, 2001.

Mr. Ninu Khanna was appointed as the Managing Director by the Board of Directors of the Company for a period of 5 years with effect from 20<sup>th</sup> May, 2002 consequent upon the relinquishment of office by Mr. Adhiraj Sarin.

- (b) The terms and conditions of the appointment of Mr. Ness Wadia as Dy. Managing Director and Mr. Ninu Khanna as Managing Director (hereinafter referred to as "the Appointees") are embodied in the Agreements to be made between the Company and the Appointees.

The aforesaid appointments and remuneration payable to them are subject to the approval of the members. Since Mr. Ness Wadia is a non-resident Indian, his appointment as Deputy Managing Director for a period of 5 years from 1<sup>st</sup> August, 2001 and the remuneration payable to him at Rs.1,87,717 p.m. (all inclusive) have already been approved by the Central Government in terms of its letter dated 15<sup>th</sup> June, 2002.

- (c) At the 120<sup>th</sup> Annual General Meeting held on 8<sup>th</sup> August, 2000, the Members had approved the appointment of Mr. A. Sarin as Managing Director for 5 years effective 1<sup>st</sup> March, 2000 and Mr. P. V. Kuppuswamy as Joint Managing Director until 28<sup>th</sup> August, 2004. The Agreements entered into with Mr. A. Sarin and Mr. P. V. Kuppuswamy on 1<sup>st</sup> March, 2001 based on the approval of the Members as aforesaid provided for payment of all the remuneration by way of salary (including incentive) and allowances and perquisites not exceeding the limits stipulated in the Agreements within the overall ceilings specified in Schedule XIII to the Act in case the Company has no profits or its profits are inadequate in any financial year during the currency of their tenure. Mr. A. Sarin had since resigned effective close of business on 20<sup>th</sup> May, 2002.

The Department of Company Affairs vide its Notification No. GSR 36(E) dated 16<sup>th</sup> January, 2002 amended Schedule XIII to the Companies Act, 1956 ("the Act") revising the limits for payment of managerial remuneration by a Company in a financial year when it has no profits or has inadequacy of profits. The said amendment *inter alia* requires the members' approval for payment of managerial remuneration to Managing and Whole-time Directors for a period not exceeding 3 years. Pursuant to the said Notification, the Remuneration Committee of Directors at their Meeting held on 27<sup>th</sup> March, 2002 revised the terms of payment of remuneration of Mr. A. Sarin as Managing Director and Mr. P. V. Kuppuswamy as Joint Managing Director by amending the minimum remuneration clause so as to provide for payment of a minimum remuneration for a period not exceeding 3 years.

The Income tax Rules governing valuation of perquisites were substantially revised from 1<sup>st</sup> October, 2001 and the valuation of perquisites was made applicable on cost to Company basis. Arising from this revision of the valuation rules, a number of perquisites such as deemed income arising from concessional interest on housing loan, gas and electricity, etc. which were earlier either not taxable or were taxed at concessional rates became fully taxable.

Consequently the minimum remuneration payable in terms of their terms and conditions of appointment approved by the shareholders at the 120<sup>th</sup> Annual General Meeting held on 8<sup>th</sup> August, 2000 aggregate (excluding Provident Fund/Superannuation Fund/Gratuity) to Rs.2,45,260 per month in the case of Mr. P. V. Kuppuswamy and Rs.4,13,839 per month in the case of Mr. A. Sarin. Since Mr. A. Sarin ceased to be the Managing Director effective close of business on 20<sup>th</sup> May, 2002, consequent upon his resignation, the minimum remuneration as above will be payable to him only until and including 20<sup>th</sup> May, 2002.

Accordingly, (a) in the case of Mr. P. V. Kuppuswamy where monthly remuneration exceeds Rs.2 lacs, it will be necessary for the Company to comply with the conditions stipulated in Tier 'B' viz., approval by Remuneration Committee and also by the shareholders by way of a Special Resolution; and (b) in the case of Mr. A. Sarin where monthly remuneration exceeds Rs.4 lacs, it will be

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necessary for the Company to comply with the conditions stipulated in Tier 'C' viz., approval by Remuneration Committee and also by the shareholders by way of a Special Resolution and approval of the Central Government. The application made by the Company to the Central Government for its approval in the case of Mr. A. Sarin is under the active consideration of the Central Government and its approval is expected to be received in due course. As mentioned earlier, the Remuneration Committee at its Meeting held on 27<sup>th</sup> March, 2002 has already approved the remuneration payable as above to Mr. P. V. Kuppaswamy and Mr. A. Sarin.

(d) The main terms and conditions contained in the draft Agreements proposed to be entered into by the Company with the Appointees are given below :

1. Mr. Ness Wadia shall serve the Company as Deputy Managing Director for a term of 5 years commencing from 1<sup>st</sup> August, 2001 while Mr. Ninu Khanna shall serve the Company as Managing Director for a term of 5 years commencing from 20<sup>th</sup> May, 2002.
2. The Appointees shall carry out such functions and exercise such powers and perform such duties as the Board shall from time to time in their absolute discretion determine and entrust to him.  
Subject to the superintendence, control and direction of the Board, Mr. Ninu Khanna shall have the general control of the business of the Company and be vested with the management and day to day affairs of the Company.
3. The Appointees shall devote their whole time and attention to the business of the Company, exert their best endeavours to promote its interest and welfare, and attend their place of employment at all proper times.
4. (i) The Appointees shall undertake such travelling in and outside India as may be necessary in the interest of the Company's business or as may from time to time be required or directed by the Board in connection with or in relation to the business of the Company.  
(ii) The Appointees shall be entitled to reimbursement of all expenses including travelling, entertainment/business promotion and other out-of-pocket expenses incurred by him in connection with or in relation to the business of the Company.
5. In consideration of the performance of their duties, the Appointees shall be paid the following emoluments, benefits and perquisites from time to time.

	<u>Mr. Ness Wadia</u>	<u>Mr. Ninu Khanna</u>
(i) Basic Salary :	Rs.60,000 p.m.	Rs. 1,98,000 p.m.
(ii) Incentive :	Incentive Allowance up to 50% of his salary as may be determined by the Board from time to time at its own discretion.	Rs. 1,98,000 p.m.
(iii) Commission :	Commission on profits at such percentage of salary as may be determined by the Board at its sole discretion.	

PROVIDED HOWEVER subject always to the limits contained in Sections 198 and 309 of the Act, the Company may, at its sole discretion pay by way of salary, allowances, commission on profits and/or bonus, as may be determined by the Board from time to time, which shall not exceed a maximum limit of Rs.30 lacs per annum in the case of Mr. Ness Wadia and Rs.60 lacs per annum in the case of Mr. Ninu Khanna.

- (iv) In addition to the above remuneration, the Company may, at its sole discretion sanction perquisites such as partly furnished accommodation, and/or House Rent Allowance, gas, electricity, water, furnishings, medical reimbursement, leave travel concession for self and family, club fees, medical insurance and other benefits and amenities as may be determined by the Board from time to time in accordance with the Rules of the Company, the monetary value of such perquisites being restricted to Rs.12 lacs per annum in the case of Mr. Ness Wadia and Rs.20 lacs per annum in the case of Mr. Ninu Khanna.

For the purpose of computing the aforesaid ceiling, perquisites would be valued as per the Income Tax Rules, 1962, wherever applicable. Provision for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of computing the aforesaid ceiling.

Contribution to Provident Fund, Superannuation Fund or Annuity Fund shall not exceed 27% of the basic salary and incentive or such higher percentage as permissible under Rule 87 of the Income Tax Rules, 1962 and shall not be included in the computation of the ceiling on the remuneration payable as aforesaid.

- (v) Where in any financial year during the currency of tenure of the Appointees as Dy. Managing Director/Managing Director as the case may be, the Company has no profits or its profits are inadequate, the Appointees shall be entitled to all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the aforesaid limits within the overall ceiling approved by the Central Government from time to time or subject to compliance with the applicable provisions of Schedule XIII to the Act, if and to the extent necessary, with the approval of the Central Government, respectively.
- (vi) The Board may, at its discretion, from time to time fix the Appointees' remuneration within the maximum remuneration specified and revise such remuneration from time to time, within the maximum limits specified therein.
6. The Rules of the Company which are applicable to other Senior Executives of the Company, shall also apply to the Appointees.
7. The Appointees shall not be paid any sitting fees for attending Meetings of the Board or of any Committee thereof.





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8. The Appointees shall not, as long as they function as the Director of the Company, become interested or otherwise concerned directly or indirectly in any contract with the Company, as contemplated under sub-section (1) of Section 297 of the Act without the prior approval of the Central Government.
9. The Appointees shall not, except in the proper course of their duties during the continuance of their employment with the Company or any time thereafter divulge or disclose to any persons whomsoever or make use whatsoever for their own purpose or for any purpose of any information or knowledge obtained by them during their employment as to the business and/or affairs of the Company and/or trade secrets or secret processes of the Company.
10. The Appointees shall not in the event of their ceasing to be the Dy. Managing Director/Managing Director as the case may be, of the Company before the expiry of the term of 5 years, for the remainder of such period:
  - (i) either alone or jointly with or as an employee of any person, firm or company, directly or indirectly, carry on or engage in any activities or business which shall be in competition with the business of the Company, and
  - (ii) in connection with carrying on any business similar to or in competition with the business of the Company on their behalf or on behalf of any person, firm or company, directly or indirectly:
    - (a) seek to procure orders or do business with any person, firm or company, who has at any time during the two years immediately preceding such cessation of employment, done business with the Company; or
    - (b) endeavour to entice away from the Company any person who has at any time during the two years immediately preceding such cessation of employment, done business with, or engaged by, the Company. Provided that nothing in this clause shall prohibit seeking or procuring of orders or doing of business not related or similar to the business/businesses of the Company.
11. The employment of the Appointees shall forthwith determine if they become insolvent or cease to be a Director of the Company. They shall cease to be a Director if the Agreement is terminated and they cease to be employed as the Dy. Managing Director/Managing Director as the case may be.
12. If the Appointees be guilty of any misconduct or any breach of the Agreement as in the opinion of the Board render their retirement from the office of the Dy. Managing Director/Managing Director as the case may be, desirable, the Company may by not less than 30 days notice in writing to them determine this Agreement and they shall cease to be the Dy. Managing Director/Managing Director, as the case may be of the Company upon the expiration of such Notice.
13. Either party shall be entitled to terminate the Agreement by giving not less than six calendar months prior notice in writing in that behalf to the other party, provided that the Company shall be entitled to terminate the Appointees' employment at any time by payment to him of six months' salary in lieu of such notice.
14. If the Appointees cease to be the Dy. Managing Director/Managing Director as the case may be of the Company, they shall be deemed to have resigned from the office of Director as from such date of cessation.

The Board will have the authority at its discretion from time to time to fix the Appointees' remuneration within the maximum remuneration specified and revise such remuneration from time to time within the maximum limits specified in the Agreement.

The Board will have further authority to vary/modify/amend any of the aforesaid terms and conditions provided such variation/modification/amendment is in conformity with the applicable provisions of the Act as amended from time to time.

Your Directors consider the aforesaid remuneration commensurate with the duties and responsibilities of the Appointees.

The draft Agreements to be entered into by the Company with the Appointees and the Agreements dated 1<sup>st</sup> March, 2001 executed by the Company with Mr. A. Sarin and Mr. P. V. Kuppaswamy are available for inspection for the shareholders at the Registered Office of the Company during business hours on any working day (except Saturdays, Sundays and Public Holidays).

Mr. Ness Wadia and Mr. Ninu Khanna are concerned or interested in the Resolutions at Items 9 and 10 respectively as they relate to their appointment. Mr. Nusli N. Wadia, Chairman, being the relative (as defined under Section 6 of the Act) of Mr. Ness Wadia is deemed to be concerned or interested in the Resolution at Item 9.

This may be treated as an Abstract of the terms of Agreements between the Company and Mr. Ness Wadia and Mr. Ninu Khanna, when executed, and Memorandum of Interest pursuant to Section 302 of the Act.

Mr. P. V. Kuppaswamy is concerned or interested in the Resolution at item 12.

The Directors recommend the Resolutions at items 9, 10, 11 and 12 for your approval.

**Additional information** relevant to the said appointments of the Dy. Managing Director and Managing Director and payment of minimum remuneration to Mr. A. Sarin and Mr. P. V. Kuppaswamy in terms of Notification dated 16<sup>th</sup> January, 2002 issued by the Department of Company Affairs.

#### I. General Information:

- (i) Nature of Industry : The Company's Textile business relates to Textile industry while its DMT business relates to the Chemical industry.
- (ii) Date or expected date of commencement of commercial production: The Company was incorporated on 23<sup>rd</sup> August, 1879 and it started commercial production of textile products soon thereafter.
- (iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not Applicable.



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(iv) Financial performance based on given indicators – as per published audited financial results for the year ended March 31, 2002:

Particulars	(Rupees in Crores)
Turnover & Other Income	932.04
Net Loss as per Profit & Loss A/c.	(29.06)
Loss as computed under Section 309(5) read with Section 198	(59.92)
Net Worth	333.99

(v) Export performance and foreign exchange earned for the financial year ended March 31, 2002 : The Company's exports of Rs.195.56 crores were marginally higher in value terms as compared to the preceding year. The Company's earnings in foreign exchange were Rs.198.43 crores for the financial year ended 31<sup>st</sup> March, 2002.

(vi) Foreign investments or collaborations, if any: Not Applicable.

### II. Information about the Appointees/Incumbents :

(i) Background details : Background details of **Mr. Ness Wadia** and **Mr. Ninu Khanna** have already been provided in the Explanatory Statement relating to Items 7 & 8 hereinabove. The said details are not mentioned again here so as to avoid repetition.

**Mr. Adhiraj Sarin**, 49, is an Engineer of I.I.T., Kanpur. He has more than 25 years experience in various Divisions of Hindustan Lever. Prior to joining the Company, he was the Managing Director of Hind Lever Chemicals Ltd. with a turnover of more than Rs.1475 crores (total experience 27 years).

**Mr. P. V. Kuppuswamy**, 58, is a B.Sc. (Chem.), and B.Sc. (Chem. Engg.) with Post Graduate Diploma of Indian Institute of Petroleum (Petroleum Refining & Petrochemicals) and has been with the Company for over 22 years in various Management positions involving Project implementation, Manufacturing, Commercial, Marketing and Total Business Management, besides having previous experience of over 11 years in large Petrochemical Complex in functions relating to Technical Services, Production and Projects. (Total experience – 34 years).

(ii) Past Remuneration drawn :

Director	Total
During financial year 2000-01	Rs. in lacs
Mr. Adhiraj Sarin	49.90
Mr. P. V. Kuppuswamy	30.38
Mr. Ness Wadia	4.23
During financial year 2001-02 [April-December, 2001]	Rs. in lacs
Mr. Ninu Khanna	64.50

Notes : 1) Remuneration included contributions to Provident Fund and Superannuation Fund.

2) Past remuneration of Mr. Ninu Khanna is drawn from his previous employment and excludes stock options of Rs.79.57 lacs.

(iii) Recognition & Awards/Achievements : **Mr. Ness Wadia** was awarded Rotary Medal of Honour for Bravery (1980-81). **Mr. Adhiraj Sarin** was : (i) Dy. Head Boy at Hyderabad Public School, (ii) Member of Students Senate at I.I.T., Kanpur, and (iii) the best debater at I.I.T., Kanpur. His article was adjudged the best research article on Fertilizer marketing by Fertilizer Association of India in 1995. **Mr. P. V. Kuppuswamy** received the distinguished Alumnus Award from the Society of Chemical Engineers of the Institute of Technology, Banaras University in 1996.



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- (iv) Job Profile and suitability : **Mr. Ness Wadia** has been the Dy. Managing Director, since 1<sup>st</sup> August, 2001, heading the Property Division of the Company and is in-charge of the assignment of rebranding and restructuring of the Retail Distribution Division of the Company. **Mr. Ninu Khanna**, Managing Director, since 20<sup>th</sup> May, 2002 is responsible for product development, manufacturing, marketing, sales and profitability of the Company's Textile business unit. He took over as the Managing Director on the relinquishment of charge by Mr. A. Sarin. **Mr. A. Sarin** was the Managing Director of the Company heading the Textile business until 20<sup>th</sup> May, 2002. He took over as the Managing Director on 1<sup>st</sup> March, 2000. **Mr. P. V. Kuppuswamy** has been the Joint Managing Director of the Company since 1<sup>st</sup> March, 2000 responsible for the manufacturing, marketing, sales and profitability of the Company's DMT business unit. All the aforesaid Whole-time Directors are part of the Senior Management responsible for the operations and affairs of the Company pertaining to their respective areas. Taking into consideration their qualifications and expertise in relevant fields, the aforesaid Whole-time Directors are best suited for the responsibilities assigned to them by the Board of Directors.

### (v) REMUNERATION PROPOSED:

Remuneration	Mr. Ness Wadia	Mr. Ninu Khanna	Mr. A. Sarin	Mr. P.V. Kuppuswamy
Salary *	Rs. 60,000 p.m.	Rs. 1.98 lacs p.m.	Rs. 1.40 lacs p.m.	Rs. 1.05 lacs p.m.
Incentive Allowance	Rs. 30,000 p.m.	Rs. 1.98 lacs p.m.	Rs. 1.40 lacs p.m.	Rs. 52,500 p.m.
Other Allowances	At the discretion of the Board as per Rules of the Company applicable to Senior Management Staff.	At the discretion of the Board as per Rules of the Company applicable to Senior Management Staff.	At the discretion of the Board as per Rules of the Company applicable to Senior Management Staff.	At the discretion of the Board as per Rules of the Company applicable to Senior Management Staff.
Commission	At the discretion of the Board within the stipulated limits under the Act.	At the discretion of the Board within the stipulated limits under the Act.	At the discretion of the Board within the stipulated limits under the Act.	At the discretion of the Board within the stipulated limits under the Act.
Upper Ceiling for payment of salary, allowances, commission on profits and/or bonus as may be determined by the Board from time to time.	Rs.30 lacs p.a.	Rs. 60 lacs p.a.	Rs.60 lacs p.a.	Rs.40 lacs p.a.
Perquisites	At the discretion of the Board as per Rules of the Company applicable to Senior Management Staff.	At the discretion of the Board as per Rules of the Company applicable to Senior Management Staff.	At the discretion of the Board as per Rules of the Company applicable to Senior Management Staff.	At the discretion of the Board as per Rules of the Company applicable to Senior Management Staff.
Upper Ceiling -towards the monetary value of perquisites as may be determined by the Board from time to time.	Rs.12 lacs p.a.	Rs.20 lacs p.a.	Rs.20 lacs p.a.	Rs.20 lacs p.a.
Minimum Remuneration in case of loss or inadequacy of profits during any financial year	Salary (including Incentive) and allowances and perquisites as mentioned above but excluding commission.	Salary (including Incentive) and allowances and perquisites as mentioned above but excluding commission.	Salary (including Incentive) and allowances and perquisites as mentioned above but excluding commission.	Salary (including Incentive) and allowances and perquisites as mentioned above but excluding commission.

\* Excludes Company's contribution to Provident Fund/Superannuation Fund/Gratuity and Leave encashment.