

ANNUAL REPORT & ACCOUNTS
2003-2004

THE BOMBAY DYEING
AND MANUFACTURING COMPANY LIMITED

ESTABLISHED 1879



ANNUAL REPORT 2003-2004

DIRECTORS

Nusli N. Wadia, *Chairman*
 Keshub Mahindra
 Shantanu N. Desai
 R. N. Tata
 R. A. Shah
 Dr. H. N. Sethna
 Ninu Khanna, *Managing Director*
 P. V. Kuppaswamy, *Jt. Managing Director*
 Ness N. Wadia, *Deputy Managing Director*
 S. S. Kelkar
 Venu Srinivasan
 S. Ragathanan
 A. K. Hirjee

VICE-PRESIDENTS

S. K. Gupta, *Vice-President (Commercial)*
 P. K. Mukherjee, *Vice-President (Exports)*

GENERAL MANAGERS

H. S. Athavale, *General Manager (Commercial)*
 V. Dadlani, *General Manager - Internal Audit*
 R. K. Gupta, *General Manager (Marketing)*
 R. Kapur, *General Manager - Processing*
 K. V. Krishnamurthy, *General Manager (Operations)*
 B. K. Pandya, *General Manager - Manufacturing*
 P. Phadnis, *General Manager - Corporate Affairs*
 N. Rajadhyaksha, *General Manager - Materials*
 R. V. Sarma, *General Manager (Finance)*
 V. Shanbhag, *General Manager - Commercial*
 Dr. (Mrs.) N. Shankar, *General Manager - Product Development*
 S. K. Tibrewal, *General Manager - (Industrial & Wholesale Marketing)*

SECRETARY

P. Govindan

BANKERS

State Bank of India
 State Bank of Hyderabad
 Standard Chartered Bank
 Canara Bank
 UTI Bank Ltd.
 Citi Bank N. A.

ADVOCATES & SOLICITORS

Messrs. Crawford Bayley & Co.
 Messrs. Desai & Diwanji
 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 124th 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 Friday, the 23rd July, 2004, at 3.45 p.m. to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 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. Nusli N. Wadia, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Mr. Keshub Mahindra, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Mr. R. A. Shah, who retires by rotation, and being eligible, offers himself for reappointment.
6. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:
"RESOLVED THAT the vacancy caused by the retirement by rotation of Mr. Venu Srinivasan, who has not sought re-appointment, be not filled in at this meeting or at any adjournment thereof."
7. 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.

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

8. As a Special Resolution:

"RESOLVED THAT amendment to the Company's existing Employee Stock Option Scheme (ESOS) as hereinafter mentioned and as approved by the Remuneration/Compensation Committee of the Board on 23rd September, 2003 and 11th May, 2004 and ratified by the Board of Directors of the Company on 24th September, 2003 and 11th May, 2004 be and is hereby confirmed, authorised and ratified.

"1. Chapter 3 : Definitions

(a) Addition of the following new definition:-

"Employee Compensation" means the total cost incurred by the Company towards employee compensation including basic salary, dearness allowance, other allowances, bonus and commissions including the value of all perquisites provided, but does not include the fair value of the option granted under an Employee Stock Option Scheme.

"Employee Stock Option" means the option given to the whole-time Directors, Officers or employees of the company which gives such Directors, Officers or employees, the benefit or right to purchase or subscribe at a future date, the securities offered by the Company at a predetermined price.

"Fair Value" of a stock option is the price that is calculated for the option in an arm's length transaction between a willing buyer and a willing seller as set out in schedule III of the Guidelines.

"Guidelines" means the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

"Independent director" means a director of the Company, not being a whole time director and who neither is a promoter nor belongs to the promoter group.

"Intrinsic value" means the excess of the market price of the share at the date of grant of the option under ESOS over the exercise price of the option (including up-front payment, if any).

(b) Substitution of the existing definition by the following definition:

"Market Price" of the share on a given date means the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange on which the shares of the Company are listed or such other price as may be prescribed or stipulated by the Securities and Exchange Board of India (SEBI) from time to time. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume during the aforesaid period should be considered.

(c) Consequent re-numbering of the sub-clauses in the Chapter suitably.

2. Chapter 4 - Administration of the ESOS:

(a) Insertion of the following words "and supervised" between the words "administered" and "by the Remuneration/Compensation Committee" in Clause (a).

(b) Addition of the following clauses as clauses (e), (f) and (g) and consequent re-numbering of the existing clause (e) as clause (h)

"(e) In the event of rights issues, bonus issues, merger, sale of division and other corporate actions, the Remuneration/Compensation Committee shall formulate the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price and shall ensure that :-

- (i) the number and the price of ESOS are adjusted in such a manner that total value of the ESOS remains the same after the corporate action.



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(ii) for this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad are considered.

(iii) the vesting period and the life of the options are left unaltered as far as possible to protect the rights of the option holders.

“(f) The Remuneration/ Compensation Committee shall ensure that the Company offers the Options only after it has made the necessary disclosures as specified in Schedule IV of the Guidelines to such employees as are eligible for participating in the ESOS.

“(g) The Remuneration/Compensation Committee shall ensure that the shares arising pursuant to an ESOS shall be listed immediately upon exercise in any recognised stock exchange where the securities of the Company are listed subject to compliance of the following:

- a. That all the Guidelines with respect to ESOS have been complied with.
- b. That the Company has also filed with the concerned stock exchanges, before the exercise of option, a statement as per Schedule V of the Guidelines and has obtained in-principle approval from such stock exchanges.
- c. That as and when ESOS options are exercised the Company has notified the stock exchanges concerned as per the statement as per Schedule VI of the Guidelines.”

3. Chapter 6 - Grant of Options and Acceptance:

Substitution of the following words “set out in this document” for the words “mentioned elsewhere in the document” appearing at the end of Clause (e).

4. Chapter 7 - Vesting Period:

Addition of the following clause as clause (d) and consequent re-numbering of the existing clause (d) as clause (e).

“(d) Where the ESOS provides for graded vesting, the vesting period shall be determined separately for each portion of the option and shall be accounted for accordingly.”

5. Chapter 9 - Exercise Price, Exercise Period and Procedures:

(a) Substitution of the following clause for the existing clause (e):

“(e) The Exercise Price per share for the purposes of the grant of Options shall be the par value of the Company's equity share i.e. Rs.10/- per share, subject to the Company conforming to the accounting policies specified in Schedule 1 of the Guidelines: Provided that in case the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on Earning Per Share of the Company shall also be disclosed in the Directors' Report.”

b. Addition of the following new clauses as clauses (f) to (h) and consequent re-numbering of the existing clauses (f) & (g) as clauses (i) & (j) respectively:

- (f) The Remuneration/Compensation Committee shall ensure that the Company shall also disclose separately the weighted-average exercise prices and weighted-average fair values of options in respect of options whose exercise price either equals or exceeds or is less than the market price of the stock on the grant date.
- (g) The Remuneration/Compensation Committee shall also ensure that the Company shall disclose a description of the method and significant assumptions used during the year to estimate the fair values of options, which would include the following weighted-average information:
 - (i) risk-free interest rate,
 - (ii) expected life,
 - (iii) expected volatility,
 - (iv) expected dividends, and
 - (v) the price of the underlying share in market at the time of option grant.
- (h) The Company may reprice the options which are not exercised if ESOS was rendered unattractive due to fall in the price of the shares in the market.

Provided that the Company ensures that such repricing shall not be detrimental to the interest of employees and approval of shareholders in General Meeting has been obtained for such repricing.

6. Chapter 11 - Termination of Employment:

Addition of the following further provisos to clause (a):

“PROVIDED FURTHER that in the event of the death of the employee while in employment, all the options granted to him till such date shall vest in the legal heirs or nominees of the deceased employee.

PROVIDED FURTHER that in the event of the employee suffering a permanent incapacity while in employment, all the options granted to him as on the date of permanent incapacitation, shall vest in him on that day.”

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"RESOLVED FURTHER that adoption and implementation of the ESOS incorporating the aforesaid amendments as approved by the Remuneration/Compensation Committee of the Board at its meetings held on 23rd September, 2003 and 11th May, 2004 and ratified by the Board of Directors of the Company at its meetings held on 24th September, 2003 and 11th May, 2004 in terms of the draft ESOS as initialled by the Chairman of the said Committee and tabled at this meeting be and is hereby confirmed, authorised and ratified.

RESOLVED FURTHER THAT grant of 43,000 and 27,000 stock options respectively to Mr. Ninu Khanna, Managing Director, and Mr. P. V. Kuppuswamy, Joint Managing Director, by the Remuneration/Compensation Committee of the Board on 20th August, 2002 at an exercise price of Rs.10/- per share under the ESOS be and is hereby confirmed, authorised and ratified."

9. As a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, so long as the Company has a Managing or Wholtime Director such sum by way of commission not exceeding in the aggregate one percent per annum of the net profits of the Company computed in the manner laid down in Section 198 of the Companies Act, 1956 for each of the five financial years of the Company commencing from 1st April, 2005 be paid to and distributed amongst such Directors of the Company {excluding Managing Director(s) and Wholtime Director(s)} as may be determined by the Board, the proportion and manner of such payment and distribution to be as the Board may from time to time decide.

RESOLVED FURTHER THAT if at any time during the aforesaid period of five financial years commencing from 1st April, 2005, the Company does not have a Managing or Wholtime Director, such sum by way of commission not exceeding in the aggregate three percent per annum of the net profits of the Company computed in the manner laid down in the said Section 198 be paid to and distributed amongst such Directors of the Company, as may be determined by the Board, for the then residual unexpired part of the aforesaid period of five years, the proportion and manner of such payment and distribution to be as the Board may from time to time decide.

RESOLVED FURTHER, for the sake of clarification, that the remuneration aforesaid shall be exclusive of the fees payable to a Director for each Meeting of the Board or a Committee of the Board attended by him."

10. As an Ordinary Resolution :

"RESOLVED THAT :

- (A) In supersession of the Resolution passed by the shareholders at the 122nd Annual General Meeting held on 13th August, 2002 and 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 reappointment and the terms of remuneration of Mr. Ninu Khanna as Managing Director of the Company for a period of 5 years with effect from 1st June, 2004 as set out in the Agreement to be entered into between the Company and Mr. 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 the Remuneration/Compensation Committee of the Board) 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. Khanna.
- (B) Where in any financial year during the currency of the tenure of Mr. Khanna as Managing Director, the Company has no profits or its profits are inadequate, the Company will pay Mr. Khanna all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the limit 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. Khanna and revise such remuneration and/or perquisites from time to time within the maximum limit 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 an Ordinary Resolution :

"RESOLVED THAT :

- (A) In supersession of the Resolution passed by the shareholders at the 120th Annual General Meeting (AGM) held on 8th August, 2000 as modified by the Resolution passed at the 122nd AGM held on 13th August, 2002 and 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 reappointment and the terms of remuneration of Mr. P. V. Kuppuswamy as Joint Managing Director of the Company for a period of 5 years with effect from 1st June, 2004 as set out in the Agreement to be entered into between the Company and Mr. Kuppuswamy, 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 the Remuneration/ Compensation Committee of the Board) 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. Kuppuswamy.
- (B) Where in any financial year during the currency of the tenure of Mr. Kuppuswamy as Joint Managing Director, the Company has no profits or its profits are inadequate, the Company will pay Mr. Kuppuswamy all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the limit 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.



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- (C) The Board be and is hereby authorised at its discretion from time to time to fix the remuneration and/or perquisites of Mr. Kuppuswamy and revise such remuneration and/or perquisites from time to time within the maximum limit 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."

12. As an Ordinary Resolution :

"RESOLVED THAT :

- (A) In supersession of the Resolution passed by the shareholders at the 122nd Annual General Meeting held on 13th August, 2002 and 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 reappointment and the terms of remuneration of Mr. Ness N. Wadia as Deputy Managing Director of the Company for a period of 5 years with effect from 1st June, 2004 as set out in the Agreement to be entered into between the Company and Mr. Ness N. 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 the Remuneration/Compensation Committee of the Board) 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. Ness N. Wadia.
- (B) Where in any financial year during the currency of the tenure of Mr. Ness N. Wadia as Deputy Managing Director, the Company has no profits or its profits are inadequate, the Company will pay Mr. Ness N. Wadia all the remuneration by way of salary (including incentive) and allowances, and perquisites not exceeding the limit 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. Ness N. Wadia and revise such remuneration and/or perquisites from time to time within the maximum limit 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."

Notes:

- (a) The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, setting out material facts relating to the business at Items 6 and 8 to 12 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 Friday, the 2nd July, 2004 to Friday, the 23rd July, 2004 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 6th August, 2004 to those Shareholders whose names stand on the Register of Members of the Company on 23rd July, 2004 in respect of shares held in physical form. In respect of shares held in electronic form, the dividend will be paid to the beneficial owners of shares as on 1st July, 2004 as per details furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for this purpose.
- (e) Members are requested to notify immediately any change of address:
- to their Depository Participants (DPs) in respect of their electronic share accounts, and
 - to the Company's Registrar & Share Transfer Agents, M/s. Sharepro Services (R & TA), at Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai 400 099, or at 912 Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021, 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 the Company's R & TA at either of the aforesaid addresses to facilitate remittance by means of ECS.
- (g) The unclaimed dividends for the financial year ended 31st March, 1995 and preceding years declared by the Company have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956 (the Act). Members who have not encashed their Dividend Warrants for the aforesaid years are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai.

Dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account of a company is required to be transferred to the Investor Education and Protection Fund (IEPF) in terms of Section 205C of the Act. Accordingly the unclaimed dividend for the financial year ended 31st March, 1996 was transferred to IEPF on 25th September, 2003. Unclaimed dividends for the subsequent financial years are due for transfer to IEPF on the dates given in the table below:

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Financial Year	Date of Declaration of Dividend	Last date for claiming unpaid dividend	Due date for transfer to IEPF.
1996-1997	4.9.1997	3.9.2004	22.11.2004
1997-1998	3.8.1998	2.8.2005	21.10.2005
1998-1999	23.7.1999	22.7.2006	12.10.2006
1999-2000	27.4.2000	26.4.2007	13.7.2007
2000-2001	23.7.2001	22.7.2008	26.9.2008
2001-2002	13.8.2002	12.8.2009	19.10.2009
2002-2003	30.7.2003	29.7.2010	5.10.2010

Members who have so far not encashed the Dividend Warrants for the above years are advised to submit their claim to the Company's R & TA at either of the aforesaid addresses immediately quoting their folio numbers/DP ID & Client ID.

- (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 Registered office or from its R & TA at either of the aforesaid addresses.
- (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. Nusli N. Wadia

Mr. Nusli N. Wadia, 60, was inducted on the Company's Board in 1968 and in 1970, he was appointed as its Joint Managing Director. Since April, 1977, he has been the Chairman of the Company.

Mr. Wadia has contributed actively in the deliberations of various organisations such as the Cotton Textiles Export Promotion Council (TEXPROCIL), Millowners' Association (MOA), Associated Chambers of Commerce & Industry, etc. He is the former Chairman of TEXPROCIL and also of MOA.

Mr. Wadia was appointed on the Prime Minister's Council on Trade & Industry in 1998, 1999 & 2000. He was the Convenor of the Special Group Task Force on Food and Agro Industries Management Policy in September, 1998. He was a Member of the Special Subject Group to review regulations and procedures to unshackle Indian Industry and on the Special Subject Group on Disinvestment.

Mr. Wadia has made a name for himself also in public affairs and has been actively associated with leading charitable institutions. He is also on the Managing Committee of the Nehru Centre, Mumbai.

Outside Directorship: The Bombay Burmah Trading Corporation Ltd. (Chairman), Britannia Industries Ltd. (Chairman), Wadia BSN Ltd. (Chairman), Nowrosjee Wadia & Sons Ltd. (Chairman & Managing Director), Gherzi Eastern Ltd., Tata Iron & Steel Co. Ltd., Tata Chemicals Ltd., Tata Motors Ltd., EIH Ltd. and Atul Ltd. and 1 private limited company and 4 foreign companies.

Committee Membership: Remuneration Committees of the Boards of The Bombay Dyeing & Mfg. Co. Ltd., Tata Motors Ltd. (Chairman), Britannia Industries Ltd. and EIH Ltd.

Mr. Keshub Mahindra:

Mr. Keshub Mahindra, 80, is a B.Sc. graduate from Wharton, University of Pennsylvania, USA, and is the Chairman of Mahindra & Mahindra Ltd. He is also the Chairman of the Board of Governors of Mahindra United World College of India. He has been associated with various organisations including educational institutions like University of Pennsylvania Institute for the Advanced Study of India, New Delhi, International Advisory Board of University of Pennsylvania, Centre for the Advanced Study of India, Philadelphia etc.

Mr. Mahindra has contributed actively in the deliberations of various organisations such as Bombay Chamber of Commerce & Industry (BCCI), Associated Chambers of Commerce & Industry of India, (ASSOCHAM), Employers' Federation of India, Indo-American Society etc. He is the former President of BCCI, ASSOCHAM and Employers' Federation of India and former Chairman of Indian Institute of Management, Ahmedabad.

Mr. Mahindra had been appointed by the Government of India to serve on a number of Committees including the Sachar Committee on Company Law & MRTP, Central Advisory Council of Industries, etc. He is the Non-official Member of State Planning Board, Government of Punjab.

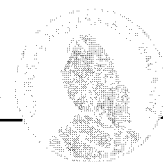
Mr. Mahindra is the recipient of several Awards including International Awards such as Motor India Automan Award-2000, Dadabhai Naoroji International Award for Excellence & Lifetime Achievement-2000 etc:

Outside Directorship: Mahindra & Mahindra Ltd. (M&M) (Chairman), Mahindra Ugine Steel Co. Ltd. (Chairman), Mahindra Holdings & Finance Ltd. (Chairman), Housing Development Finance Corporation Ltd. (HDFC) (Vice- Chairman), Tata Chemicals Ltd., Tata Iron & Steel Co. Ltd. (TISCO), The Bombay Burmah Trading Corporation Ltd., Infrastructure Leasing & Financial Services Ltd. (IL&FS), and Pratham-India Education Initiative and 2 private limited companies and 1 foreign company.

Committee Membership: Share Transfer and Shareholders/ Investors Grievance Committee of the Board of M&M (Chairman), Remuneration/ Compensation Committee of the Boards of HDFC (Chairman), The Bombay Dyeing & Mfg. Co. Ltd. (Chairman), TISCO (Chairman), Tata Chemicals Ltd. (Chairman), IL&FS and M&M (Member).

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.



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He is the President of the Society of Indian Law Firms (Western Region) and a Member on the Committees of Bombay Chamber of Commerce & Industry and Indo-German Chamber of Commerce.

Outside Directorship: Fulford India Ltd.(Chairman and Alternate Director), Pharmacia Healthcare Limited (Chairman), Godfrey Philips India Ltd. (Chairman), Pfizer Limited (Chairman), Colgate Palmolive India Ltd. (Vice-Chairman), Abbott India Limited, Atul Limited, Asian Paints (India) Ltd., BASF India Ltd., Color Chem Ltd., Clariant India Limited, Deepak Fertilisers & Petrochemicals Corporation Ltd., Nicholas Piramal India Ltd., Procter & Gamble Hygiene and Healthcare Ltd. and Philips India Ltd. and one private limited company and Alternate Director of Century Enka, Modicare Ltd., RPG Life Sciences Ltd., Schrader Duncan Ltd., Shaw Wallace & Co. Ltd., Uhde India Ltd. and Wockhardt Ltd.

Committee Membership: Audit Committee of the Boards of Pfizer Limited (Chairman), Colgate Palmolive (I) Ltd. (Vice- Chairman), Nicholas Piramal India Ltd.(Chairman), The Bombay Dyeing & Mfg. Co. Ltd. (Chairman), BASF India Ltd., Color Chem Ltd., Abbott India Ltd. , Procter & Gamble Hygiene & Healthcare Ltd. and Wockhardt Ltd. and Remuneration Committee of The Bombay Dyeing & Mfg. Co. Ltd.

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

By Order of the Board of Directors,
FOR THE BOMBAY DYEING & MFG. CO. LTD.
P. GOVINDAN
 Secretary

Mumbai, 11th May, 2004.

Registered Office:
 Neville House,
 J.N. Heredia Marg,
 Mumbai 400 001.
 Phone: 22618071

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 business mentioned under Items 6 and 8 to 12 of the accompanying Notice dated 11th May, 2004.

Item 6

Mr. Venu Srinivasan retires by rotation at this Annual General Meeting. However, he has intimated to the Company that he does not seek re-appointment. The Company does not propose to fill up this vacancy at this meeting or any adjournment thereof, but may do so at a later date. Hence, as required by Section 256 of the Companies Act, 1956, a Resolution is proposed not to fill up the vacancy caused by the retirement of Mr. Venu Srinivasan at this meeting or any adjournment thereof.

None of the Directors is concerned or interested in this Resolution.

Item 8

It will be recalled that the shareholders had, at the 122nd Annual General Meeting of the Company (AGM) held on 13th August, 2002, approved, 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 (the Act) and the provisions contained in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the Stock Option Guidelines), introduction of an Employee Stock Option Scheme (ESOS) for the benefit of permanent employees of the Company including Directors. As required in terms of Regulation 6.2 of the Stock Option Guidelines, the Company had given the requisite details in the Explanatory Statement accompanying the Notice of the 122nd AGM. The details *inter alia* contained the following paragraph with regard to Exercise Price or Pricing Formula.

“(d) Exercise Price or Pricing Formula.

The Exercise Price for the purposes of the grant of options will be decided by the Remuneration/Compensation Committee at the time of the grant of options to an employee and shall not be less than the par value of the Company's equity share. The Exercise Price shall be calculated based on the weighted average of the daily market price of the Company's equity shares quoted on the Stock Exchange, Mumbai, during such period as may be determined at the time of the grant by the Remuneration/Compensation Committee.”

The Company had accordingly introduced with effect from 20th August, 2002 an ESOS as evolved by the Remuneration/Compensation Committee. The ESOS incorporated as part of the Scheme *inter alia* the aforesaid clause relating to Exercise Price or Pricing Formula.

The Securities & Exchange Board of India (SEBI) had, vide its Circular No. SEBI/PMD/MBD/ESOP/2/2003/30/06 dated 30th June, 2003, amended the Stock Option Guidelines. The Committee on ESOP set up by SEBI under the Chairmanship of Prof. J. R. Verma has made certain further recommendations which *inter alia* include redefinition of 'Market Price'. While these recommendations have been put up on the SEBI website on 5th April, 2004 for public comments, SEBI is yet to notify further amendment as a consequence thereof. The clause defining 'Market Price' has therefore been so worded as to enable the Company to give effect to any further amendment that SEBI may notify from time to time. In view of the aforesaid amendment it has become necessary for the Company to incorporate the amended provisions in the said ESOS. Accordingly the Remuneration/Compensation Committee at its meetings held on 23rd September, 2003 and 11th May, 2004 approved the amendment to the ESOS detailed in the Resolution. This amendment was also ratified by the Board of Directors of the Company at its meetings held on 24th September, 2003 and 11th May, 2004. The Special Resolution at Item 8 seeks the ratification by the shareholders of the amendment and also adoption and implementation of the ESOS as amended.

The Remuneration/Compensation Committee had at its meeting held on 20th August, 2002 granted 43,000 and 27,000 Stock Options respectively to Mr. Ninu Khanna, Managing Director, and Mr. P.V. Kuppaswamy, Joint Managing Director, at an exercise price of Rs.10 per share in terms of the ESOS as existing then.

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As required in terms of Regulation 22.1(b) of the Stock Option Guidelines as amended the Company filed with the Stock Exchanges where the Company's shares were listed at the relevant time, a statement as per Schedule V seeking their "in-principle" approval. In response thereto the Company was advised by the Stock Exchange, Mumbai (BSE) that the disclosure in the Explanatory Statement with regard to Exercise Price or Pricing Formula was not in accordance with the Stock Option Guidelines because from the details furnished therein the stock exchange was not able to ascertain the basis on which the Remuneration/Compensation Committee had computed the exercise price of Rs.10 per share. According to BSE the exact price or pricing formula was required to be disclosed upfront to the shareholders as per the Stock Option Guidelines. BSE, therefore, advised the Company to approach SEBI and get a specific relaxation in this regard before they could give their "in-principle" approval.

The Company accordingly approached SEBI who had since granted the No Objection to listing of the shares granted on exercise of the Stock Options subject to approval by the shareholders of the Stock Option Scheme based on full and complete disclosures in terms of the Stock Option Guidelines and on this basis, BSE and National Stock Exchange (NSE) have also granted their "in-principle" approval for listing. Although the Company had been legally advised that the disclosures made in the Explanatory Statement adequately met the requirements in terms of the Stock Option Guidelines, the Company has, in order to overcome the reservation of the stock exchange as aforesaid, also amended the clause relating to the Exercise Price or Pricing Formula as mentioned in the Resolution.

The salient features of the amended ESOS are as under:

(a) The total number of options to be granted

The total number of Options that may, in the aggregate, be granted shall not exceed 5% of the total issued equity capital of the Company as at 31st March, 2002 (i.e. 3,91,75,275 equity shares).

(b) Identification of classes of employees entitled to participate in the ESOS.

Persons who are "employees" of the Company including Directors, as defined in the Regulations for the time being in force, and as may be decided by the Remuneration/Compensation Committee from time to time.

The class of employees eligible for participating in the ESOS shall be determined on the basis of the grade of the employee, length of service, his role and contributions to overall performance of the Company, the performance of Profit Centre/Division to which he belongs, merit of the employee, future potential contribution by the employee, sense of loyalty and/or such other criteria as may be decided by the Remuneration/Compensation Committee in its sole discretion from time to time.

The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged, or otherwise alienated in any other manner.

(c) Requirement of vesting and period of vesting.

Vesting of options may commence after a period of not less than one year from the date of grant. The vesting may occur in one or more tranches, subject to the terms and conditions of vesting, as may be stipulated by the Remuneration/Compensation Committee in its sole discretion.

(d) Exercise Price or Pricing Formula

The Exercise Price per share for the purposes of the grant of Options shall be the par value of the Company's equity share i.e. Rs.10/- (Rupees Ten only) per share subject to the Company conforming to the accounting policies specified in Schedule 1 of the Guidelines: Provided that in case the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on Earning Per Share of the Company shall also be disclosed in the Directors' Report.

(e) Exercise Period and the process of Exercise.

The exercise period may commence from the date of vesting and will expire not later than 3 years from the date of vesting or such other period as may be decided by the Remuneration/Compensation Committee from time to time.

The options will be exercisable by the employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Remuneration/Compensation Committee from time to time.

The options will lapse if not exercised within the specified exercise period. The options may also lapse under certain circumstances even before expiry of the specified exercise period.

(f) Appraisal Process for determining the eligibility of employees to the Scheme.

The appraisal process for determining the eligibility of the employee will be specified by the Remuneration/Compensation Committee and will be based on criteria such as the grade of the employee, length of service, performance record, merit of the employee, future potential contribution by the employee, and/or any such other criteria that may be determined by the Remuneration/Compensation Committee in its sole discretion.

(g) Maximum number of options to be granted per employee and in the aggregate.

The maximum number of options granted per employee will not exceed 5,00,000 shares. The aggregate of all such grants shall not exceed 5% of the issued and outstanding equity shares of the Company as on 31st March, 2002.

The securities may be allotted directly to the eligible 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 for that purpose, and 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.

The Company will conform to the accounting policies specified in Clause 13.1 of the Stock Option Guidelines and/or such other guidelines as may be applicable from time to time. The Company will use the intrinsic value method to value its options.



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The Resolution at item 8 accordingly seeks ratification by the shareholders of [i] amendment to the ESOS; [ii] adoption and implementation of the amended ESOS; and [iii] grant of stock options to the working Directors in August 2002 at an exercise price of Rs.10 per share.

The full ESOS is available for inspection by the shareholders during business hours on any working day (except Saturdays, Sundays and Public holidays) at the Registered Office of the Company.

The Directors commend the Resolution as set out at item 8 for approval of the shareholders.

Mr. Ninu Khanna, Managing Director, and Mr. P. V. Kuppuswamy, Joint Managing Director, are concerned or interested in this Resolution as they are the recipients of the Options granted under the Scheme. Other Directors of the Company may be deemed to be concerned or interested in this Resolution to the extent of the Options that may be offered to them under this Scheme.

Item 9

At the 119th Annual General Meeting of the Company held on 23rd July, 1999, the members had passed a Special Resolution approving the renewal of the terms of remuneration by way of commission related to the net profits of the Company payable to the Directors other than Managing or Whole-time Directors for a further period of five years from 1st April, 2000 subject to the overall managerial remuneration laid down in Sections 198 and 309 of the Companies Act, 1956. The aforesaid Resolution covers the five financial years of the Company beginning with 1st April, 2000. The approval conveyed by the aforesaid Resolution will expire at the end of the current financial year i.e. on 31st March, 2005.

The second part of the Special Resolution seeks to cover a situation if for some reason the Company during the aforesaid period of five financial years commencing from 1st April, 2005 does not have a Managing or Whole-time Director. In such an event, it is proposed to pay the Directors of the Company such remuneration by way of commission related to the net profits of the Company as may be decided by the Board of Directors for the then residual unexpired part of the said period of five years but not exceeding in the aggregate 3% of the net profits of the Company. The proportion and manner of such payment and distribution will be as the Board of Directors may from time to time decide.

The Special Resolution is necessary having regard to the provisions of Section 309(4) of the Companies Act, 1956. The Directors, therefore, recommend the Special Resolution at Item 9 of the accompanying Notice for approval by the Members.

All the Directors of the Company other than the Managing Director, Mr. Ninu Khanna, Joint Managing Director, Mr. P. V. Kuppuswamy and Deputy Managing Director, Mr. Ness N. Wadia may be considered to be concerned or interested in the said Resolution.

Items 10, 11 & 12:

Mr. Ninu Khanna was appointed as the Managing Director by the Board of Directors of the Company (the Board) for a period of 5 years with effect from 20th May, 2002. Mr. P. V. Kuppuswamy was reappointed as a Whole-time Director designated as Executive Director for a period of 5 years with effect from 29th August, 1999 and appointed as Joint Managing Director with effect from 1st March, 2000 until 28th August, 2004. Mr. Ness N. Wadia was appointed as Whole-time Director designated as Deputy Managing Director by the Board for a period of 5 years with effect from 1st August, 2001.

The terms and conditions of appointment including the remuneration payable to Mr. Ninu Khanna and Mr. Ness N. Wadia were approved by the shareholders at the 122nd Annual General Meeting (AGM) held on 13th August, 2002, and to Mr. P. V. Kuppuswamy at the 120th AGM held on 8th August, 2000 as modified by the Resolution passed at the 122nd AGM held on 13th August, 2002.

Since Mr. Ness N. Wadia was a Non-Resident Indian at the time of his appointment, provisions of Schedule XIII of the Companies Act, 1956 (the Act) relating to managerial remuneration were not applicable to him and the Company had, therefore, obtained the approval of the Central Government for his appointment and the remuneration payable to him. Mr. Ness N. Wadia has with effect from 1st April, 2003 become a Resident of India and consequently it is permissible to pay him remuneration as provided in Schedule XIII to the Act.

In view of the improvement in the operations of the Company, the Board of Directors of the Company at its Meeting held on 11th May, 2004 decided to reappoint for a period of 5 years with effect from 1st June, 2004 Mr. Ninu Khanna as Managing Director and Mr. Ness N. Wadia as Deputy Managing Director (in supersession of the earlier Resolutions passed at the 122nd AGM held on 13th August, 2002) and Mr. P. V. Kuppuswamy as Joint Managing Director (in supersession of the earlier Resolutions passed at the 120th and 122nd AGMs held on 8th August, 2000 and 13th August, 2002 respectively).

The terms and conditions of the reappointment of Mr. Ninu Khanna as Managing Director, Mr. P. V. Kuppuswamy as Joint Managing Director and Mr. Ness N. Wadia as Deputy Managing Director (hereinafter referred to as 'the Appointees') are embodied in the respective Agreements to be made between the Company and the Appointees. The aforesaid reappointments and remuneration payable to them are subject to the approval of the members.

The material terms of their appointment contained in the draft Agreements proposed to be entered into by the Company with the Appointees are summarised below:

1. Mr. Ninu Khanna, Mr. P. V. Kuppuswamy and Mr. Ness N. Wadia will serve the Company respectively as Managing Director, Joint Managing Director and Deputy Managing Director for a term of 5 years with effect from 1st June, 2004.
2. The Appointees shall carry out such functions, exercise such powers and perform such duties as the Board shall, from time to time, in their absolute discretion determine and entrust to them.
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 interests and welfare, and attend their places 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 them in connection with or in relation to the business of the Company.