



E.I.D. - PARRY (INDIA) LIMITED



ANNUAL REPORT 1998-99

AMM - A Living Presence

In the death of AMM Arunachalam, Indian industry and public life lost a fine being - human and humane. The Murugappa Group lost a dynamic leader who had steered the group with foresight, eye for detail and with the true spirit of corporate governance — “for the good of the many, for the welfare of the many”. An eminent entrepreneur, instinctively averse to self-advertisement and totally devoid of ego, he was equally active in community development and social welfare.

Arunachalam Murugappa Murugappa Arunachalam, affectionately called AMM was born on March 1, 1918 in Pallatur as the third son of AM Murugappa Chettiar and AMM Valliammai Achi. Soon after his education and a stint in insurance in India, AMM went to Burma and entered the businesses of banking and rubber plantations.

During the thirties he returned to India and the year 1939 marked the birth of the large diversified Murugappa Group. He was in his youth the Managing Director of the T.I. Cycles of India, the Tube Products of India and the Tube Investments of India. He took over as the Chairman in 1980 of Tube Investments and several group companies subsequently. Until his death, he was the Chairman - Emeritus of Tube Investments of India, Carborundum Universal and Parry Agro Industries. AMM was a Director in many leading Indian companies. He chaired the Madras Chamber of Commerce, the Tamilnadu Industrial Investment Corporation and the I.I.T. He was a member of the Indian and Commonwealth industry association delegations to Japan, UK, the US and China.

AMM was Honorary Consul General for Japan in Madras and was awarded the “Order of the Rising Sun, Gold Rays with Rosette” by the Emperor of Japan. He was again conferred the “Order of the Sacred Treasure, Gold and Silver Star”, something exceptional in Japanese protocol. He was a patron of sports and was the first Indian President of the Madras Cricket Club.

But his lasting legacy is in the values and beliefs of the Murugappa Group and in the many social institutions he had fostered. The AMM Foundation is running four schools, a polytechnic and three hospitals. The total number of students in all his schools and polytechnic is over 12,000. He initiated a vocational training centre to be run for the youth of the villages in Sivaganga and Pudukottai districts and a nursing college in Avadi. Thousands of people make money; very few have the magnanimity and the discernment to spend it wisely, AMM was one of those select few.

AMM Arunachalam was the patriarch of the Murugappa family and Chairman of the Murugappa Group of Companies. E.I.D. - Parry (India) Ltd. benefited a great deal through the sage counsel of AMM Arunachalam.

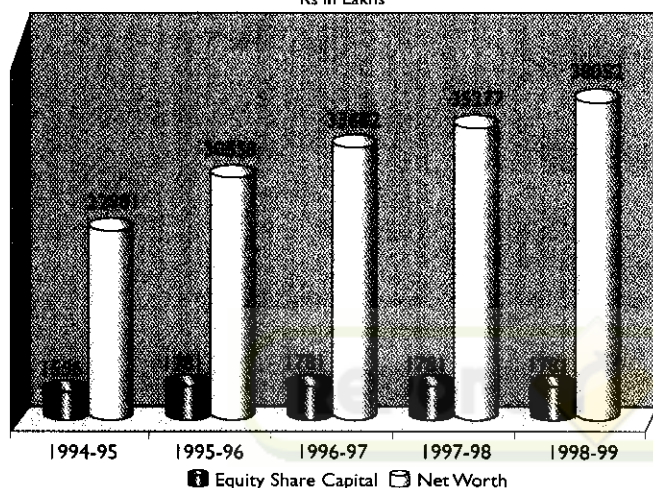
AMM is no more but we will continue to cherish his memory and high standards of ethics. He “banked his treasure in the hearts of his friends, and they will cherish his memory forever”.





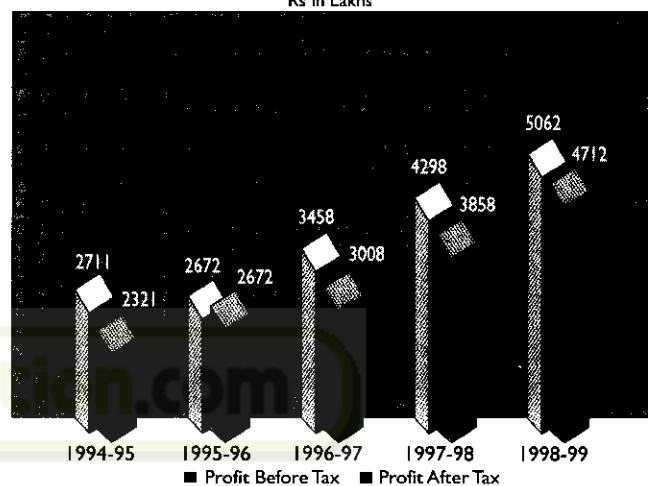
Equity Share Capital-Net Worth*

Rs in Lakhs



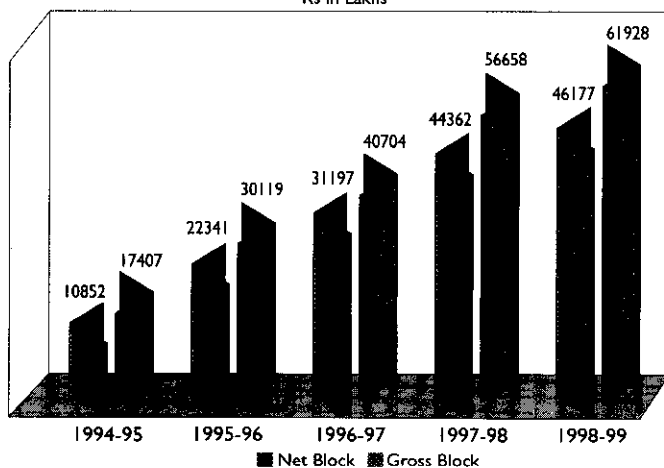
Profit Before Tax-Profit After Tax

Rs in Lakhs



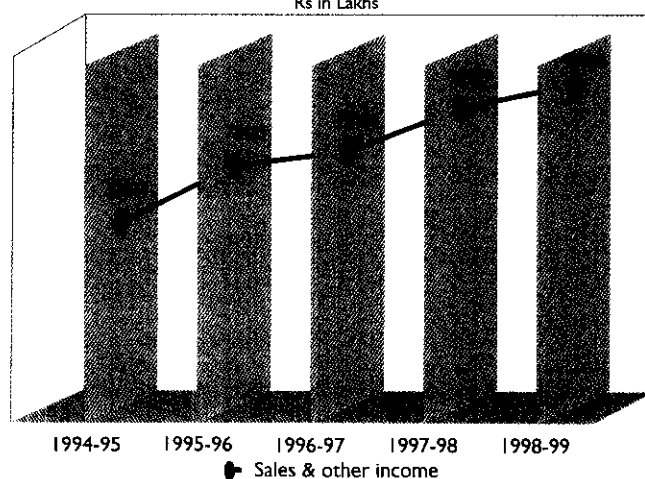
Net Block*-Gross Block*

Rs in Lakhs



Sales & other income

Rs in Lakhs



(* Excluding Revaluation Reserve / Revaluation)
Not to Scale



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E.I.D. - PARRY (INDIA) LIMITED**ANNUAL REPORT 1998-99****BOARD OF DIRECTORS**

M.V. SUBBIAH
Chairman & Managing Director

M.A. ALAGAPPAN

Dr. S.S. BAIJAL

A.R. DAMODARAN

S.M. DATTA

L.N. JAYARAMAN

S. VISWANATHAN

SECRETARY

MS. G. JALAJA

REGISTERED OFFICE

DARE HOUSE,
PARRY'S CORNER,
CHENNAI - 600 001
INDIA

AUDITORS

LOVELOCK & LEWES,
Chartered Accountants,
CHENNAI

BANKERS

STATE BANK OF INDIA

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FINANCIAL HIGHLIGHTS

(Rs. lakhs)

	YEAR ENDED 31ST MARCH				
	1995	1996	1997	1998	1999
GROSS INCOME	53941	73481	78138	92387	99039
GROSS PROFIT	3856	5021	7663	11163	14324
DEPRECIATION	1003	1294	1931	3085	3750
INTEREST	142	1055	2274	3780	5512
PROFIT BEFORE TAX	2711	2672	3458	4298	5062
PROFIT AFTER TAX	2321	2672	3008	3858	4712
EARNINGS PER SHARE (Rs.)	16.48*	15.00*	15.46	20.37	24.78
DIVIDENDS ON EQUITY (%)	36	36	40	50	60
SHARE CAPITAL	1556	3681@@@	4681@@@	3331@@	4331@
RESERVES & SURPLUS **	21425	26877	29001	31946	33721
SHAREHOLDERS' FUNDS **	22981	30558	33682	35277	38052

* Annualised

* * Excluding Fixed Assets Revaluation Reserve

@ Includes Preference Share Capital Rs. 2550 lakhs

@ @ Includes Preference Share Capital Rs. 1550 lakhs

@ @ @ Includes Preference Share Capital Rs. 2900 lakhs

@ @ @ @ Includes Preference Share Capital Rs. 1900 lakhs

E.I.D. - PARRY (INDIA) LIMITED

Registered Office : 'Dare House', Parry's Corner, Chennai 600 001

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**TWENTY FOURTH ANNUAL GENERAL MEETING
NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Shareholders of E.I.D.- Parry (India) Limited, Chennai, will be held on Wednesday, the 28th July 1999 at 11 A.M. at Hotel New Woodlands (P) Ltd., 72-75 Dr. Radhakrishnan Salai, Mylapore, Chennai - 600 004, to transact the following business :

1. To receive, consider and adopt the Directors' Report and the Audited Profit and Loss Account for the year ended 31st March 1999 and the Balance Sheet as at that date and the Report of the Auditors thereon.
2. To declare dividend on Preference Capital.
3. To declare dividend on Equity Capital.
4. To appoint a Director in the place of Dr. S.S. Baijal, who retires by rotation in terms of Articles 102 and 103 of the Company's Articles of Association and being eligible offers himself for reappointment.
5. To appoint a Director in the place of Mr. A.R. Damodaran, who retires by rotation in terms of Articles 102 and 103 of the Company's Articles of Association.

Mr. A.R. Damodaran has expressed a desire not to be considered for reappointment owing to personal preoccupation.

6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and in this connection, to consider and if deemed fit, to pass with or without modification(s), the following Resolution as a Special Resolution :

"RESOLVED that Messrs. Lovelock and Lewes, Chartered Accountants, Chennai, be and they are hereby reappointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration of Rs.8 lakhs in addition to reimbursement of actual travelling and out-of-pocket expenses incurred by them".

SPECIAL BUSINESS

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

"RESOLVED that pursuant to Section 17 and all other applicable provisions, if any, of the Companies Act, 1956 and other necessary approvals, if any, the Memorandum of Association of the Company be and is hereby altered by substituting the following as Sub Clause 10 of Clause III (B) of the Memorandum of Association of the Company".

INVESTMENT

- (10) To invest any moneys of the Company in such investments as may be thought proper and to hold, sell or otherwise deal with such investment.

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

"RESOLVED that pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any Statutory modification or re-enactment thereof for the time being in force) the Articles of Association of the Company be and they are hereby amended as follows;

A) That the existing Article 3 of the Articles of Association of the Company be deleted and the following be substituted therefor under the heading 'Buy back of Company's Shares'.

3. Subject to such provisions of the Act and all other applicable provisions of law, as may be in force for the time being and from time to time, the Company may purchase and / or buy back its own shares and / or any other securities at such price and on such terms and conditions as the Board of Directors may in their discretion deem fit and proper and make the payment for such Shares and / or any other securities which shall be extinguished.

B) Insert the following Heading and Article along with marginal notes as Article 5 A after Article 5.

DEMATERIALIZATION OF SECURITIES

5A 1) For the purpose of this Article:

"Beneficial Owner" shall mean beneficial owner as defined in Clause (a) of Sub Section (1) of Section 2 of the Depositories Act, 1996.

"Depositories Act" means the Depositories Act, 1996 and shall include any statutory modification or re-enactment thereof for the time being in force.

"Depository" shall mean a Depository as defined under Clause (e) of Sub-Section (1) of Section 2 of the Depositories Act, 1996.

"Member" means the duly registered holder, from time to time, of the shares of the Company and includes every person whose name is entered as a Beneficial Owner in the records of the Depository.

"SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

"Security" shall mean such security as may be specified by SEBI.

Words and expressions used and not defined in this Act but defined in the Depositories Act, 1996 shall have the same meanings respectively assigned to them in that Act.



Recognition of interest in Securities under Depositories Act.

2. Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereto, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof.

Dematerialisation/ Rematerialisation of Securities

3. The Company shall be entitled to dematerialise its existing shares, debentures and other securities, rematerialise its shares, debentures and other securities held in the Depositories and / or offer its fresh shares and debentures and other securities in a dematerialised form pursuant to the Depositories Act, and the Rules framed thereunder, if any.

Option for Investors

4. Every person subscribing to or holding securities offered by the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in Depositories to be in fungible form

5. All securities held by a Depository shall be dematerialised and be in fungible form.

Rights of Depositories and Beneficial Owners

6. (a) Notwithstanding anything to the contrary contained in these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owner.

(b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

Provisions of Articles to apply to shares held in Depository

7. Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depositories Act.

Progressive numbers

8. The shares in the capital shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form.

Register and Index of Members.

9. The Company shall cause to be kept a Register and Index of Members and a Register and Index of Debentureholders in accordance with all applicable provisions of the Companies Act, 1956 and the

Depositories Act, with details of shares and Debentures held in material and dematerial forms in any media as may be permitted by law, including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act, shall be deemed to be the Register and Index of Members and security holders for the purposes of these Articles. The Company shall be entitled to keep in any State or Country outside India a Branch Register of Members Resident in that State or Country.

Beneficial Owner
deemed as absolute
owner

10. Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be entitled at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

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

"RESOLVED that subject to such approvals as may be necessary, pursuant to the provisions of Section 293 (1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to sell, lease or otherwise dispose of the whole or substantially the whole of the Company's Wall Tiles Unit situated at Plot No.143, Thennangudi, Thirunallar-Ambagarathur Road, Sellur (PO) Karaikal 609 607 (hereinafter referred to as "Karaikal Unit") including its assets and liabilities together with the use of all the licenses, permits, consents and

approvals whatsoever and all the rights, benefits and obligations attached thereto, as a going concern, effective from such date as may be determined by the Board for such consideration and on such terms and conditions as the Board may deem fit.

RESOLVED FURTHER that the Board of Directors be and they are hereby authorised to settle all or any of the matters pertaining to or arising out of and incidental to such sale, lease or disposal of the Karaikal Unit as aforesaid and to do and perform all such act, as they may deem necessary, and to execute all such deeds, agreements, documents, undertakings, declarations, writings etc., for completing the sale, lease or disposal of the said Karaikal Unit as aforesaid, and to delegate all / any of the powers required to be exercised in this regard, to a Committee of Directors or to the Chairman & Managing Director, as it may consider necessary, expedient, usual, requisite, desirable or proper for giving effect to this resolution".

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

"RESOLVED that the consent of the Company be and the same is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future, and/or conferring power to enter upon and to take possession of the assets of the Company in certain events, to or in favour of the following, namely:

- 1) ICICI Limited (ICICI)
- 2) State Bank of India (SBI)
- 3) State Bank of India (SBI) Debenture Trustees

to secure:

- a) Rupee Term Loan not exceeding Rs 3000 lakhs (Rupees Three thousand lakhs only) and
- b) Rupee Term Loan not exceeding Rs. 1000 lakhs (Rupees One thousand lakhs only) lent and advanced/agreed to be lent and advanced by ICICI to the Company.
- c) Rupee Term Loan not exceeding Rs. 1000 lakhs (Rupees One thousand lakhs only) lent and advanced/agreed to be lent and advanced by SBI to the Company.
- d) Rupee Term Loan not exceeding Rs. 535 lakhs (Rupees Five hundred and thirty five lakhs only) lent and advanced/agreed to be lent and advanced by SBI to the Company.
- e) Working Capital facilities not exceeding Rs. 27673 lakhs sanctioned by SBI to the Company.
- f) SBI as Debenture Trustees for the holders of 1450 - 14.25% Secured Redeemable Non-Convertible Debentures of the face value of Rs. 100000 each aggregating to Rs. 1450 lakhs.

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated

damages, premia on prepayment or on redemption, redemption of the principal amount of the Debentures, Payment of interest, Remuneration of the Trustees, costs, charges, expenses and other monies payable by the Company to ICICI/SBI/SBI Debenture Trustees under the Loan Agreements/Letters of Sanction/Memorandum of Terms and Conditions entered into/to be entered into by the Company/terms of the Debenture Trust Deed in respect of the said term loans/working capital limits/debentures.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with ICICI/SBI/SBI Debenture Trustees the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

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

"RESOLVED that subject to necessary approvals and pursuant to the provisions of Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the Company hereby approves the reappointment of Mr. M.V. Subbiah as Chairman & Managing Director of the Company for a period of five years with effect from 1st October 1998 on the following terms and conditions and the increase in remuneration for the period from 1st July 1998 to 30th September 1998 as detailed below:

- | | |
|-------------------------------|---|
| 1. Salary | Rs. 1,00,000 per month in the range of Rs. 1,00,000 - Rs. 3,00,000. The increments will be decided by 'The Special Committee' constituted for this purpose |
| 2. Personal Allowance | 15% of salary per month |
| 3. Commission | 1% of the net profits of the Company for each financial year computed in the manner prescribed under Sections 349 and 350 of the Companies Act, 1956 subject to a maximum amount equal to the annual salary payable to him for the respective financial year. |
| 4. Perquisites | In addition to salary, personal allowance and commission perquisites are as follows: |
| (i) Housing | Furnished / Unfurnished Residential Accommodation or House Rent Allowance of 30% of salary per month in lieu thereof. |
| (ii) Medical Reimbursement | Actual expenses incurred by Mr. M.V. Subbiah and his family. |
| (iii) Leave Travel Concession | For Mr. M.V. Subbiah and his family once in a year in accordance with the rules of the Company subject to a maximum of 15% of annual salary. |

For the purpose of (ii) and (iii) above, 'family' means the spouse and dependent children of Mr. M.V. Subbiah

- (iv) Club Fees
Fees of Clubs subject to a maximum of two clubs, admission and life membership fee not being allowed.
- (v) Personal Accident Insurance
Premium shall not exceed Rs. 10,000 per annum.
- (vi) Company's contribution towards Provident Fund and Superannuation Fund
Contribution to Provident Fund and Superannuation Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- (vii) Encashment of leave not availed of
Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
- (viii) Gratuity
Gratuity payable should not exceed half-a-month's salary for each completed year of service.
- (ix) Provision of Car for use of Company's business and Telephone at residence will not be considered as perquisites.
- (x) Such other perquisites, benefits, amenities and facilities as opted by Mr. M.V. Subbiah, the annual value of which shall not exceed one month's salary.

For the purposes of the foregoing, perquisites shall be valued as per Income Tax Rules, 1962. In the absence of any such rule, perquisites shall be evaluated at actual cost.

The Chairman & Managing Director will not be entitled to any sitting fee for attending meetings of the Board or of any Committee thereof.

Minimum Remuneration

RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year, the remuneration by way of salary, allowances, perquisites, benefits, amenities and facilities to Mr. M.V. Subbiah, shall not, except with the approval of the Central Government, exceed the limits prescribed under the Companies Act, 1956 and rules made thereunder or any statutory modification or re-enactment thereof.

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

"RESOLVED that in supersession of the Resolution dated 26th August 1994 of the Company, the consent of the members be and the same is hereby accorded for the payment of sitting fees of Rs. 2000/- (Rupees Two thousand only) with effect from 1st July 1999, for every Director attending the Board Meeting or any Committee thereof and he shall be entitled to be paid reasonable travelling, hotel and other expenses incurred in attending and returning from