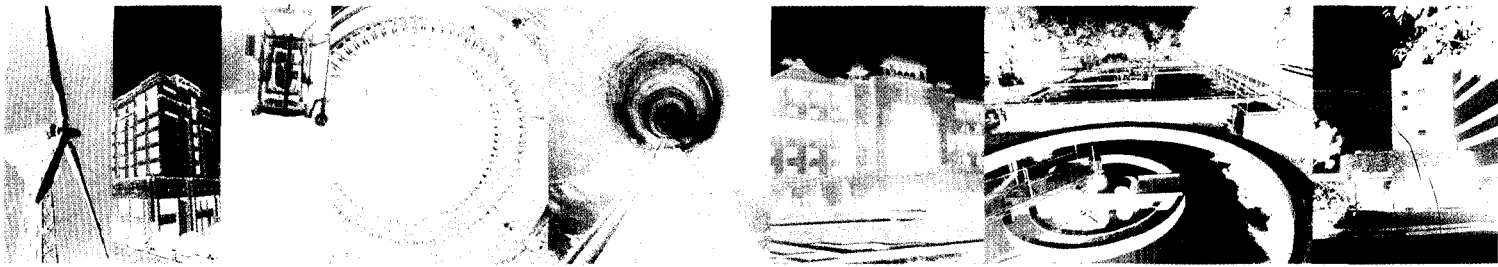


Beck India Ltd.



Annual Report 2004

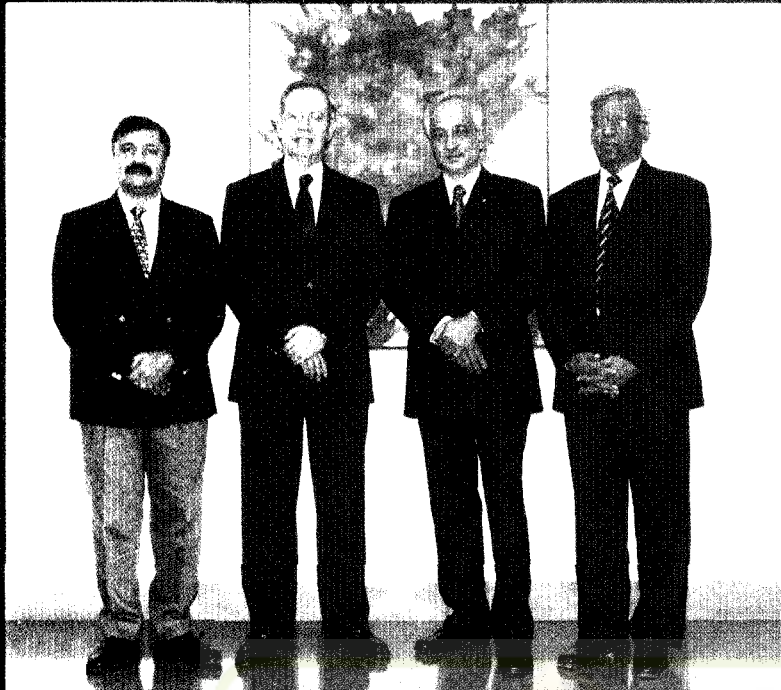
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Partners
in
Customers
Success



Beck India Ltd. is a member of ALTANA Chemie

Executive Management Team



Executive Management Team (L to R)

Rajeev Bhide

Director - Finance & Corporate Affairs

Manu Tandon

Managing Director

Prashant Deshpande

Director - Marketing

Sharad Shetye

Director - Manufacturing

Partners
in
Customers
Success

Board of Directors

Dr. Matthias Wolfgruber
Chairman

Dr. Christoph Schlünken

Dr. Guido Forstbach

Mr. Martin Babilas

Mr. R. K. Kulkarni

Mr. Pradeep Mallick

Mr. S. N. Talwar
(Alternate to Dr. Matthias Wolfgruber)

Mr. P. V. Deshpande
(Alternate to Dr. Christoph Schlünken)

Mr. S. R. Shetye
(Alternate to Dr. Guido Forstbach)

Mr. Rajeev Bhide
(Alternate to Mr. Martin Babilas)

Mr. M. Tandon
Managing Director

Company Secretary

Mr. Devdatta Buche

Auditors

BSR & Co.
Chartered Accountants

Internal Auditors

Mahajan & Aibara
Chartered Accountants

Solicitors

Crawford Bayley & Co.

Bankers

The Bank of Nova Scotia
Bank of Baroda

Registrars & Share Transfer Agents

Sharepro Services (India) Pvt. Ltd.
Mumbai

Registered Office

407-A, 'Arcadia', 4th Floor,
195, Nariman Point,
Mumbai 400 021

Corporate Office

'Beck House',
Off Law College Road,
Pune - 411 004

Works

147, Bombay-Pune Road,
Pimpri, Pune 411 018

Plot No. 1 (A, B & C),
GIDC Industrial Area,
Ankleshwar 393 002

Regional Offices

Bangalore, Kolkata, Mumbai, New Delhi

Website: <http://www.beckindia.com>

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Directors' Report

To the Members,

Your Directors have pleasure in presenting the Forty-Ninth Annual Report and the Audited Accounts for the financial year ended on December 31, 2004.

Financial Highlights

	(Rs. in Millions)	
	Year ended 31.12.2004	Year ended 31.12.2003
Income from operations	1048.96	884.04
Profit before Interest and Depreciation and Tax	215.47	119.54
Depreciation	13.90	16.40
Interest	0.39	1.14
Profit Before Exceptional Items and Tax	201.18	102.00
Add: Exceptional Items	—	37.91
Provision for tax	80.65	114.19
Net Profit	120.54	25.72
Profit and Loss Account brought forward	16.34	83.25
Profit Available for appropriation	136.88	108.97
Appropriations		
Interim Dividend	—	79.83
Final Dividend	19.82	—
Tax on Dividend	2.78	10.23
Transfer to General Reserve	12.05	2.57
Carried to Profit and Loss Account	102.23	16.34

Dividend

Your Directors are pleased to recommend the payment of a dividend of Rs. 2.50 per equity share, for the year ended December 31, 2004.

Performance

The sales performance of Rs. 1012 millions for the year ended December 31, 2004 is about 20% higher than the sales performance for the previous year ended December 31, 2003 of Rs. 844 millions. In quantitative terms, a similar comparison reveals a growth in sales volume of 8%, for the year under review.

The aforesaid growth in sales as well as an improvement in other operational parameters has resulted in an appreciable increase in Profit Before Tax.

Current and Future Outlook

Consequent to the continuing buoyancy in the Electrical Industry and the Indian economy in general, the demand for the Company's products has increased significantly, reflecting in the improved financial results of the year. Whilst your Board of Directors is generally optimistic about the prospects for the current year, the Company has experienced an unprecedented increase in prices of petroleum based raw materials, consequent to the relentless increase in crude oil prices. This situation is bound to affect product margins and in turn the profitability of the Company. The export business of the Company to China is likely to be affected by the slow down of industrial activity in China. The Company has taken steps to increase its export business in South Asian countries.

Directors

Dr. Matthias Wolfgruber and Dr. Christoph Schlünken retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

As required under the Listing Agreement, particulars of Directors seeking appointment at the ensuing Annual General Meeting have been attached to the Notice of the meeting.

None of the Directors are disqualified from being appointed as Directors, as specified in Section 274 of the Companies Act, 1956.

Corporate Governance

The Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance, as prescribed under the Listing Agreement of the Stock Exchanges at which the Company is listed, are complied with. A separate Report on Corporate Governance is annexed along with the Auditors' Certificate on its compliance. The Management Discussion and Analysis Report also forms a part of this report.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, after due inquiry and on the basis of the information received from the operating management and relying upon the report of the auditors regarding compliance with the Accounting Standards, the Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
2. the accounting policies have been consistently applied and reasonable and prudent judgement and estimates have been made so as to give a true and fair view of the state of affairs of the

Company as at December 31, 2004 and the Profit for the year ended on that date.

3. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities.
4. the annual accounts have been prepared on a going concern basis.

Fixed Deposits

During the year the Company has not accepted any Fixed Deposits. As of December 31, 2004, deposits amounting to Rs. 38,000 which though matured, had remained unclaimed. Depositors were accordingly intimated with a request to claim their deposits.

Cost Audit

Dhananjay V. Joshi & Co., Cost Accountants have been re-appointed for the year 2005 to conduct the audit of the cost accounts maintained by the Company in respect of Synthetic Resins.

Auditors

The Auditors BSR & Co., Chartered Accountants, Mumbai retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The Audit Committee recommends the re-appointment of BSR & Co., as Auditors of the year 2005. The Company has received a letter from retiring auditors to the effect that their appointment, if made, would be within the

prescribed limits under Section 224(1B) of the Companies Act, 1956.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information as required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is given in Annexure A to this report.

Particulars of Employees

Information to be provided under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forming part of this report is given in Annexure B.

Industrial Relations

Industrial Relations continued to be cordial during the year under review. During the year, a three year wage settlement, till December 2006 with bargainable employees at Pimpri, was amicably negotiated with sequential action at other locations.

The Board wishes to place on record its appreciation to all employees of the Company for their continued contribution to the performance of the Company.

For and on behalf of the Board

Dr. Matthias Wolfgruber
Chairman

M. Tandon
Managing Director

Mumbai
April 12, 2005

Annexure A to the Directors' Report

Additional information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

(a) Following measures were taken to conserve energy

- Installation of energy efficient variable frequency drives for agitators and pumps.
- Recycling of water.
- Use of air operated diaphragm pumps.
- Instrumentation and automation of new reactor for Polyesteramide-emide processing.
- Boiler MFGD 1973 replaced by new energy efficient boiler (Combustion efficiency increased from 70% to 88%).
- New larger cold storage of capacity 120MT.
- Water saving through implementing TAC approved Hydrant project.
- Thermopac 1000U (1980 mfgd) replaced by new energy efficient Thermoac model TPB-10 (Improved combustion efficiency by 6% i.e. 87% to 93%).
- Insulated Phenol storage tank (cap 20 CuM) to maintain phenol in molten state.
- 18.5 KW Energy efficient motor installed for Thermopac Primary Pump.
- Improvement in material handling by use of above ground tanks instead of barrels for solvents/oils received in tankers.
- Handling of material using transfer pumps in place of vacuum pump.
- Process automation carried out to add five more products.
- Above ground and UG tanks (11 nos.), and mixing vessel added in PCS7 system for centralized control.
- Replaced old fork lift with new efficient forklift capable of export container stuffing and having engine emission compliant to Bharat stage-I.
- Energy Audit carried out by Government authorized agency ERDA.

(b) Additional investments and proposals being implemented for reduction of consumption of energy

- Variable frequency drives for agitators and pumps.
- Installation of Energy efficient screw compressor in place of reciprocating compressor.
- Instrumentation and Automation Project for changes caused by process improvement or addition of new product recipes.
- Improvement in effluent waste water treatment plant.

- New/Transferred products will be added to PCS7 system (Potential is for five products processed using LK14 reactor).
- Up gradation of PCS7 system to user-friendly version.
- Implement recommendations arising out of Energy Audit carried out by Government authorized agency ERDA.

(c) Impact of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

- Overall savings in energy consumption resulting in reduction of electricity and fuel per metric ton of production.
- Savings in electricity bills by way of incentive, as power factor is maintained at 0.99 to Unity at all sites.
- Energy conservation efforts resulted in savings of Rs. 2.266 Mio. in 2004.

(d) Total energy consumption and energy consumption per unit of production

Particulars	Year ended on December 31, 2004	Year ended on December 31, 2003
A. POWER & FUEL CONSUMPTION		
1. Electricity		
(a) Purchased Unit (KWH in lakh)	19.13	21.18
Total KWH		
Total amount (Rs. lakh)	83.74	91.21
Rate/KWH (Rs.)	4.38	4.31
(b) Own generation		
(i) Through Diesel Generator		
Units (KWH in lakh)	0.90	1.07
Units per ltr. of Diesel Oil	2.37	2.63
Cost/Unit (Rs.)	11.52	8.97
(ii) Through Steam turbine/generator		
Units (KWH)	—	—
Units per ltr. of fuel oil/gas	—	—
Cost/Unit (Rs.)	—	—
2. Coal		
Quantity (Tonnes)	—	—
Total amount (Rs. lakh)	—	—
Cost/Unit (Rs.)	—	—
3. Furnace Oil (LDO)		
Quantity (K. Ltrs.)	314.80	375.87
Total amount (Rs. lakh)	65.33	62.80
Average Rate (Rs./KL)	20752.86	16707.90
4. Natural Gas		
Quantity (KM3)	312.31	298.91
Total amount (Rs. lakh)	27.80	26.73
Rate (Rs./KM3)	8901.95	8.94

Particulars	Year ended on December 31, 2004	Year ended on December 31, 2003
B. CONSUMPTION PER M.T. OF PRODUCTION		
Products: Wire Enamels, Impregnating Varnishes and Synthetic Resins		
Electricity	222.79	265.37
Furnace Oil (LDO)	35.02	44.82
Coal	—	—
Natural Gas	34.74	35.65
Others	—	—

B. TECHNOLOGY ABSORPTION

1. Specific areas in which R & D carried out by the Company

The Research and Development Centre was engaged in the development of new synthetic insulation materials for the electrical as well as cable and winding wire industries and coatings and sealants for the construction industry.

2. Benefits derived as a result of the above R & D

- Economic and environment friendly water soluble core plate varnish.
- Flame retardant flexible epoxy system for ignition coils.
- Transfer of technology from Group Companies for new electrical insulation products.
- Water based epoxy systems for food and pharma industry.
- Conversion of waste into saleable product.
- Cost reductions and improvements in manufacturing processes.

3. Future plan of action

- Improved performance of Wire enamels and varnishes in terms of environmental aspects.
- Polyesteramide wire enamels for high speed enameling materials.
- Development of new intermediate resins for supply to associate companies.
- Completion of adaptation of new products from Group Companies under technology transfer.

4. Expenditure on R & D

	Year ended on 31.12.2004	Year ended on 31.12.2003
(a) Capital	19.29	20.48
(b) Recurring	90.00	78.02
(c) Total	109.29	98.50
(d) Percentage of total turnover	1.04	1.11

5. Technology absorption, adaptation and Innovation

Information regarding technology imported during the last five years:

Technology Imported	Year of Import	Has the Technology been fully absorbed	If not when to be absorbed
Know-how for manufacture of insulating varnishes	2004	No	2005

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information regarding foreign exchange earnings and outgo is contained in Note No. 27 to the financial statements.

Annexure B to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended 31st December, 2004.

1. Name	Mr. Manu Tandon
2. Designation	Managing Director
3. Remuneration subject to tax (Rs.)	4,239,796/-
4. Qualifications	B.Com., F.C.A. (England & Wales)
5. Age and experience (Years)	61/36
6. Date of Commencement of employment	01.01.1996
7. Last employment held, Designation and Organisation	Chief Executive — Finance & Personnel BASF India Ltd., Mumbai

Notes:

1. The nature of employment is contractual.
2. Other terms and conditions; as per Company's rules.
3. Gross remuneration includes allowances, Company's contribution to provident fund, provision for medical entitlement as per Company rules, monetary value of perquisites as per Income Tax Act/rules and does not include provisions for leave encashment, premium for gratuity and group insurance.

Management Discussion and Analysis Report

A decade of reforms has helped India achieve an average economic growth of about 6%. During this period, the Indian Economy had recorded impressive progress despite political uncertainties, natural calamities and a global slowdown. The continuance of the upturn in industrial and service sectors, along with strong recovery in agriculture due to good rainfall, is expected to result in GDP growth exceeding 6%.

The Chemical Industry has however had to contend with unprecedented increases in raw material prices due to the rising crude oil prices. Import duty reductions have only partially offset these increases.

Electrical Insulations and Construction Chemicals are the two business areas which your Company has continued to focus on. Following is a brief summary of the performance of the two business lines for the year 2004.

Electrical Insulations

India, inherited about 1300 MW of generating capacities at the time of its independence in 1947 and today has an installed capacity of more than 110,000 MW. Despite this achievement, the ever increasing power demand of the country's vibrant economy has led to a widening gap between the supply and demand position. The Indian Government has therefore, rightly put emphasis on this sector and plans to add 100,000 MW of new installed generating capacity in the next decade, upto 2012 or 10,000 MW every year on an average.

The performance of the Electrical Industry is closely linked to the power sector, which continues to languish on account of a host of reasons, such as excessive distribution of free or subsidized electricity, theft of power and high transmission and distribution losses. State Electricity Boards are consequently in a weak financial condition, and are unable to source adequate funds for modernization and expansion. The Electricity Act, 2003 has addressed many of these issues, but it will be some time until the consumer sees the results in terms of regular and quality power. Nevertheless, the Electricity Industry has fared well in 2004 in consonance with the continued economic revival, and buoyant industrial growth in India.

The Electrical Insulation Business of Beck India has fared well in 2004, and the Company has maintained its market leadership. However, in the low technology commodity oriented product segment of polyester enamels, the Company has faced stiff competition from the SME sector and has sacrificed volumes in order to maintain minimum margins.

In the high technology speciality sector, the Company's strengths in terms of R&D, technical service, marketing & distribution capabilities and sound commercial management continue to provide the ability to maintain the Company's competitive advantage and market leadership.

Construction Chemicals

The Company's Construction Chemical Business comprises of Resins & Compounds in the nature of Coatings, Sealants and Admixtures for structural repairs, industrial floorings, protective coatings and waterproofing. Within this range of applications, the market is segmented between Industrial and Retail.

In its efforts to explore potential within the Industrial Market, the Company's strategy was to focus on growth sectors of Auto, Pharma, Food and Electronics. In Industrial Floorings, the Company consolidated its business by strengthening its product range through the introduction of underlays based on Cementitious Polymers, including Epoxy. For Pharma and Food Industries, water based Polyurethane Wall Coating products were introduced.

Business Processes

The enhancement of the Company's capabilities through improvement in business processes is a continuous endeavor. The Company is currently focusing on Knowledge Management aimed at harnessing tacit knowledge in various critical areas of operations, into secured electronic data bases, for efficient utilization of such knowledge in the operations of the Company.

The E-commerce system introduced two years ago has been further expanded and refined and now provides a seamless process for conducting a range of business interactions with our distributors.

The Company participated in the Global Strategy Evaluation Process of ALTANA Chemie, as a continuous review of its competitive situation, strategies and targets, to maintain its momentum of growth and profitability.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The year 2004 witnessed a sharp improvement in the Company's net sales by 20% and profit by 97% after excluding exceptional item in the previous year. The sharp increase in profit before tax reflects the significant increase in contribution arising out of higher sales, favourable product mix and benefits from long term purchase contracts, as also lower fixed costs consequent to divestment of the Lote Parshuram Plant & Phenolic Resin Business, in 2003.

The Company believes that growth of profits is generated not only out of increased sales but also through cost management from continuous upgradation of manufacturing, commercial and business processes, as well as new and improved products in its portfolio.

INTERNAL CONTROL SYSTEMS

Your Company has clearly laid down policies, guidelines and procedures that form part of the Internal Control Systems. The adequacy of Internal Control Systems,

which encompass the Company's business processes and financial reporting systems, is examined by the management as well as by its internal auditors at regular intervals. The internal auditors carry out audits at regular intervals in order to identify weaknesses and suggest improvements for better functioning. The observations and recommendations of the Internal Auditors are discussed by the Audit Committee, to ensure effective corrective action.

TECHNICAL MANAGEMENT

During the year under review, the Company has been able to enhance its ability to provide products and services of a high order through technical and process competencies.

In addition to achieving higher productivity levels through effective utilization of manpower, process improvements and energy conservation measures, the production sites have been able to optimize operations and yet reduce pollution loads, thereby serving the cause of environmental protection.

With continuous emphasis on innovation through the entire production processes chain, a number of process improvements and low cost de-bottlenecking measures have been introduced, leading to significantly reduced batch cycle time. This has enabled the factories to produce the highest ever volumes.

During the year under review, through various initiatives, production volumes at Pimpri works were increased by more than 30% over 2003, and at Ankleshwar by about 8%.

Through the cumulative effect of various measures, including automation of plants and replacement of old boilers, energy consumption has been reduced by 40% at Pimpri.

During the year the installation of Siemens PCS7 batch automation systems was completed at both factories, which now controls all production processes through computer resident recipes and process control programmes. This brings our production reactors on par with the international standards of the ALTANA Chemie Group.

The Company has always paid careful attention to Environment, Health and Safety. Year 2004 was an

accident-free year and our factories are acknowledged for their clean and green environment.

During the year, RWTUV and TUV carried out a surveillance audit for the Quality Management System, and re-certification audit for the Environmental Management System.

HUMAN RESOURCES/INDUSTRIAL RELATIONS

The Company's employees at all levels participated in a global employee survey conducted by ALTANA Chemie. In Beck India, 80% of the employees responded and their overall perception of the Company was quite positive and encouraging. Arising out of the employee feedback, a few areas requiring strengthening, such as employee training and development, rewards and remuneration and transparency of strategies & objectives, are being addressed.

The Company is in a constant mode of proactively enabling its managers to enhance their knowledge and skills and continuously seeks to inculcate within its employees, a strong sense of business ethics and social responsibility as well as the high values and principles expected of an ALTANA Chemie Group Company.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations may be interpreted as "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to Company's operations include economic conditions affecting demand/supply, price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes.

For and on behalf of the Board

Dr. Matthias Wolfgruber
Chairman

M. Tandon
Managing Director

Mumbai
April 12, 2005

Report on Corporate Governance

1. The Company follows the principles and canons of Corporate Governance and believes that sustainable performance is ultimately dependent upon a culture of business ethics, transparency, accountability and commitment to global standards, in the conduct of its business operations as well as, its interaction with various interest groups, viz. shareholders, customers, suppliers, employees, regulatory authorities and the community at large. For this purpose your Company has been transparent in its dealings, adhering to the corporate values and leveraging its corporate resources for the benefit of all interest groups.

2. Board of Directors — Composition and functioning

The Board comprises seven Directors. Dr. Matthias Wolfgruber is a Non-Executive Chairman and Mr. M. Tandon is the Managing Director. Mr. S. N. Talwar, Mr. P. V. Deshpande, Mr. S. R. Shetye and Mr. Rajeev Bhide are Alternate Directors. Mr. P. V. Deshpande, Mr. S. R. Shetye and Mr. Rajeev Bhide are also in the Whole-time employment of the Company.

The Managing Director and the Wholetime Directors are involved in the day-to-day management of the Company while the Non-Executive Directors bring in the external perspective and independence in decision-making.

The composition of the Board and number of other Companies/Committees the Director of the Company is a Director/Member/Chairman

Name of Director	Directorships @	Memberships #	Chairmanship #
Dr. Matthias Wolfgruber*	Nil	Nil	Nil
Dr. Christoph Schlünken*	Nil	Nil	Nil
Dr. Guido Forstbach*	Nil	Nil	Nil
Mr. Martin Babilas*	Nil	Nil	Nil
Mr. R. K. Kulkarni**	5	8	2
Mr. Pradeep Mallick**	6	6	3
Mr. S. N. Talwar** (Alternate to Dr. Matthias Wolfgruber)	15	10	4
Mr. M. Tandon***	Nil	Nil	Nil
Mr. P. V. Deshpande*** (Alternate to Dr. Christoph Schlünken)	Nil	Nil	Nil
Mr. S. R. Shetye*** (Alternate to Dr. Guido Forstbach)	Nil	Nil	Nil
Mr. Rajeev Bhide*** (Alternate to Mr. Martin Babilas)	Nil	Nil	Nil

* Non-Executive Director

** Non-Executive Director — Independent

*** Executive Director

@ Excludes Directorships of companies incorporated outside India, private limited companies, bodies corporate, and Alternate Directorships.

Memberships of Audit Committee/Shareholders/Investors Grievance Committee/Remuneration Committee of all Public Limited Companies have been considered.

3. Meetings and Attendance

During the Financial Year ended on 31st December, 2004, five Board meetings were held on 27th February, 9th March, 29th April, 29th July, and 26th October.

The Directors attended the meetings as follows:

Name of Director	Meetings held during the tenure of director	Meetings attended	Last AGM
Mr. S. N. Talwar	5	4	No
Mr. Pradeep Mallick	5	4	Yes
Mr. R. K. Kulkarni	5	4	Yes
Mr. M. Tandon	5	5	Yes
Mr. P. V. Deshpande	5	5	Yes
Mr. S. R. Shetye	5	5	Yes
Mr. Rajeev Bhide	5	4	Yes

4. Audit Committee

The Audit Committee was reconstituted on April 29, 2004. The Audit Committee comprises of Mr. R. K. Kulkarni (Chairman), Mr. Martin Babilas, Mr. S. N. Talwar and Mr. Pradeep Mallick. All members of the Audit Committee are Non-Executive Directors. The Managing Director, Director – Finance & Corporate Affairs, representatives of the Statutory Auditors and Internal Auditors also attend the meetings. The Audit Committee reviews quarterly and yearly Financial Statements and periodically meets to discuss related matters such as:

- Approving and implementing audit procedures and techniques.
- Reviewing reports of both Statutory Auditors and Internal Auditors.
- Reviewing financial reporting system, internal control systems and control procedures.
- Ensuring compliance with regulatory guidelines.
- Requirements of Clause 49 of the Listing Agreement.

The Audit Committee is at liberty to meet the operating management in order to review the operations of the Company. The minutes of the Audit Committee meetings are circulated to the Board, discussed and taken note of.

5. Remuneration of Directors

Within the overall limits fixed by the shareholders in General Meeting, the Board decides the remuneration of Executive Directors. Remuneration comprises basic salary, perquisites and performance based incentive, which are decided annually by the Board taking into consideration the Company's performance against financial targets and non-financial objectives as well as the performance of the individual concerned.

The remuneration levels are governed by industry pattern, qualifications and experience of the employee,