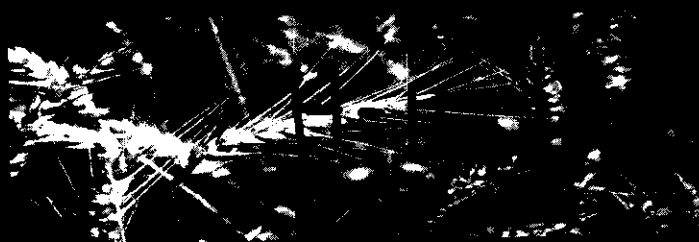


HIKAL

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ANNUAL REPORT
1999 – 2000



HIKAL CHEMICAL INDUSTRIES LTD

HIKAL CHEMICAL INDUSTRIES LIMITED**NOTICE**

Notice is hereby given that the 12th Annual General Meeting of the members of Hikal Chemical Industries Limited will be held on Tuesday, 4th July 2000 at 2.30 p.m., at Sunflower Suite No. I & II, 30th floor at World Trade Centre No. 1, Cuffe Parade, Mumbai - 400 005.

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2000 and the Profit and Loss Account for the year ended 31st March, 2000 and the Reports of the Directors and the Auditors thereon.
2. To declare dividend on preference shares
3. To declare dividend on equity shares.
4. To appoint a Director in place of Mr. B. N. Kalyani, Director who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. V. G. Yennemadi, Director, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

7. To consider and if, thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT Mr. Kannan K. Unni, who was appointed as an Additional Director of the company by the Board of Directors and who ceases to hold office u/s 260 of Companies Act, 1956, and in respect of whom the company has received a notice in writing proposing his candidature for the office of the Director be and is hereby appointed as a Director of the company, liable to retire by rotation".

8. To consider and if, thought fit, to pass with or without modifications, the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to the provisions of section 310 and other applicable provisions if any, of the Companies Act, 1956, and subject to the approval of the central Government, consent of the company be and is hereby accorded to pay a remuneration as set out hereunder to Mr. Jai Hiremath, the Managing Director of the company with effect from April 1, 2000 till the expiry of his term i.e. September 5, 2003".

A) SALARY:

Salary of Rs. 2,00,000/- per month.

B) PERQUISITES :

In addition to the above, the Managing Director shall be entitled to the following perks :

CATEGORY 'A'

- (i) **Housing I** : The expenditure by the company on hiring furnished accommodation for the Managing Director will be subject to the ceiling of fifty percent of the salary.
- Housing II** : In case the accommodation is owned by the company, ten per cent of the salary of the Managing Director shall be deducted by the company.
- Housing III** : In case no accommodation is provided by the company, the Managing Director shall be entitled to the ceiling laid down in Housing - I.

Explanation : The expenditure incurred by the company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of ten per cent of the salary of the Managing Director.

- (ii) **Medical Reimbursement** : Expenses incurred for the Managing Director and the family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
- (iii) **Leave Travel Concession** : For the Managing Director and his family once in a year incurred in accordance with the rules specified by the company.
- (iv) **Club Fees** : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
- (v) **Personal Accident Insurance** : Premium not to exceed Rs. 4,000/- per annum.

Explanation: For the purpose of category 'A' family means the spouse, the dependent children and dependent parents of the Managing Director.

CATEGORY 'B'

1. Contribution to Provident Fund, 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. Gratuity payable will not exceed half a month's salary for each completed year of service.
2. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY 'C'

Provision of car for use on company's business and telephone at residence will not be considered perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the Managing Director.

C) COMMISSION

"Remuneration by way of commission will also be allowed in addition to salary and perquisites. The amount of it based on the net profits of the company in a particular year, shall be subject to the overall ceilings laid down in Section 198 and Section 309."

"FURTHER RESOLVED without prejudice to the application to the Central Government for approval for the payment of Rs. 40,00,000/- (inclusive of all perquisites and allowance but exclusive of all items stated

at category 'B' and 'C' above) per annum as managerial remuneration to Mr. Jai Hiremath, Managing Director, consent of the company be and is hereby accorded to pay to Mr. Jai Hiremath, Managing Director, a minimum remuneration of upto Rs. 18,00,000/- (inclusive of all perquisites and allowance but exclusive of all items stated at category 'B' and 'C' above) per annum with effect from April 1, 2000 till the expiry of his term i.e. September 5, 2003, which is within the limits prescribed under the revised Schedule XIII of the Companies Act, 1956 for payment of managerial remuneration in case of inadequacy of profits."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to alter and vary such revised terms and conditions of remuneration to Mr. Jai Hiremath, Managing Director, in accordance with the laws from time to time in force as may be agreed to by the Directors and acceptable to Mr. Jai Hiremath, Managing Director and particularly within the limits specified in the Schedule XIII to the Companies Act, 1956, in the event of any statutory amendments or modifications or relaxation thereto."

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary and desirable to give effect to this resolution."

"FURTHER RESOLVED THAT the Board of Directors of the company be and is hereby authorised to enter into an agreement subsequent to the approval of the Central Government on behalf of the Company with Mr. Jai Hiremath, Managing Director for the revision in terms of remuneration and perquisites as mentioned in the foregoing resolutions".

9. To consider and if, thought fit, to pass with or without modifications, the following resolution as an ordinary resolution :

"RESOLVED THAT upon the recommendation of the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee(s) of the Board of Directors formed for the time being to exercise the powers conferred on the Board of Directors) and pursuant to Article 160 of the Articles of Association of the Company and subject to such requisite approvals, permissions and/or sanctions of Reserve Bank of India and SEBI and other appropriate authorities/institutions where applicable, and subject to such conditions or guidelines, if any, prescribed or stipulated by the concerned authorities or any one of them from time to time, a sum of Rs. 5,02,67,000/- (Rupees Five Crores two lakh sixty seven thousand only) out of the sums to the credit of General Reserve / Share Premium Account be and the same is hereby capitalised and applied for the allotment of 1 bonus equity share of Rs. 10/- each credited as fully paid up equity share for every 1 of the said existing equity share held by the members and accordingly the Directors be and are hereby authorised to appropriate the said sum for distribution to and amongst the members of the company whose name appear in the Register of Member of Equity Shares as on such date to be hereafter fixed by the Directors in proportion to the Equity Shares held by them respectively on the basis that members become entitled to the new equity shares as capital and not as income."

"FURTHER RESOLVED THAT the new equity shares shall be allotted subject to the Memorandum and Articles of Association of the Company and shall in all respects rank pari passu with the existing fully paid-up equity shares of the company, with a right, if the Directors so determine, to participate in full in dividend to be declared after the date of allotment of these shares."

"FURTHER RESOLVED THAT no letter of allotment shall be issued in respect of the said bonus shares but the certificates in respect of the new equity shares to be allotted as fully paid bonus shares as aforesaid shall be delivered within 3 months of the date of allotment thereof by the Board of directors of the Company (Board) or within such extended time as may be allowed by appropriate authorities."

"FURTHER RESOLVED THAT no fractional certificate shall be issued to the members in respect of their respective fractional entitlement of bonus shares but all the fractions remaining after allotment of the

bonus shares as aforesaid shall be consolidated into full bonus shares which shall be allotted at the discretion of the Directors to any person or persons in trust for the benefit of those members who are entitled to fractional entitlement of bonus shares, for the purpose of selling such consolidated full bonus shares as soon as possible in the market and that the net sale proceeds of such consolidated full bonus shares after deducting therefrom the costs, charges and expenses of sale, shall be divided and distributed proportionately amongst those members who would be entitled to fractional entitlements of such full bonus shares."

"FURTHER RESOLVED THAT the issue and allotment of the said bonus shares and/or payment of any sum in cash in lieu of fractional shares as aforesaid to the extent they relate to the non-resident members of the company, will be subject to the approval of the Reserve Bank of India, as may be necessary."

"FURTHER RESOLVED THAT for the purpose of giving effect to this resolution and for removal of any doubts or difficulties, the Board be and is hereby authorised to do all such acts, deeds, matters and things and to give from time to time such directions as may be necessary, expedient, usual or proper and to settle any question or doubt that may arise in relation thereto or otherwise reconsider the matter with the changed circumstances, if any, as the Board in its absolute discretion may think fit and its decision shall be final and binding on all members and other interested persons."

"RESOLVED LASTLY that the Board of Directors be and is hereby authorised to take such steps as may be necessary or desirable to give effect to this resolution."

- 10 To consider and if thought fit to pass with or without modifications, the following resolutions as a special resolution :

"RESOLVED THAT in accordance with the provisions of section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification (s) or re-enactment thereof) and the Memorandum and Articles of Association, the relevant Laws and Regulations prescribed by the Securities and Exchange Board of India (hereinafter referred to as SEBI) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include the Remuneration / Compensation Committee thereof), or as may be prescribed or imposed while granting such approvals, permissions or sanctions, which may be agreed to or accepted by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer, issue or allot, in one or more tranches, to such persons employed or persons to be employed in future as are in permanent employment of the company, at the time the issue is made and to the Directors of the company, as may be decided solely by the board, such number of Equity Stock Options convertible into Ordinary Shares of the company of the face value of Rs. 10/- each or such other denomination as existing at the time of issue/conversion, however not exceeding 5% of the Subscribed Ordinary Shares of the company at that time, as the Board may deem fit, on such terms and conditions as set out in the explanatory statement under the employees Stock Option Plan (hereinafter referred to as the plan) ranking pari passu with the ordinary Shares of the Company as then issued and in existence and on such other terms and conditions and at such time or times as the Board may, in its absolute discretion and in the best interest of the company deem fit."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of Ordinary Shares as may be required in pursuance of the above issue and that the Ordinary Shares so allotted shall rank in all respects pari passu with the existing ordinary Shares of the Company and shall carry the right to receive either full dividend for the whole year or pro rata from the date of allotment, as may be decided by the Board, declared for the financial year in which the allotment of the shares shall become effective."

"RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of securities, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring in to effect the Plan and make any modifications, changes, variations, alterations or revisions in the said Plan from time to time or to suspend, withdraw or revive the Plan from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company."

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

i) Increase in Authorised capital

"RESOLVED THAT in accordance with the provisions of Section 94 and any other applicable provisions, if any, of the Companies Act, 1956, the existing Authorised Share capital of the Company be and is hereby increased from Rs. 15,00,00,000/- (Rupees fifteen crores only) divided into 1,00,00,000 (one hundred lakhs) equity shares of Rs. 10/- each and 5,00,000 (Five lacs) cumulative redeemable preference shares of Rs.100/- each (at a fixed dividend rate to be determined by the Board at the time of issue which shall not exceed 16%) to Rs.35,00,00,000 (Rupees thirty five crores only) divided into 1,50,00,000 (One crore fifty lacs) equity shares of Rs. 10/- each and 20,00,000 (Twenty lacs) cumulative redeemable preference shares of Rs.100/- each (at a fixed Dividend rate to be determined by the Board at the time of issue which shall not exceed 16%) and that the relevant clauses of Memorandum and Articles of Association be modified accordingly".

ii.) Modification of Clause V of the Memorandum.

"RESOLVED THAT pursuant to the provisions of Section 16 and any other applicable provisions, if any, of the Companies Act, 1956, the Memorandum and Articles of Association of the Company be and is hereby altered as follows :

In Clause V of the Memorandum of Association of the Company, the words and figures reading as "The Authorised Share Capital of the company is Rs. 15,00,00,000/- (Rupees fifteen hundred lacs only) divided into 1,00,00,000 (one hundred lacs) equity shares of Rs.10/- each and 5,00,000 (five lacs) cumulative redeemable preference shares of Rs.100/- each (at a fixed Dividend rate to be determined by the Board at the time of issue which shall not exceed 16%) be deleted and substituted with the words ' The Authorised Capital of the Company is Rs 35,00,00,00/- (thirty five crores only) divided into 1,50,00,000 (One crore fifty lacs) equity shares of Rs. 10/- each and 20,00,000 (twenty lacs) cumulative redeemable preference shares of Rs 100/- each (at a fixed Dividend rate to be determined by the Board at the time of issue which shall not exceed 16%)".

12. To consider and if, thought fit to pass with or without modifications, the following resolutions as a special resolution :

Modification of Clause 3 of the Articles

"RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article of Association of the Company, be and are hereby altered as follows :

In Clause 3 of the Article of Association of the Company, the words and figures reading as "The Authorised Share Capital of the company is Rs. 15,00,00,000/- (Rupees fifteen hundred lacs only) divided into 1,00,00,000 (One hundred lacs) equity shares of Rs. 10/- each and 5,00,000 (five lacs) cumulative redeemable preference shares of Rs. 100/- each (at a fixed Dividend rate to be determined by the Board at the time of issue which shall not exceed 16%) be deleted and substituted with the words ' The Authorised Capital of the Company is Rs. 35,00,00,00/- (thirty five crores only) divided into 1,50,00,000 (one crore fifty lacs) equity shares of Rs. 10 each and 20,00,000 (twenty lacs) cumulative redeemable preference shares of Rs. 100/- each (at a fixed Dividend rate to be determined by the Board at the time of issue which shall not exceed 16%)".

13. To consider and if, thought fit to pass with or without modifications, the following resolutions as a special resolution :

"RESOLVED THAT pursuant to the provisions of section 21 and other applicable provisions if any, of the Companies Act, 1956 and subject to the approval of the Central Government (ROC), the name of the company be and is hereby changed from Hikal Chemical Industries Ltd. to "HIKAL LTD".

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By Order of the Board of Directors
For Hikal Chemical Industries Limited

Place : 6, Nawab Building,
327, D. N. Road, Mumbai - 400 001.
Date : 8th June, 2000.

S. V. Wahalekar
Company Secretary

NOTES :

1. An explanatory statement as required under Section 173 (2) of the Companies Act, 1956 in respect of special business is annexed.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
3. The Register of Members and Share Transfer Books of the company will remain closed from 29th June, 2000 to 4th July, 2000 (both days inclusive).

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED U/S 173(2) OF THE COMPANIES ACT, 1956

Item No 7

Mr. Kannan K. Unni was appointed as an Additional Director of the Company with effect from 12th May, 2000, as per the provisions of Section 260 of the Companies Act, 1956. He holds office upto the date of this Annual General Meeting, but is eligible for reappointment. Notice in pursuance of Section 257 of the Companies Act, 1956 has been received from the member of the company signifying his intention to propose him as Director of the company. Mr. Kannan K. Unni, has wide experience in various fields like Business, Finance, Commercial activities etc. and held important positions in Multi National Companies.

Mr. Unni is currently Vice Chairman of Aventis CropScience. He has 35 years' experience in leading multinational companies and was Managing Director of Hoechst Schering AgrEvo.

He is the Chairman Emeritus of Indian Crop Protection Association and is closely connected to numerous Associations in Crop Protection, Seeds and Animal Health.

He is member of Research Council, Indian Institute of Management, Ahmedabad and visiting faculty in many management schools in India.

It is in the interest of the company to receive the benefit of his advice as Director.

The Directors recommend the approval of the Members to the resolution set out at item No. 7 of the notice.

None of the other Directors is concerned or interested in the proposed resolution

Item No 8

At the tenth Annual General Meeting held on 25th August, 1998, the members had approved the reappointment of Mr. Jai Hiremath as Managing Director for a period of five years from 6th September 1998 and the remuneration payable to him.

The members had, inter alia, approved payment of remuneration as per Schedule XIII of the Companies Act, 1956, with the authority to the Board of Directors to modify the terms and conditions of his appointment in the event of any statutory amendment or modifications or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, or otherwise within the Ceiling limits prescribed therein.

The Board further felt that considering the increased responsibilities and the excellent performance of the company under the leadership of Mr. Jai Hiremath, Managing Director, he deserves higher remuneration than what is permissible under revised Schedule XIII. Under section 310 of the Companies Act, 1956, any payment over and above the limits specified in Schedule XIII to the Companies Act, 1956, requires the prior approval of Central Government. Notwithstanding the application of the company to the Central Government for payment of remuneration to Mr. Jai Hiremath, Managing Director, over and above the limits specified in the revised Schedule XIII to the Companies Act, 1956, in any case, Mr. Jai Hiremath will be paid a remuneration as per limits prescribed in the said schedule.

In any Financial Year during the currency of the term of Mr. Jai Hiremath, the Managing Director, the company incurs a loss or its profits are inadequate, the company shall pay to Mr. Jai Hiremath, the minimum remuneration as stipulated under Section II of Part II of Schedule XIII to the Companies Act, 1956.

Accordingly, the Board of Directors had in its meeting held on 12th May, 2000, subject to the approval of the shareholders and the Central Government, increased the remuneration payable to Mr. Jai Hiremath, Managing Director to Rs. 40,00,000/- (inclusive of all perquisites and allowance but exclusive of all items stated at category 'B' and 'C' in the resolution at item 8 of the notice) per annum with effect from April 1, 2000 upto the expiry of his term i.e. upto September 5, 2003. The Board of Directors had in the same meeting also resolved that without prejudice to the application to be made to the Central Government for payment of Rs. 40,00,000/- per annum as remuneration, Mr. Jai Hiremath, Managing Director be paid upto Rs. 18,00,000/- (inclusive of all perquisites and allowance but exclusive of all items stated at category 'B' and 'C' in the resolution at item 8 of the notice) per annum, which is within the limits prescribed for payment of managerial remuneration under the revised Schedule XIII of the Companies Act, 1956, in case of inadequate profits.

Pursuant to the provisions of Section 310 to the Act, the members are requested to approve the revision in remuneration as set out in Item No. 8 of the notice.

The above revised remuneration may be treated as an abstract of the variation of the terms of the remuneration payable to Mr. Jai Hiremath under the provisions of Section 302 of the Companies Act, 1956.

No director, excepting Mr. Jai Hiremath, Mrs. Sugandha Hiremath and Mr. Sameer Hiremath, is interested or concerned in the Resolution at item no 8 of the notice.

Item No 9

The Company has to credit of General Reserve A/c. / Share Premium A/c. a sum of Rs.23,69,43,190/- as on 31.3.2000. The present paid-up capital of the company is Rs.5,02,67,000/- divided into 50,26,700 equity shares of Rs.10/- each. In the circumstances, it is felt that it will be advantageous to the company and the members if a portion of the General Reserve / Share Premium is capitalised. It is recommended that bonus equity shares be issued and allotted in the proportion of (One) equity share for every 1 (One) Equity share held. The said bonus shares shall rank pari passu with the existing equity shares.

The Board recommends the adoption of the resolution. None of the Director of the company is interested in the resolution except to the extent they would be entitled for bonus shares in relation to their holding of equity shares.

Item No 10

In the present competitive environment in the country and in the long term interest of the company and its shareholders, it is necessary that the company adopts measures for attracting and retaining the qualified, competent and talented personnel. Stock Option Schemes, designed to foster a sense of ownership and belonging amongst personnel, are a well accepted approach to this end. It is therefore appropriate to consider introducing a Stock Option Scheme for the permanent employees of the company and its Directors. The Shares may be allotted directly to employees or allocated in accordance with Stock Option Scheme framed in that behalf, in accordance with the provisions of the prevailing Law. It is intended that any such Stock Option Scheme shall not involve an issue / allocation of shares / option representing more than 5 % of the company's outstanding subscribed and paid up capital at any time. The proposed resolution is designed to enable achievement of these objectives. The broad terms of the proposed Stock Option Scheme are as follows :-

Total number of options / shares to be issued under the Plan

The total options to be granted under the plan shall not involve an issue / allocation of shares representing more than 5% of the Company's outstanding subscribed and paid up capital at any time.

Identification of Classes of Employees entitled to participate in the Plan

The present and future permanent employees and the directors of the company will be entitled to participate in the plan subject to the applicable regulatory requirements and guidelines issued by Securities & Exchange Board of India (SEBI) and other eligibility conditions as stipulated by the Board / Compensation Committee.

Requirement of Vesting and period of Vesting

Subject to the terms and conditions framed by the Board / Compensation Committee and the applicable rules and regulation of the Securities & Exchange Board of India, an employee should be in employment of the company on the date of granting and vesting of the options, (exceptions would be made for retiring employees). In cases of directors of the company, they should continue to be directors of the company on the date of granting and vesting of the options. Re-appointment of directors upon retirement by rotation shall be deemed to be continuity in tenure for the above purpose.

The vesting period shall commence on the expiry of one year from the date of grant of the options to the employees / directors and may extend up to five years from the date of grant of options with options being granted and vested in tranches. Subject to above, the granting and vesting of stock options would be as per the terms and conditions framed by the Board / Compensation Committee in this regard.

Maximum Period within which the options shall be vested

Subject to the terms and conditions framed under the plan by the Board / Compensation Committee, the options shall vest within a period which shall be not less than one year and not more than five years from the date of grant of options.

Exercise Price / Pricing Formulae

The Equity Shares would be issued to the eligible employees and directors at a price not exceeding the average of the weekly high and low of closing prices of the Equity Shares of the Company on the Bombay Stock Exchange during the 26 weeks preceding the date of grant of the options as determined by the Board / Compensation Committee.

Exercise Period and the process of exercise

The options could be exercised from the date of vesting within such period as under the terms and conditions as framed by the Board / Compensation Committee in this regard under the plan. However such period would not exceed more than 5 (five) years from the date of the vesting of the options. The process of exercise would be as per the terms and conditions set out by the Board / Compensation Committee in this regard.

Appraisal Process for determining the eligibility of employees for the Plan

The Board / Compensation Committee would lay down the appraisal process for granting of options to employees after taking into consideration various factors like the tenure of service, organisation level, performance, merit, educational qualification, future performance & potential, contribution towards the betterment of the company and such other factors as may be deemed fit by the Board/Compensation Committee.

Maximum Number of Options to be issued per employee and in the aggregate

The number of options to be issued to an employee / director under the plan would be determined by the Board / Compensation Committee. However, no single employee / director shall be granted options under the plan entitling such employee / director to receive equity shares of the company which would represent more than 5% of the subscribed and paid-up capital of the company.

Disclosure and Accounting policies

The Company shall comply with the disclosure and the accounting policies as prescribed by SEBI and any other appropriate authorities in this regard.